

CORE 09.10.21 **REPORT**

COST

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- ▼ iron ore
- energy
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- ▲ coking coal

SUPPLY

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DEMAND

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- manufacturing
- agriculture
- durable goods

ECONOMIC

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- ▲ employment
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 **SCRAP¹**

After a flat reading for August, prime scrap pricing dropped for the first time in thirteen months in September.

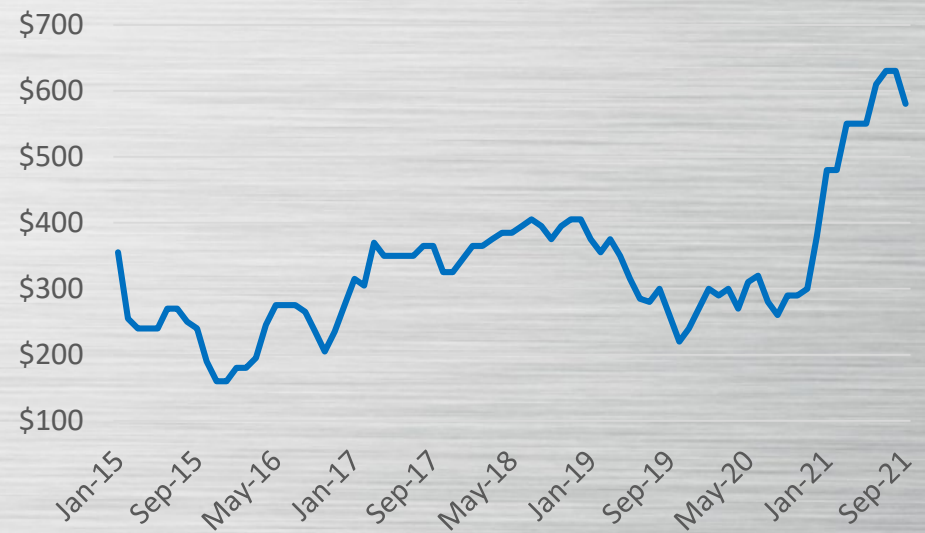
September prime scrap settled at \$580/gt, down \$50/gt from \$630/gt in August.

- This is the lowest level for prime scrap since May.

Shredded scrap pricing fared much better, slipping only \$10/gt during the September buy week.

Lower pig iron prices and a weakening scrap export market are the main drivers for the softening in price.

PRIME SCRAP



SPOT IRON ORE²

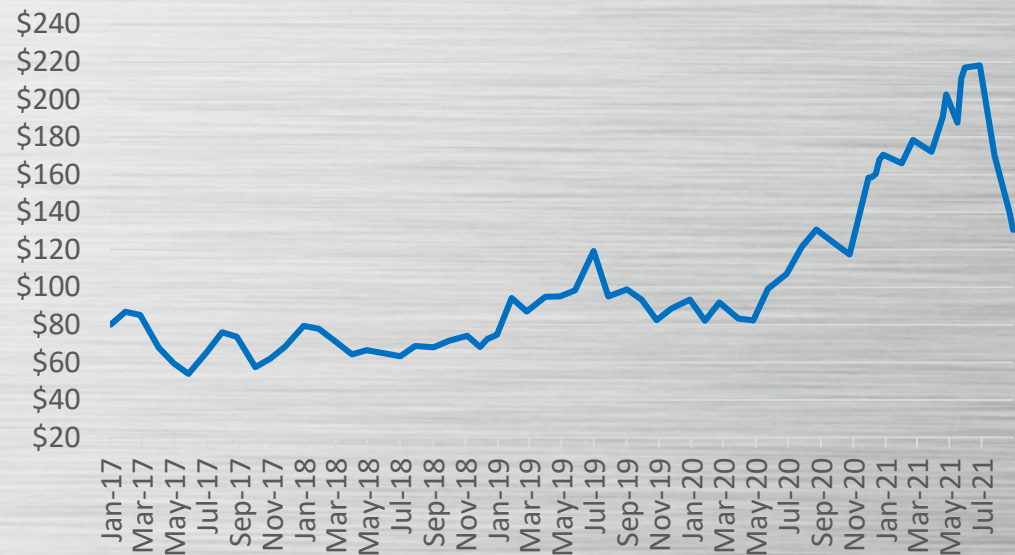
Spot iron ore pricing continued its rapid freefall this week, now down six out of the last seven weeks.

Spot iron ore pricing ended the week at \$130.50/mt, down from \$139.70/mt a week ago.

- This is the lowest level for pricing since December 2020.

Iron ore has now dropped 40% from \$220/mt in July, mainly due to fewer imports and lower steel production by China, along with concerns that the global economic recovery is stalling.

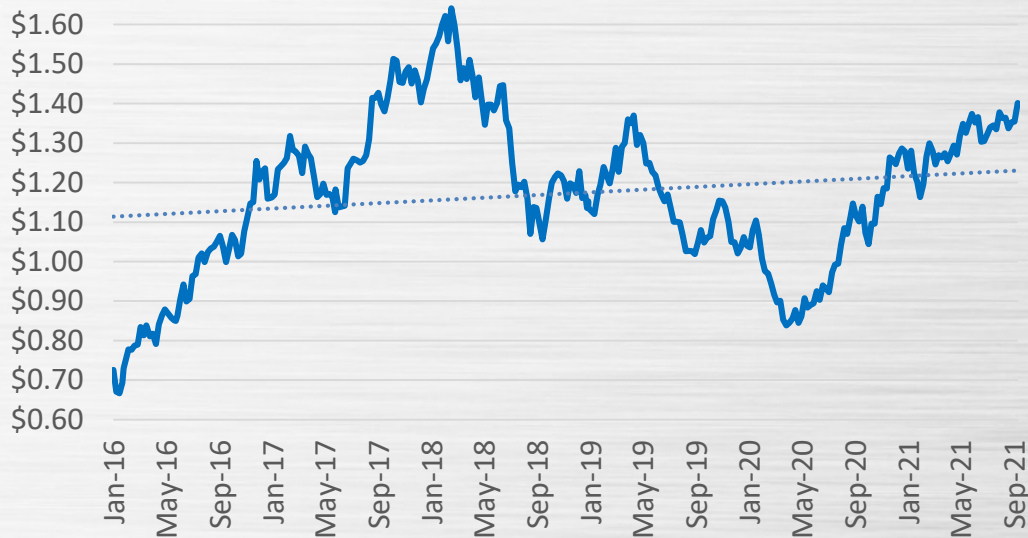
IRON ORE COST



COST



WEEKLY ZINC PRICING³



ZINC

Zinc pricing spiked this week after a flat reading the week prior.

Zinc pricing ended the week at \$3,089/mt (\$1.401/lb), up from \$2,984.50/mt (\$1.354/lb) previously.

- Zinc has now crossed the two-year high of \$1.394 seen in May and remains above the 20 and 50 day-moving-averages.
 - Supply worries and logistic disruptions are supporting the higher prices as zinc mines across the globe, mainly in Peru, struggle to keep up with demand.

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

- LME warehouse inventory dropped to 226,900 metric tons, from 236,225 metric tons previously.
- Shanghai warehouse inventory increased this week, climbing from 49,472 metric tons to 53,797 metric tons.

▲ COKING COAL⁴

COKING COAL



Coking coal price continued its rapid climb this week, hitting its highest price since 2011.

- Coking coal came in at \$336/ton, up from \$269/ton last week.
 - This is up 53% month-over-month and up 215% since the beginning of May.

While the price of iron ore is slumping in Asia, coking coal is heading in the opposite direction, driven by China's ban on imports from Australia and overall supply struggles.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁵

After hitting a pandemic-era high three weeks ago, domestic raw steel production slipped for the second straight week.

U.S. mills produced an estimated 1,866k tons at an 84.5% utilization rate; this is down from 1,873k tons and an 84.9% rate previously.

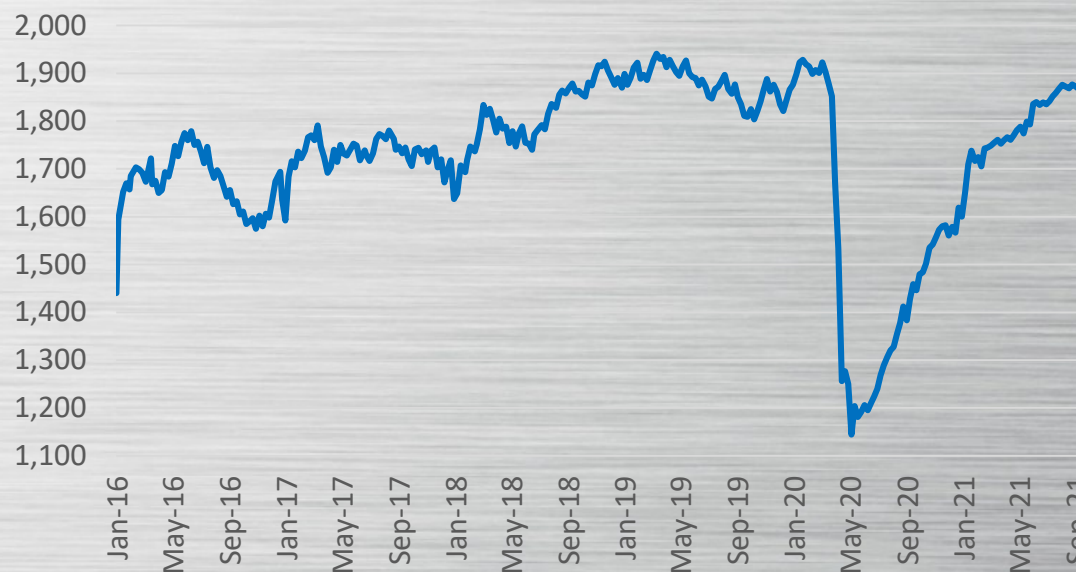
- For reference, an 84.6% utilization rate in October 2008 equated to 2,015k tons produced, roughly 7% less.

Production increased in three of the five regions, with the largest increase (in tons) coming from the Northeast region.

- Production from the Northeast region climbed from 152k to 177k tons.

Year-to-date production is now 19.4% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

HEATING & COOLING EQUIPMENT⁶

HVAC EQUIPMENT SHIPMENTS

After climbing the previous two months, shipments of HVAC equipment slipped in July.

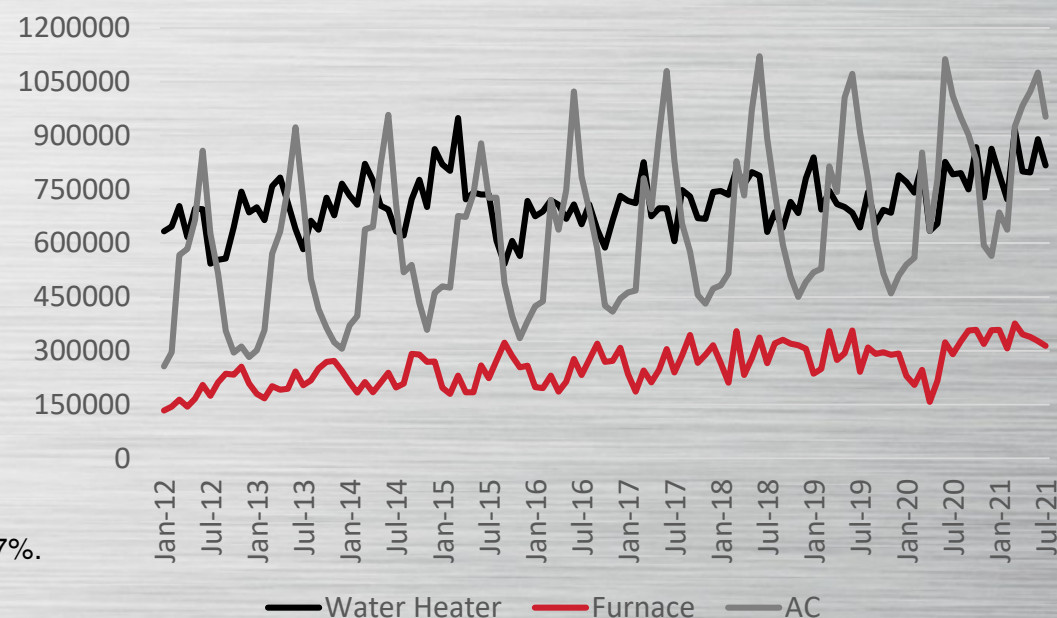
July HVAC shipments totaled 2.083 million units, down 9.2% from June and down 0.5% from July 2020.

- This was the first year-over-year decline in shipments since May 2020.

On a year-over-year basis, to smooth out seasonality, increases in shipments of water heaters and furnaces was not enough to overcome the sharp decline in A/C & heat pump shipments.

- While water heater and furnace shipments increased 3.2% and 7.9%, respectively, A/C & heat pump shipments dropped 5.7%.

Year-to-date shipments are still 16.1% above last year's level and 14.0% above the total from the first seven months of 2019.



ECONOMIC

WEEKLY INITIAL JOBLESS CLAIMS⁷

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

The Department of Labor's Weekly Initial Jobless Claims report came in at 310,000 claims, down from 345,000 claims previously.

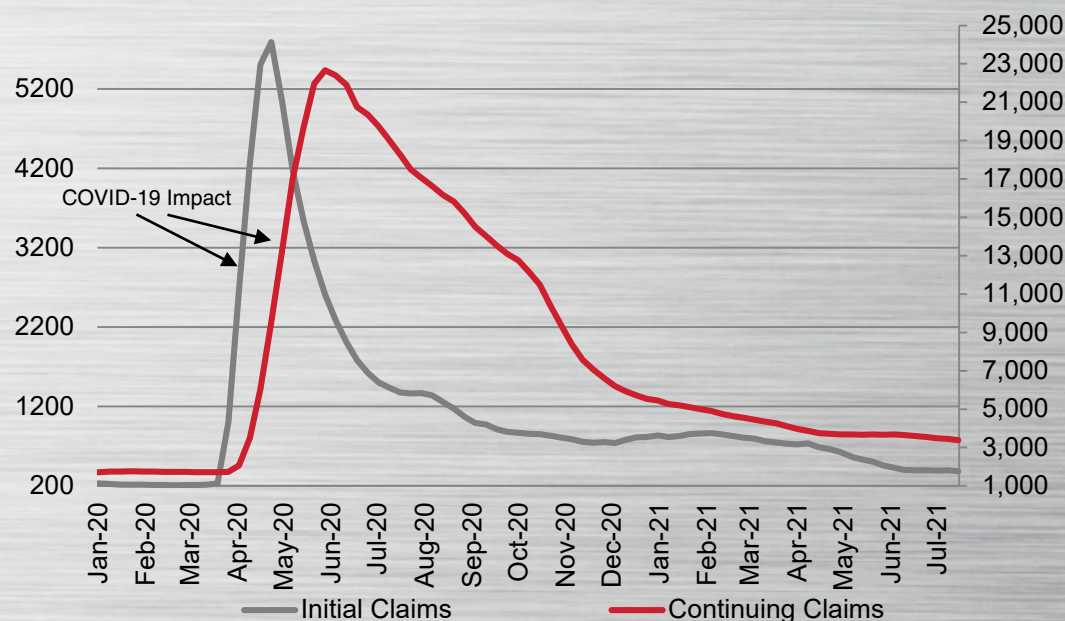
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 339,500, from 356,250 claims previously.

Continuing claims, or claims lasting longer than one week, dropped for the third time in the last four weeks.

- Continuing claims slid to 2.738 million, down from 2.805 million previously.

At the state level, the largest drop in initial claims came from Missouri (-7,676), Florida (-3,886), and New York (-3,561).

WEEKLY INITIAL JOBLESS CLAIMS



SOURCES

- ¹ Prime Scrap Pricing. Market Conversations: Week ending September 10, 2021.
- ² Platts, Spot Iron Ore: September 9, 2021.
London Metal Exchange, Weekly Zinc Price and Inventory Report: September 10, 2021.
- ³ Shanghai Futures Exchange, Weekly Zinc Inventory Report: September 10, 2021.
- ⁴ Platts, Coking Coal Price: September 10, 2021.
- ⁵ American Iron & Steel Institute, Weekly Domestic Steel Production: September 8, 2021.
- ⁶ A/C Heating and Refrigeration Institute, HVAC Equipment Shipments: July 2021.
- ⁷ Department of Labor, Weekly Initial Jobless Claims: September 9, 2021.

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