

CORE 10.15.21 **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

07

- ⬆ employment
- ⬆ inflation
- ⬆ trucking
- ⬆ retail sales

SPOT IRON ORE¹

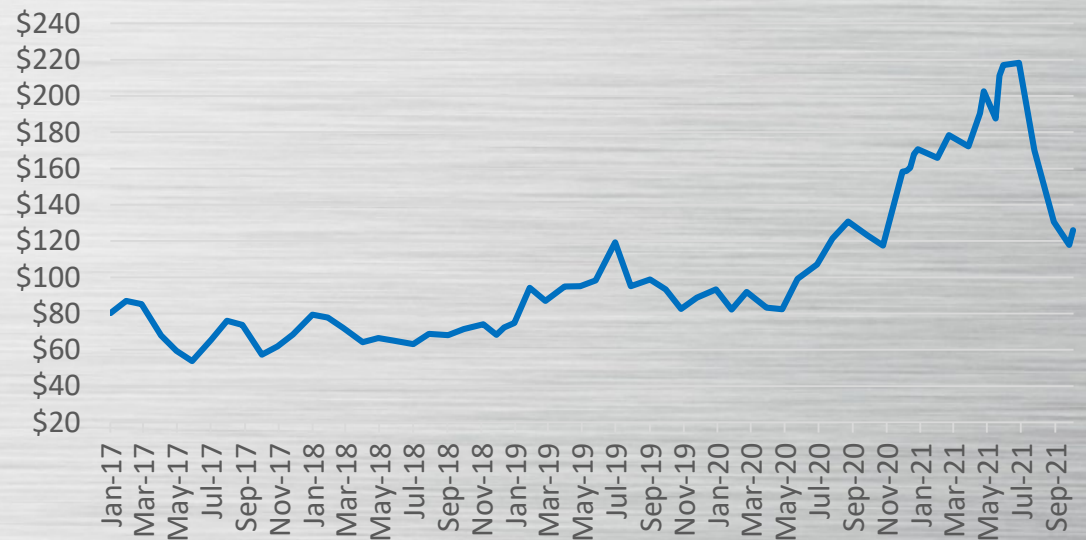
Spot iron ore pricing reversed course this week, now climbing three out of the last four weeks.

Spot iron ore pricing ended the week at \$126.00/mt, up from \$117.80/mt a week ago.

- Iron ore price has climbed 16% so far in October after dropping 50% from the all-time high seen in July.

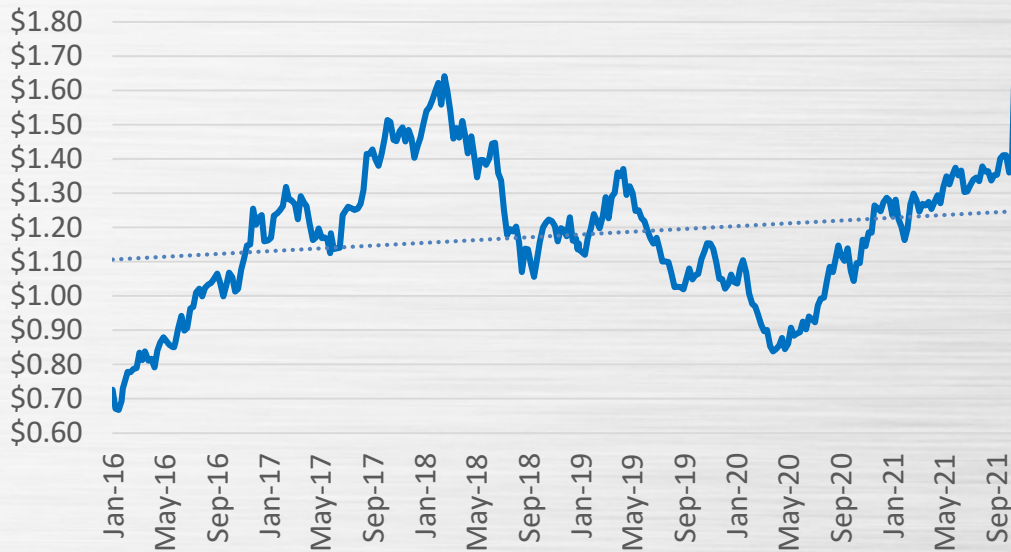
Expectations are for some Chinese steelmakers to resume full operations after achieving larger-than-expected production cuts over the last three months.

IRON ORE COST



COST

WEEKLY ZINC PRICING²



ZINC

Zinc pricing skyrocketed this week, hitting its highest level since 2007.

Zinc pricing ended the week at \$3,795/mt (\$1.721/lb), up from \$3,098/mt (\$1.405lb) previously.

- Prices spiked on supply concerns after one of the largest zinc producers, Nyrstar, announced plans to cut its output by 50% due to high power prices in Europe.
 - Electricity prices have reached record highs in recent weeks, driven by coal, oil, and natural gas shortages in Asia and Europe.

Global zinc inventory increased this week after sliding the previous six weeks.

- LME warehouse inventory dropped to 188,650 metric tons, from 197,350 metric tons previously.
- Shanghai warehouse inventory increased however, climbing from 61,590 metric tons to 71,444 metric tons.

COST

COKING COAL³



COKING COAL

Coking coal price increased again this week, closing in on the all-time high.

- Coking coal settled at \$399/mt, up from \$396/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 rolling blackouts that has hammered businesses throughout China and Europe.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production slipped again last week, hitting its lowest overall tonnage output since July.

U.S. mills produced an estimated 1,858k tons at an 84.2% utilization rate; this is down from 1,872k tons and an 84.8% rate previously.

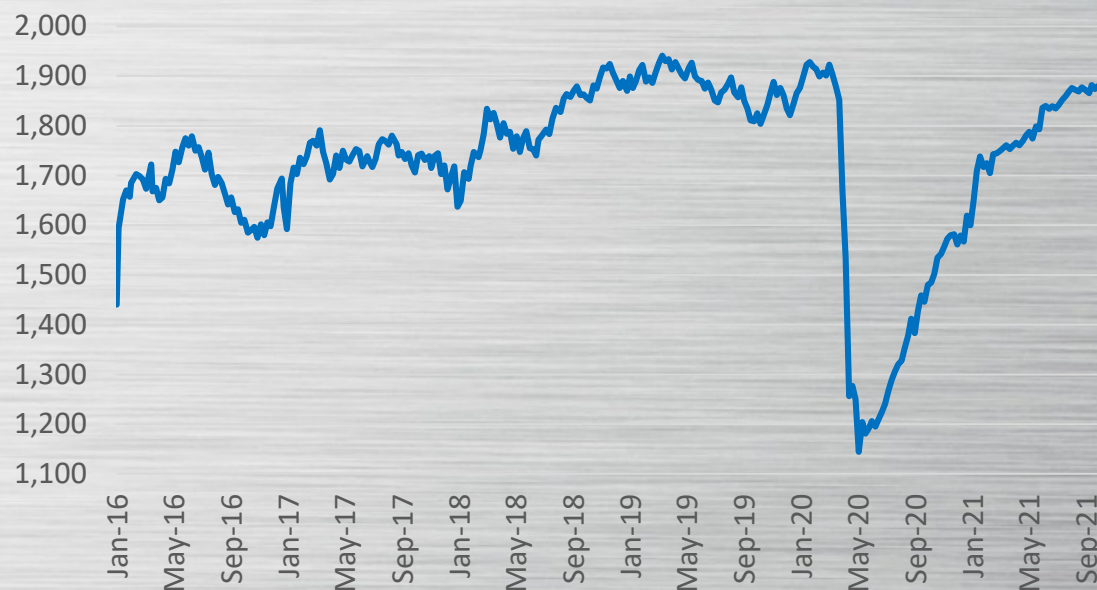
- For reference, an 84.6% utilization rate in October 2008 equated to 2,015k tons produced.

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

- Production from the Great Lakes region slid from 649k to 638k tons.

Year-to-date production is now 20.3% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



EMPIRE MANUFACTURING INDEX⁵

Business activity, in the New York region, continued to grow in October and has now grown for sixteen consecutive months.

The Empire Manufacturing Index came in at 19.8, down from 34.3 in September but still well above 0.0.

- The two-month average came in at 26.9, up from 26.3 in September.
- Any reading over 0.0 indicates growth, while any reading below 0.0 shows a decline.

New orders and shipments continued to climb in October, coming in at 24.3 and 8.9, respectively.

- Delivery lead times inched higher, climbing to an all-time of 38.0.

Looking ahead, respondents remain very optimistic that business conditions will remain strong over the next six months.

EMPIRE MANUFACTURING INDEX (2MMA)



TRACTOR & COMBINE SHIPMENTS⁶

TRACTOR AND COMBINE SHIPMENTS

Total North American (U.S. and Canada) tractor and combine shipments rebounded in September after sliding the previous four months.

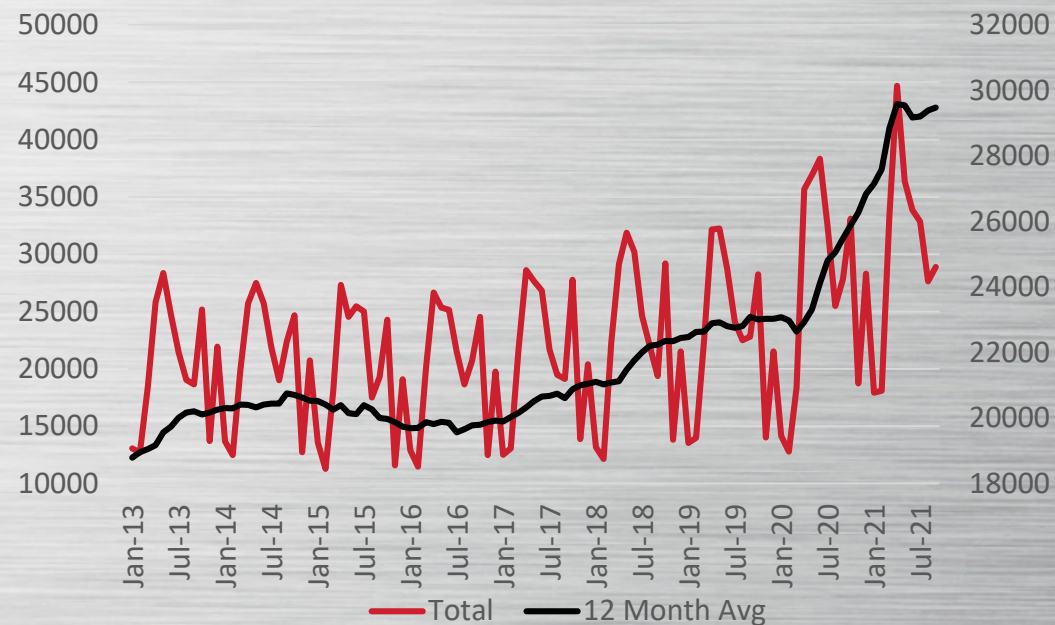
Tractor and combine shipments totaled 28,875 units, up 4.5% from August and up 3.7% from 27,833 units in September.

- This was the fourth consecutive month with a year-over-year increase in shipments.

On a year-over-year basis, to smooth seasonality, shipments of both tractors and combines increased in September.

- Tractor and combined increased 2.9% and 32.9%, respectively.

Year-to-date shipments are up 13.1% from the same time-frame last year.



WEEKLY INITIAL JOBLESS CLAIMS⁷

WEEKLY INITIAL JOBLESS CLAIMS

Weekly initial jobless claims dropped again this week, hitting its lowest level since the pandemic began.

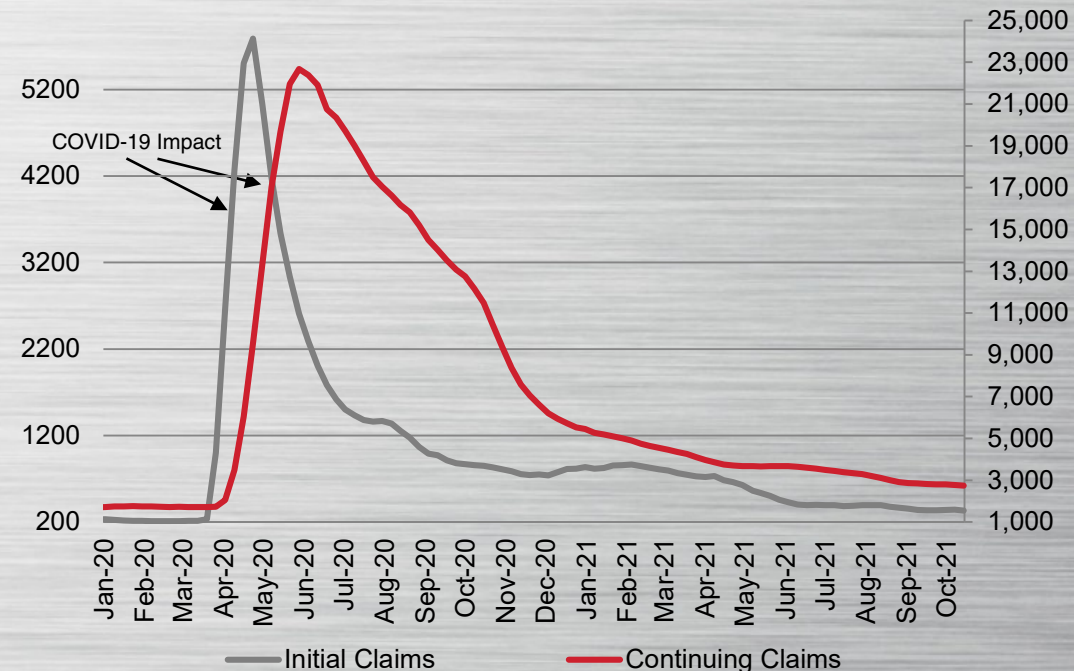
The Department of Labor's Weekly Initial Jobless Claims report came in at 293,000 claims, down from 329,000 claims previously.

- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 334,250, from 344,750 claims previously.

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

- Continuing claims dropped to 2.593 million, down from 2.727 million previously.

At the state level, California accounted for the largest drop in claims for the second consecutive week, with a decrease of 14,733.



ECONOMIC

CONSUMER PRICE INDEX⁸

Prices paid by consumers continued to climb in September.

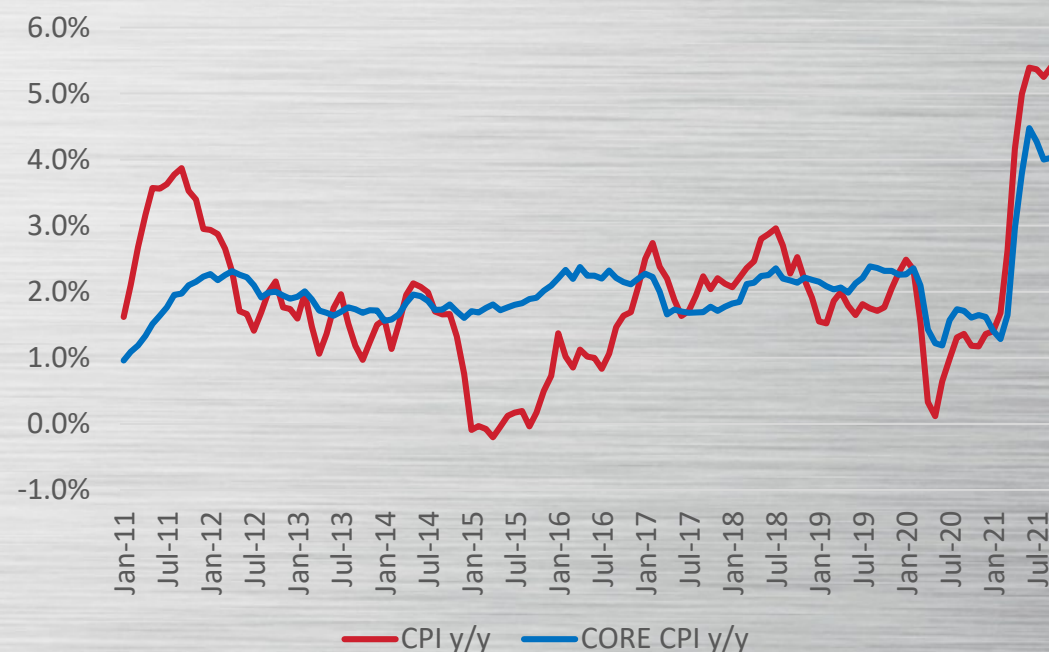
The Consumer Price Index increased 0.3% from August and was up 5.4% from September 2020.

- This was the largest year-over-year increase in prices since July 2008.

Excluding the volatile food and energy sectors, prices were up 0.13% from August and up 4.03% from September 2020.

- Some of the indices to see the largest month-over-month increases in prices were rent, new vehicles, furniture, and insurance.
 - The index for new vehicles increased 8.7% over the last year, the largest 12-month increase since the period ending September 1980.
- September saw declines in airline fares, apparel, and used cars.
 - The prescription drugs index fell 1.6% over the last twelve months, one of a few to show a 12-month decline.

CONSUMER PRICE INDEX



ECONOMIC



LINEHAUL INDEX⁹

The Cass Truckload Linehaul Index increased in September, climbing to a fresh all-time high.

The September Linehaul Index came in at 150.4, up from 148.8 in August and is up a sharp 12.7% from 133.4 from September 2020.

- Longer-haul mix, due to intermodal shortages that pushed more freight off the rails and into West Coast to Midwest lanes, helped to pressure rates.
- This mix, combined with the ongoing COVID situation, Hurricane Ida, and chip shortages could disrupt the fragile truck driver situation moving forward.
 - Added to that is a growing risk due to potential vaccine mandates.

The Linehaul Index measures market fluctuations in per-mile truckload pricing.

- The index isolates the linehaul component costs from other components like fuel and accessories.

LINEHAUL INDEX



ECONOMIC


RETAIL SALES¹⁰

Retail sales in September continued to push higher on a seasonally adjusted basis, now climbing for the second consecutive month.

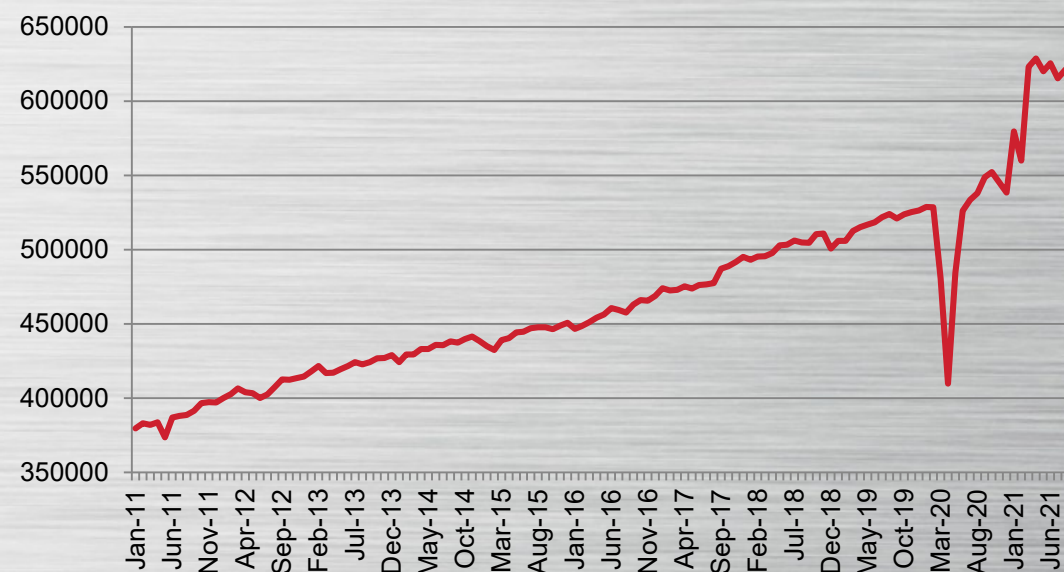
September retail sales came in at a \$625.4 billion rate, up 0.7% from August and up a sharp 13.9% from a \$548.9 billion rate from September 2020.

- Excluding the volatile gas station sales, sales came in at a \$574.5 billion rate, up 0.6% from August.

On a month-over-month basis, sales increased the most at sporting goods stores, gas stations, and clothing stores.

- These increases were partly offset by declines in sales from electronic stores.

RETAIL SALES (SAAR)



SOURCES

- 1 Platts, Spot Iron Ore: October 14, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: October 15, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: October 15, 2021.
- 3 Platts, Coking Coal Price: October 15, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: October 12, 2021.
- 5 Federal Reserve, Empire Manufacturing Index: October 2021.
- 6 Association of Equipment Manufacturers, Tractor and Combine Shipments; September 2021.
- 7 Department of Labor, Weekly Initial Jobless Claims: October 14, 2021.
- 8 Bureau of Labor Statistics, Consumer Price Index: September 2021
- 9 Cass Information Systems, Linehaul Index: September 2021.
- 10 U.S. Census Bureau, Retail Sales: September 2021.

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