

**CORE** 10.29.21 **REPORT**

**COST**

**01**

- ⊖ scrap
- ⊖ iron ore
- ⊖ energy
- ⊖ zinc
- ⊕ coking coal

**SUPPLY**

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- ⊖ lead times
- ⊖ production
- ⊕ imports
- ⊖ inventories

**DEMAND**

**07**

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- ⊕ construction
- ⊖ appliance
- ⊖ manufacturing
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- ⊖ durable goods

**ECONOMIC**

**09**

- ⊕ employment
- ⊖ GDP
- ⊕ confidence
- ⊕ inflation

# SPOT IRON ORE<sup>1</sup>

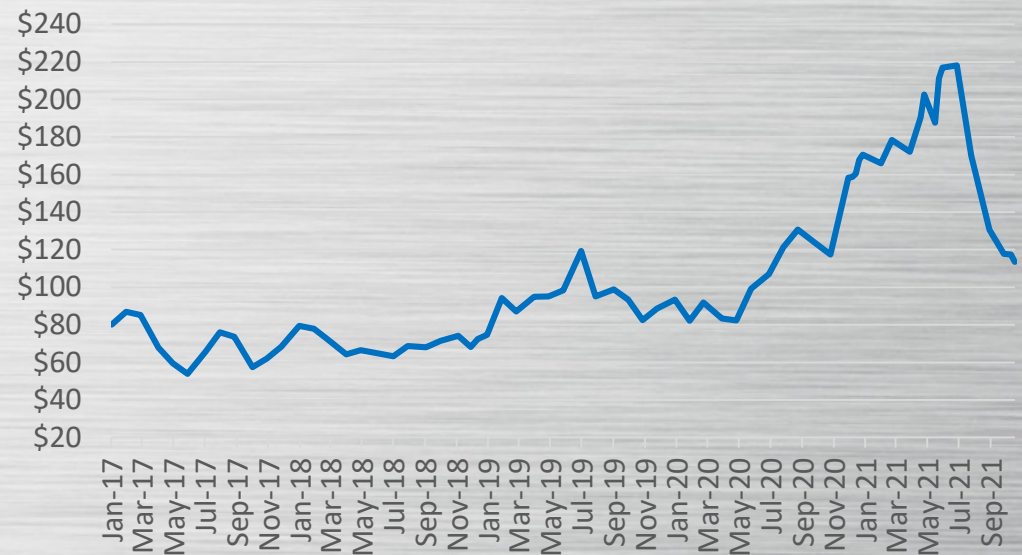
Spot iron ore continued its slide this week, now down for the second consecutive week.

Spot iron ore pricing ended the week at \$113.50/mt, down from \$117.50/mt a week ago.

- Iron ore pricing climbed 10% in October after dropping 50% from the all-time high seen in July.

Energy consumption controls, environmental curbs during winter heating season, and the Winter Olympics in China, is expected to hinder steel production and iron ore demand.

## IRON ORE COST



# COST

## WEEKLY ZINC PRICING<sup>2</sup>

## ZINC



Zinc pricing dropped for the second consecutive week after hitting its highest price since 2007 two weeks ago.

Zinc pricing ended the week at \$3,455.50/mt (\$1.567/lb), down from \$3,495/mt (\$1.585lb) previously.

- Despite the drop, the current 50 day-moving-average of \$1.40/lb could signal a new round of coating extra increases from domestic mills.

Global zinc inventory decreased slightly this week after climbing the previous two weeks.

- LME warehouse inventory slid to 197,400 metric tons, from 198,275 metric tons previously.
- Shanghai warehouse inventory decreased as well, dropping from 75,930 metric tons to 74,842 metric tons.

# COST

## COKING COAL<sup>3</sup>



## COKING COAL

Coking coal pricing increased for the second consecutive week, nearing the all-time high once again.

- Coking coal settled at \$402.50/mt, up slightly from \$399/mt last week.
  - This is up over 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.

- However, this week China has started to clear Australian coal that was discharged at Chinese ports before an informal ban took effect in October 2020, possibly freeing up an estimated 4-5 million tonnes of coking coal.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>4</sup>

After hitting its highest tonnage output since the pandemic started, domestic raw steel slipped last week.

U.S. mills produced an estimated 1,870k tons at an 84.7% utilization rate; this is down from 1,882k tons and an 85.3% rate previously.

- An 84.6% utilization rate in October 2008 equated to 2,015k million tons produced, roughly 7% more compared to today.

Production slipped slightly in four of the five regions, with the largest decrease (in tons) coming from the Southern region.

- Production from the Southern region dropped from 788k to 782k tons.

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

## WEEKLY DOMESTIC PRODUCTION



## SUPPLY

# GLOBAL STEEL PRODUCTION<sup>5</sup>

Global steel production continued to decline in September, now down on a tons/day basis for the fifth consecutive month.

Global steel production came in at a rate of 4.814 million tons/day in September, down 3.3% from a 4.980 million tons/day rate in August.

- Production was down on a year-over-year basis as well, sliding 8.9% from a 5.287 million tons/day rate in September 2020.

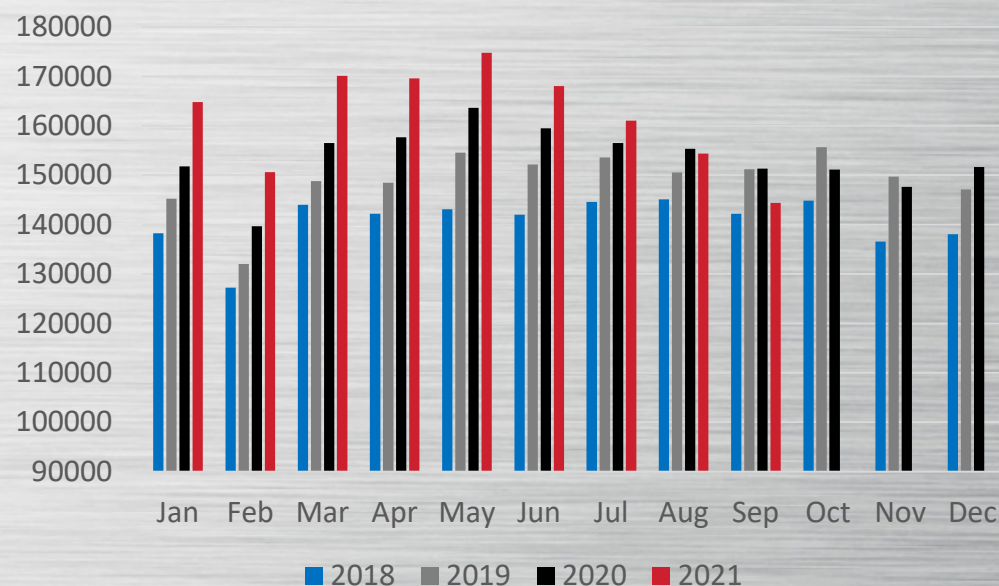
Production continued to decline in China, sliding 8.4% to a 2.458 million tons/day rate.

- This was the lowest monthly output for China since December 2018.

North American production was virtually flat on a year-over-year basis, as production was flat in all three countries.

Despite the recent slide, the year-to-date daily average (5.340 million tons/day) remains at record high levels.

## GLOBAL STEEL PRODUCTION (MT)



## SUPPLY



# CARBON STEEL IMPORTS<sup>6</sup>

Total carbon steel imports continued to climb in September, hitting its highest monthly total since April 2018.

Carbon steel imports totaled 2.538 million tons in September, up 13.9% from August and up a sharp 144.9% from September 2020.

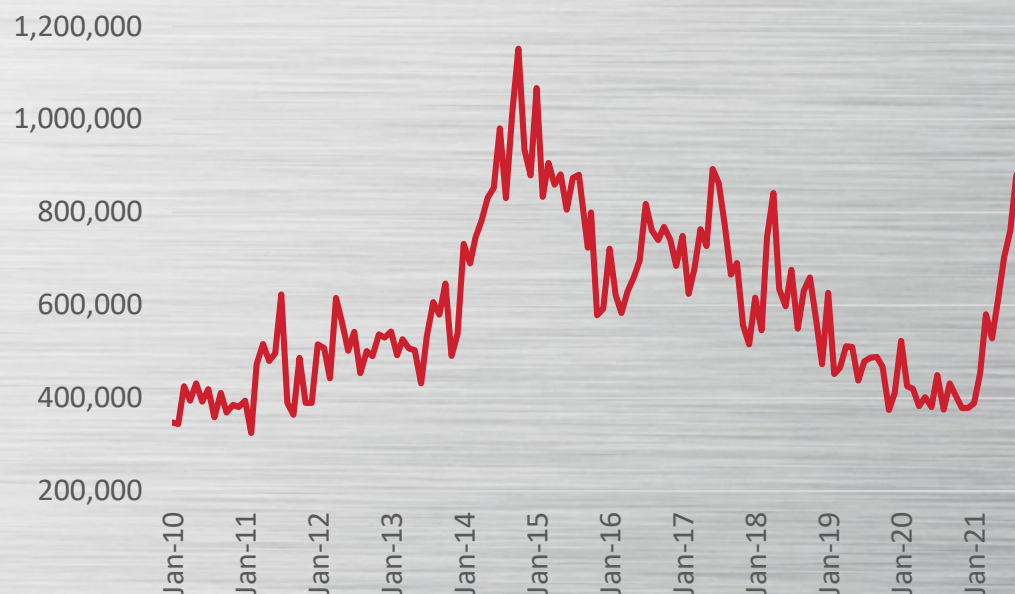
Total carbon flat rolled imports came in at 894,037 tons, up 1.67% from August and more than double the 431,958 tons in September 2020.

- While coated imports declined 13.9% from August both hot rolled and cold rolled imports were up sharply, climbing 12.5% and 16.9% respectively.

Year-to-date carbon flat rolled imports are up 53.0% from the same timeframe last year and up 30.1% from the first nine months of 2019.

- The 5.800 million tons of imported flat rolled through September already exceeds the full year totals from both 2019 and 2020.

## CARBON FLAT ROLLED IMPORTS



# NEW HOME SALES<sup>7</sup>

## NEW HOME SALES (SAAR)

After slipping in August, new home sales rebounded in September, climbing to its highest seasonally adjusted rate since March.

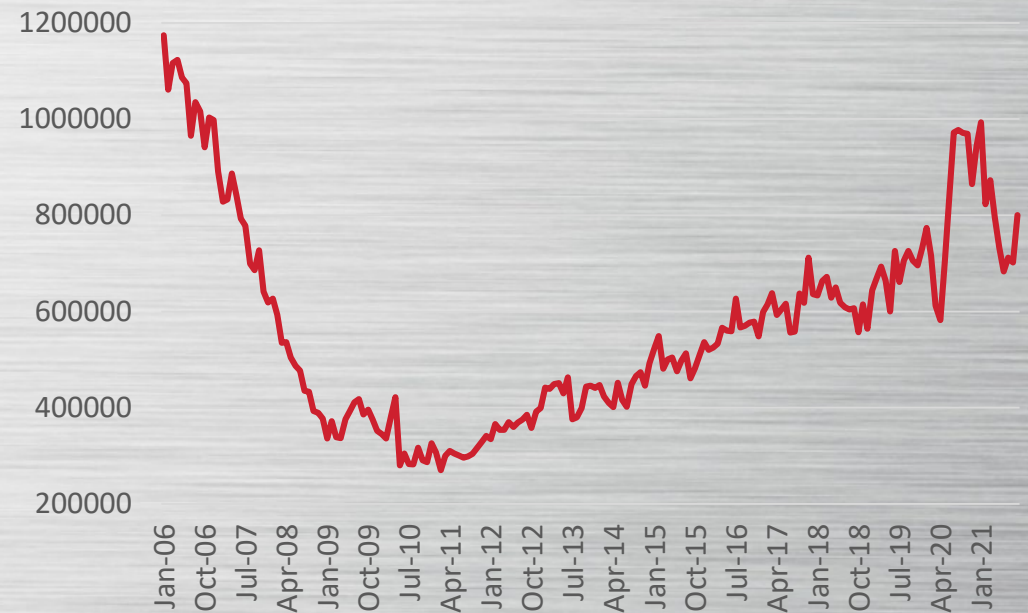
September new home sales came in at a 800,000 unit rate, up 14.0% from August but down 17.6% from September 2020.

- Sales have now declined on a year-over-year basis for four consecutive months

Inventory of unsold new homes increased for the eighth consecutive month in September, climbing to 383,000 units.

- While up 0.3% from August, new home inventory is up 33.9% from September 2020.

Year-to-date actual new home sales are down 0.6% from the same timeframe last year but are up 16.5% from the first nine months of 2019.





# DURABLE GOODS<sup>8</sup>

New orders for durable goods in September slipped slightly, sliding 0.4% to a \$261.3 billion rate.

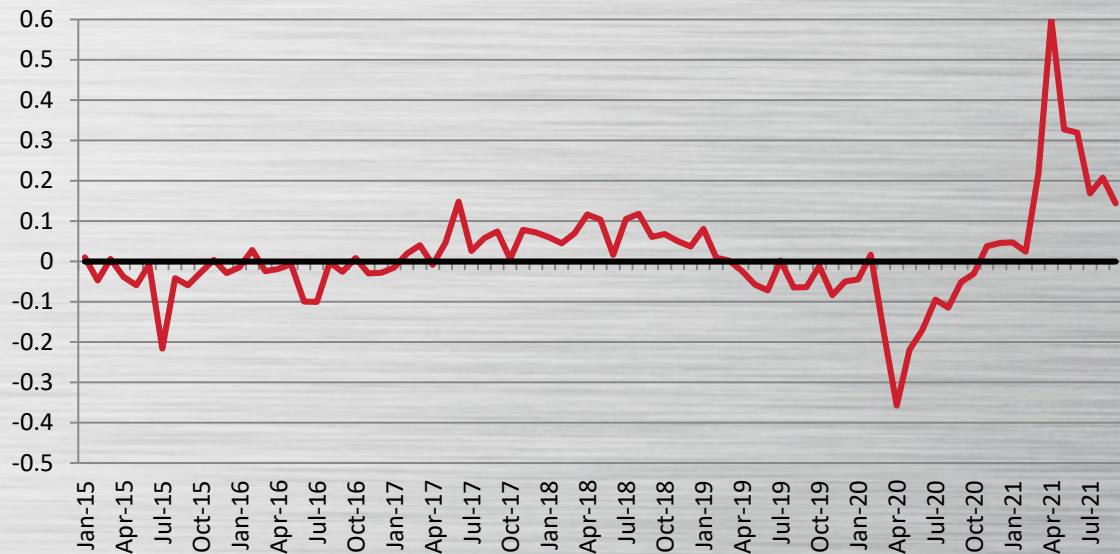
- This was the first decline after four consecutive monthly increases.
- Excluding the volatile transportation segment, new orders increased 0.4%.

New orders for fabricated metal products increased as well, climbing 0.7% from August and are up 21.6% from September 2020.

Inventories of durable goods increased again in September, 0.9% to a \$462.7 billion rate.

- This was the eighth consecutive month in which inventories increased.

## DURABLE GOODS Y/Y CHANGE (ACTUAL)



# WEEKLY INITIAL JOBLESS CLAIMS<sup>9</sup>

## WEEKLY INITIAL JOBLESS CLAIMS

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

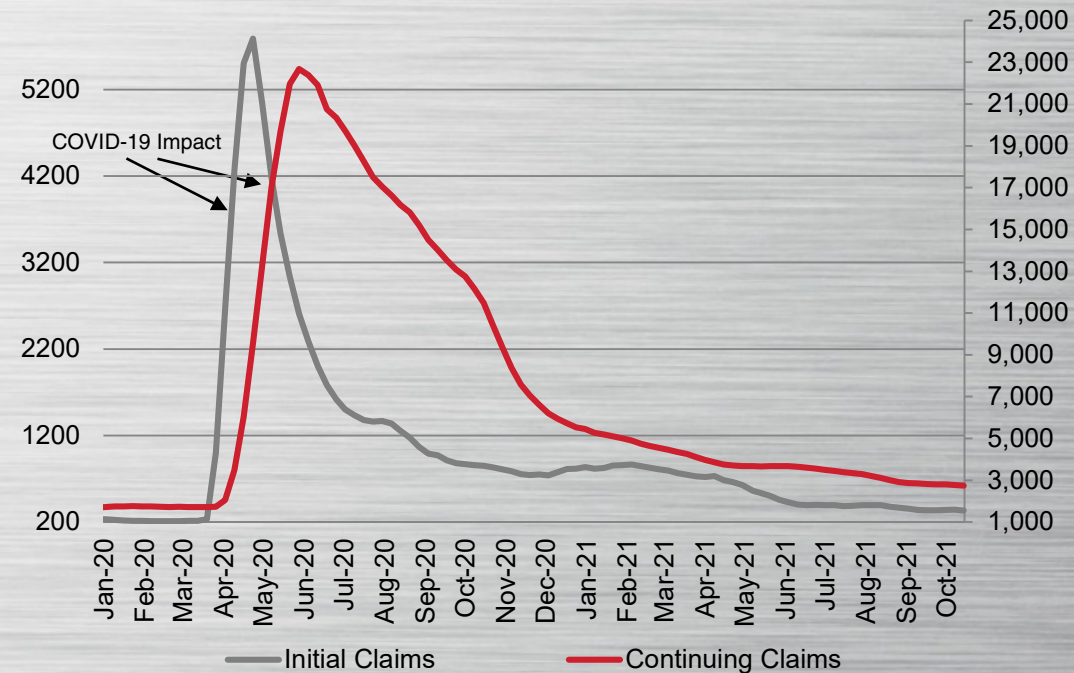
The Department of Labor's Weekly Initial Jobless Claims report came in at 281,000 claims, down from 291,000 claims previously.

- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 299,250, from 320,000 claims previously.

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

- Continuing claims dropped to 2.243 million, down from 2.480 million previously.

At the state level, Virginia, Michigan and Pennsylvania had the biggest drop in claims, with 7,380, 4,083, and 4,033 claims respectively.



## ECONOMIC

# GROSS DOMESTIC PRODUCT<sup>10</sup>

Economic activity grew at a much slower rate in Q3 compared to the strong growth in both Q1 and Q2.

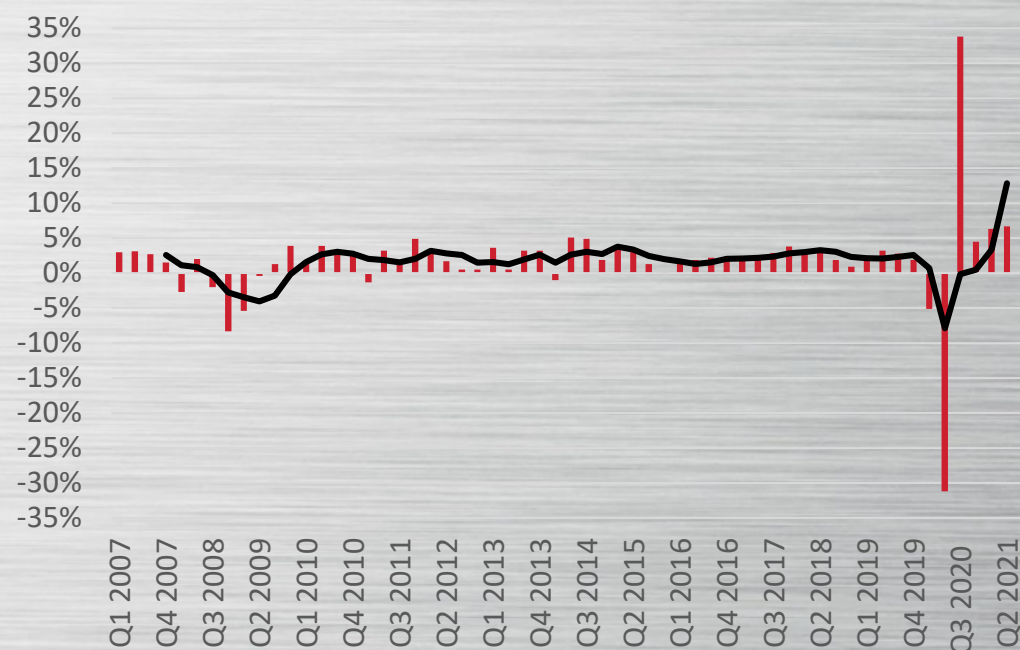
The advanced estimate of Q3 GDP showed activity grew at a rate of 2.0% on an annual basis; this is down from the final Q2 reading showing 6.7% growth.

- Slowdowns in both consumer spending and residential investment helped slow growth in the quarter.
- The slowdown in consumer spending was led by slower spending on automobiles/parts and on food service/accommodations.

The increase in Q3 reflected increases in inventory investment, personal spending, state and local government spending, and nonresidential investment.

- These increases were partly offset by declines in residential investment, federal government spending, and exports.

## GROSS DOMESTIC PRODUCT



 **CONSUMER CONFIDENCE<sup>11</sup>**

After sliding the previous three months, the Conference Board's reading of consumer confidence improved in October.

The October consumer confidence index increased to 113.8, up from a revised 109.8 previously.

- Despite the uptick in October, the index remains well below its recent peak of 128.9 seen in June.

The present situation index increased to 147.4 from 144.3 in September.

- The expectations index, based on a short-term outlook, increased from 86.7 last month to 91.3.

## ECONOMIC

# PERSONAL INCOME & OUTLAYS<sup>12</sup>

Total personal income slipped in September, sliding 1.0% to \$216.2 billion.

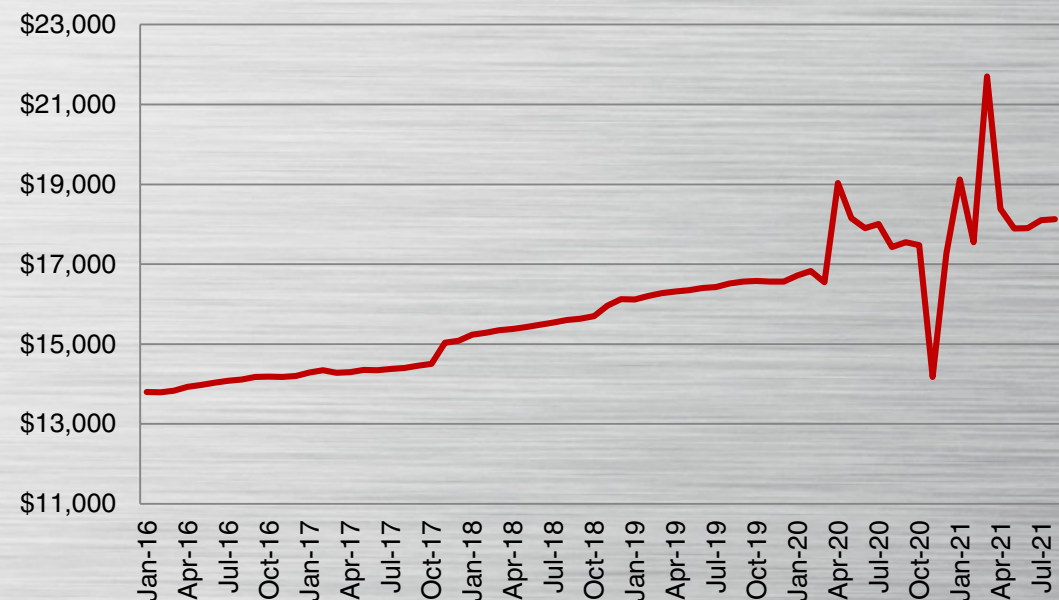
- The decline in personal income in September mainly reflected a decrease in government benefits, mostly from stricter unemployment standards.
- Disposable personal income declined as well, sliding 1.3% to \$236.9 billion.

Despite disposable income slipping, personal consumption increased 0.6% or \$93.4 billion.

- While the majority of the increase (\$63.6 billion) came from spending for services, spending for goods increased as well (\$29.9 billion).
  - Within services, the largest increases in spending were for health care and at bars/restaurants.

While total income slipped, so did the savings rate, which slipped back to 7.5%, but remains well above the pre-pandemic rate.

## DISPOSABLE INCOME



## SOURCES

- 1 Platts, Spot Iron Ore: October 28, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: October 29, 2021.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: October 29, 2021.
- 3 Platts, Coking Coal Price: October 29, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: October 26, 2021.
- 5 WorldSteel, Global Steel Production: September 2021.
- 6 U.S. Census Bureau, Preliminary Carbon Steel Imports: September 2021.
- 7 U.S. Census Bureau, New Home Sales: September 2021.
- 8 U.S. Census Bureau, Durable Goods Order: September 2021.
- 9 Department of Labor, Weekly Initial Jobless Claims: October 28, 2021.
- 10 Bureau of Economic Analysis, Gross Domestic Product: Q3 2021.
- 11 Conference Board, Consumer Confidence: October 2021.
- 12 U.S. Census Bureau, Personal Income and Outlays: September 2021.

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