

CORE 10.01.21 **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
- ⊖ inflation
- ⬆ GDP
- ⬇ confidence

SPOT IRON ORE¹

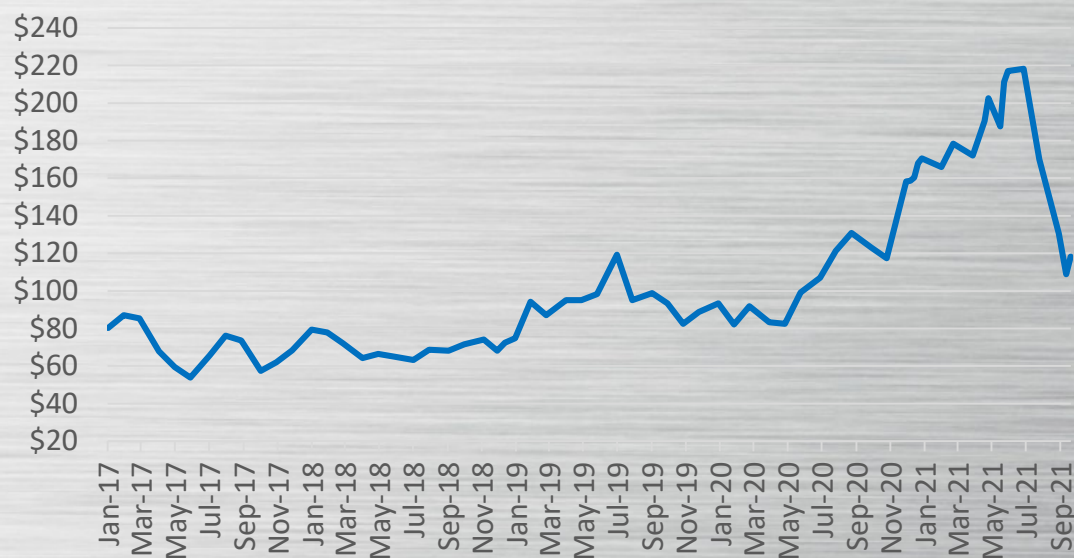
Spot iron ore pricing jumped to a three-week high, now up in back-to-back weeks after sliding the previous five weeks.

Spot iron ore pricing ended the week at \$118.25/mt, up from \$108.90/mt a week ago.

- This is still down 30% in one month and down nearly 50% from the all-time high seen in July.

This week's gains were largely driven by restocking demand ahead of China's Golden Week holiday starting October 1st.

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing dropped this week after hitting the highest price since June 2018 last week.

Zinc pricing ended the week at \$2,999/mt (\$1.360/lb), down from \$3,110/mt (\$1.411lb) previously.

- Supply shortages at key mines across the globe and rising freight costs have helped to boost zinc prices of late.

Global zinc inventory decreased again this week, now down five consecutive weeks.

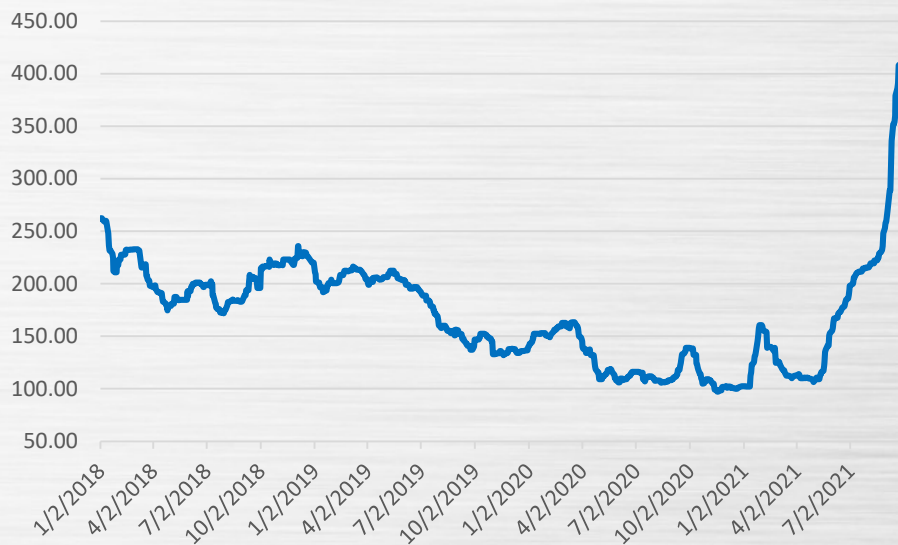
- LME warehouse inventory dropped to 205,750 metric tons, from 217,175 metric tons previously.
- Shanghai warehouse inventory decreased as well, sliding from 58,395 metric tons to 54,750 metric tons.

COST



COKING COAL³

COKING COAL



Coking coal price dropped slightly this week after hitting an all-time high last week.

- Coking coal settled at \$390/mt, down from \$402/mt last week.
 - This is still up 75% month-over-month and up 250% since the beginning of May.
 - Coking coal has now surpassed iron ore to become the most expensive raw material input for steel makers.

The increased tensions between China and Australian importers along with major supply disruptions has helped to push prices higher.

- This has also allowed the U.S. to become the largest supplier of coal to China, sending in 1.21 million tons in August.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

After slipping last week, domestic raw steel production rebounded back near the pandemic-era high seen two weeks prior.

U.S. mills produced an estimated 1,880k tons at an 85.2% utilization rate; this is up from 1,874k tons and an 84.9% rate previously.

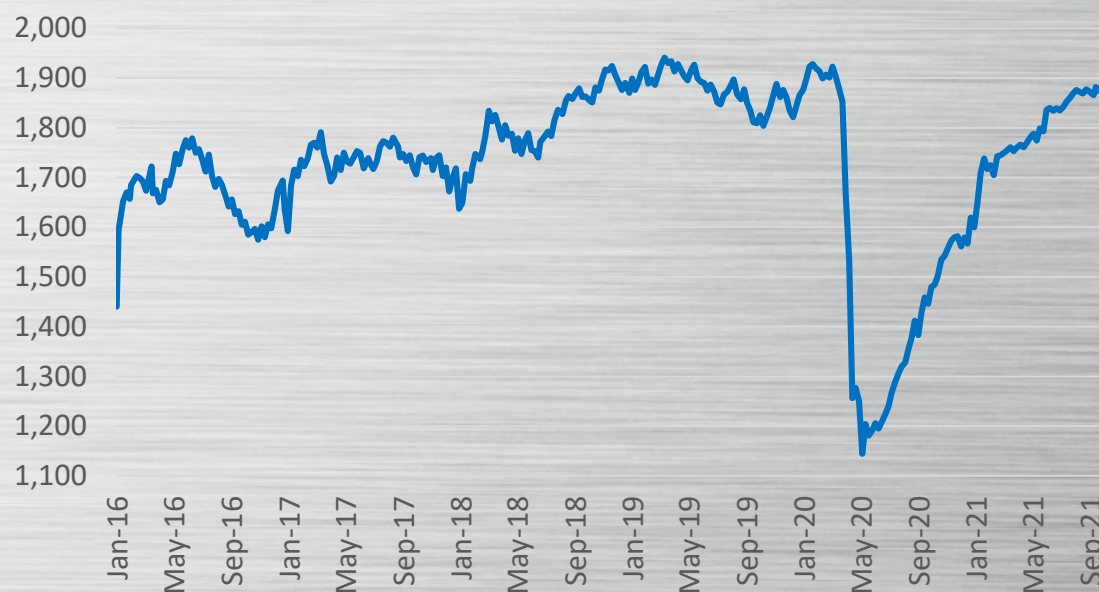
- For reference, an 84.6% utilization rate in October 2008 equated to 2,015k million tons produced, roughly 7% less overall tons.

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

- Production from the Southern region climbed from 776k to 786k tons.

Year-to-date production remains 20.1% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



SUPPLY



GLOBAL STEEL PRODUCTION⁵

Global steel production, on a tons/day basis, continued to slide in August.

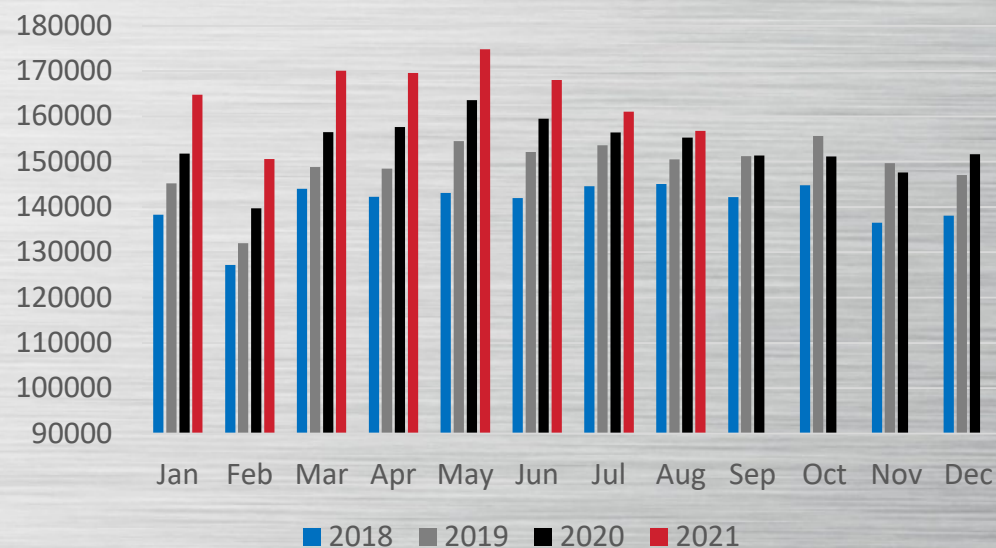
- Global steel production totaled 5.058 million tons/day in August, down 5.6% from July and marked the fourth consecutive monthly decline.

The continued decline in Chinese production helped to pull the total lower.

- Chinese production came in at a 2.685 million tons/day rate in August, down 4.1% from July and down 13.2% from a 3.094 million tons/day rate in August 2020.
 - This was the fourth consecutive monthly decline and pushed Chinese production to its lowest tons/day rate since March 2020.
- While Chinese production declined, production from the rest of the world was down slightly in August, sliding 0.9% to a 2.373 million tons/day rate.

Despite the recent decline, the year-to-date tons/day average of 5.416 million tons/day is still well above last year's average production of 4.994 million tons/day.

GLOBAL STEEL PRODUCTION (MT)



SUPPLY



CARBON STEEL IMPORTS⁶

After climbing to a two-plus year high in July, total carbon steel imports slipped slightly in August.

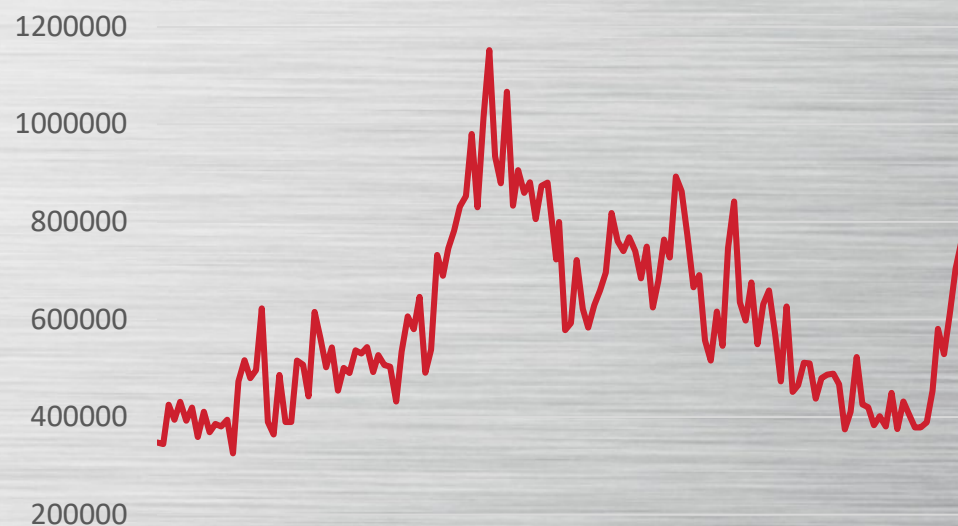
Total carbon steel imports totaled 2.226 million tons, down 7.0% from July, but more than double the 1.042 million ton total from August 2020.

Total carbon flat rolled imports continued to climb in August, now up for the fourth consecutive month.

- Carbon flat rolled imports totaled 876,874 tons, up 15.5% from July and up 133.7% from August 2020.
- While cold rolled imports saw a slight decline from July, the sharp increases, 25.0% and 13.6% respectively, from hot rolled and coated were more than enough to overcome the slight decline.

Year-to-date carbon flat rolled imports are now 46.0% above the same timeframe last year and up 23.5% from the first eight months of 2019.

CARBON FLAT ROLLED IMPORTS



DEMAND

CONSTRUCTION SPENDING⁷

After climbing the previous five months, total construction spending was flat in August.

Total construction spending came in at a \$1.584 trillion rate.

- While flat from July, this was up 8.9% from the \$1.455 trillion rate in August 2020.

While residential construction spending continued to climb, non-residential construction spending saw a decline after the slight increase last month.

- Residential construction spending came in at a \$795.5 billion rate, up 0.4% from July and up a sharp 23.9% from August 2020.

Total residential construction spending made up 50.2% of total construction spending, the first time outpacing non-residential spending since 2006.

NON-RESIDENTIAL CONSTRUCTION SPENDING



ISM MANUFACTURING INDEX⁸

Economic activity from the manufacturing sector continued to grow in September, now climbing for the sixteenth consecutive month.

The ISM Manufacturing Index came in at 61.1, up from 59.9 in August and is at its highest level since May.

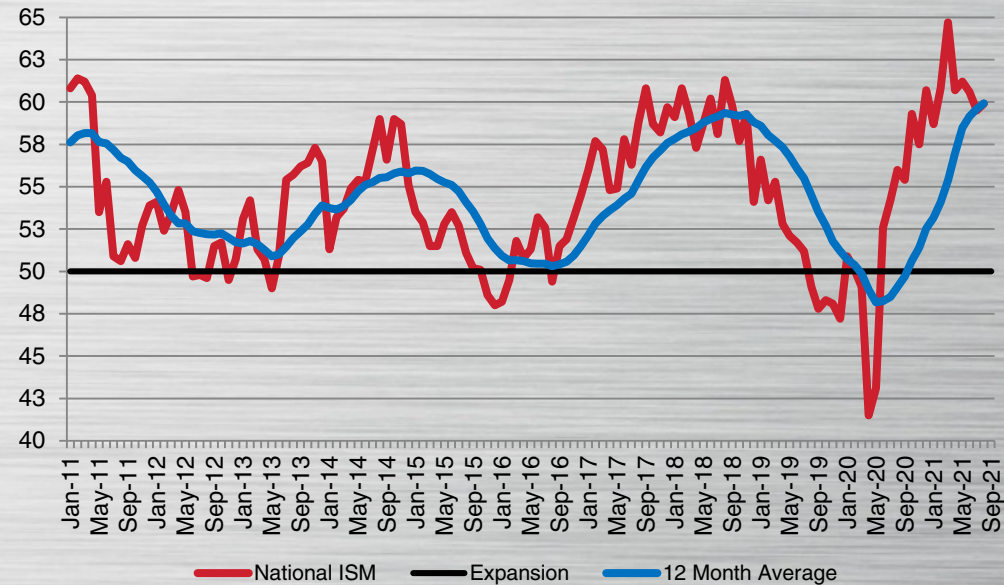
- The twelve-month average increased to 60.4, the first time breaking 60 in recent history.
- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

The Employment component increased back over 50.0 in August, coming in at 50.2.

- The New Orders component remained flat in September, holding at 66.7.

While both the Production and Backlog of Orders components slipped, both remain well above the key 50.0 level.

ISM MOMENTUM INDEX



DEMAND

CHICAGO PMI⁹

The Chicago Business Barometer slowed slightly in September, sliding to 64.7.

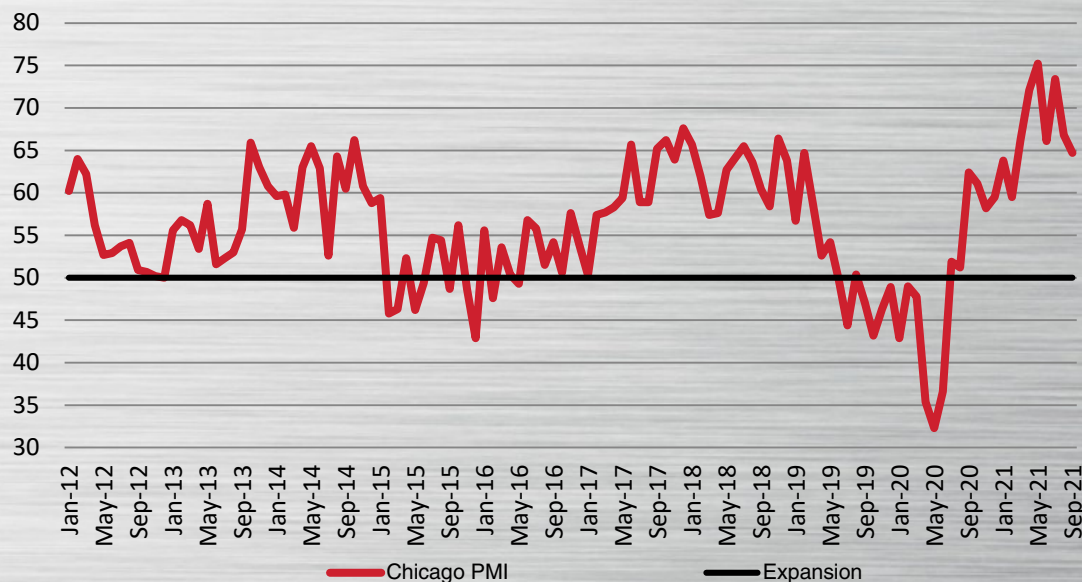
- This is down from 66.8 in August and is at its lowest level since February.
- Any reading over 50 indicates an increase in activity, while any reading below 50 denotes a contraction.

Among the five main components of the index, Order Backlogs saw the largest decline, followed by Supplier Deliveries and New Orders.

- Order backlogs declined sharply, sliding 20.5 points to a six-month low of 61.1.
- New Orders came in at 64.4, down 3.4 points from August and at its lowest level since March.
 - The drop in new orders was due to raw material shortages and low component availability (semiconductors).

Despite the slight pull back in September, the Chicago PMI has now remained above the key 50 level for fifteen consecutive months.

CHICAGO PMI



DEMAND

DURABLE GOODS¹⁰

New orders for manufactured durable goods increased in August, climbing 1.8% to a \$263.5 billion rate.

- This increase followed a 0.5% increase in July and is now up for the fifteenth time in the last sixteen months.
- Excluding the volatile transportation component, new orders increased 0.2%.

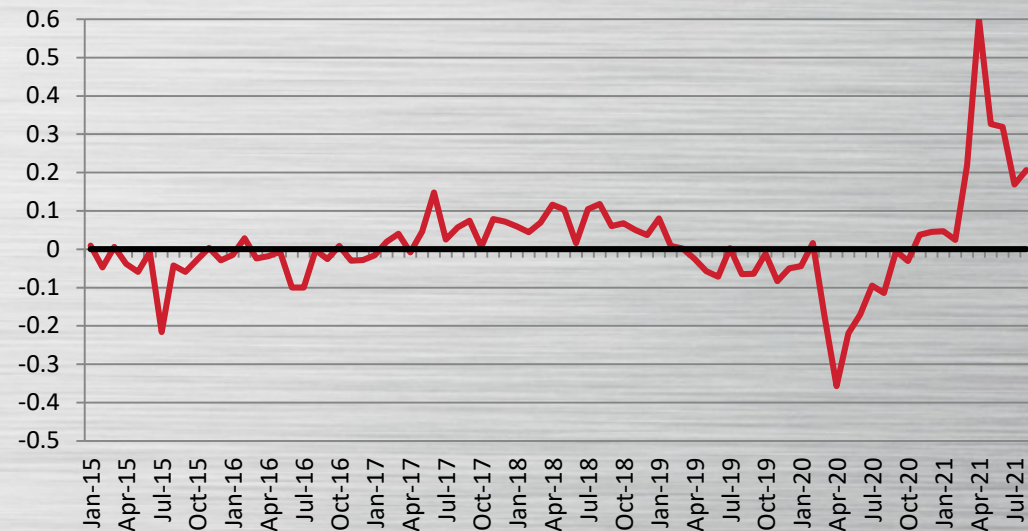
Unfilled orders increased again in August, now up for the seventh consecutive month.

- Unfilled orders increased 1.0% to a \$1.239 trillion rate.

Inventories increased as well, climbing 0.8% to a \$457.9 billion rate.

- This followed a 0.8% increase in July and are now up for the seventh consecutive month.

ACTUAL NEW ORDERS Y/Y % CHANGE



ECONOMIC

**WEEKLY INITIAL
JOBLESS CLAIMS¹¹**

Weekly initial jobless claims increased for the third consecutive week as the job market remains sluggish.

The Department of Labor's Weekly Initial Jobless Claims report came in at 362,000 claims, up from 351,000 claims previously.

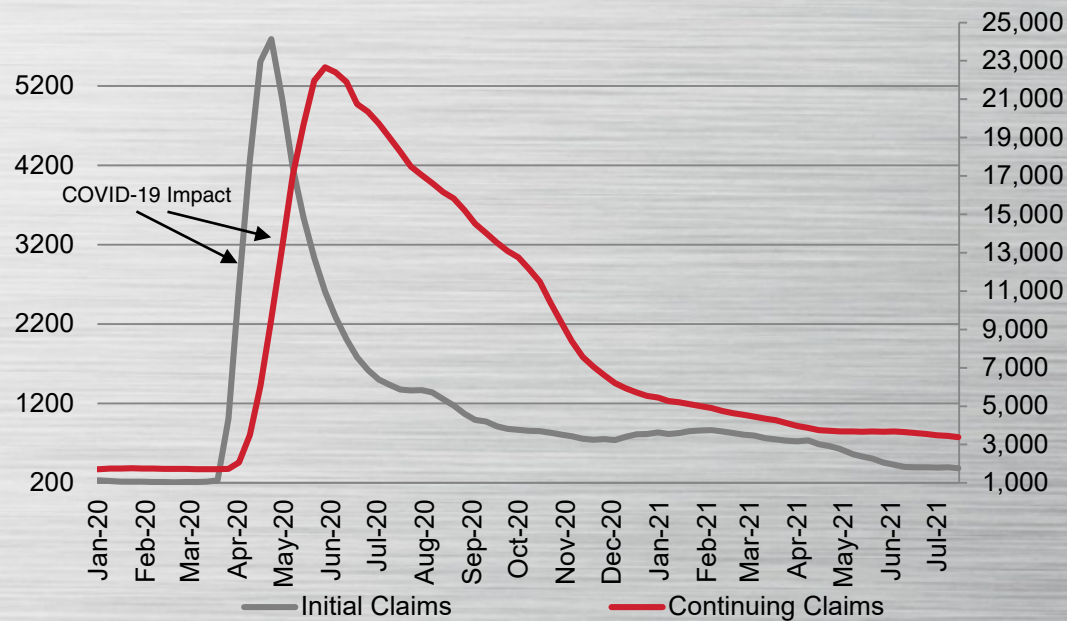
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 340,000, from 335,750 claims previously.
- The rise this week likely reflects claims left over from Hurricane Ida.

Continuing claims, or claims lasting longer than one week, decreased, now alternating up and down movements for the last seven weeks.

- Continuing claims dropped to 2.802 million, down from 2.820 million previously.

For the second consecutive week, the largest increase in initial claims came from California (+17,218) and Virginia (+12,140.)

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC

GROSS DOMESTIC PRODUCT¹²

According to the third and final estimate, Q2 GDP increased at an annual rate of 6.7%.

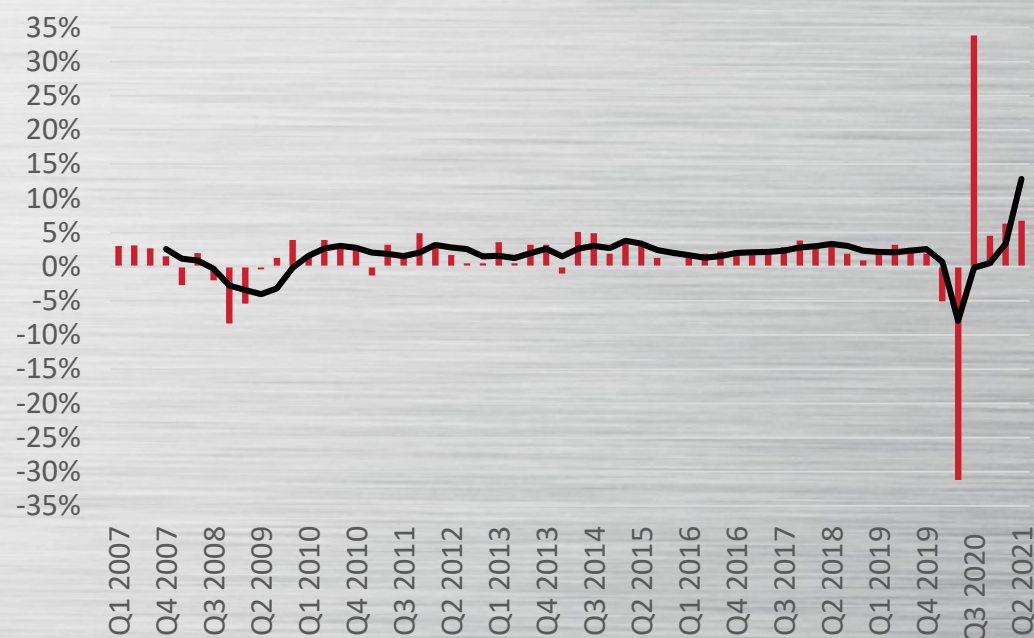
- This was up from a second estimate of 6.6% and a final Q1 reading of 6.3%.

Upward revisions to personal spending, exports, and inventory investment were more than enough to overcome the upward revision to imports, which is a subtraction to GDP.

The increase in GDP in Q2 was led by increases in personal spending, nonresidential investment, exports, and state and local government spending.

- These were partly offset by declines in inventory investment, residential investment, and federal government spending.
- The increase in spending was led by increases in food services, pharmaceutical products, and clothing and footwear.

GROSS DOMESTIC PRODUCT



PERSONAL INCOME AND OUTLAYS¹³

Personal income increased in August, climbing 0.2% to \$35.5 billion.

- The boost in total personal income mostly came from increased wages and salaries and the advance Child Tax Credit.

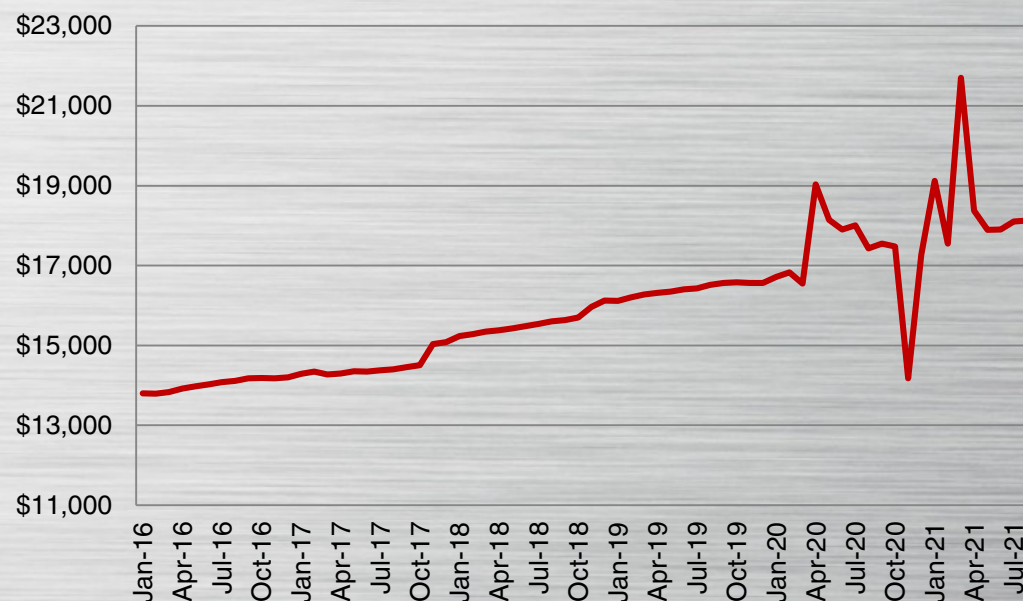
Disposable personal income increased as well, climbing 0.1% to \$18.9 billion.

- Disposable income was up on a year-over-year basis as well, climbing 4.0% from last August.
- This was the largest, year-over-year, increase since March.

Personal consumption expenditures (spending) increased as well, climbing 0.8% to \$130.5 billion.

- The 0.8% increase in August followed a slight, 0.1%, decline in July.

DISPOSABLE INCOME



 **CONSUMER CONFIDENCE¹⁴**

Confidence among U.S. consumers dropped sharply in September, sliding to its lowest level since March.

The Conference Board's Consumer Confidence Index came in at 109.3, down from 115.2 in August.

- Uncertainty around inflation and the Delta variant have helped slow peoples spending of late.

The Present Situation Index fell to 143.4 from 148.9 last month.

- The Expectations Index, dropped from 92.8 in August to 86.6 this month.

Consumer confidence is still high by historical levels, enough to support further growth in the near-term, but the Index has now fallen 19.6 points from the recent peak of 128.9 reached in June.

SOURCES

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Shanghai Futures Exchange, Weekly Zinc Inventory Report: October 1, 2021.
- 3 Platts, Coking Coal Price: October 1, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: September 28, 2021.
- 5 WorldSteel, Global Steel Production: August 2021.
- 6 U.S. Census Bureau, Carbon Steel Imports: August 2021.
- 7 U.S. Census Bureau, Total Construction Spending: August 2021.
- 8 Institute for Supply Managers, National ISM Manufacturing Index: September 2021.
- 9 Institute for Supply Managers, Chicago PMI: September 2021.
- 10 U.S. Census Bureau, Durable Goods Orders: August 2021.
- 11 Department of Labor, Weekly Initial Jobless Claims: September 30, 2021.
- 12 Bureau of Economic analysis, GDP: Q2 2021.
- 13 U.S. Census Bureau, Personal Income and Outlays: August 2021.
- 14 Conference Board, Consumer Confidence Index: September 2021.

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