

CORE 10.22.21 **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

10

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

SPOT IRON ORE¹

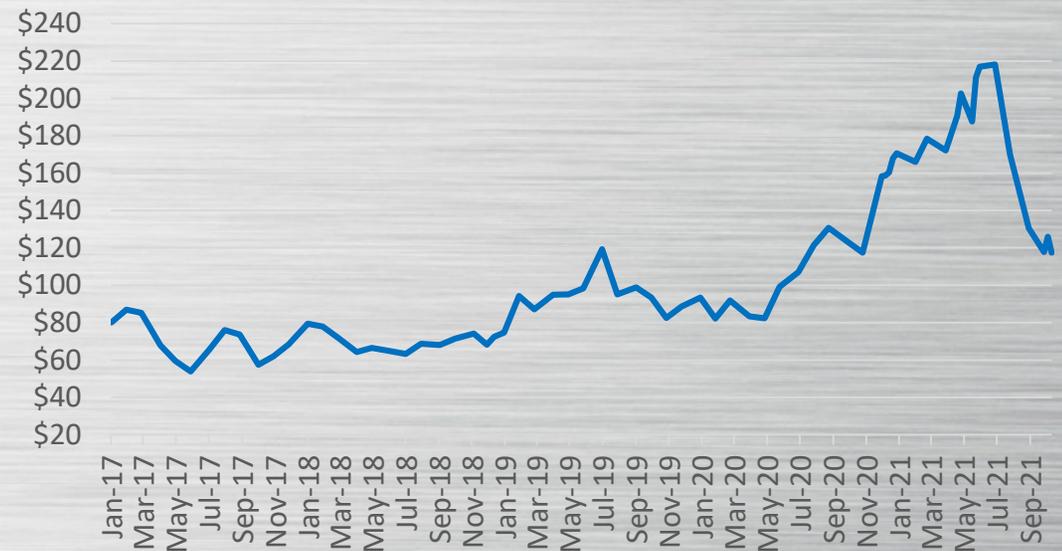
After climbing three out of the previous four weeks, spot iron ore continued its slide this week.

Spot iron ore pricing ended the week at \$117.50/mt, down from \$126.00/mt a week ago.

- Iron ore price has still climbed 12% so far in October after dropping 50% from the all-time high seen in July.

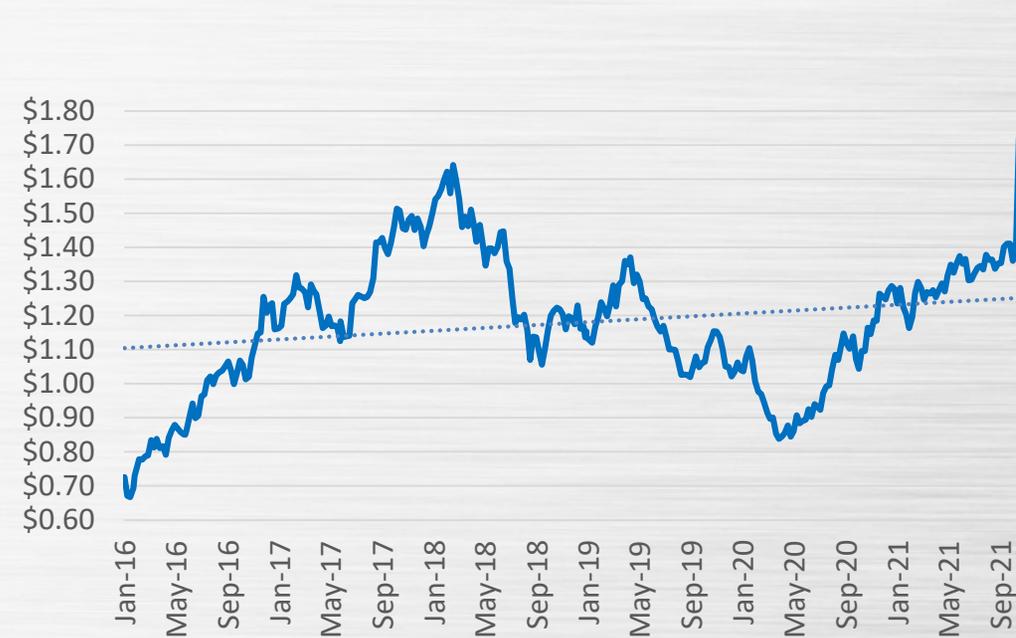
Brazilian miner, Vale, announced it was slowing down production of iron ore in the fourth quarter by 4 million tonnes due to low prices, and could cut back output in 2022 if prices did not rise.

IRON ORE COST



COST

WEEKLY ZINC PRICING²



ZINC

After hitting its highest price since 2007 last week, zinc dropped significantly this week.

Zinc pricing ended the week at \$3,495/mt (\$1.585/lb), down from \$3,795/mt (\$1.721lb) previously.

- Prices spiked the previous week 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.
- Despite the drop, the current 50 day-moving-average of \$1.401/lb could signal a new round of coating extra increases from domestic mills.

Global zinc inventory increased for the second consecutive week.

- LME warehouse inventory climbed to 198,275 metric tons, from 188,650 metric tons previously.
- Shanghai warehouse inventory increased as well, climbing from 71,444 metric tons to 75,930 metric tons.

COST

▼ COKING COAL³



COKING COAL

Coking coal price was relatively flat this week, remaining near the all-time high.

- Coking coal settled at \$398/mt, down slightly from \$399/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

After hitting its lowest overall tonnage output since July, domestic raw steel production climbed back near decade highs.

U.S. mills produced an estimated 1,882k tons at an 85.3% utilization rate; this is up from 1,858k tons and an 84.2% rate previously.

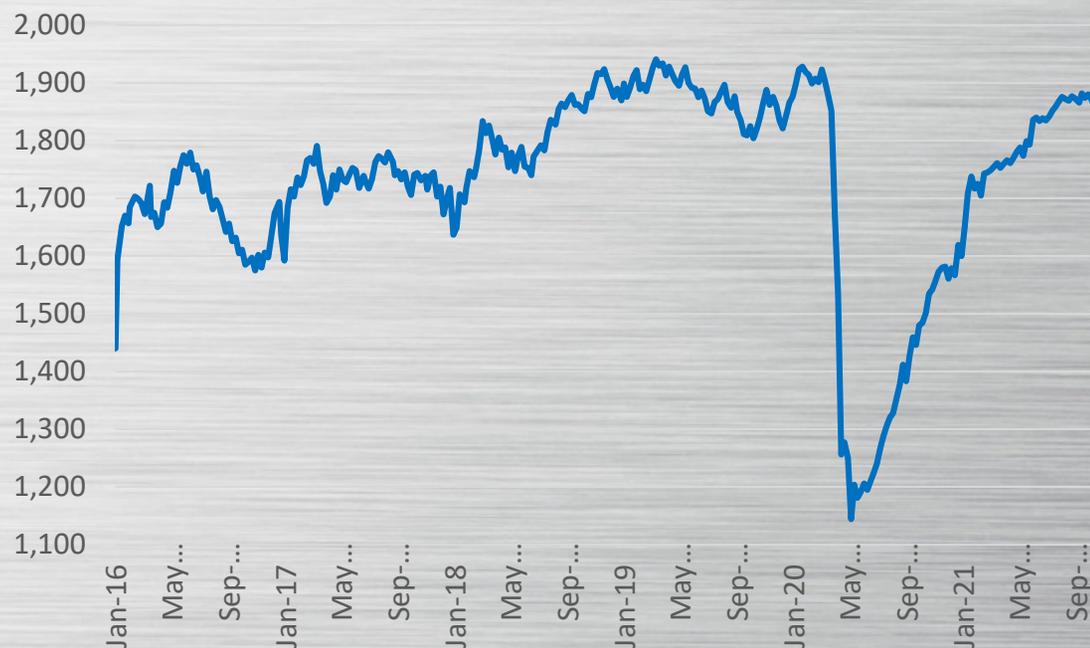
- This matches the highest tonnage output seen since the pandemic started, and the highest utilization rate since October 2008.
 - However, an 84.6% utilization rate in October 2008 equated to 2,015k million tons produced.

Production climbed in four of the five regions, with the largest increase (in tons) coming from the Southern region.

- Production from the Southern region climbed from 768k to 788k tons.

Year-to-date production is now 20.4% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

▼ LIGHT VEHICLE PRODUCTION⁵

After seeing a month-over-month increase for only the second time this year in August, domestic light vehicle production slowed in September.

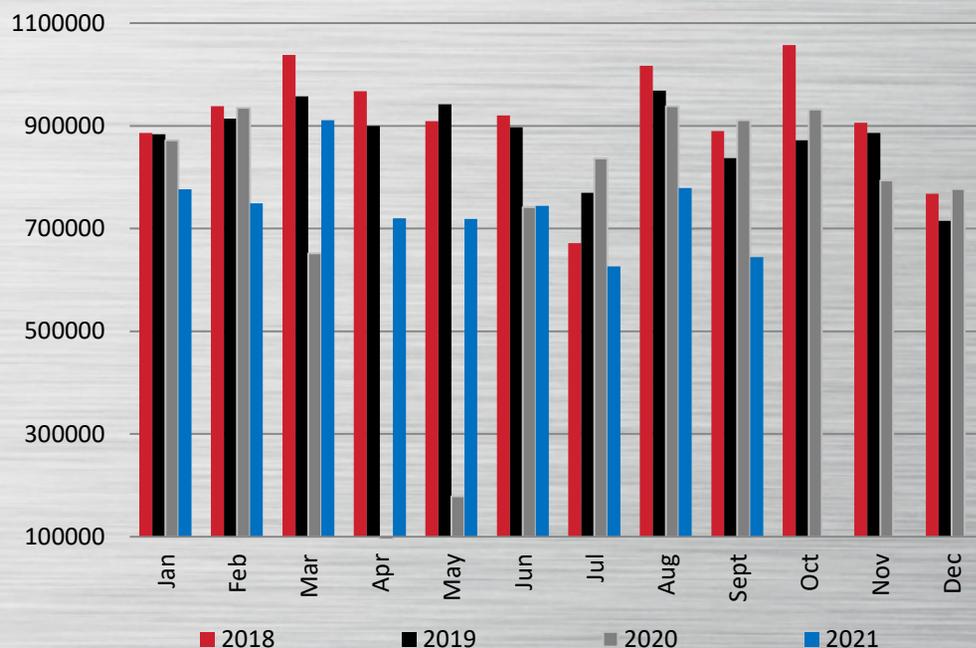
September light vehicle production totaled 644,520 units, down 17.3% from August and down 29.2% from 910,907 units in September 2020.

Both car and light truck production slowed in September, with car production having its lowest monthly total since May 2020.

- While car production slipped 32.2% from August, light truck production was down 14.3%.

Despite the continued struggles with production, YTD production remains 9.9% above the total from the first nine months of 2020.

U.S. LIGHT VEHICLE PRODUCTION



DEMAND

HOUSING MARKET INDEX⁶

HOUSING MARKET INDEX

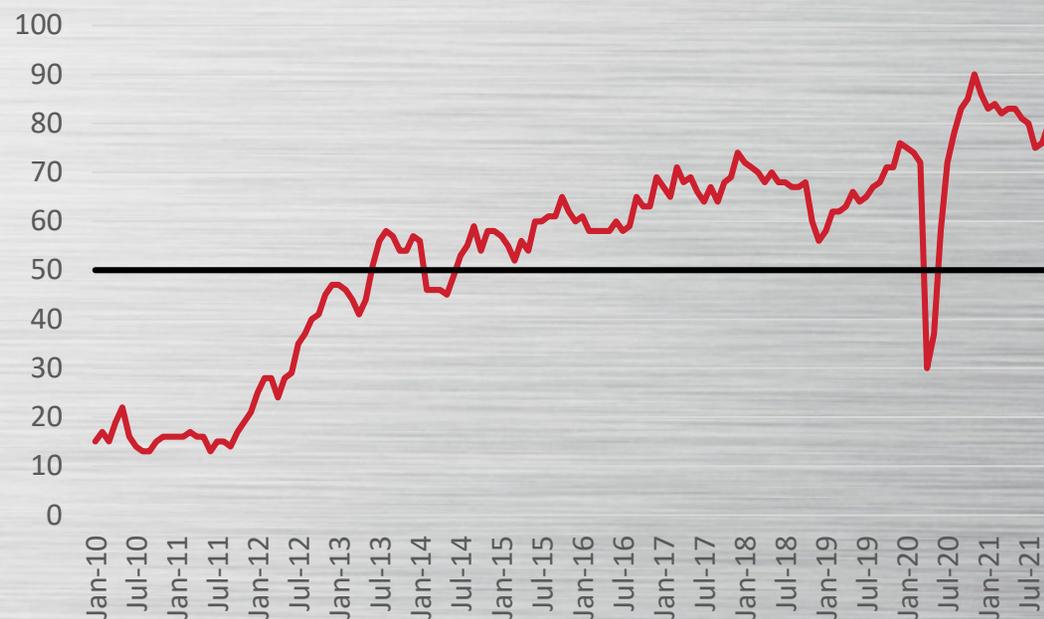
After slowing for the majority of the first half of the year, confidence among U.S. homebuilders has rebounded the last two months.

The October HMI came in at 80, up from 76 in September and back to the level last seen in June.

- Compared to last October, confidence was down slightly from the 85 reading in October 2020.
- Any reading over 50 indicates a growth in confidence, while any reading below 50 denotes a contraction.

All three components of the HMI showed stronger growth in October, with the present situation index coming in the strongest at 87.

- The next six months and traffic components remained strong as well, climbing to 84 and 65, respectively.



RESIDENTIAL CONSTRUCTION⁷

HOUSING STARTS (SAAR)

New residential construction starts slipped in September, now sliding for the second time in the last three months.

New housing starts came in at a 1.555 million unit rate, down 1.6% from August but up 7.4% from a 1.448 million unit rate in September 2020.

- This was the lowest monthly start rate since April.

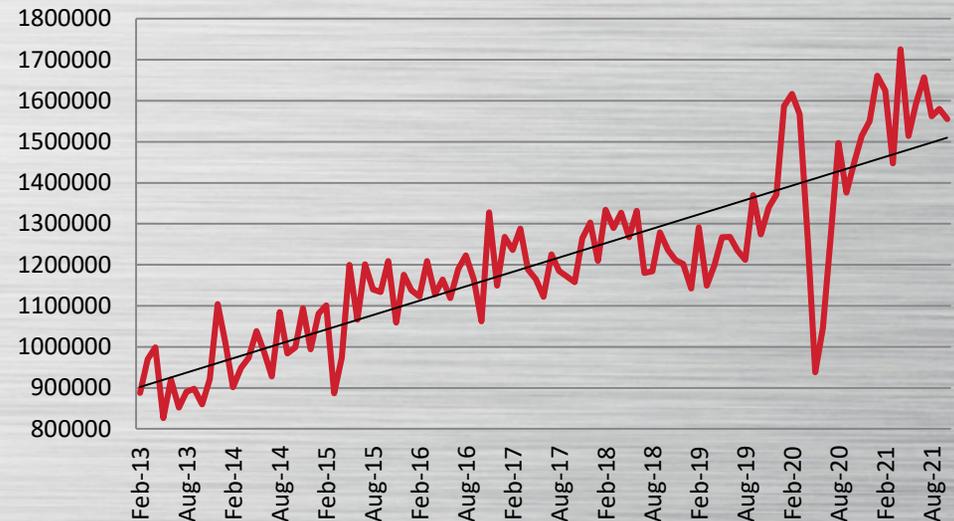
The drop in overall starts mainly came from multi-family units, which were down 5.0% from August.

- Single-family starts were flat on a month-over-month basis.

Permits, an indicator of future construction, slipped as well, sliding to a 1.589 million unit rate.

- This was down 7.7% from August and was flat from last September.

Despite the slowdown in September, YTD actual starts are up 19.5% from the same timeframe last year and up 26.0% from the first nine months of 2019.



EXISTING HOME SALES⁸

Existing home sales saw a bump in September as opportunistic buyers took advantage of dip in mortgage rates.

September existing home sales came in at a 6.290 million unit rate, up 7.0% from August and at the highest monthly rate since January.

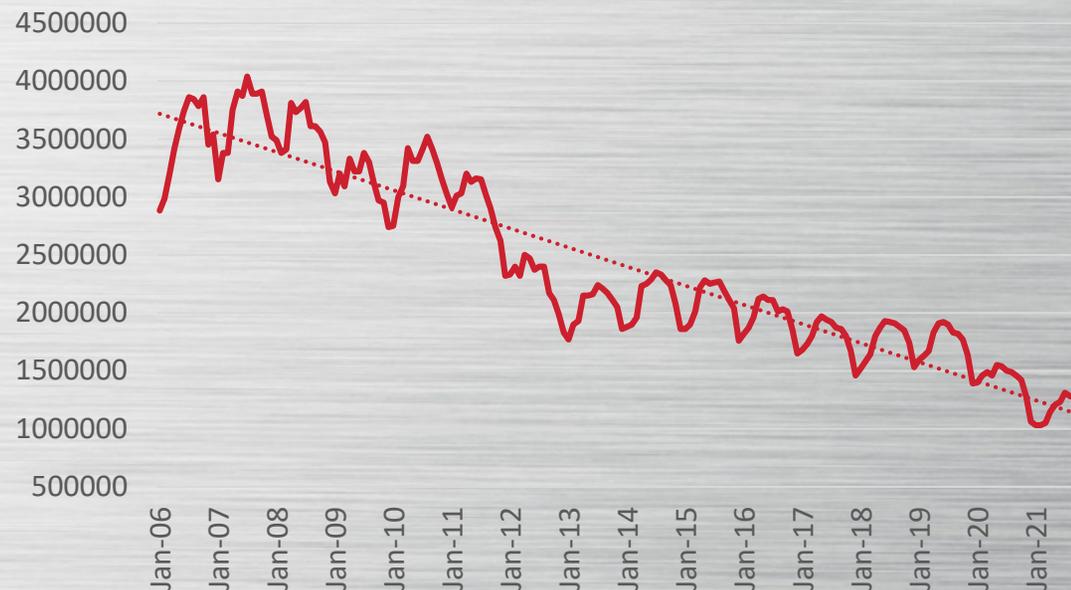
- Sales slipped on a year-over-year basis however, sliding 2.3% from a 6.440 million unit rate in September 2020.
- This was the first year-over-year decline since June 2020.

Inventory of unsold existing homes declined again, now down for the second consecutive month.

- Inventory totaled 1.270 million units, down 0.8% from August and down 13.0% from 1.460 million units.

Year-to-date actual sales are now up 13.4% from the same time last year and up 13.2% from the first nine months of 2019.

EXISTING HOMES FOR SALE



DEMAND

INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION⁹

U.S. industrial production slipped for the second consecutive month, sliding to 100.0 in September.

- This is down 1.3% from August but still up 4.6% from September 2020.
 - This was the largest month-over-month drop since February.

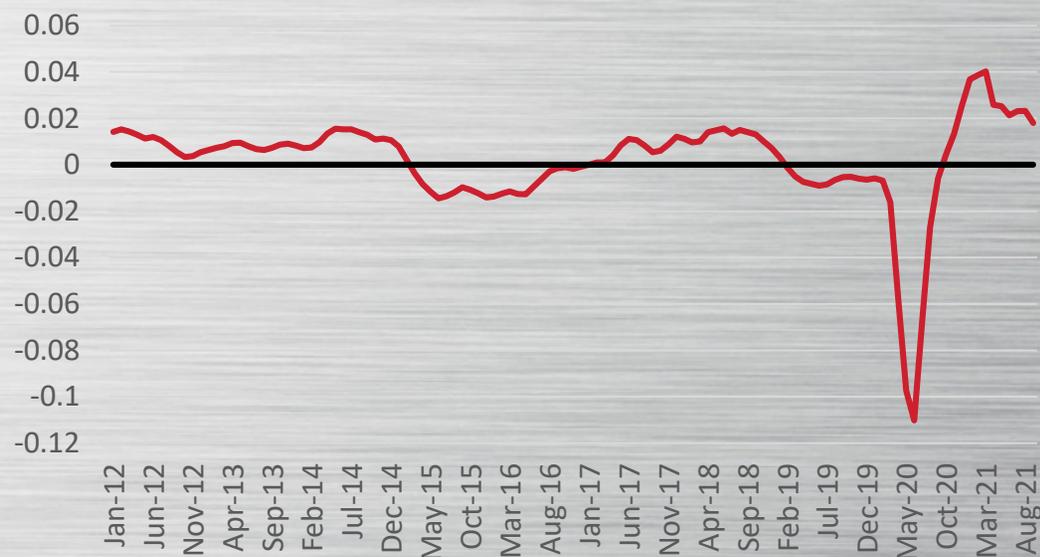
The continued issues that have plagued automobile production continue to have an impact as motor vehicle manufacturing was down 7.2% from August.

- Lingering effects from Hurricane Ida impacted mining in September.

Capacity Utilization slipped as well, sliding to 75.2%, this was down 1.3% from August but up 3.7% from September 2020.

The manufacturing of durable goods index slipped as well, sliding 0.5% after a 0.9% decline in August.

INDUSTRIAL PRODUCTION MOMENTUM



WEEKLY INITIAL JOBLESS CLAIMS¹⁰

Weekly initial jobless claims dropped for the third consecutive week, hitting its lowest level since the pandemic began.

The Department of Labor's Weekly Initial Jobless Claims report came in at 290,000 claims, down from 296,000 claims previously.

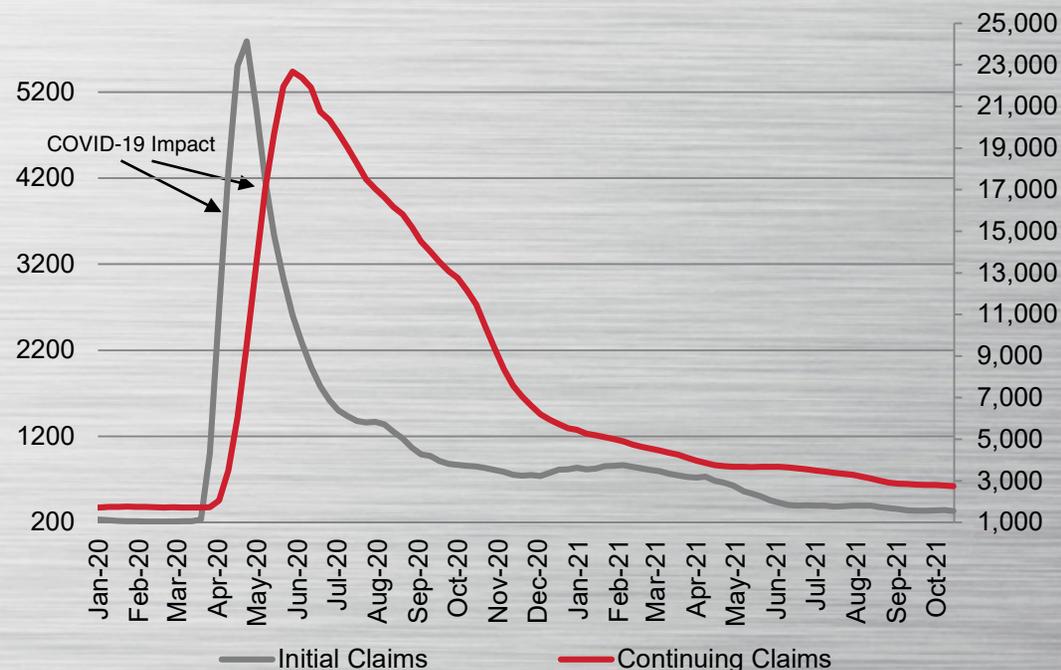
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 319,750, from 335,000 claims previously.

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

- Continuing claims dropped to 2.481 million, down from 2.603 million previously.

Though the unemployment rate has dropped a full 10 percentage points from the 14.8% peak in April 2020, there are still 5 million fewer Americans at work than before the pandemic.

WEEKLY INITIAL JOBLESS CLAIMS



SOURCES

- 1 Platts, Spot Iron Ore: October 21, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: October 22, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: October 22, 2021.
- 3 Platts, Coking Coal Price: October 22, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: October 19, 2021.
- 5 WardsAuto, U.S. Light Vehicle Sales: September 2021
- 6 National Association of Homebuilders, Housing Market Index: October 2021.
- 7 US Census Bureau, New Residential Construction: September 2021
- 8 National Association of Realtors, Existing Home Sales: September 2021.
- 9 Federal Reserve, Industrial Production/Capacity Utilization: September 2021.
- 10 Department of Labor, Weekly Initial Jobless Claims: October 21, 2021.

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