

CORE 10.08.21 **REPORT**

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- ▲ coking coal

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SCRAP¹

After September's \$50/gt decline to end a string of thirteen consecutive months of upward movement for prime scrap pricing, prime scrap slid again in October.

October prime scrap settled at \$560/gt, down \$20/gt from \$580/gt in September.

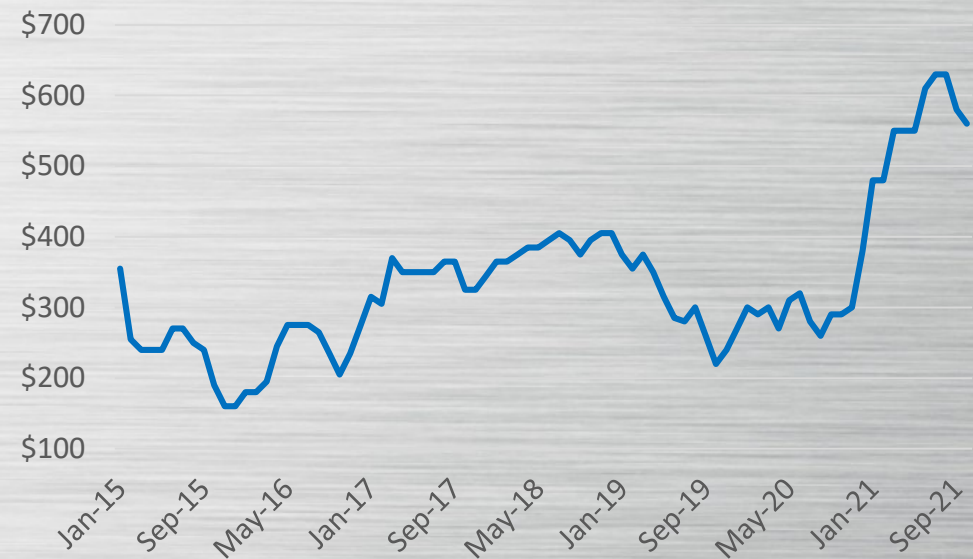
- This is the lowest level for prime scrap since May.

Shredded scrap pricing fared much better, climbing \$10/gt for October.

The recent slide in global iron ore prices, which has impacted imported pig iron pricing, has helped to push domestic prime scrap pricing lower.

- Prime scrap is still expected to remain strong long term as EAF steel production continues to grow both domestically and around the globe.

PRIME SCRAP



COST

SPOT IRON ORE²

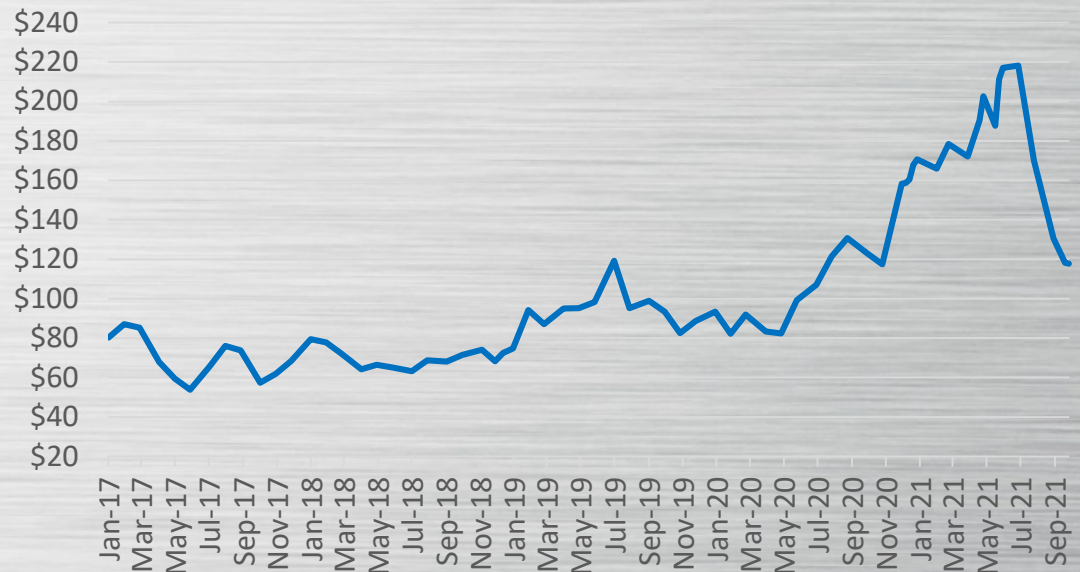
After climbing two consecutive weeks, spot iron ore pricing dropped again, now down six out of the last eight weeks.

Spot iron ore pricing ended the week at \$117.80/mt, down from \$118.25/mt a week ago.

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

Iron ore prices are set to continue to face downward pressure from Chinese steel output cuts in the fourth quarter.

IRON ORE COST



COST

WEEKLY ZINC PRICING³



ZINC

Zinc pricing rebounded this week after dropping the previous week.

Zinc pricing ended the week at \$3,098/mt (\$1.405/lb), up from \$2,999/mt (\$1.360lb) previously.

- Steady demand, production still to reach pre-pandemic levels, and global freight issues have supported higher prices of late.

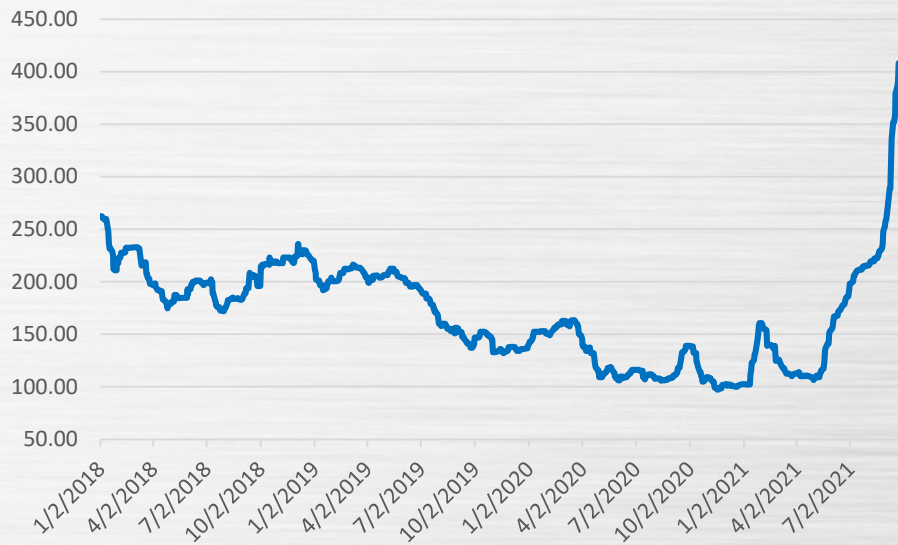
Global zinc inventory decreased again this week, now down six consecutive weeks.

- LME warehouse inventory dropped to 197,350 metric tons, from 205,750 metric tons previously.
- Shanghai warehouse inventory increased however, climbing from 54,750 metric tons to 61,590 metric tons.

COST

COKING COAL⁴

COKING COAL



Coking coal price increased this week, nearing the all-time high seen three weeks prior.

- Coking coal settled at \$396/mt, up from \$390/mt last week.
 - This is still up 75% month-over-month and up 250% since the beginning of May.

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

- A global coal supply shortage has sent prices soaring and contributed to an electricity crunch and rolling blackouts that has hammered businesses throughout China.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁵

After climbing back near the pandemic-era high last week, domestic raw steel production slipped this week.

U.S. mills produced an estimated 1,872k tons at an 84.8% utilization rate; this is down from 1,880k tons and an 85.2% rate previously.

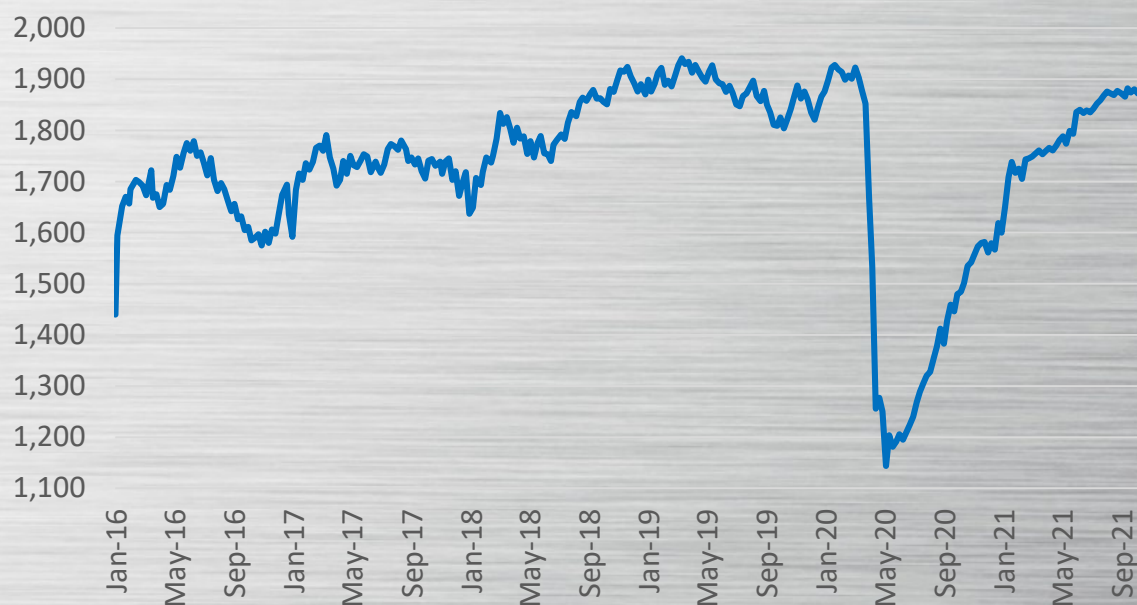
- For reference, an 84.6% utilization rate in October 2008 equated to 2,015k million tons produced, roughly 7% less overall tons.

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

- Production from the Southern region slid from 786k to 774k tons.

Year-to-date production is now 20.2% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

▼ LIGHT VEHICLE SALES⁶

U.S. LIGHT VEHICLE SALES

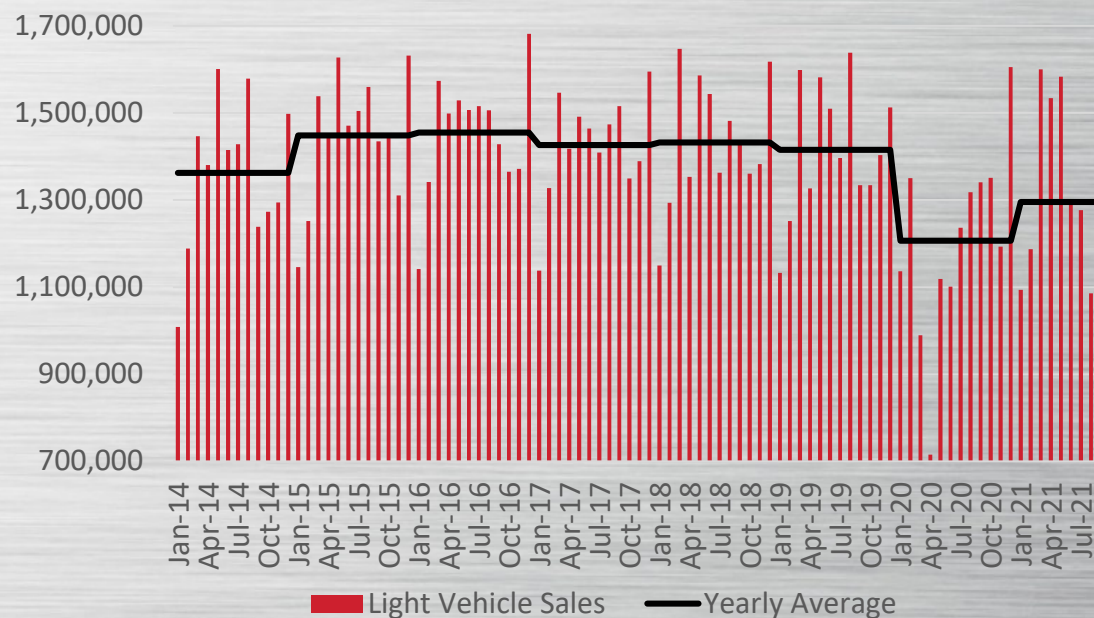
Domestic light vehicle sales continued to slide in September, now down for the fourth consecutive month and for the fifth time in the last six months.

September U.S. light vehicle sales totaled 1.007 million units, down 7.3% from August and down 24.9% from 1.341 million units in September 2020.

While sales of both cars and light trucks declined in September, the sharper drop (14.4%) came from car sales.

- Light truck sales slipped 4.0% from August and have now declined for six consecutive months.

Despite the recent decline, year-to-date light vehicle sales are still 13.1% above the level from the same timeframe last year.



▼ LIGHT VEHICLE INVENTORY⁷

U.S. light vehicle inventory has now reached catastrophic lows in September, now sliding for the eighth consecutive month.

U.S. light vehicle inventory totaled 972,278 units, down 8.8% from August and down a sharp 64.0% from 2.670 million in September 2020.

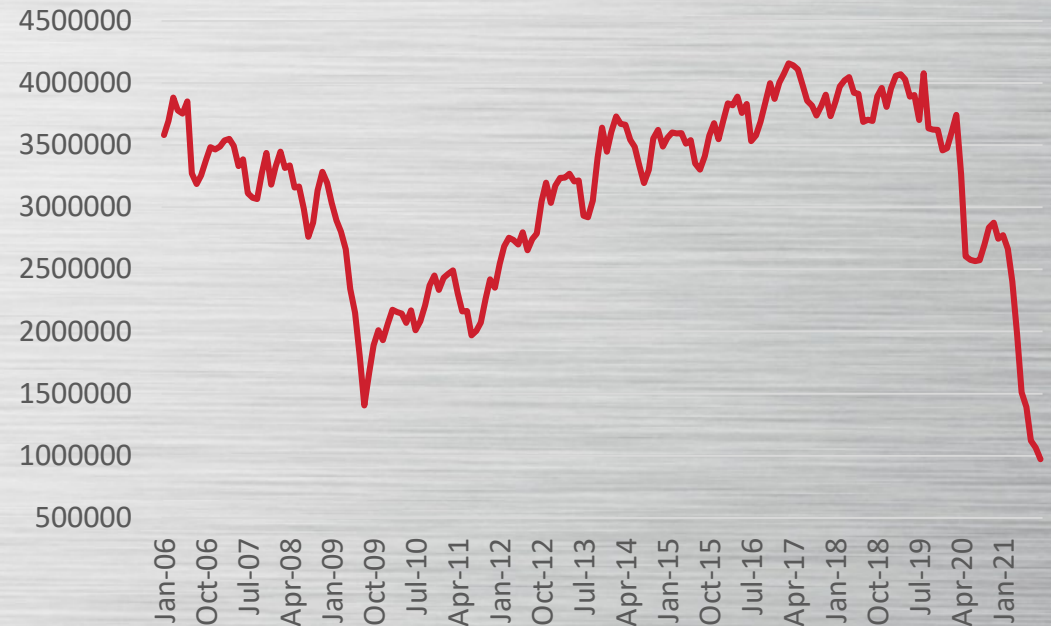
- This is the first time inventory has been below 1.0 million units in modern history.

Inventory of both cars and light trucks declined in September, sliding 21.8% and 2.6%, respectively, from August.

Current inventory, when combined with September's sales rate, equates to 24 days of supply.

- This remains well below the historical normal level of 65 days.

U.S. LIGHT VEHICLE INVENTORY



HEATING & COOLING EQUIPMENT⁸

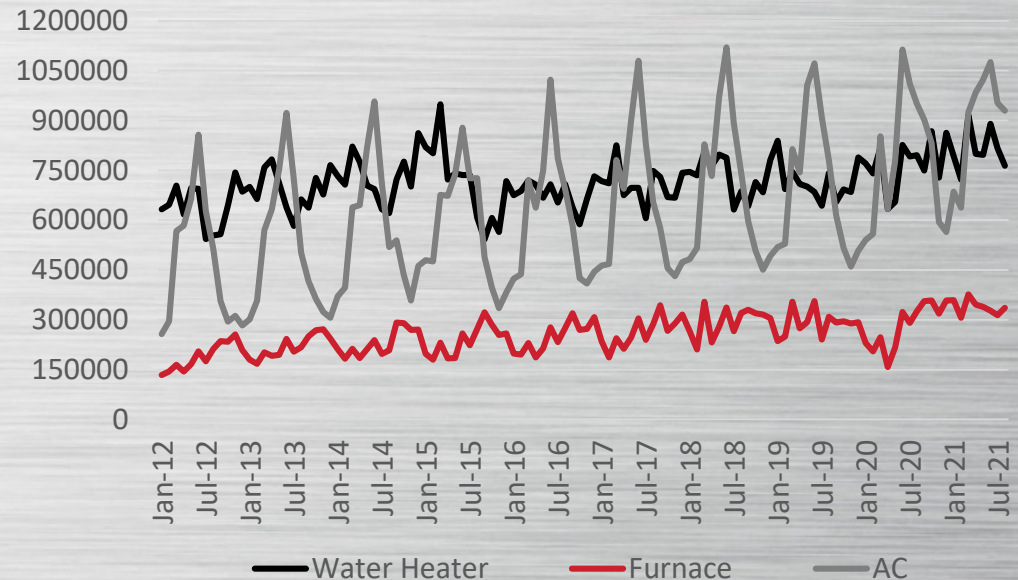
HVAC EQUIPMENT SHIPMENTS

Shipments of HVAC equipment continued to slip in August, now down for the second consecutive month.

HVAC equipment shipments totaled 2.030 million units, down 2.5% from July and down 2.0% from 2.071 million units in August 2020.

- On a year-over-year basis, to help smooth volatility, while furnace shipments increased slightly, water heater and A/C & heat pump shipments declined.
 - Water heater and A/C & heat pump shipments were down 4.0% and 2.2%, respectively.

Despite the recent decline, year-to-date shipments are now 13.5% above the same timeframe last year and are up 13.6% from the same time in 2019.



ECONOMIC

WEEKLY INITIAL JOBLESS CLAIMS⁹

Weekly initial jobless claims dropped this week after climbing the previous three weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 326,000 claims, down from 364,000 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 344,000, from 340,500 claims previously.

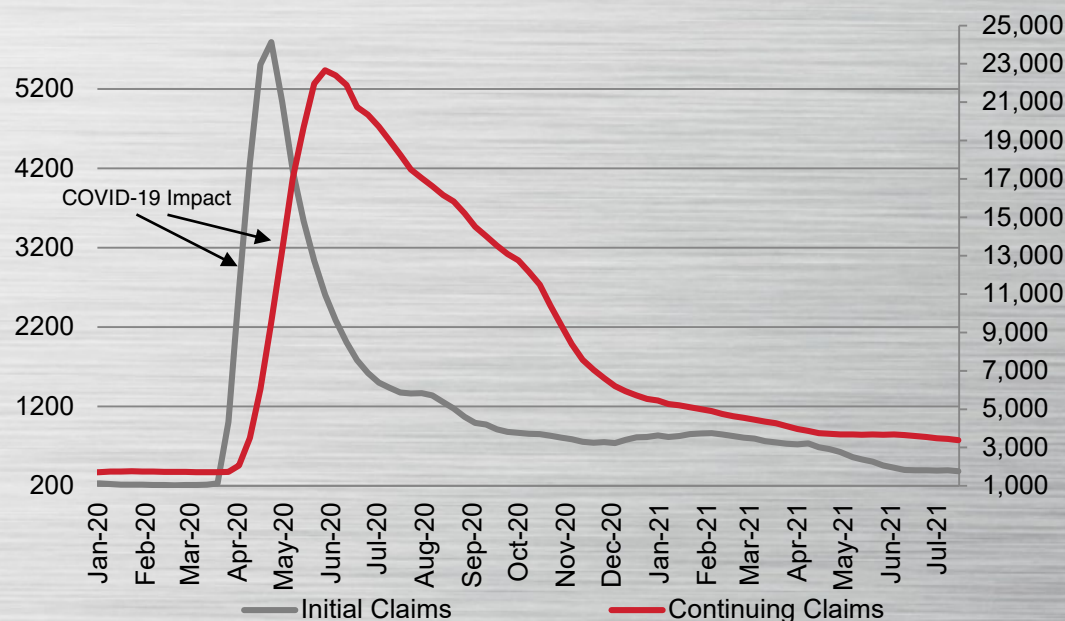
Continuing claims, or claims lasting longer than one week, decreased for the second consecutive week.

- Continuing claims dropped to 2.714 million, down from 2.811 million previously.

At the state level, California accounted for the largest drop in claims, with a decrease of 10,513.

- The District of Columbia saw a decline of 3,951 while Texas was down 3,099.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC

EMPLOYMENT SITUATION¹⁰

After adding over 350,000 jobs in August, the U.S. added 194,000 jobs in September.

- This was the lowest monthly addition since January.

Private employment, which accounts for roughly 70% of employment, increased as well, climbing by 317,000 jobs in September.

- Government employment dropped sharply, sliding by 123,000 jobs.

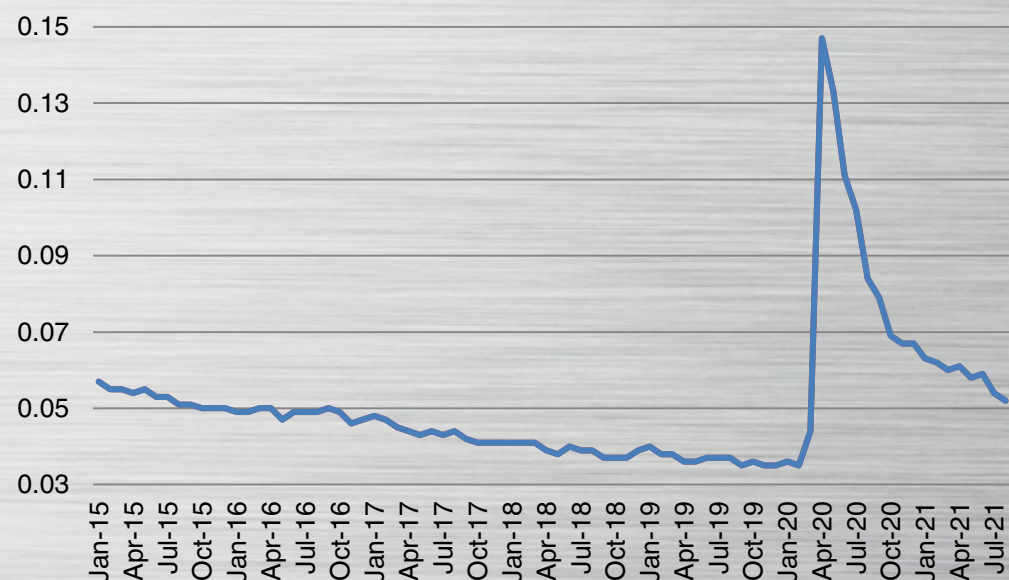
Construction employment increased in September, climbing by 22,000 jobs; this follows a flat reading in August.

- Construction building employment increased by 6,300 jobs after slipping by over 2,000 jobs last month.

Manufacturing employment increased as well, climbing by 26,000 jobs.

The unemployment rate declined to 4.8%, down from 5.2% in August and is at its lowest level since March 2020.

UNEMPLOYMENT RATE



SOURCES

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

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