

CORE 09.17.21 **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

08

- ⊕ employment
- ⊕ inflation
- ⊕ trucking
- ⊕ retail sales

SPOT IRON ORE¹

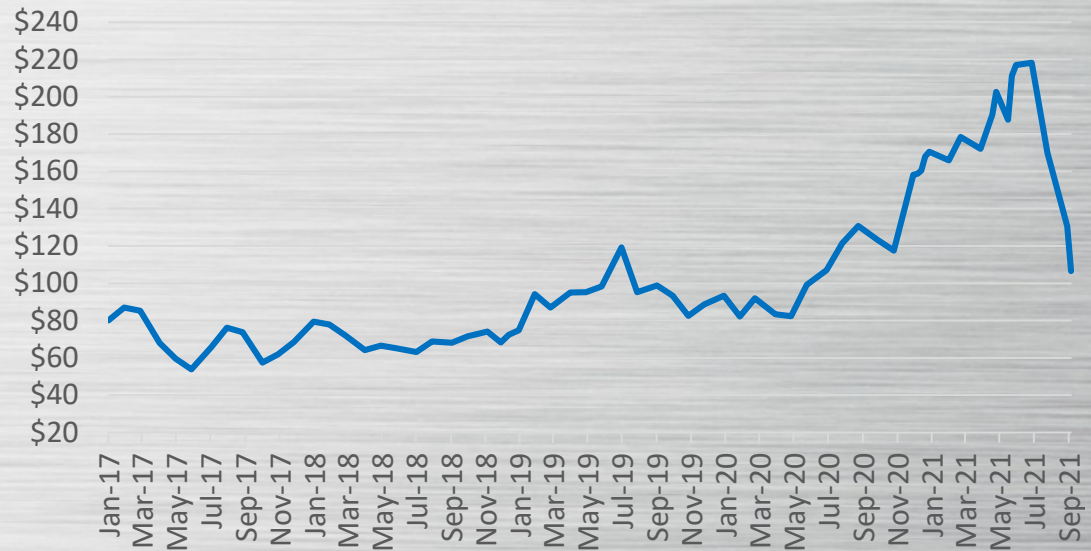
Spot iron ore pricing continued its rapid freefall this week, now down seven out of the last eight weeks.

Spot iron ore pricing ended the week at \$106.50/mt, down from \$130.50/mt a week ago.

- This is the lowest level for iron ore since July 2020.

Iron ore has now dropped over 51% from the peak in July, due to steel production cuts in China, now down for three consecutive months.

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing increased again this week, now up four consecutive weeks.

Zinc pricing ended the week at \$3,110/mt (\$1.411/lb), up from \$3,089/mt (\$1.401lb) previously.

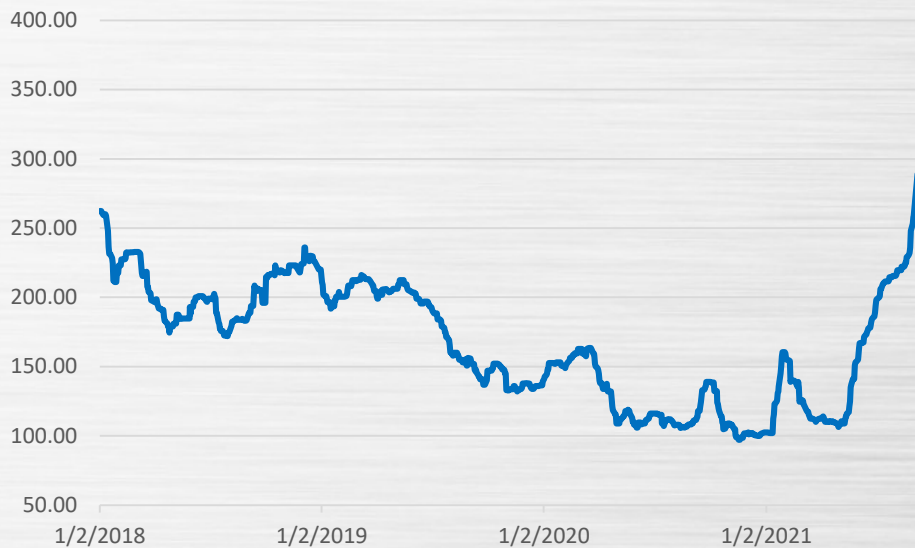
- This is the highest price for zinc since June of 2018.
 - Supply worries and logistic disruptions are supporting the higher prices as zinc mines across the globe struggle to keep up with demand.

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

- LME warehouse inventory dropped to 225,575 metric tons, from 226,900 metric tons previously.
- Shanghai warehouse inventory decreased as well this week, sliding from 53,797 metric tons to 50,399 metric tons.

▲ COKING COAL³

COKING COAL



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

- Coking coal settled at \$379/mt, up from \$336/mt last week.
 - This is up nearly 60% month-over-month and up 230% since the beginning of May.

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

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

After slipping for two consecutive weeks, domestic raw steel production climbed to a new pandemic-era high last week.

U.S. mills produced an estimated 1,882k tons at an 85.3% utilization rate; this is up from 1,866k tons and an 84.5% rate previously.

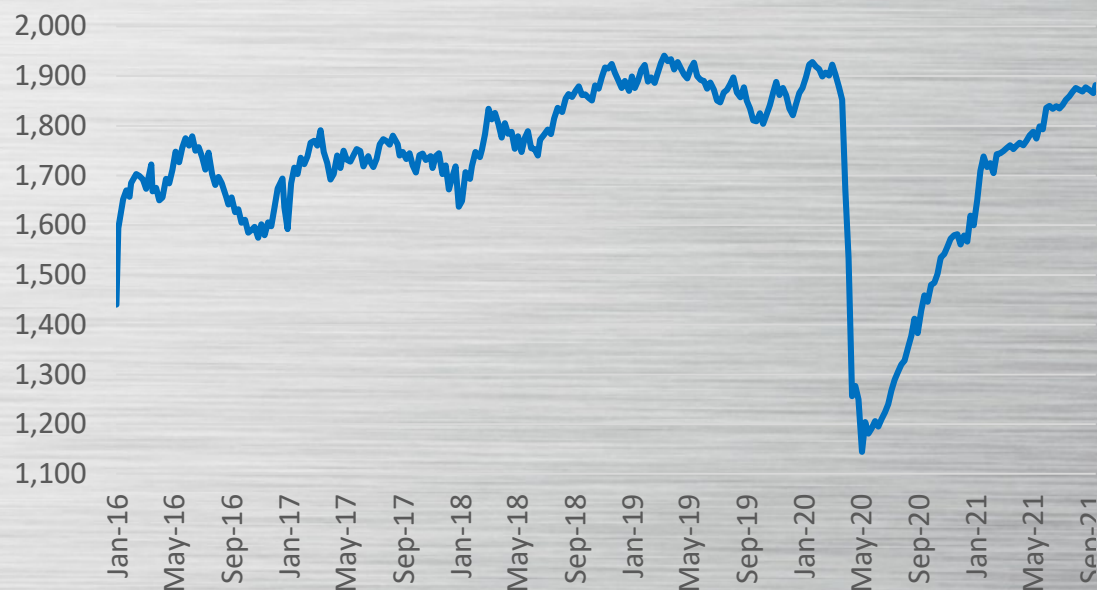
- This is the highest mill utilization rate since September 2008, when mills produced 2,027k tons.

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

- Production from the Southern region climbed from 771k to 786k tons.

Year-to-date production is now 19.6% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

EMPIRE MANUFACTURING INDEX⁵

After slowing in August, business activity from the manufacturing sector in the New York region expanded sharply in September.

The Empire Manufacturing Index came in at 34.3, up from 18.3 in August and is up sharply from the 17.0 reading in September 2020.

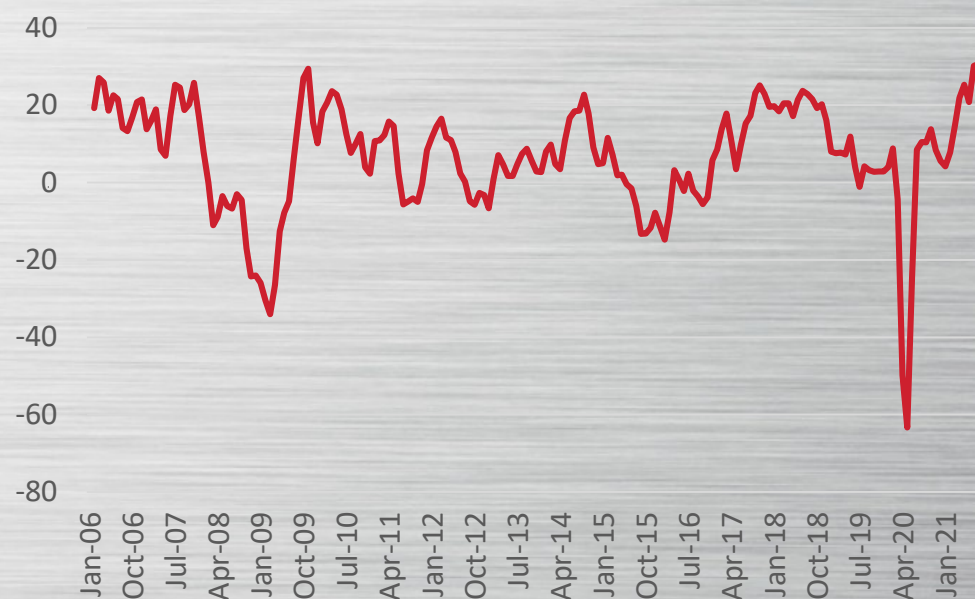
- Any reading over 0.0 indicates expansion and the Empire Manufacturing Index has now been in expansion for fifteen consecutive months.

New orders, shipments, and unfilled orders all increased sharply in September, climbing to 33.7, 26.9, and 20.9, respectively.

- Increased demand and continued stressed supply chains pushed the delivery times component to its highest level on record (36.5).

The forward looking component continues to remain very optimistic that conditions will improve over the next six months.

EMPIRE MANUFACTURING INDEX (2MMA)



INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION⁶

Despite late month shutdowns in the Gulf region, due to the hurricane, industrial production continued to push higher in August.

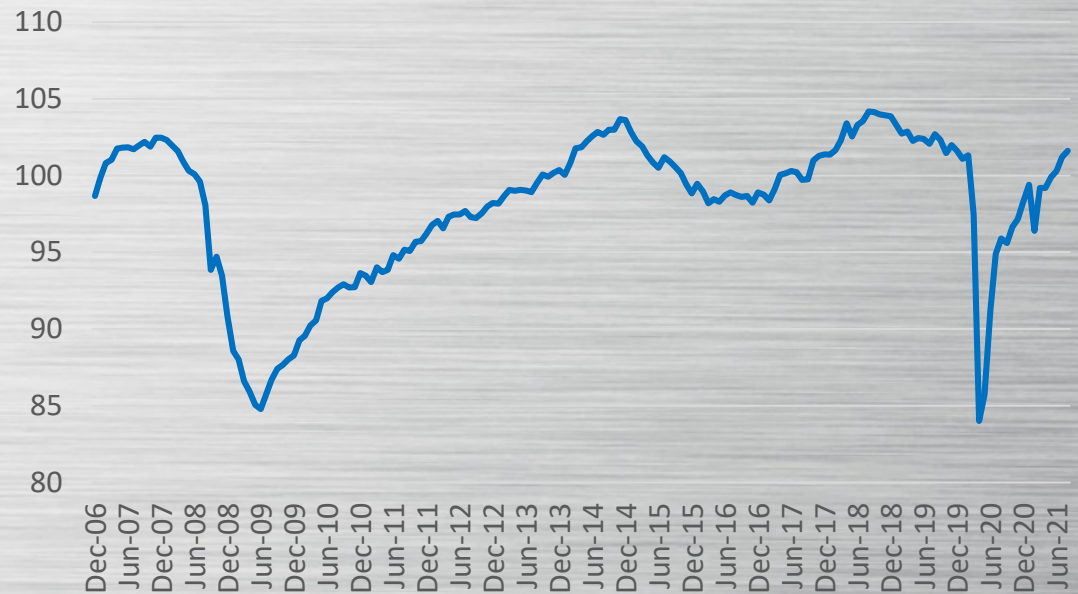
The Industrial Production Index came in at 101.6, up from 101.2 in July and at its highest level since November 2019.

- The Industrial Production Index for the production of durable goods continued to climb as well, climbing to 102.3 in August.
 - Despite the recent climb, this index still remains well below pre-pandemic levels of 108.0.

The Capacity Utilization rate continued to climb as well, increasing to 76.4%.

- This is up from 76.2% in July but still below the historical long-run (1972-2020) average of 79.4%.

INDUSTRIAL PRODUCTION INDEX



TRACTOR & COMBINE SHIPMENTS⁷

TRACTOR & COMBINE SHIPMENTS

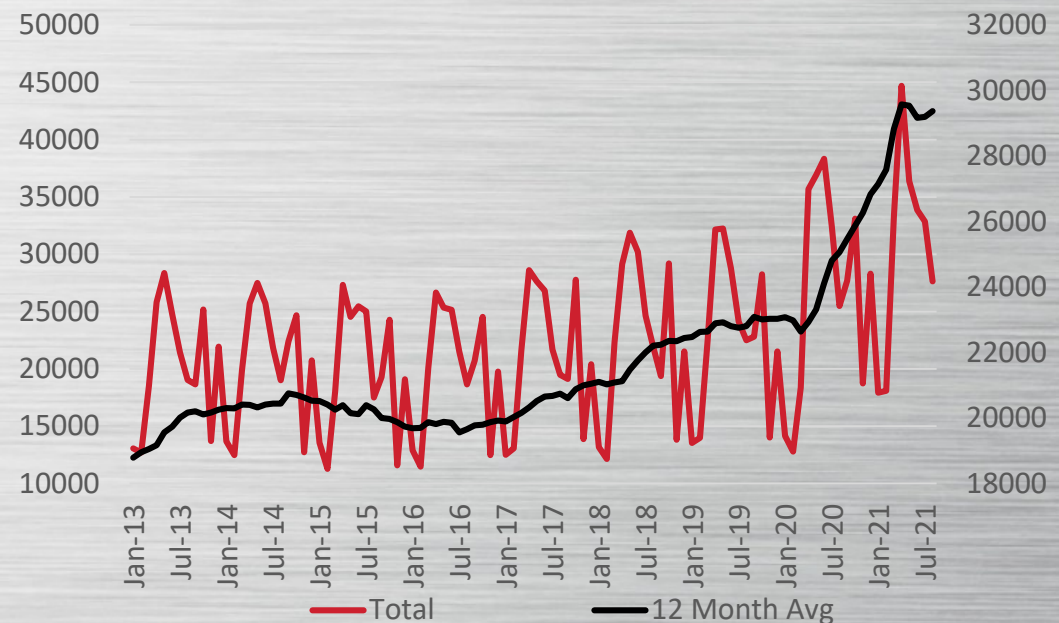
Shipments of North American (Canada/USA) tractor and combines declined in again in August, now down for the fourth consecutive month.

Shipments totaled 27,641 units in August, down 15.8% from July.

- The recent month-over-month decline is mostly due to seasonality as shipments continued to climb on a year-over-year basis.
- August shipments were up 8.5% from August 2020, marking the second consecutive year-over-year increase.

On a year-over-year basis, both tractor and combine shipments increased, climbing 8.2% and 21.3%, respectively.

YTD shipments are now up 14.3% from the same timeframe last year.



WEEKLY INITIAL JOBLESS CLAIMS⁸

Weekly initial jobless claims increased last week after falling to a pandemic-era low the week prior.

The Department of Labor's Weekly Initial Jobless Claims report came in at 332,000 claims, up from 312,000 claims previously.

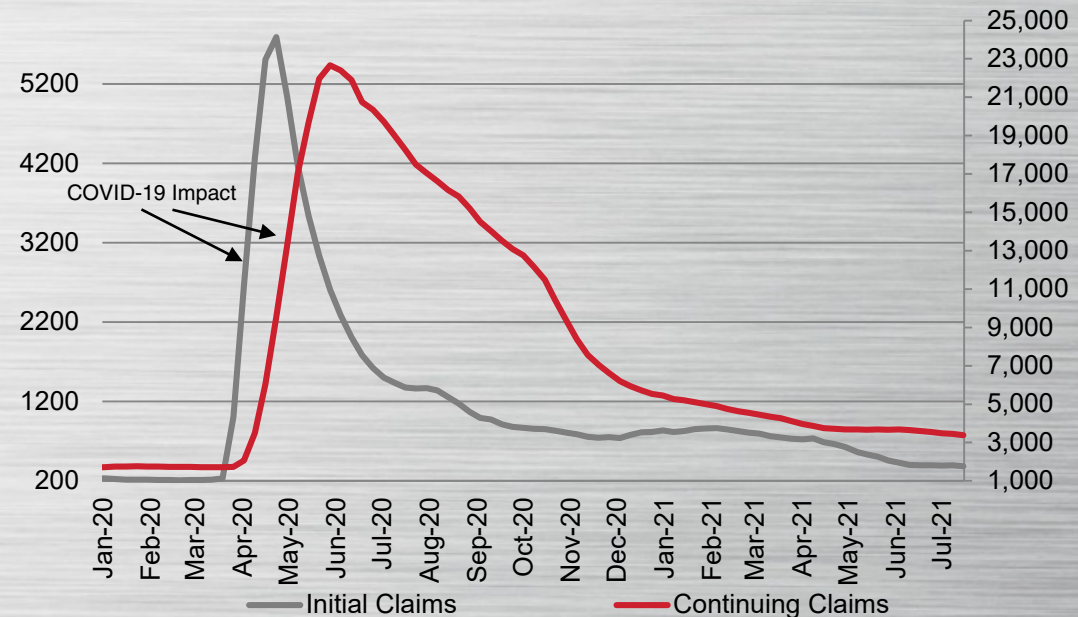
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 335,750, from 340,000 claims previously.

Continuing claims, or claims lasting longer than one week, dropped to a new pandemic-era low.

- Continuing claims slid to 2.665 million, down from 2.852 million previously.

At the state level, the largest increase in initial claims came from Louisiana (+7,664), Michigan (+5,318), and California (+1,209).

WEEKLY INITIAL JOBLESS CLAIMS



CONSUMER PRICE INDEX⁹

Prices paid by U.S. consumers continued to climb in August, however at a lower rate than the market expected.

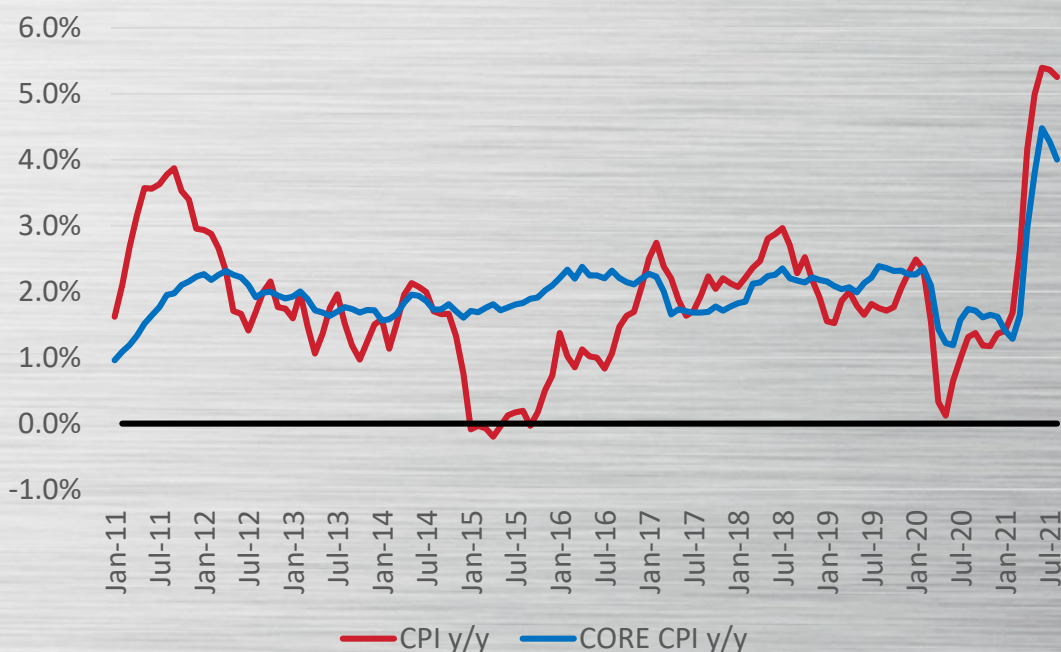
The Consumer Price Index increased 0.21% from July and was up 5.25% from August 2020.

- This was the lowest year-over-year increase in prices since May.

The CORE-CPI (excluding volatile prices of food and energy) increased as well, climbing 0.13% from July and 4.00% from August 2020.

- The largest, month-over-month, increases in prices came from household furnishings, shelter, new vehicles, and recreation.
 - These increases offset declines in lodging, airline fares, and used vehicles.
 - The decline in used vehicle prices ended a string of five consecutive monthly increases.

CONSUMER PRICE INDEX



LINEHAUL INDEX¹⁰

After a sharp decline in July, the Cass Transportation Linehaul Index rebounded in August.

The August Linehaul Index came in at 148.8, up 1.1% from July and up 12.6% from August 2020.

- The 12.6% year-over-year increase in August is down from the 13.4% year-over-year increase in July.

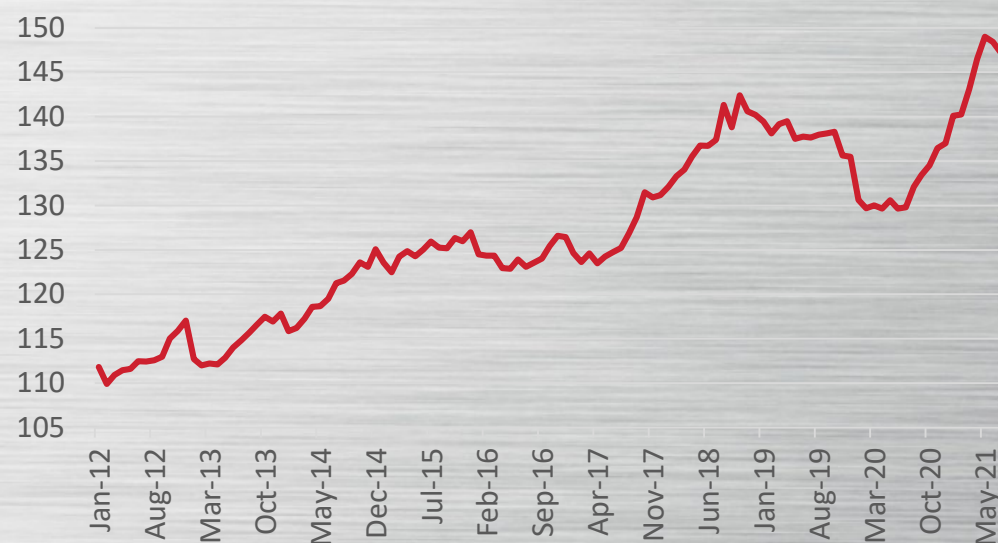
The index continued to be negatively impacted by the mix issue which has been caused by truck shortages, driver shortages, and network congestion.

- The mix issues is noise, not a signal that rates may be coming down.

The Linehaul Index is a timely indicator of market changes in per-mile truckload pricing.

- The index isolates the linehaul component and leaves out the more volatile aspects, such as fuel.

LINEHAUL INDEX



ECONOMIC

RETAIL SALES¹¹

After sliding in July, retail sales increased on a seasonally adjusted basis in August.

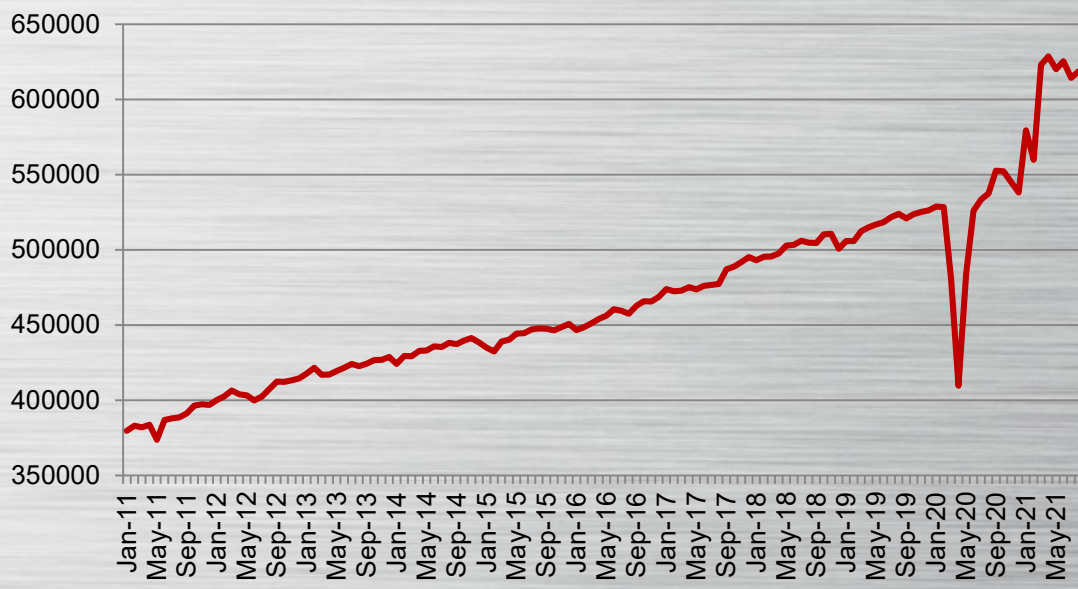
Retail sales came in at a \$618.7 billion rate in August, up 0.7% from July and up 15.1% from a \$537.7 billion rate in August 2020.

- Sales have now increased, on a year-over-year basis, for fifteen consecutive months.

The largest, month-over-month, increases in sales came from department stores, general stores, and grocery stores.

- Online retailers saw a sharp jump as well in August.
- These increases were more than enough to overcome the declines seen in sales at electronic stores and motor vehicle dealers.
 - Sporting goods stores saw a decline as well in August.

RETAIL SALES (SAAR)



SOURCES

- 1 Platts, Spot Iron Ore: September 16, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: September 17, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: September 17, 2021
- 3 Platts, Coking Coal Price: September 16, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: September 14, 2021.
- 5 NY Fed Reserve, Empire Manufacturing Index: September 2021.
- 6 Federal Reserve, Industrial Production/Capacity Utilization Rate: August 2021.
- 7 Association of Equipment Manufacturers, Tractor and Combine Shipments: August 2021.
- 8 Department of Labor, Weekly Initial Jobless Claims: September 16, 2021.
- 9 Bureau of Labor Statistics, Consumer Price Index: August 2021.
- 10 Cass Information Systems, Linehaul Index: August 2021.
- 11 U.S. Census Bureau, Retail Sales: August 2021.

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M MSUSA

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