

**CORE** 09.03.21 **REPORT**

**COST**

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

**SUPPLY**

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- ⊖ inventories

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- ⊖ manufacturing
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- ⊖ GDP
- ⊖ inflation
- ⊖ confidence

# SPOT IRON ORE<sup>1</sup>

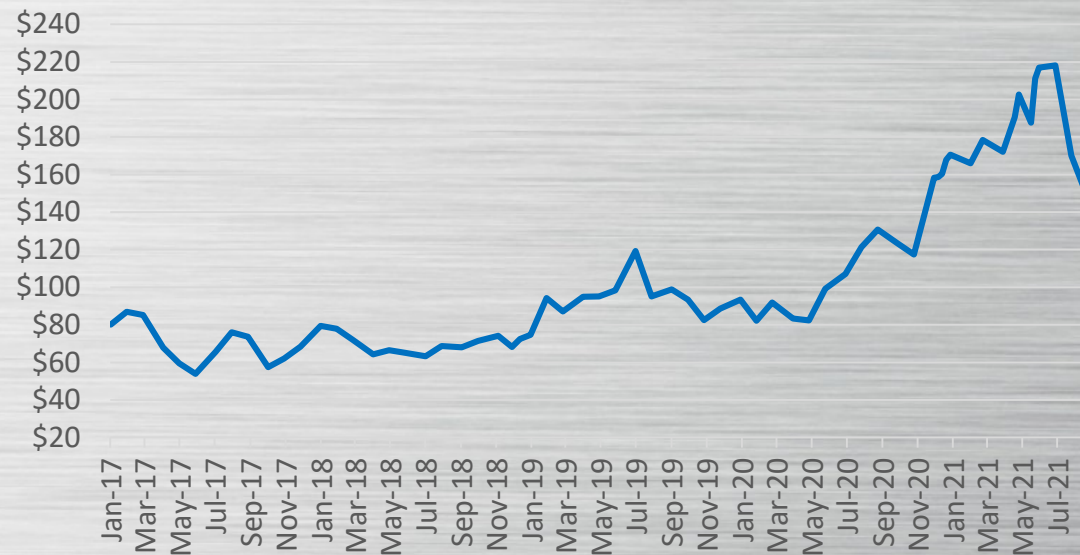
After climbing last week, spot iron ore pricing continued its rapid freefall this week, now down five out of the last six weeks.

Spot iron ore pricing ended the week at \$139.70/mt, down from \$153.35/mt a week ago.

- This is nearing the lowest reading since December 2020 seen two weeks ago.

Pricing continues to plunge as supply from Brazil picks up and as restrictions on steel output across China makes its impact.

## IRON ORE COST



# COST

## ⊖ WEEKLY ZINC PRICING<sup>2</sup>



## ZINC

Zinc pricing remained relatively flat this week and continues to trade in a tight five-cent window.

Zinc pricing ended the week at \$2,984.50/mt (\$1.354/lb), up from \$2,983.50/mt (\$1.353/lb) previously.

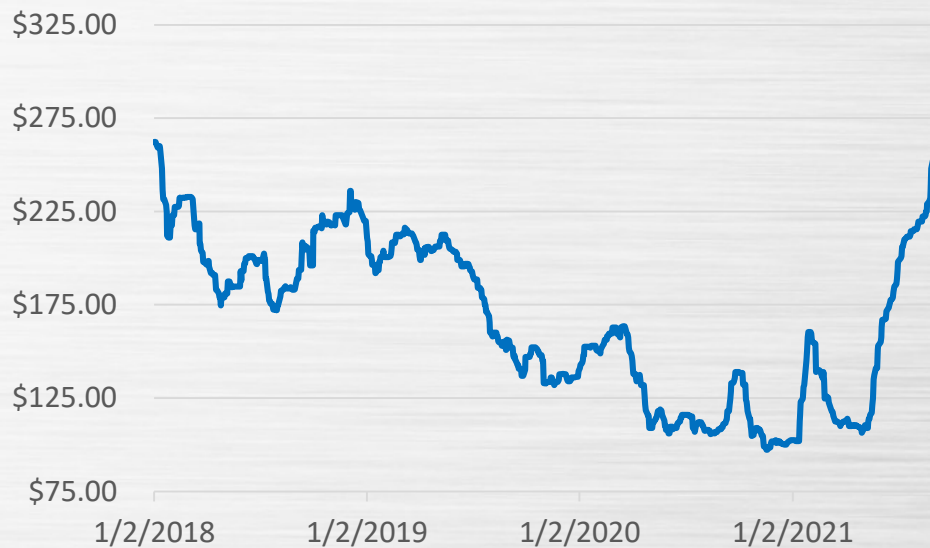
- Zinc remained above the 20 and 50 day-moving-averages again, signaling another potential bullish push up.
  - Zinc’s continued supply disruptions and robust global demand continue to support price in the short term.

Global zinc inventory decreased this week, now down three out of last four weeks.

- LME warehouse inventory dropped to 236,225 metric tons, from 238,275 metric tons previously.
- Shanghai warehouse inventory decreased as well this week, sliding from 52,157 metric tons to 49,472 metric tons.

## ▲ COKING COAL<sup>3</sup>

## COKING COAL



Coking coal price continued its rapid climb this week, coming in at \$269/ton to end the week.

- This is up from \$248/ton last week and now its 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.

The tightness in coking coal supply in both China and North America has pushed prices up across the board.

- At the same time, the resurgence of COVID-19 cases in Mongolia has led to the closure of major Mongolia-China coking coal ports, which closed on August 23rd and will remain closed for two weeks.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>4</sup>

Domestic raw steel production slid slightly last week, now down three out of the last four weeks.

U.S. mills produced an estimated 1,873k tons at an 84.9% utilization rate; this is down from 1,877k tons and an 85.0% rate previously.

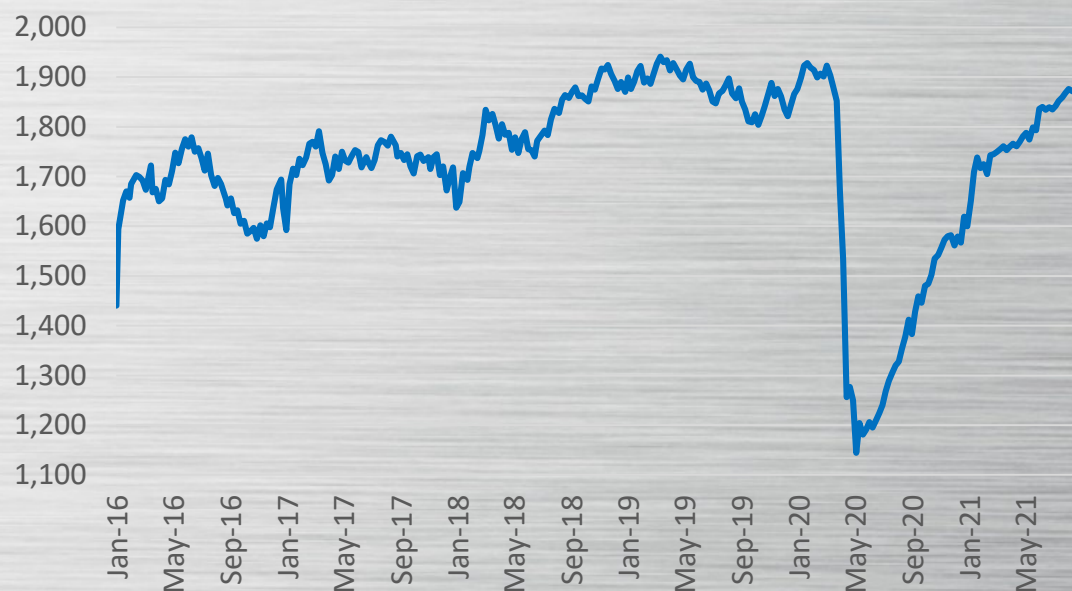
- This is down slightly from a pandemic-era high seen the week prior.

Production dropped in three of the five regions, with the largest decrease (in tons) coming from the Southern region.

- Production from the Southern region slid from 815k to 811k tons.

Year-to-date production is now 19.1% above the same timeframe from last year, but down 5.5% when compared to 2019.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# ▼ LIGHT VEHICLE SALES<sup>5</sup>

U.S. light vehicle sales declined sharply in August, as sales continued to be impacted by the ongoing global shortage of semiconductor chips that is wreaking havoc on the production side.

U.S. light vehicle sales slid to 1.090 million units in August, down 14.6% from July and down a sharp 17.3% from 1.318 million units in August 2020.

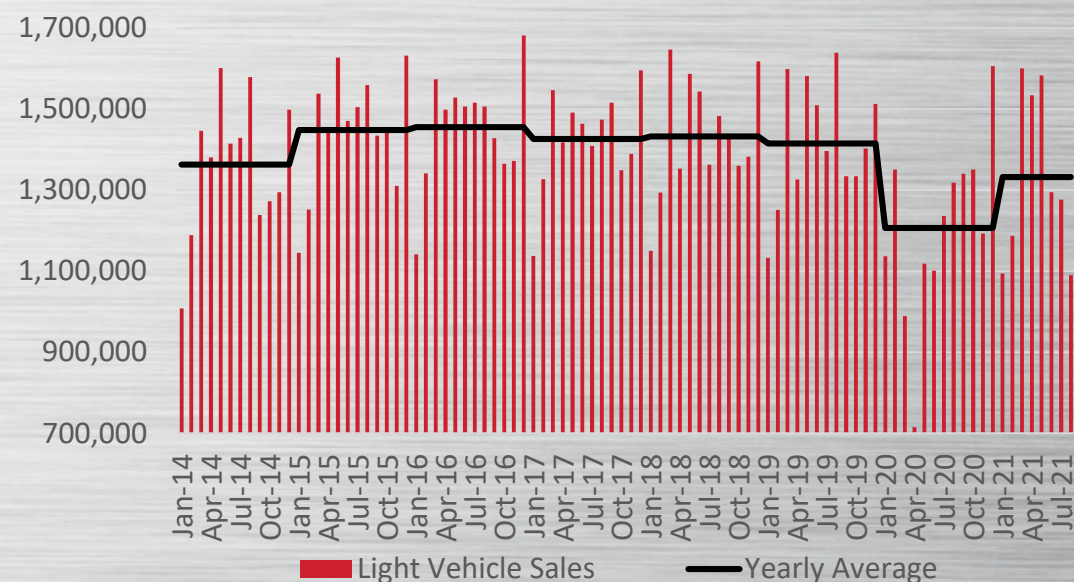
- This was the first year-over-year decline in sales since February and was the lowest monthly total since June 2020.

Sales of both cars and light trucks declined in August, sliding 19.5% and 13.9%, from July, respectively.

Despite the recent issues, year-to-date sales are still up 18.9% from the same timeframe last year.

- However, the current YTD comparison remains easy as the first half of 2020 was decimated by the onset of the pandemic.

## U.S. LIGHT VEHICLE SALES



## DEMAND

# LIGHT VEHICLE INVENTORY<sup>6</sup>

The current production issues impacting automotive production continued to severely impact inventories.

- Despite the decline in sales, the total number of light vehicles on dealers lots continued to decline sharply.

U.S. light vehicle inventory totaled 1.065 million units at the end of August, down 5.2% from July and down a sharp 58.6% from 2.575 million units at the end of August 2020.

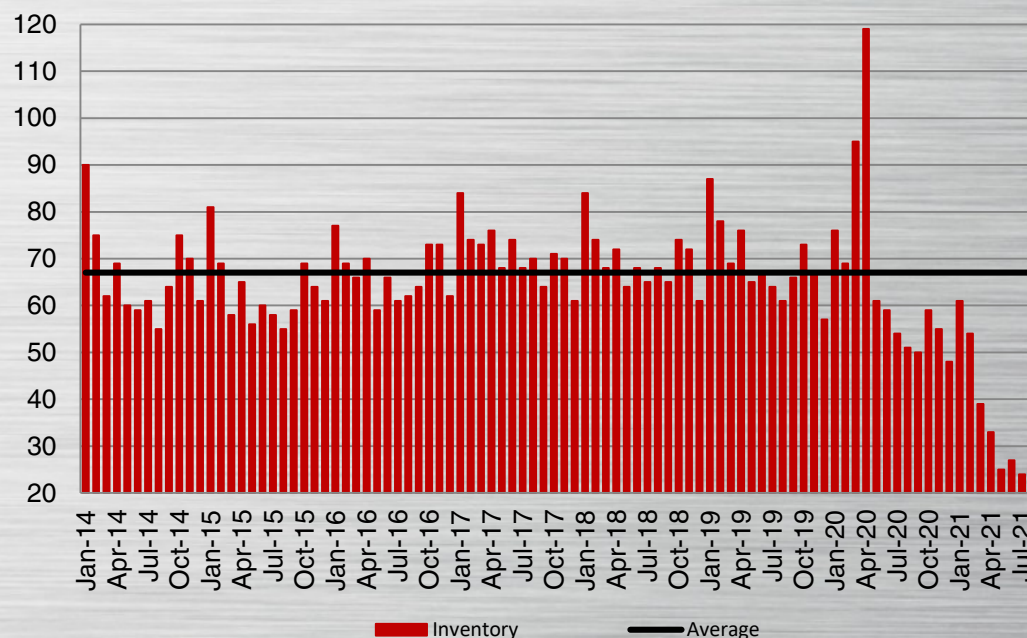
- Light vehicle inventories have now declined, on a month-over-month basis, for seven consecutive months.

Inventories of both cars and light trucks declined in August, sliding 12.1% and 1.8%, respectively.

- There are currently only 135,105 cars available, well below the YTD monthly car sales average of 220,000 units.

The current inventory, when compared to August's sales pace, equates to 24 days of supply, flat from July and well below normal levels of 65 days.

## U.S. LIGHT VEHICLE DAYS OF SUPPLY



# DEMAND

## CONSTRUCTION SPENDING<sup>7</sup>

After a flat reading in June, total construction spending regained its upward momentum in July.

July total construction spending came in at a \$1.569 trillion rate, up 0.3% from June and up 9.0% from a \$1.440 trillion rate in July 2020.

Spending for both residential and non-residential projects increased in July, climbing 0.5% and 0.1%, respectively.

- This was the first month-over-month increase for non-residential construction spending since January.
- Residential construction spending has now increased for five consecutive months.

The current ratio of non-residential to residential spending is 50.1:49.9, a far cry from the 57.1:42.9 ratio in July 2020.

### TOTAL CONSTRUCTION SPENDING (SAAR)





## DEMAND



# CHICAGO PMI<sup>8</sup>

The expansion in the manufacturing sector around the Chicagoland area slowed slightly in August after climbing in July.

The August Chicago PMI came in at 66.8, down from 73.4 in July but up from 51.2 in August 2020.

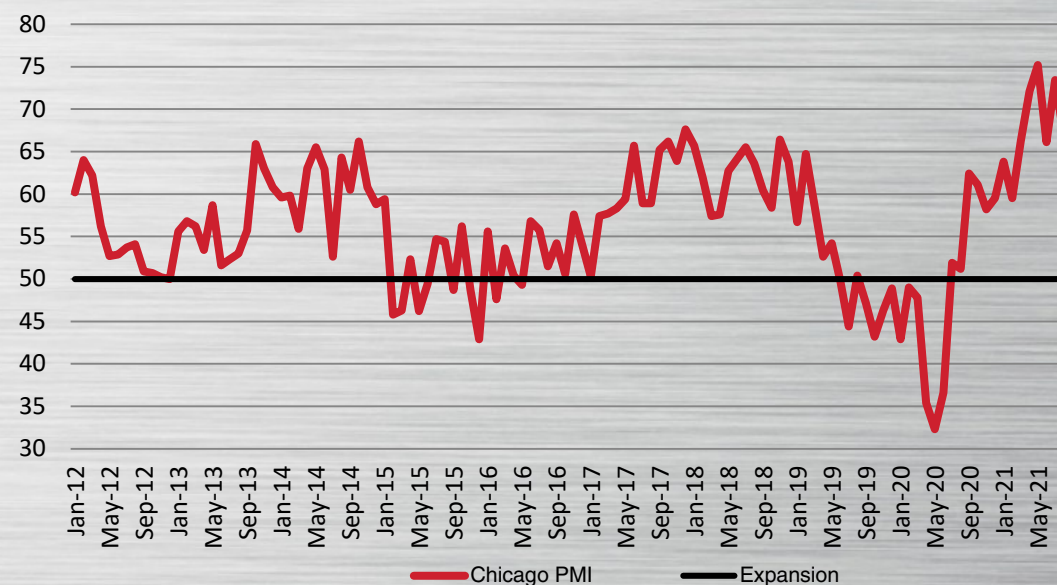
- Any reading over 50 indicates expansion, while any reading below 50 denotes contraction.

Among the five main components, order backlogs continued to see the largest increase, climbing to its highest level since 1951.

- Shortages of materials, transportation issues, and low labor rates continued to compound the problem.

Both the production and new order components slipped in August, sliding to 61 and 67.8, respectively.

## CHICAGO PMI



# ISM MANUFACTURING INDEX<sup>9</sup>

## ISM MANUFACTURING INDEX

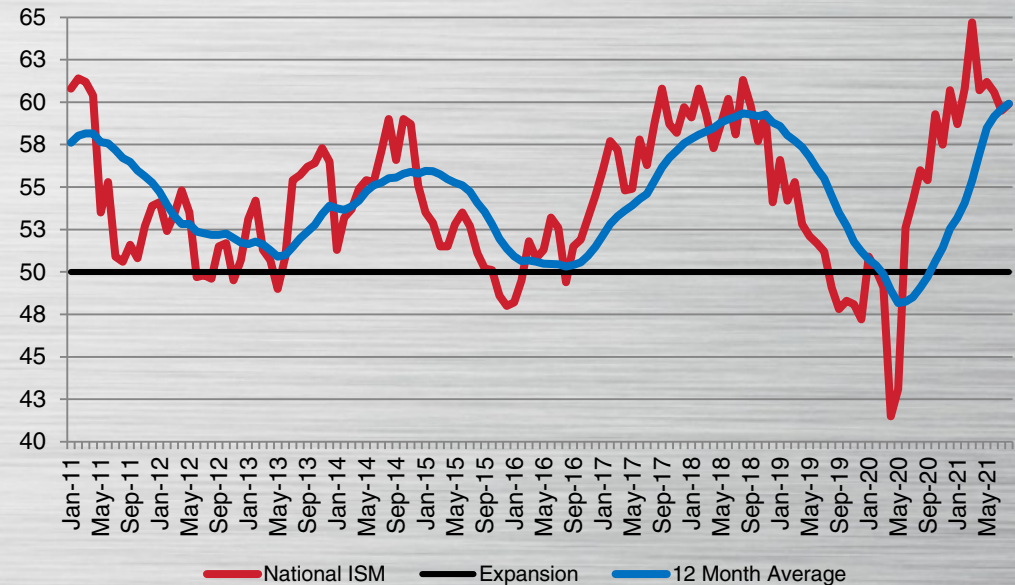
Manufacturing activity around the country continued to show steady growth in August.

The ISM Manufacturing Index came in at 59.9, up from 59.5 in July and up from 56.0 in August 2020.

- This is the fifteenth consecutive reading over 50.0.
- Any reading over 50 indicates growth, while any reading below 50 denotes contraction

Steady growth from the new orders and production components helped boost the overall index.

- The new orders and production components climbed 1.8 and 1.6 points, respectively, in August.
- The backlog of orders component increased the most however, climbing 3.2 points to 68.2.



## ECONOMIC

# WEEKLY INITIAL JOBLESS CLAIMS<sup>10</sup>

Weekly initial jobless claims fell to a new pandemic-era low last week, now down five out of the last six weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 340,000 claims, down from 354,000 claims previously.

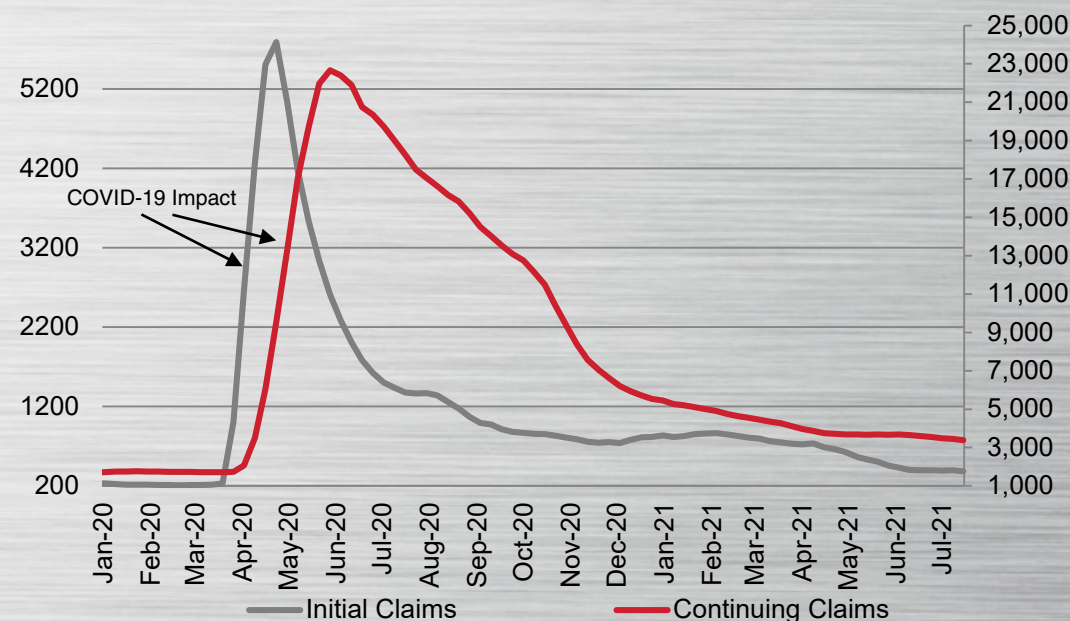
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 355,000, from 366,750 claims previously.

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

- Continuing claims slid to 2.748 million, down from 2.908 million previously.

At the state level, Michigan (6,757), Virginia (4,670), and Texas (3,040) had the largest drop in claims.

## WEEKLY INITIAL JOBLESS CLAIMS



# EMPLOYMENT SITUATION<sup>11</sup>

The U.S. added 235,000 jobs on a seasonally adjusted basis in August; far below the market expectations of 700,000.

- This was also down sharply from the revised 1.053 million added in July and was the lowest monthly addition since January.

Private sector jobs, which count roughly 70% of the workforce, increased by 243,000 jobs in August.

- Government employment slipped slightly, sliding by 8,000 jobs.

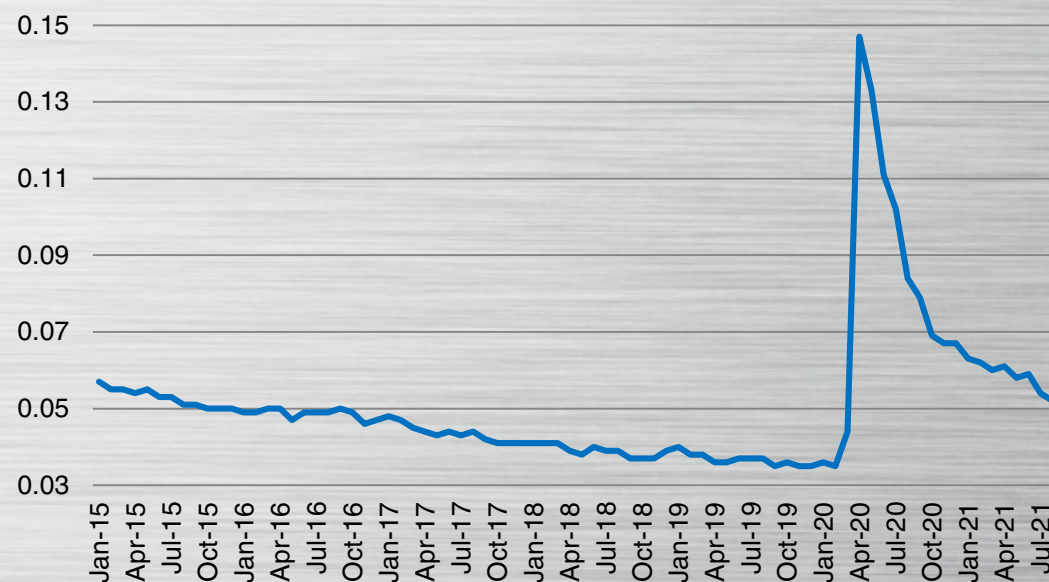
Construction sector employment declined by 3,000 jobs in August, with 2,700 coming from building construction.

- Architectural service jobs continued to climb however, increasing by 18,700 jobs in August and points to a rebounding non-residential sector.

Manufacturing employment remained one of the strongest sectors, climbing by 37,000 jobs in August.

The unemployment rate continued to tick lower in August, sliding to 5.2% from 5.4% previously.

## UNEMPLOYMENT RATE



## SOURCES

- 1 Platts, Spot Iron Ore: September 2, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: September 3, 2021.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: September 3, 2021.
- 3 Platts, Coking Coal Price: September 3, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: August 31, 2021.
- 5 WardsAuto, U.S. Light Vehicle Sales: August 2021.
- 6 WardsAuto, U.S. Light Vehicle Inventory: August 2021.
- 7 U.S. Census Bureau, Total Construction Spending: July 2021.
- 8 Institute of Supply Managers, Chicago PMI: August 2021.
- 9 Institute for Supply Managers, ISM Manufacturing Index: August 2021.
- 10 Department of Labor, Weekly Initial Jobless Claims: September 2, 2021.
- 11 Bureau of Labor Statistics, Unemployment Rate: August 2021.

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