

HIGH DEMAND STRESSING HISTORIC LOW INVENTORIES

Consumers and retailers are feeling the pressure of the supply imbalance as inventories reach record lows. Domestic light vehicle inventories have reached below 1 million units for the first time in modern history. Current inventory levels are 64% lower than this time last year. As steel production continues to fluctuate these gaps in inventories are likely to translate into decreased sales across industries.

INPUT COSTS

After hitting a three-plus year high last week, zinc pricing slipped back into the longer range trading range this week.

- Zinc pricing came in 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 last 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 \$118/dmt.

- This is down 10.4% m/m and down 28.4% since the beginning of the year.
 - The current pricing level is the lowest since May 2020.

Pacific basin met coal pricing slipped slightly to start off the week after reaching a fresh all-time high recently.

- Pricing slipped to \$405/mt; still up 58% m/m and up 271% 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.

Crude oil pricing continued to ramp up this week, briefly hitting a seven year high earlier in the week after OPEC and its allies decided against bigger output increases.

- Current crude oil pricing of +\$78.50/barrel is well above the 30 and 90 day averages.

SUPPLY

The recent up and down movement for domestic raw steel production continued last week as total production slipped slightly.

- U.S. steelmakers produced 1.872 million tons at an 84.8% 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 20.3% above the total from the same period last year but is still 5.4% below the same timeframe in 2019.

JSW Steel's EAF sheet mill in Mingo Junction, Ohio, experienced a minor furnace burn through on Sunday 26, with repairs expected to be completed in 7-10 days.

Based on preliminary import licenses, the daily average for September increased 6.7% from August

- Ex. Brazilian slabs imports were up a slight 0.2% from August on a daily average basis.

DEMAND

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

U.S. light vehicle inventory has now reached catastrophic lows in September, 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.
- Current inventory, when combined with September's sales rate, equates to 24 days of supply.

PRICE

Domestic flat rolled steel pricing continued to remain in a relatively tight range this week.

- Market participants noted that while the bottom end of the pricing range seemed to decline slightly, the top end of the range expanded.
 - This defines the current range-bound pricing environment that the market is current in.

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.