

CORE 08.06.21 **REPORT**

COST

01

- ⊖ scrap
- ⬇ iron ore
- ⊖ energy
- ⬇ zinc
- ⊖ coking coal

SUPPLY

04

- ⊖ lead times
- ⬆ production
- ⊖ imports
- ⊖ inventories

DEMAND

05

- ⬇ automotive
- ⬆ construction
- ⊖ appliance
- ⬆ manufacturing
- ⊖ agriculture
- ⊖ durable goods

ECONOMIC

10

- ⬆ employment
- ⊖ confidence
- ⊖ GDP
- ⊖ inflation

 **SCRAP¹**

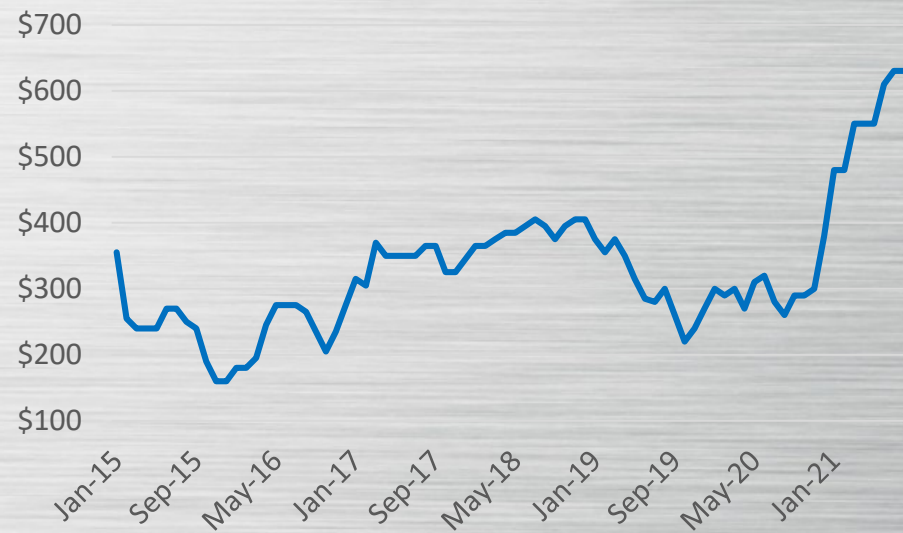
After a \$60/gt increase in June and a \$20/gt increase in July, prime scrap pricing remained flat for August.

August scrap price settled at \$630/gt, flat from \$630/gt in June.

- This remains the highest price since the Great Recession.

Prime scrap prices avoided some of the steeper declines that obsolete grades faced, as U.S. steel production, particularly from EAF sheet mills, continues to push higher.

PRIME SCRAP



COST

SPOT IRON ORE²

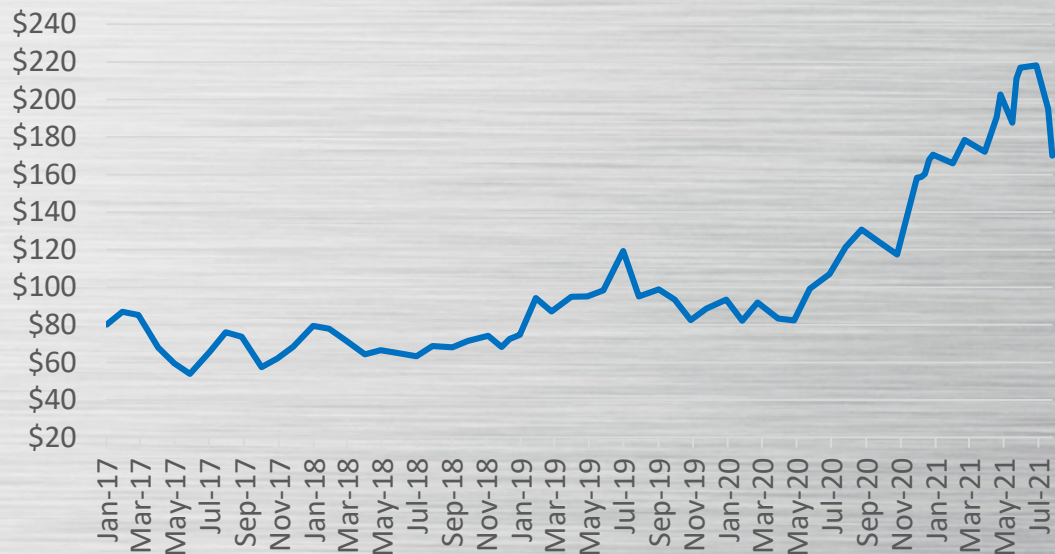
Spot iron ore pricing dropped significantly again this week after sliding below \$200/mt for the first time since May the week prior.

Spot iron ore pricing ended the week at \$170.05/mt, down from \$195.00/mt a week ago.

- This is the lowest reading since early April when it was \$169/mt.

The iron ore market has seen some headwinds as China announced moves to cut steel output, reduce carbon emissions, and limit dependence on Australia.

IRON ORE COST



COST



WEEKLY ZINC PRICING³



ZINC

Zinc pricing decreased slightly this week after hitting its highest price since mid-June the week prior.

Zinc pricing ended the week at \$3,006/mt (\$1.363/lb), down from \$3,039/mt (\$1.378/lb) previously.

- Zinc pricing has remained in a relatively tight range of late; even after receiving a boost from the Fed’s reaffirmation that they won’t raise rates until 2023.

Global zinc inventory increased this week after sliding eleven out of the previous twelve weeks.

- LME warehouse inventory increased to 249,025 metric tons, from 245,125 metric tons previously.
- Shanghai warehouse inventory increased as well, climbing from 36,224 metric tons to 39,982 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production climbed for the sixth consecutive week last week, hitting its highest utilization rate in thirteen years.

U.S. mills produced an estimated 1,876k tons at an 85.0% utilization rate; this is up from 1,868k tons and an 84.6% rate previously.

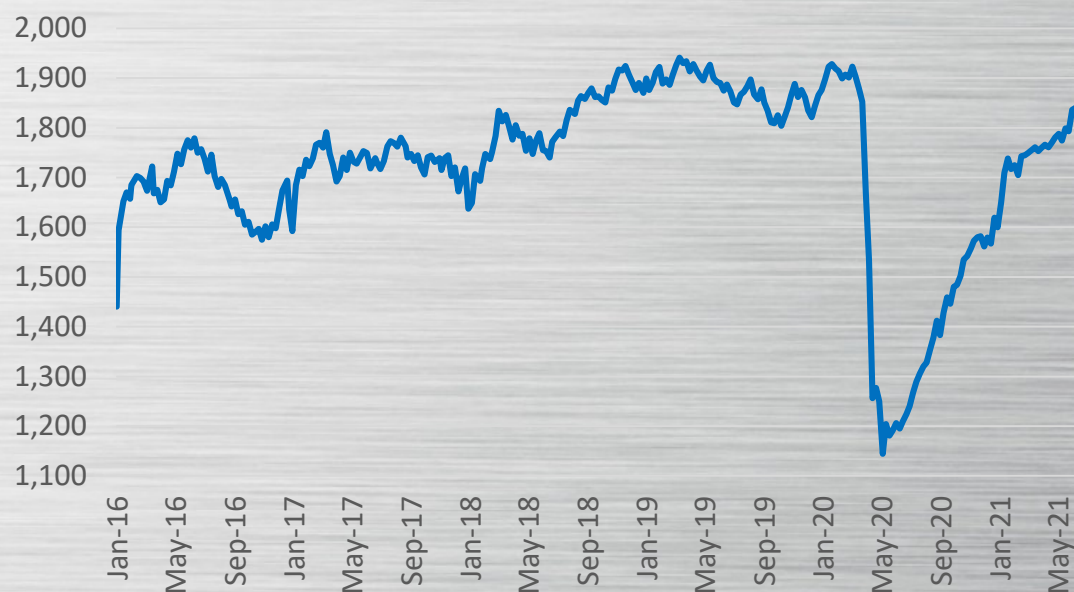
- For reference, an 85% utilization rate in September 2008 equated to 2,027k tons produced, roughly 8% less tonnage today.

Production increased in only two of the five regions, with the largest increase (in tons) coming from the Southern region.

- Production from the Southern region climbed from 802k tons to 815k tons.

Year-to-date production is now 17.1% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

LIGHT VEHICLE SALES⁵

Sales of light vehicles continued to be impacted by the recent production issues, which have leaned out inventory.

U.S. light vehicle sales totaled 1.288 million units in July, down 0.5% from June but were up 4.2% from 1.237 million units in July 2020.

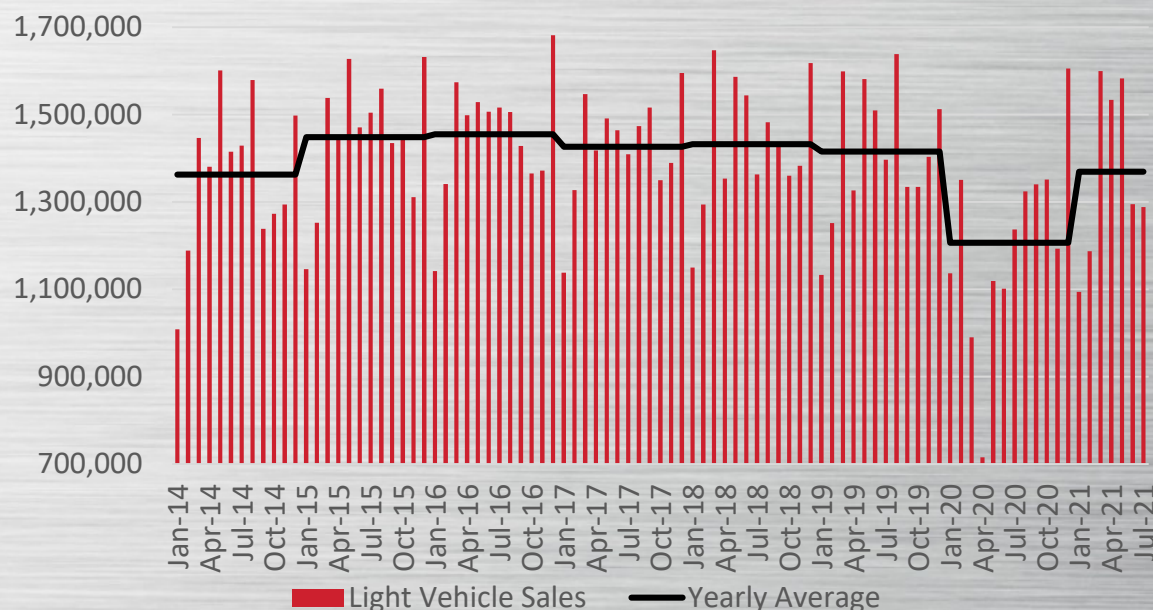
- Sales have now declined for two consecutive months and for the fourth time in the last five months.

Both car and light truck sales declined in July, sliding 4.3% and 1.4%, respectively.

- Sales of imported vehicles increased in July, climbing 4.3% from June.

Year-to-date light vehicle sales are still 25.3% above last year's level through 7 months.

U.S. LIGHT VEHICLE SALES



⊖ LIGHT VEHICLE INVENTORY⁶

Steady demand, combined with the continued production issues globally have pushed dealer inventories to fresh all-time lows.

U.S. light vehicle inventory declined to 1.123 million units in July, down 19.4% from June and down 56.2% from 2.565 million units in July 2020.

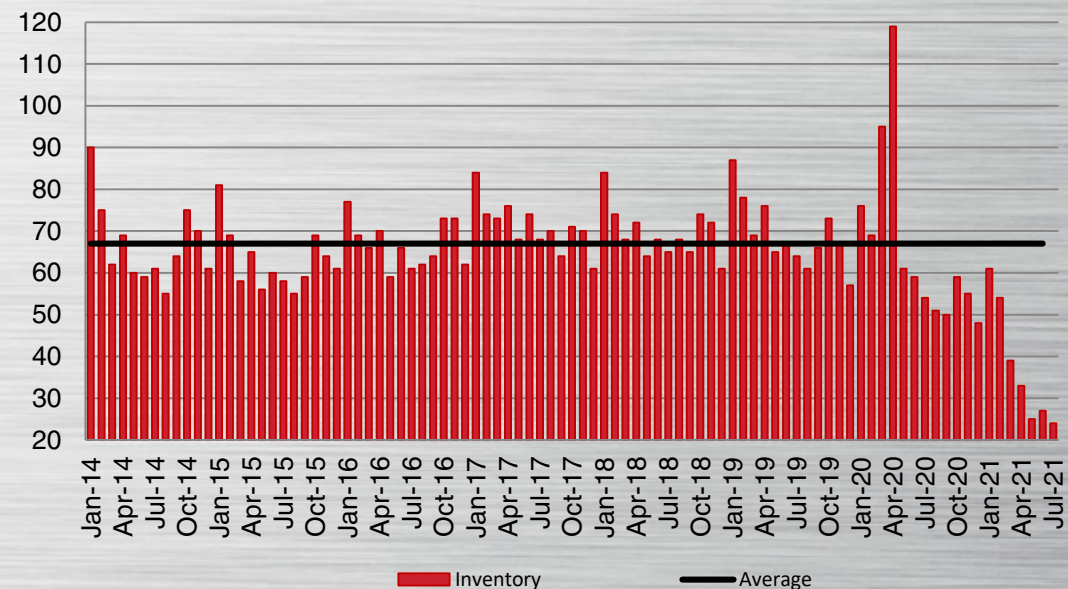
- Current inventory is down an even steeper 69.7% from 3.701 million units in July 2019.

Inventories are down across the board as car, light truck, and import inventories are down 31.2%, 18.6%, and 13.6%, respectively, just from last month.

Current inventory, when combined with July's sales pace, equates to 24 days of supply.

- This is down from 27 days of supply in June and well below the historical normal level of 67 days of supply.

U.S. LIGHT VEHICLE INVENTORY



DEMAND

CONSTRUCTION SPENDING⁷

After a slight decline in May, total construction spending rebounded slightly in June.

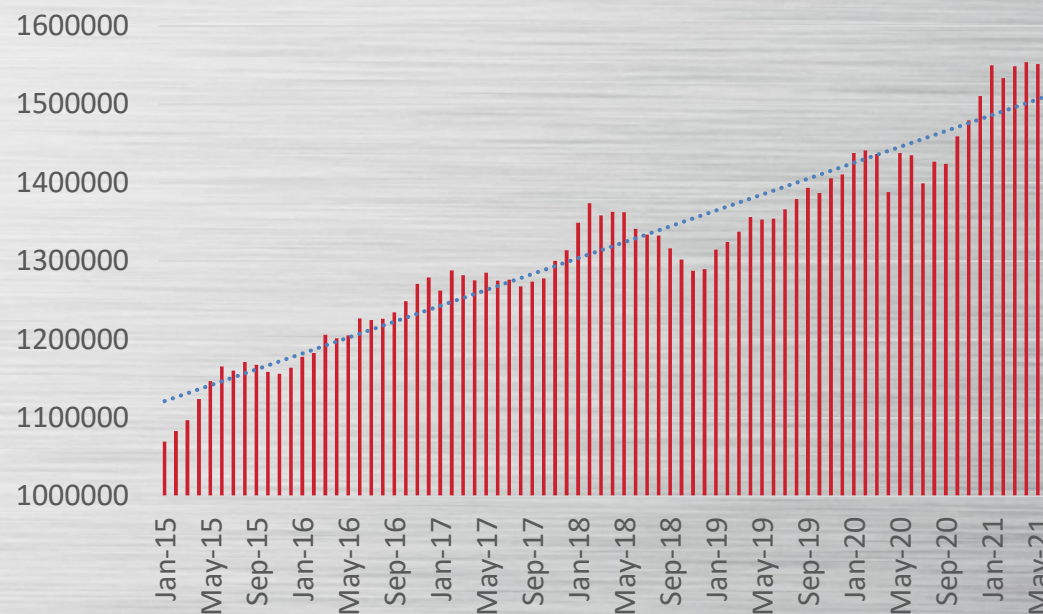
Total construction spending came in at a \$1.552 trillion rate in June, up 0.1% from May and up 8.2% from a \$1.435 trillion rate in June 2020.

Residential construction spending continued to climb, increasing another 1.1% in June to a \$772.3 billion rate.

- Non-residential construction slipped in June, sliding to a \$779.9 billion rate.
 - Non-residential construction spending has now declined for five consecutive months and for the sixth time in the last five months.

The current ratio of non-residential to residential spending is at its tightest level (50.2 - 49.8) since 2006.

TOTAL CONSTRUCTION SPENDING (SAAR)



CHICAGO PMI⁸

CHICAGO PMI

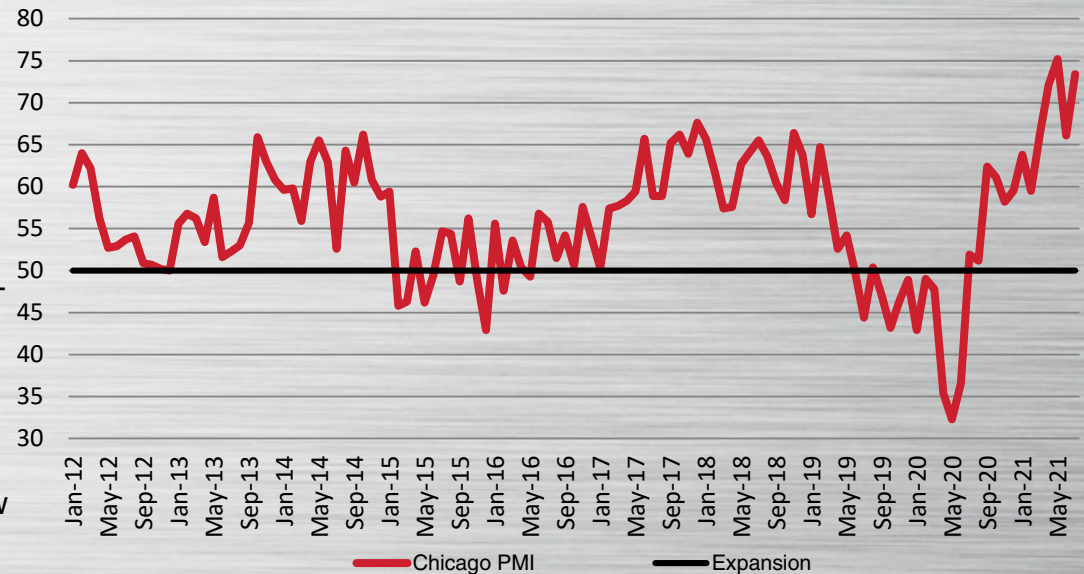
Manufacturing activity, in the Chicago region, jumped sharply in July, climbing to its second highest pandemic level.

The July Chicago Purchasing Managers Index increased to 73.4, up from 66.1 in June and only slightly below the 75.2 reading from May.

- The three-month average increased to 71.6, the highest three-month average in recent history.
- Any reading over 50 indicates expansion, while any reading below 50 denotes contraction.

Among the five components, the production component saw the largest increase, followed by new orders.

- Order backlogs pushed higher as well in July, as increased demand and troubles around logistics continue to push lead times out for nearly everything.



DEMAND



ISM MANUFACTURING INDEX⁹

Economic activity from the manufacturing sector continued to grow in July, now up for the fourteenth consecutive month.

The ISM Manufacturing Index came in at 59.5, a slight slowing from the 60.6 reading in June.

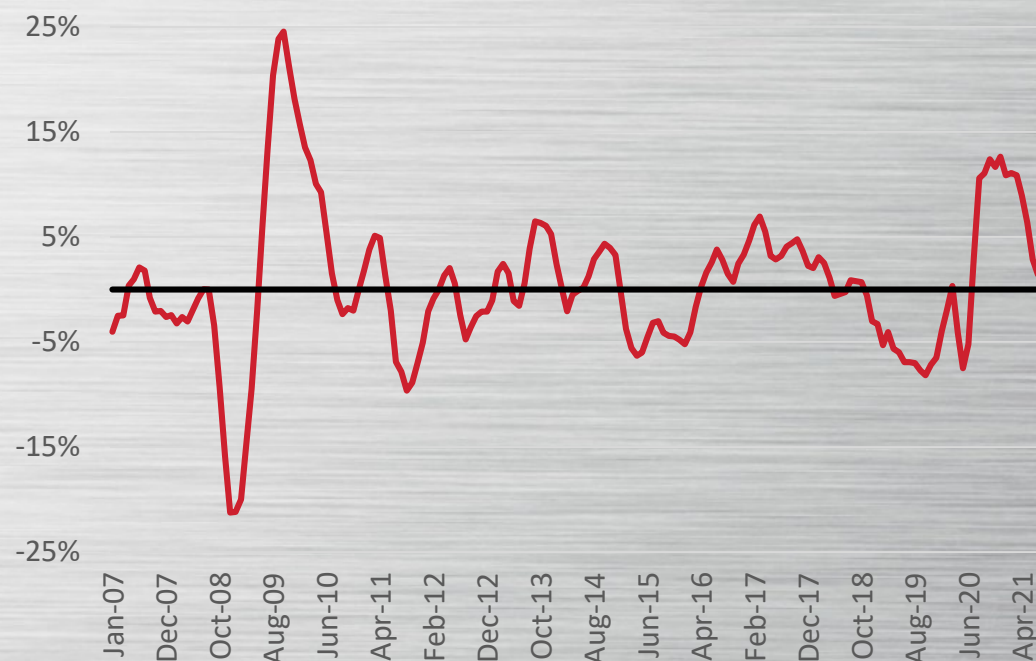
- Despite the slight slowing in June, the index remains well above the 52.6 reading from June 2020.
 - Any reading over 50 shows growth in expansion, while any reading below 50 shows a sharper decline.

Despite slowing slightly in July, both the new orders and production components remained well above 50.

- The new orders and production components came in at 64.9 and 58.4, respectively.

Like with nearly every other report we have seen recently, the order backlog component continued to push, climbing in July to 65.0.

ISM MOMENTUM INDEX



ECONOMIC

**WEEKLY INITIAL
JOBLESS CLAIMS¹⁰**

Weekly initial jobless claims fell for the second consecutive week last week after hitting a two month high in mid-July.

The Department of Labor's Weekly Initial Jobless Claims report came in at 385,000 claims, down from 399,000 claims previously.

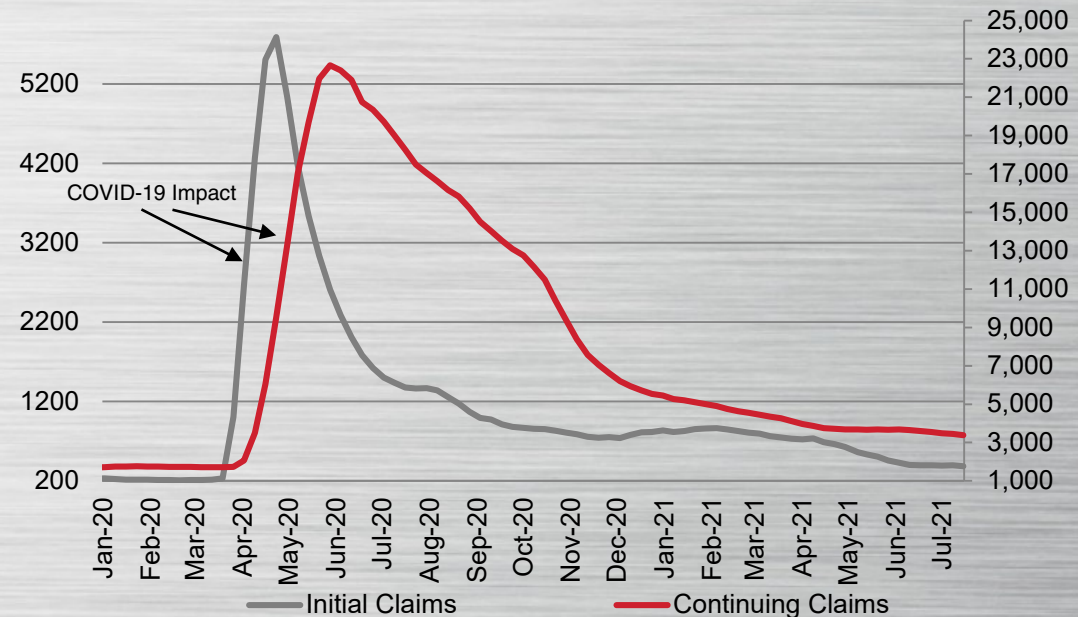
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 394,000, from 394,250 claims previously.

Continuing claims, or claims lasting longer than one week, dropped below 3 million for the first time since March 14, 2020.

- Continuing claims slid to 2.930 million, down from 3.296 million previously.

The slide in continuing claims came as the total of those receiving benefits under all programs fell to just below 13 million, compared to 32 million a year ago.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC

EMPLOYMENT SITUATION¹¹

The U.S. added 943,000 jobs in July, the highest monthly increase since last August.

- The July increase followed a near equally strong 938,000 jobs in June.

Private employment, which accounts for roughly 70% of all employment, added 703,000 jobs in July, down slightly from the 769,000 jobs added in June.

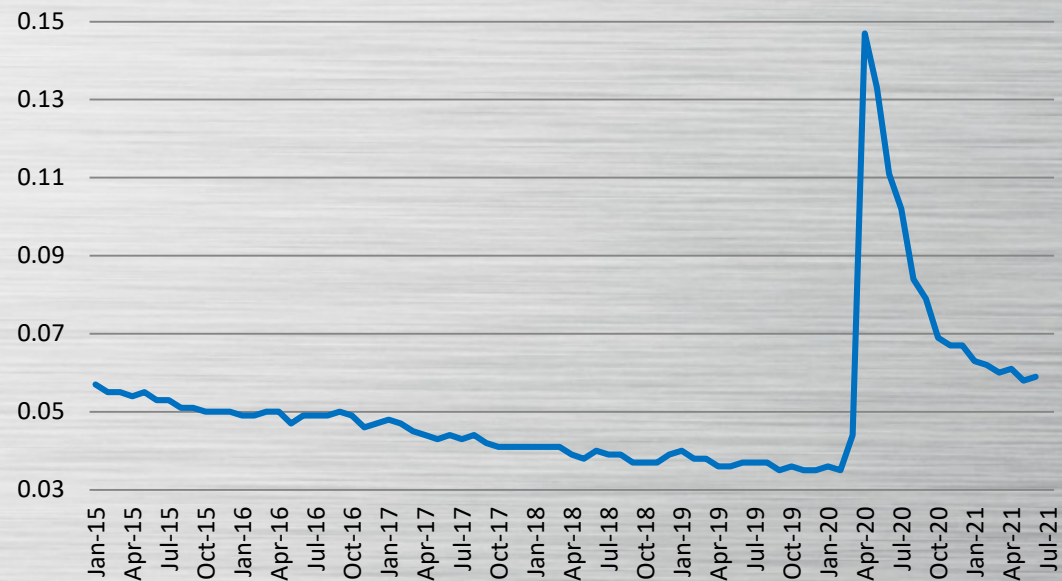
Construction employment increased in July, after sliding slightly in June.

- Total construction employment increased by 11,000 jobs after declining by 5,000 in June.
- Residential building construction increased by 8,300 jobs while non-residential building construction declined by 2,500 jobs.

The unemployment rate continued to slide in July, coming in at 5.4%

- This is down from 5.9% in June but remains above the pre-pandemic low of 3.5%.

UNEMPLOYMENT RATE



SOURCES

- 1 Prime Scrap Pricing. Market Conversations: Week ending August 6, 2021.
- 2 Platts, Spot Iron Ore: August 5, 2021.
- 3 London Metal Exchange, Weekly Zinc Price and Inventory Report: August 6, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: August 6, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: August 3, 2021.
- 5 WardsAuto, U.S. Light Vehicle Sales: July 2021.
- 6 WardsAuto, U.S. Light Vehicle Inventory: July 2021.
- 7 U.S. Census Bureau, Total Construction Spending: June 2021.
- 8 Institute for Supply Managers, Chicago PMI: July 2021.
- 9 Institute for Supply Managers, ISM Manufacturing Index: July 2021.
- 10 Department of Labor, Weekly Initial Jobless Claims: August 5, 2021.
- 11 Bureau of Labor Statistics, Employment Situation: July 2021.

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The logo for MSUSA, featuring a stylized red 'M' followed by the text 'MSUSA' in white. The background of the entire image is a dark, textured American flag with stars and stripes, where the stars are represented by faint, embossed circular patterns.

M MSUSA

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