








MAJESTIC
STEEL USA

CORE 08.27.21 REPORT





COST

01

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







SUPPLY

04

-  lead times
-  production
-  imports
-  inventories

DEMAND

07

-  automotive
-  construction
-  appliance
-  manufacturing
-  agriculture
-  durable goods

ECONOMIC

11

-  employment
-  GDP
-  inflation
-  confidence

SPOT IRON ORE¹

Spot iron ore pricing rebounded this week after a rapid four-week freefall.

Spot iron ore pricing ended the week at \$153.35/mt, up from \$130.20/mt a week ago.

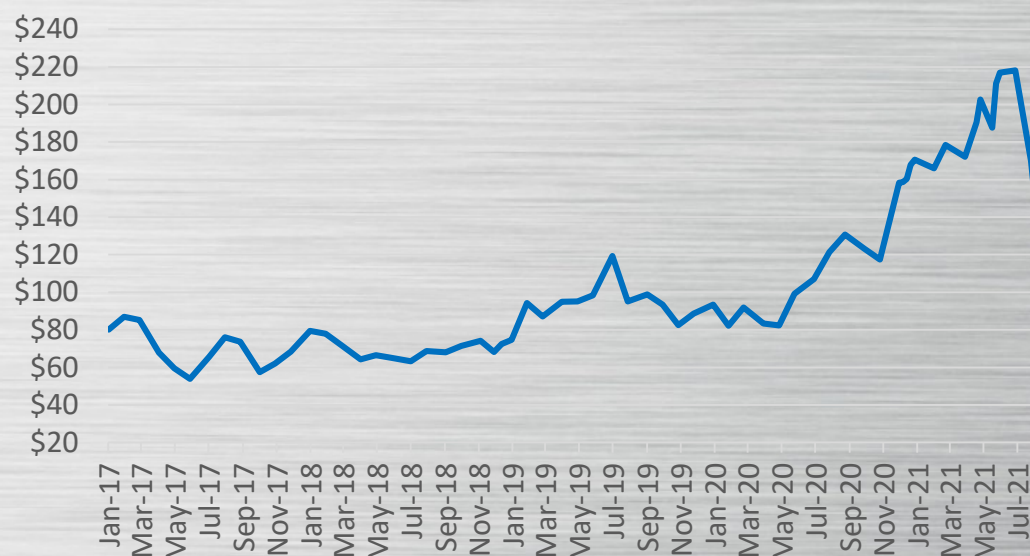
- This is up from the lowest reading since December 2020 seen last week.

Much of the excess supply of iron ore over the last month has been burned, however concern about a likely increase in iron ore supply due to a decrease in Chinese production still looms.

Chinese iron ore imports from Australia retreated from 70.6 Mt in July 2020 to 54.3 Mt in July this year.

- Imports from Brazil reached a four-month high of 18.5 Mt, yet this was also down on the same month last year, when 20.4 Mt was Imported from Brazil.

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing climbed this week after dropping the week prior.

Zinc pricing ended the week at \$2,983.50/mt (\$1.353/lb), up from \$2,948.50/mt (\$1.337/lb) previously.

- Zinc has now closed above the 20 and 50 day-moving-averages again, signaling another potential bullish push up.
- Supply and logistic disruptions are supporting higher prices, as lack of containers and high shipping costs have raised concerns that material might not be delivered on time.

Global zinc inventory increased week after sliding the previous two weeks.

- LME warehouse inventory climbed to 238,275 metric tons, from 232,600 metric tons previously.
- Shanghai warehouse inventory increased as well this week, climbing from 49,790 metric tons to 52,157 metric tons, the highest since June.

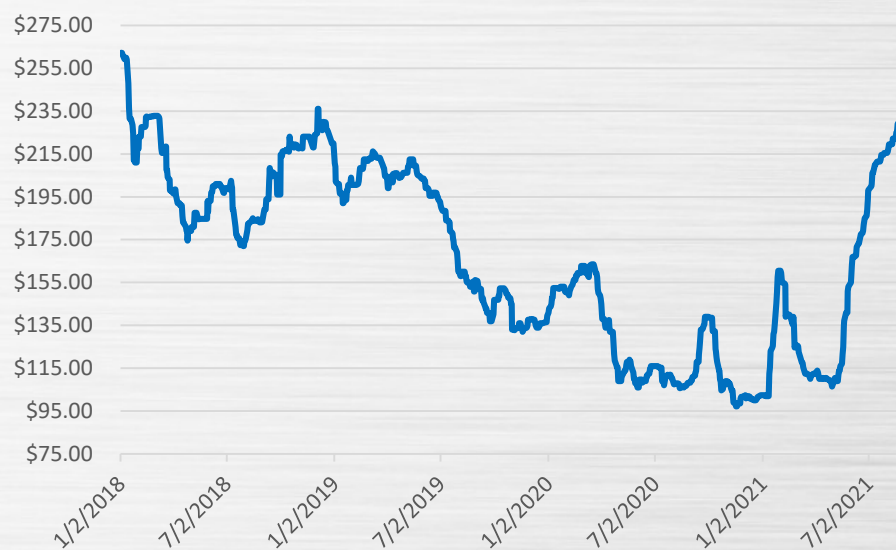
▲ COKING COAL³

COKING COAL

Coking coal price continued its rapid climb, coming in at \$248/ton this week, the highest price since January of 2018.

- The price has now doubled in just the last three months, climbing from a bottom of \$109/ton in May.

China's recent push to prioritize its own domestic mines has lowered supply and caused mills to pay higher prices, which has given incentive for countries such as Australia to also increase prices.





WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production climbed last week after sliding the previous two weeks.

U.S. mills produced an estimated 1,877k tons at an 85.0% utilization rate; this is up from 1,869k tons and an 84.7% rate previously.

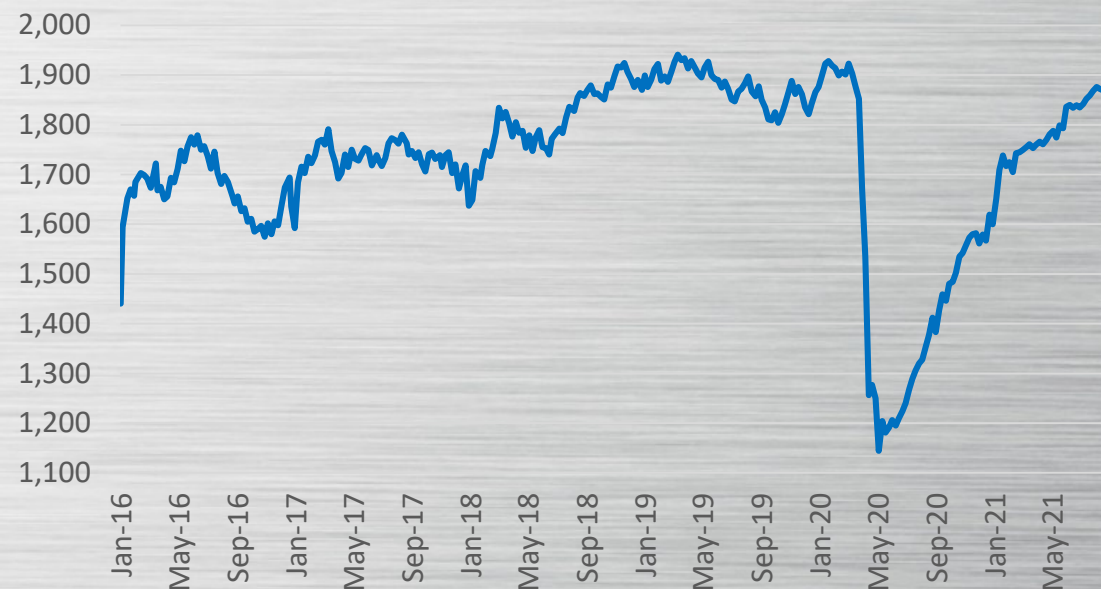
- This sets a new pandemic-era high for tons produced in a single week, and ties the highest utilization rate seen since 2008.

Production increased in only two of the five regions, however a large increase in the Southern region offset the drops in other regions.

- Production from the Southern region climbed from 799k to 815k tons.

Year-to-date production is now 18.6% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



SUPPLY



GLOBAL STEEL PRODUCTION⁵

Global raw steel production, on a tons/day basis, continued to slide in July and has now declined for three consecutive months.

Global raw steel production came in at a 5.216 million tons/day pace in July, down 6.9% from the 5.601 million tons/day pace in June.

- Production remained above year-ago levels however, coming in 3.3% above the 5.050 million tons/day pace from July 2020.

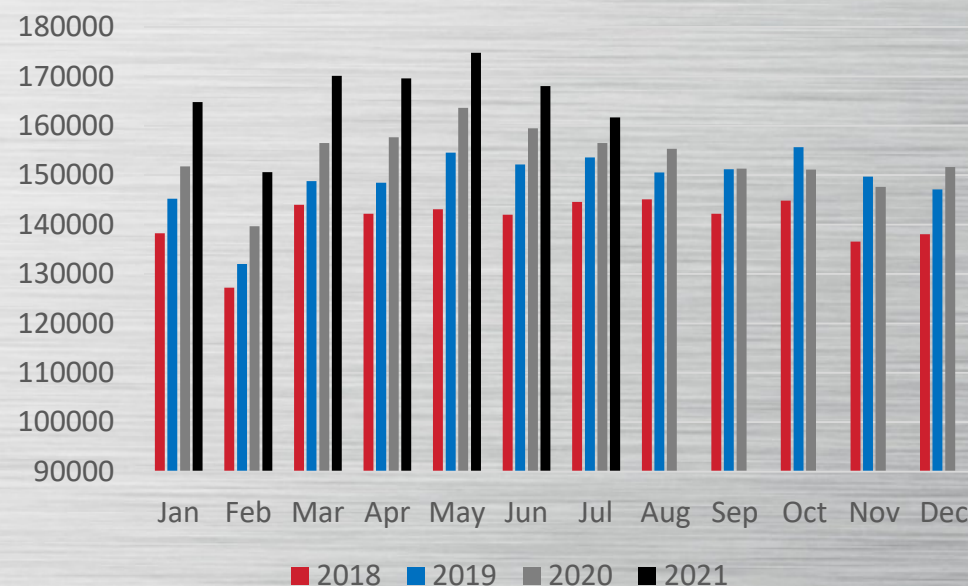
The largest declines in July production came from China, which reported a 10.5% month-over-month decline.

- The sharp decline in July follows declines in both June and May.
 - The July production rate in China was the lowest since April 2020.

While Chinese production continued to slide, production throughout the rest of the world declined a well in July.

- RoW production came in at a 2.416 million tons/day pace, down 2.3% from June.

GLOBAL STEEL PRODUCTION (MT)



SUPPLY

CARBON STEEL IMPORTS⁶

Total carbon steel imports continued to climb in July and have now reached their highest monthly total since April 2019.

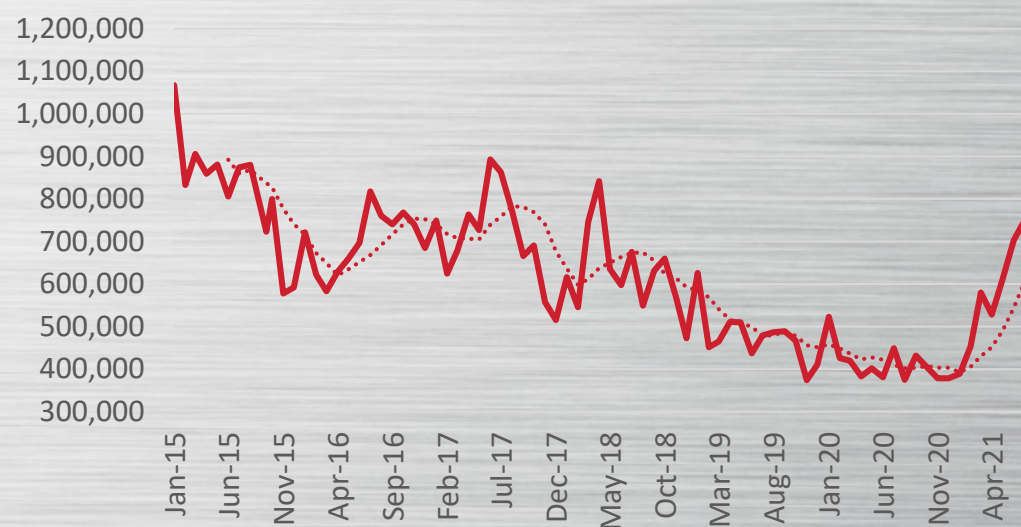
Carbon steel imports totaled 2.377 million tons in July, up 4.4% from June and up 6.3% from 2.236 million tons in July 2020.

Carbon flat rolled imports continued to climb as well, climbing to 748,735 tons in July.

- This is up 6.4% from June and up a sharp 66.5% from 449,583 tons in July 2020.
- While hot rolled and cold rolled imports declined on a month-over-month basis, the sharp increase in coated imports pushed total flat rolled higher.

Year-to-date carbon flat rolled imports are now at 4.016 million tons, up 14.0% from the same timeframe last year.

CARBON FLAT ROLLED IMPORTS



EXISTING HOME SALES⁷

EXISTING HOMES FOR SALE

After sliding for the majority of the first half of the year, existing home sales increased for the second consecutive month in July.

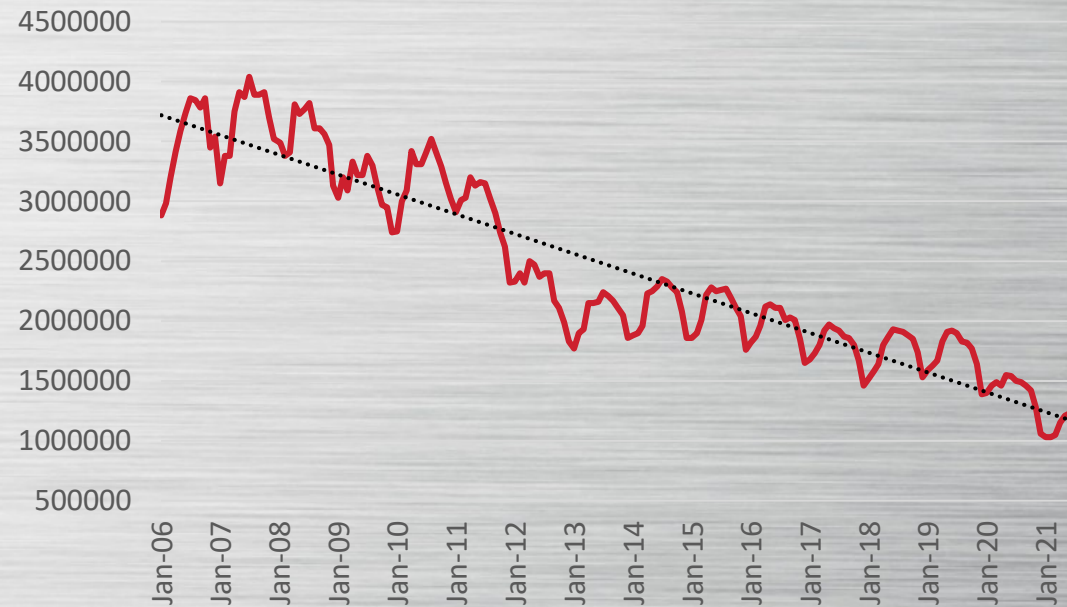
July existing home sales came in at a 5.990 million unit rate, up 2.0% from June and up 1.5% from a 5.900 million unit rate in July 2020.

- This is the thirteenth consecutive month in which sales were up on a year-over-year basis.

Inventory of unsold existing homes increased for the fifth consecutive month, climbing to 1.320 million units in July.

- Despite climbing of late, inventory remains 12.0% below year-ago levels.

Year-to-date actual existing home sales are up 18.5% from the same timeframe last year and up 12.9% from the first seven months of 2019.



NEW HOME SALES⁸

After sliding the previous three months, new home sales increased in July.

July new homes came in at a 708,000 unit rate, up 1.0% from June but well below the 972,000 unit rate in July 2020.

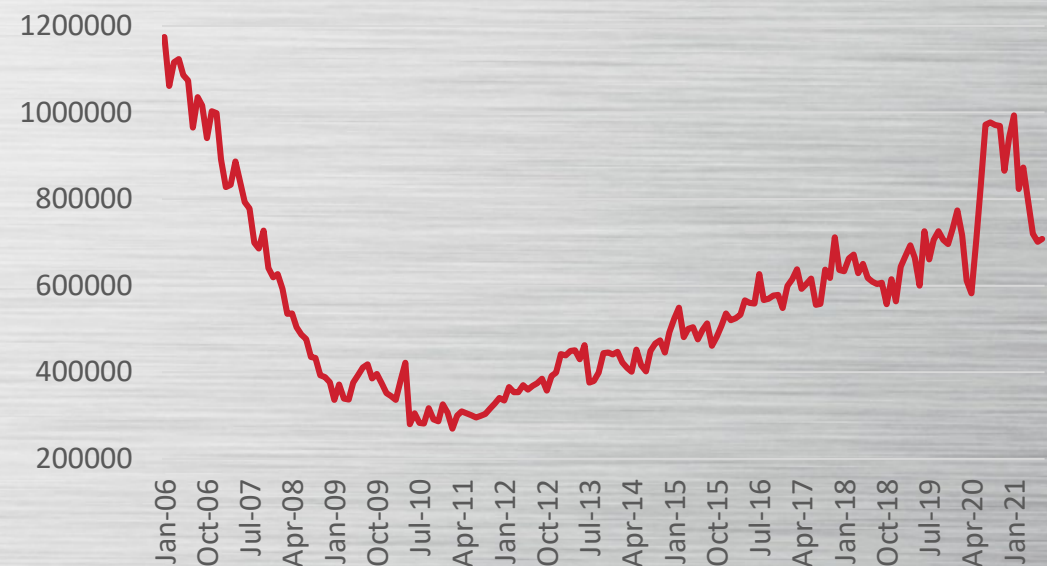
- This was the second consecutive month to see a sharp year-over-year decline in new home sales.

Inventory of unsold new homes increased for the sixth consecutive month, climbing to its highest level since November 2008.

- Current inventory of unsold new homes is up 4.8% from June and up 26.9% from July 2020.

Year-to-date actual new home sales are now up 7.2% from the same time last year and up 19.0% from the first seven months of 2019.

NEW HOME SALES (SAAR)



DURABLE GOODS⁹

New orders for durable goods, slipped slightly on a seasonally adjusted basis in July.

- New order came in at a \$257.7 billion rate, down 0.1% from a \$257.6 billion rate in June.
- The .1% dip in July came after decent 0.8% and 3.2% increase in June and May.

Excluding the volatile transportation sector, new orders climbed 0.7% in July.

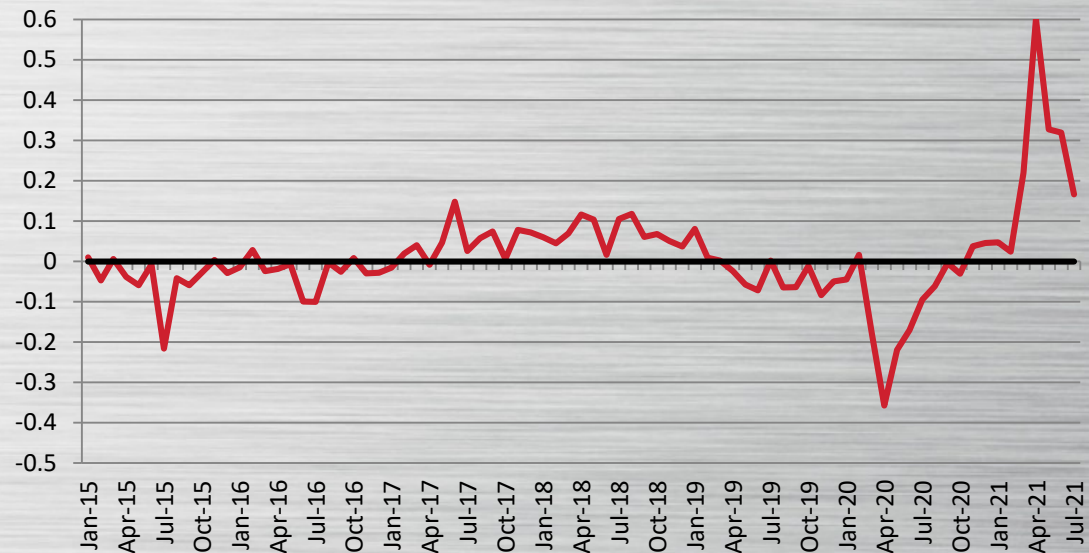
- The 0.7% increase in July follows 0.6% increases in both June and May.

New orders for fabricated metal products increased 0.3% after declining the previous two months.

Unfilled orders for manufactured durable goods, increased \$3.9 billion (0.3%) to a \$1.225 trillion rate.

- Unfilled orders are now up for the sixth consecutive month.

DURABLE GOODS NO Y/Y CHANGE (ACTUAL)



▲ WEEKLY INITIAL JOBLESS CLAIMS¹⁰

Weekly initial jobless claims remained relatively unchanged last week after declining the previous four weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 353,000 claims, up from 349,000 claims previously.

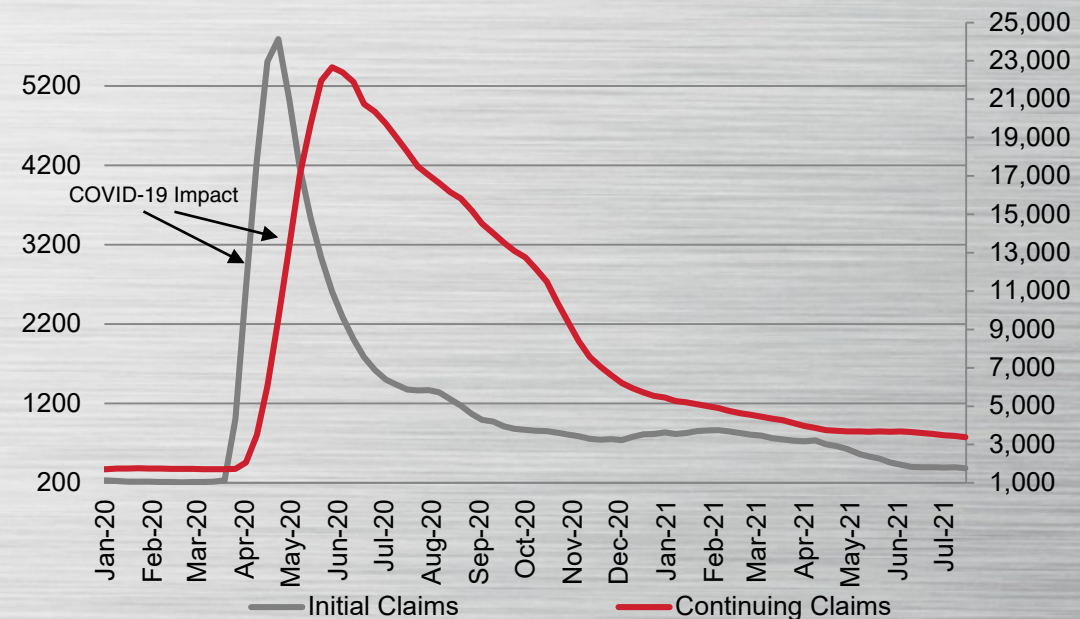
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 366,500, from 378,000 claims previously.

Continuing claims, or claims lasting longer than one week, dropped for the fourth consecutive week, now at the lowest point since mid-March 2020.

- Continuing claims slid to 2.820 million, down from 2.899 million previously.

At the state level, Maryland (3,618) and Illinois (3,515) showed the largest weekly gains, while Michigan saw a decline of 7,056 claims.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC

GROSS DOMESTIC PRODUCT¹¹

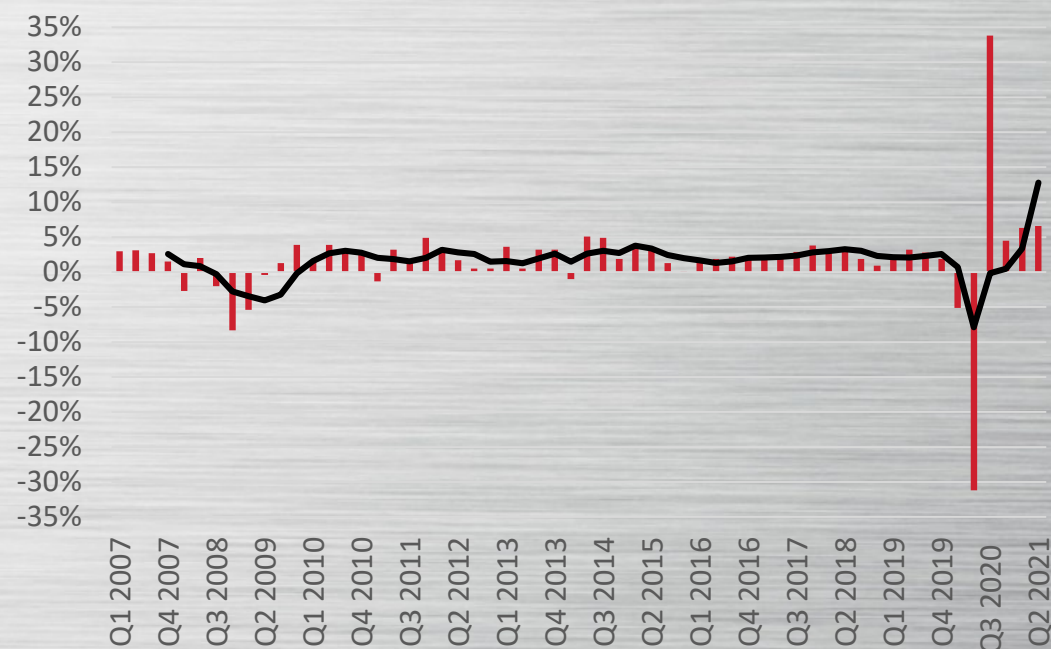
GROSS DOMESTIC PRODUCT

The Commerce Department stated that the U.S. economy grew slightly faster during the second quarter than initially reported.

The "second" estimate for Q2 2021 growth came in at 6.6%, up from the "initial" estimate of 6.5%.

The "second" estimate reflects upward revisions to non-residential investment and exports.

- These upward revisions were partly offset by downward revisions to inventory investment, residential investment, and state and local government.
- Imports, which are a subtraction of GDP, were revised lower.



PERSONAL INCOME AND OUTLAYS¹²

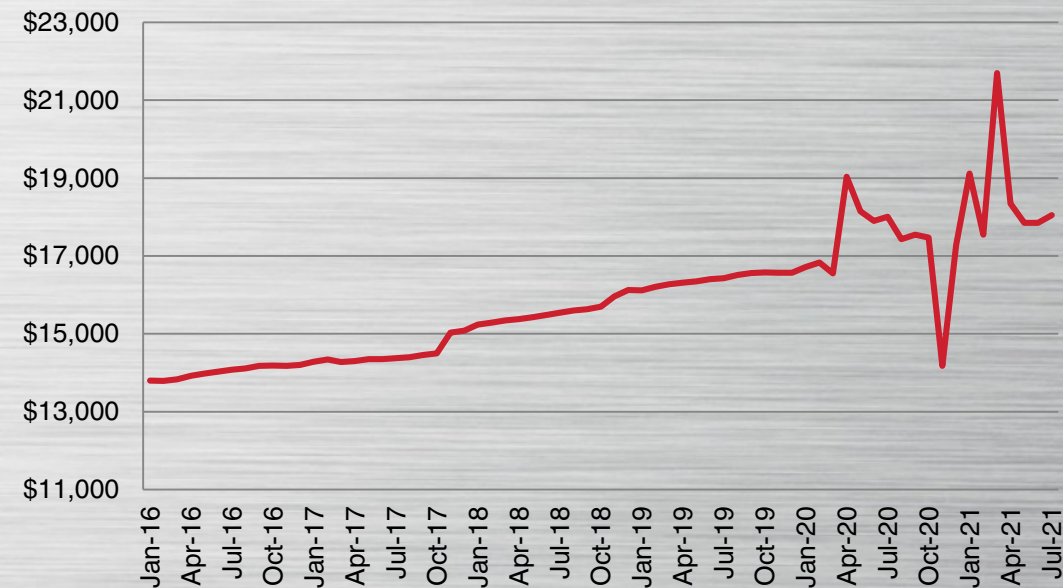
Personal incomes continued to climb in July, climbing 1.1% from June to a \$225.9 seasonally adjust rate.

- Disposable income increased as well, climbing 1.1% to a \$198.0 billion rate.
 - Within compensation, the increase was primarily in private wages and salaries.
 - July incomes also saw a boost in government social benefits, which can be attributed to the advance Child Tax Credit payments.

An increase in spending on services, outweighed a decline in spending on goods.

- Within services, spending increases were led by food services and accommodations.
 - The decline in spending on goods was led by a decline from motor vehicles, clothing and footwear, and RV's.

DISPOSABLE INCOME



SOURCES

- ¹ Platts, Spot Iron Ore: August 26, 2021.
- ² London Metal Exchange, Weekly Zinc Price and Inventory Report: August 27, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: August 27, 2021.
- ³ Platts, Coking Coal Price: August 27, 2021.
- ⁴ American Iron & Steel Institute, Weekly Domestic Steel Production: August 24, 2021.
- ⁵ WorldSteel, Global Steel Production: July 2021.
- ⁶ U.S. Census Bureau, Carbon Steel Imports: July 2021.
- ⁷ U.S. Census Bureau, Existing Home Sales: July 2021.
- ⁸ U.S. Census Bureau, New Home Sales: July 2021.
- ⁹ U.S. Census Bureau, Durable Goods: July 2021.
- ¹⁰ Department of Labor, Weekly Initial Jobless Claims: August 26, 2021.
- ¹¹ Bureau of Labor Statistics, Gross Domestic Product: Q2 2021.
- ¹² Bureau of Economic Analysis, Personal Income and Outlays: July 2021.

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