

## DOMESTIC GROWTH IS ON THE HORIZON

Signs are pointing to both short and long term domestic growth. Despite uncertainty around labor, supply chains, and inflation, U.S. homebuilders are more confident today than they have been in the last three months. This confidence is evident as new housing starts continue to increase month over month. Looking forward to 2024, Nucor recently announced plans to start building a new EAF facility. This new facility is expected to produce 3.0 million tons/year.

## INPUT COSTS

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.

- Zinc pricing held around \$1.37/lb this week and longer-term forecasts expect pricing to return to the recent \$1.33/lb-\$1.38/lb average from the next 30 days.
  - Much like every material, the current supply/demand imbalance is poised to keep pricing from falling too far.

Spot iron ore pricing continued to slide this week, now down to \$94/dmt.

- This is down 32.4% m/m and down 42.9% since the beginning of the year.
  - The current pricing level is the lowest since May 2020.

Pacific basin met coal pricing continued to push higher this week, hitting a fresh all-time high on Monday.

- Pricing increased to \$399/mt; up 76.0% m/m and up 256% since the beginning of May.
- Increasing demand from India, easing of China/Australia export ban, and higher finished steel pricing have all helped push pricing higher.

## SUPPLY

After climbing last week, U.S. mill capacity utilization slipped slightly this week.

- U.S. steelmakers produced 1.874 million tons at an 84.9% utilization rate.
  - For reference, an 84.6% utilization rate in October 2008 equated to 2.015 million tons produced.
  - The same utilization rate today produces ~7% less tonnage.
- Year-to-date production is 20.1% above the total from the same period last year but is still 5.4% below the same timeframe in 2019.

This week, Nucor announced their plans to build a new 3.0 million tons/year EAF facility.

- With the announced plan to add EAF capacity, possible locations mentioned include Ohio, Pennsylvania, and West Virginia (Ohio River basin).
- Like USS, Nucor has stated anticipated start up in 2024.

Based on preliminary import licenses, the daily average for September (20 days) increased 9.2% from August

- Ex. Brazilian slabs imports were up 2.2% from August on a daily average basis.

## DEMAND

After hitting a fourteen-month low in July, domestic light vehicle production bounced back slightly in August.

- U.S. light vehicle production totaled 785,703 units in August, up 25.4% from July.
- Year-to-date light vehicle production is still up 16.9% from the same timeframe last year, but is 16.3% below the level from the same period in 2019.

After slowing slightly the previous three months, confidence among U.S. homebuilders increased in September.

- The September Housing Market Index came in at 76, up from 75 in August but slightly below the 83 reading from September 2020.
  - Any reading over 50 indicates a growth in confidence, while any reading below 50 denotes a growth in pessimism.
- Despite the slight increase in confidence, uncertainty around labor, supply chains, and inflation continue to keep homebuilders up at night.

New housing starts came in at a 1.615 million-unit rate in August, up 3.9% from July and up 17.4% from a 1.448 million-unit rate in August 2020.

- New housing starts have now increased in three of the last four months.
  - Permits, an indicator of future construction, increased as well, climbing to a 1.728 million-unit rate.
- Year-to-date actual housing starts are up 21.5% from the same timeframe in 2020 and up 27.1% from the first eight months of 2019.

## PRICE

Steel pricing continued to set new all-time highs, as both cold rolled and base galvanized pricing climbed above the \$2190/t (\$109.50/cwt) level.

- This current upward super-cycle for flat product pricing has now entered its thirteenth month, with no signs of turning in the near future.
  - There are indications that there is potential for the rally to gain momentum as automotive and oil & gas end-related demand are both expected to improve near-term.

Foreign pricing was relatively flat this week on speculation that the Chinese government mandate on production cuts would not be enforced as stringently.

- The Platts index FOB China came in at \$926/mt (\$41.96/cwt).
- Chinese HRC pricing is down 0.1% from last week but up 36.8% YTD.