

**CORE** 11.05.21 **REPORT**

**COST**

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- ▼ iron ore
- energy
- ▼ zinc
- ▲ coking coal

**SUPPLY**

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- ▼ construction
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**ECONOMIC**

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- ▲ employment
- GDP
- confidence
- inflation

 **SCRAP<sup>1</sup>**

After sliding \$70/gt over the previous two months, prime scrap pricing rebounded in November.

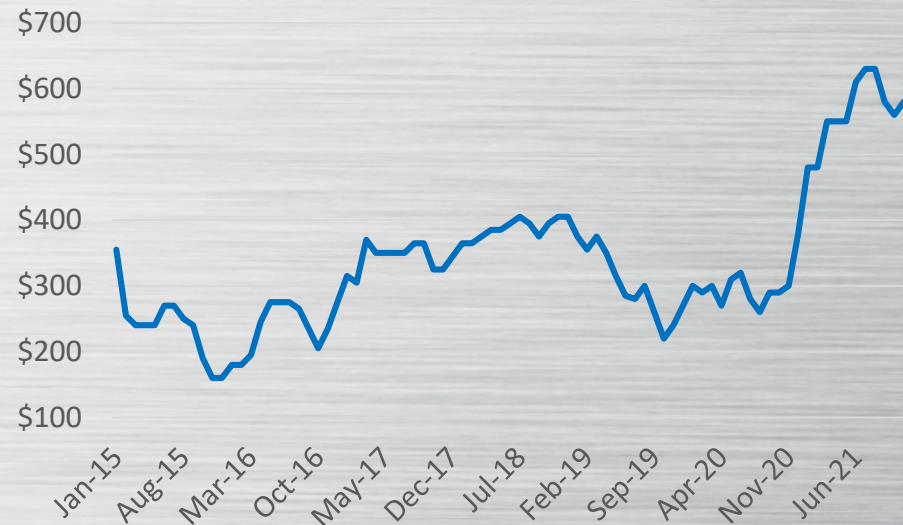
November prime scrap settled at \$580/gt, up \$20/gt from \$560/gt in October.

- Increased export sales and weaker domestic supply helped to push prices higher.

Shredded scrap pricing fared much better, climbing \$60/gt for November, to \$540/gt.

- Shredded scrap remains in high demand in the U.S. as mini-mills have shifted their scrap mix to use less prime scrap given the high premium to shredded scrap and metallic substitutes.

**PRIME SCRAP**



# COST

## SPOT IRON ORE<sup>2</sup>

Spot iron ore continued its rapid decent this week, now down for the third consecutive week.

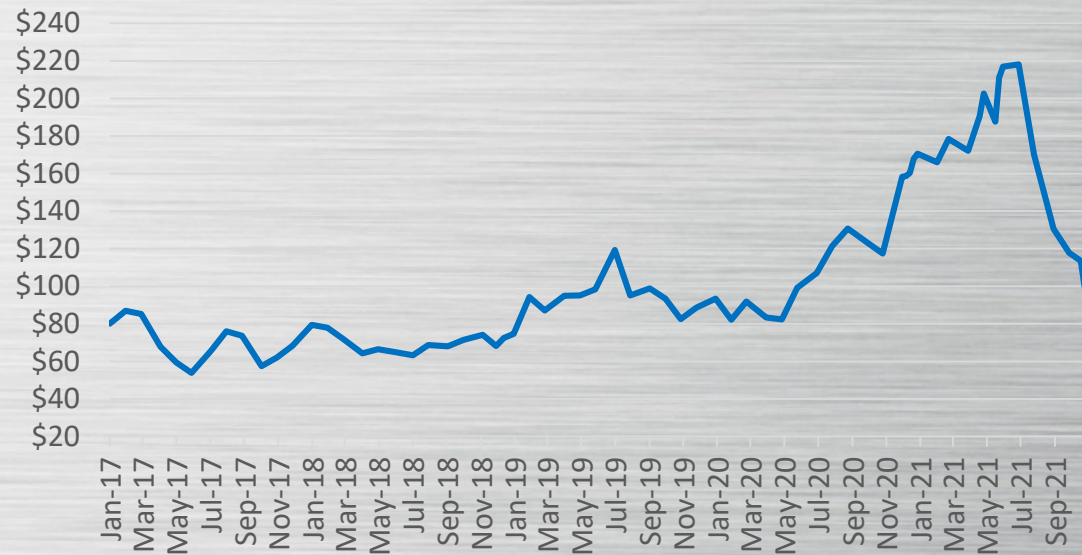
Spot iron ore pricing ended the week at \$99.70/mt, down from \$113.50/mt a week ago.

- Iron ore pricing is now below \$100/mt for the first time since June of 2020.

China continues to limit steel production and restrictions are planned to extend into the first quarter.

- There has been a major effort by China to ensure there's minimal smog for the Winter Olympics and to improve global perception of their decarbonization efforts.

## IRON ORE COST



# COST

## WEEKLY ZINC PRICING<sup>3</sup>

## ZINC



Zinc pricing dropped for the third consecutive week after hitting its highest price since 2007 in mid-October.

Zinc pricing ended the week at \$3,342/mt (\$1.516/lb), down from \$3,455.50/mt (\$1.567lb) 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 for the second consecutive week.

- LME warehouse inventory slid to 192,750 metric tons, from 197,400 metric tons previously.
- Shanghai warehouse inventory decreased as well, dropping from 74,842 metric tons to 72,624 metric tons.

# COST

## COKING COAL<sup>4</sup>



## COKING COAL

Coking coal pricing increased for the third consecutive week, closing in on the all-time high.

- Coking coal settled at \$403/mt, up slightly from \$402.50/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.

- China continues to clear Australian coal that was stranded at Chinese ports, freeing up an estimated 4-5 million tonnes of coking coal in the coming weeks.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>5</sup>

Domestic raw steel production slipped again last week, now down four out of the last five weeks.

U.S. mills produced an estimated 1,860k tons at an 84.3% utilization rate; this is down from 1,870k tons and an 84.7% 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 in only two of the five regions, with the largest decrease (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region dropped from 635k to 618k tons.

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

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# LIGHT VEHICLE SALES<sup>6</sup>

After sliding the previous four months, U.S. light vehicle sales increased slightly in October.

October light vehicle sales totaled 1.046 million units, up 3.6% from September but remained well below year-ago levels.

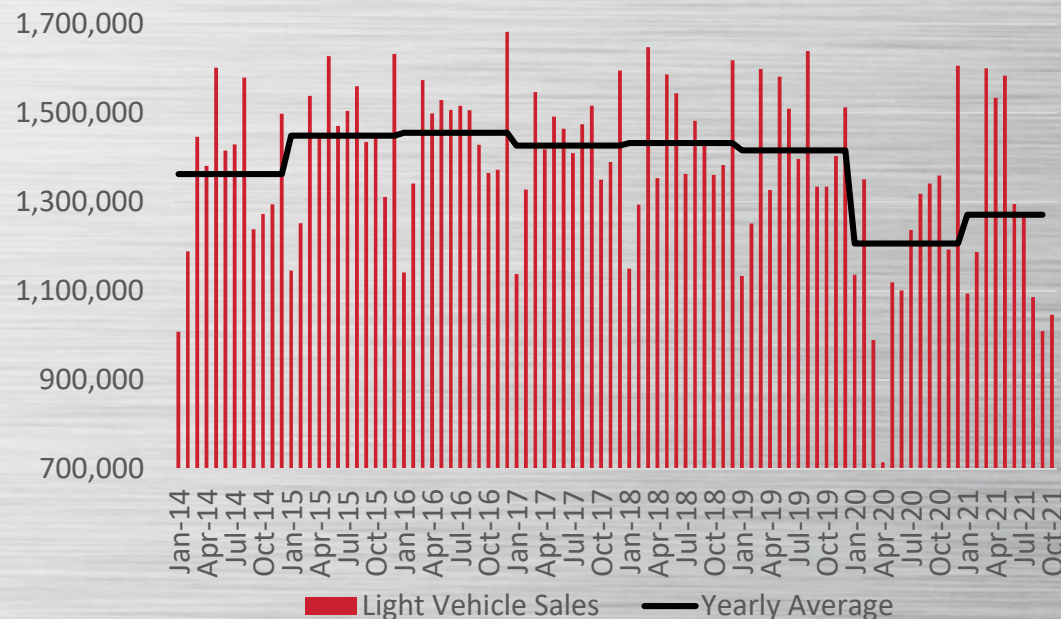
- Light vehicle sales fell 23.0% from 1.359 million units in October 2020.
  - This was the third straight month with a year-over-year decline of more than 17%.

While sales of cars slipped slightly in October, light truck sales rebounded 8.4% after sliding the previous six months.

- This was the highest monthly total of light truck sales since July.

Year-to-date light vehicle sales are now up 9.0% from the same timeframe last year.

## U.S. LIGHT VEHICLE SALES



## DEMAND

# LIGHT VEHICLE INVENTORY<sup>7</sup>

After sliding below 1.00 million vehicles in September, light vehicle inventories improved slightly in October.

Total light vehicle inventory came in at 1.017 million units, up 4.6% from September but still down 64.0% from the 2.825 million total from October 2020.

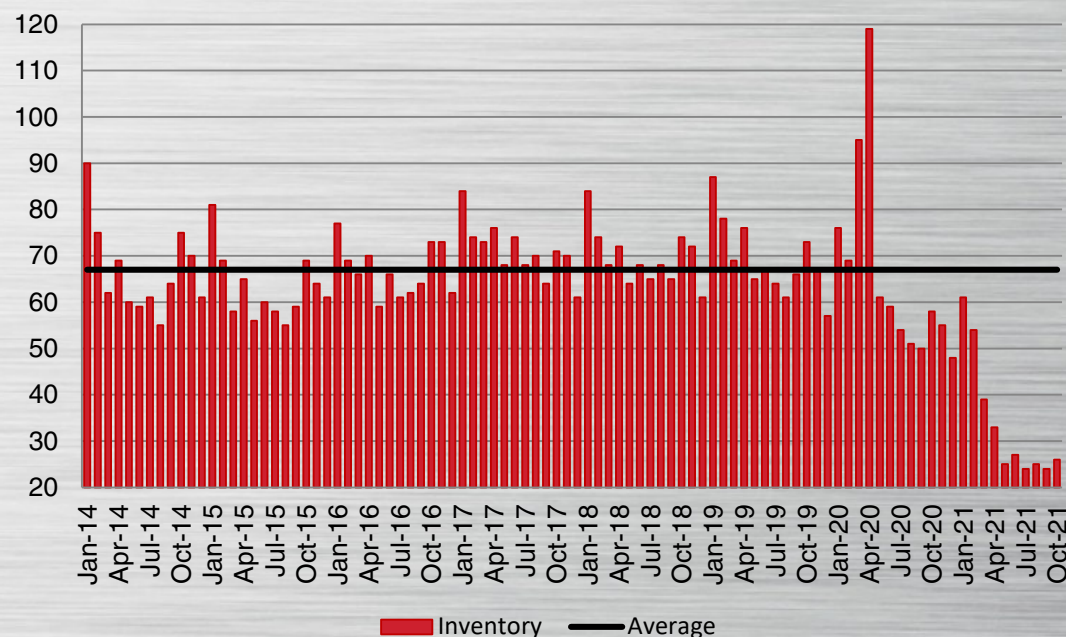
- This is the twenty-sixth consecutive month in which inventories declined on a year-over-year basis.

Inventories of both cars and light trucks increased in October, climbing 5.9% and 8.3%, respectively.

Current inventory, when combined with October's sales pace, equates to 26 days of supply.

- This is up slightly from 24 days in September but remains well below the normal 67 day level.

## U.S. LIGHT VEHICLE DAYS OF SUPPLY





# CONSTRUCTION SPENDING<sup>8</sup>

After climbing the previous six months, total construction spending slipped slightly in September.

Total construction spending came in at a \$1.574 trillion rate, down 0.5% from August.

- Despite the month-over-month decline, spending continued to climb on a year-over-year basis.
- Total spending was up 7.8% from a \$1.460 trillion rate in September 2020.

Spending on both residential and non-residential projects slipped in September, sliding 0.4% and 0.6%, respectively.

- Non-residential construction spending has now declined, on a year-over-year basis, for fourteen consecutive months.
- Residential spending was up sharply compared to last year, climbing 19.0% from September 2020.

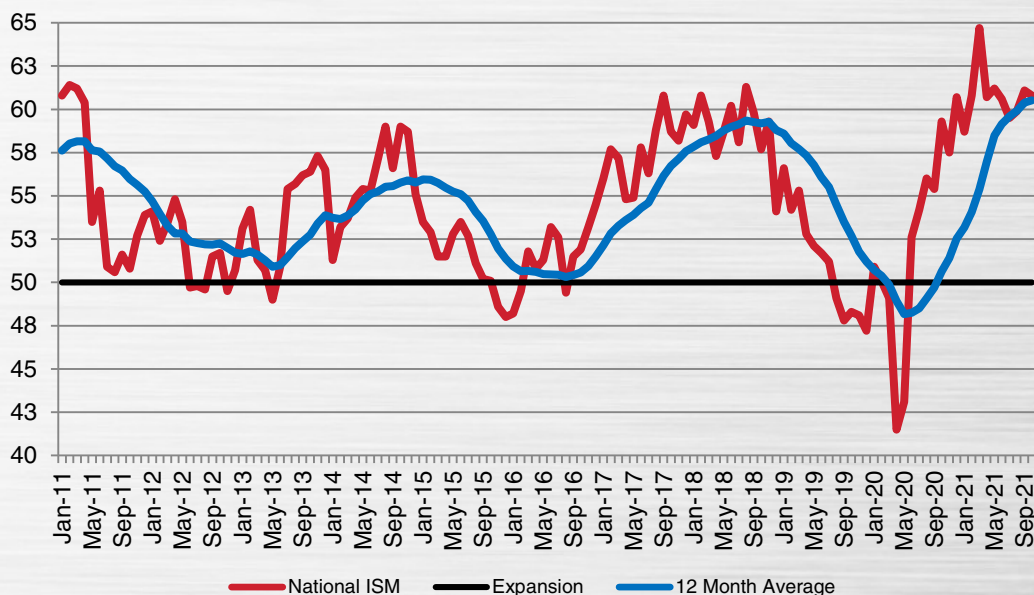
## TOTAL CONSTRUCTION SPENDING (SAAR)



# DEMAND

## ISM MANUFACTURING INDEX<sup>9</sup>

## ISM MANUFACTURING INDEX



Growth from the manufacturing slowed slightly in October but still remained strong overall.

The national ISM Manufacturing Index came in at 60.8, down slightly from 61.1 in September but was up from 59.3 in October 2020.

- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.
- This was the seventeenth consecutive month in which the index has shown expansion.

While the new order component slowed sharply, sliding 6.9 points to 59.8; the production component was virtually flat at 59.3.

- The backlog of orders component slowed slightly to 63.6, but remains well above the key 50.0 level.

# WEEKLY INITIAL JOBLESS CLAIMS<sup>10</sup>

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

The Department of Labor's Weekly Initial Jobless Claims report came in at 269,000 claims, down from 283,000 claims previously.

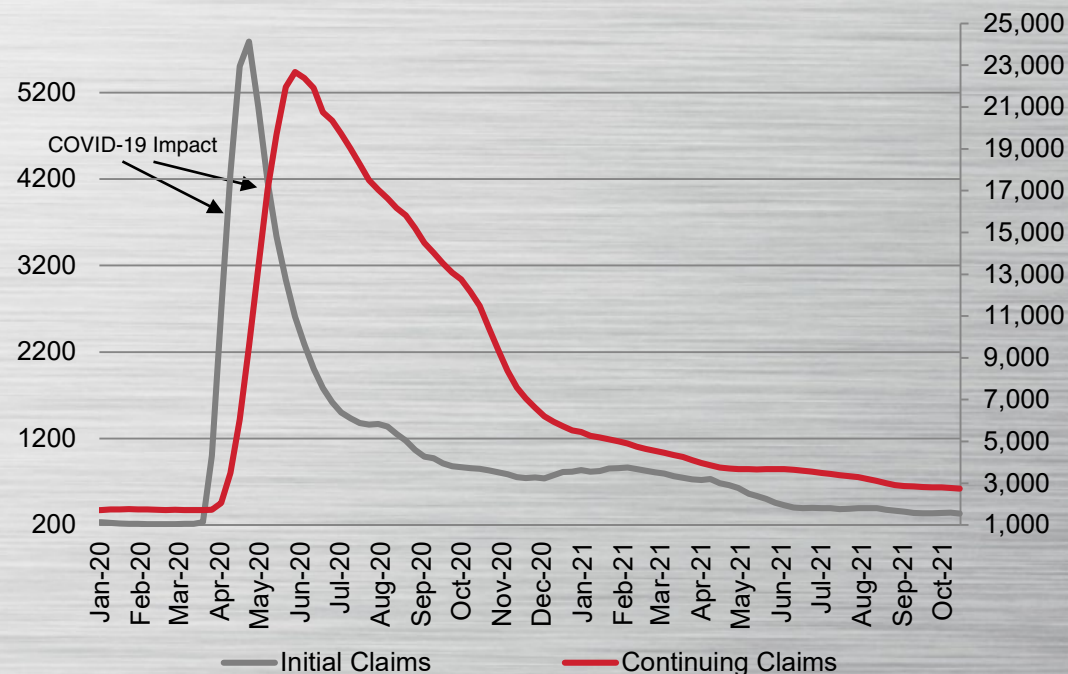
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 284,750, from 299,750 claims previously.

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

- Continuing claims dropped to 2.105 million, down from 2.239 million previously.

At the state level, California and Georgia had the biggest drop in claims with 13,138 and 4,107 claims, respectively.

## WEEKLY INITIAL JOBLESS CLAIMS



**ECONOMIC**

**EMPLOYMENT SITUATION<sup>11</sup>**

The U.S. continued to add jobs in October, now adding jobs for the tenth consecutive month.

The U.S. added 531,000 jobs in October, up from 312,000 jobs added in September but down from the 680,000 jobs added in October 2020.

- For 2021, the U.S. has now added 5.82 million jobs.

The private sector, which accounts for roughly 70% of all employment, showed an increase of 604,000 jobs in October.

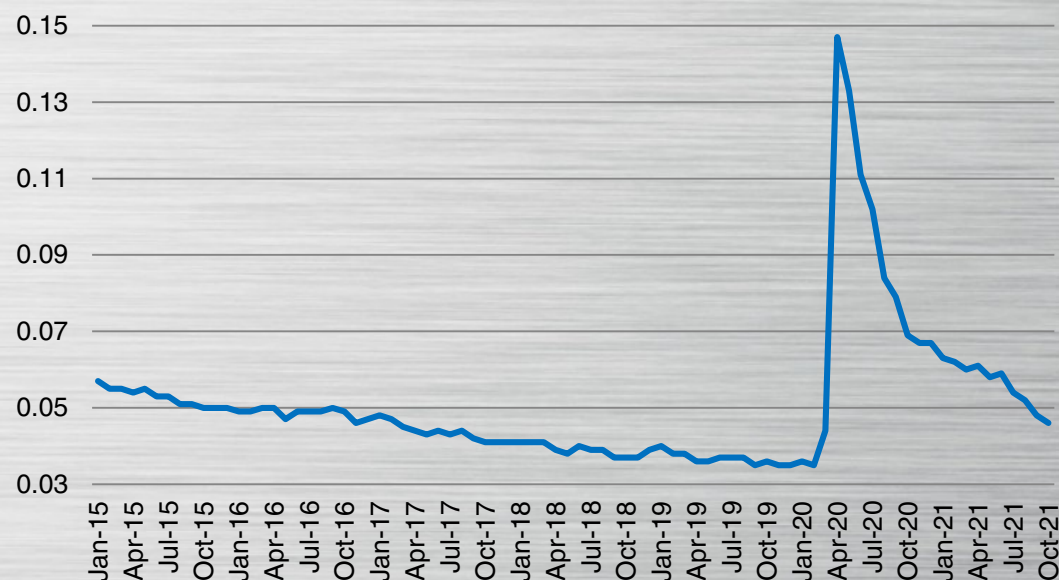
- Government employment declined by 73,000 jobs.

The construction sector added 44,000 jobs in October, up from the 32,000 jobs added in September.

The manufacturing sector saw employment increase by 60,000 jobs, with 5,800 of those jobs coming from fabricated metal product manufacturing.

The increase in jobs helped to push the unemployment rate down to 4.6%, the lowest level since March 2020.

**UNEMPLOYMENT RATE**



## SOURCES

- 1 Prime Scrap Pricing. Market Conversations: Week ending November 5, 2021.
- 2 Platts, Spot Iron Ore: November 4, 2021.  
London Metal Exchange, Weekly Zinc Price and Inventory Report: November 5, 2021.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: November 5, 2021.
- 4 Platts, Coking Coal Price: November 5, 2021.
- 5 American Iron & Steel Institute, Weekly Domestic Steel Production: November 3, 2021.
- 6 WardsAuto, U.S. Light Vehicle Sales: October 2021.
- 7 WardsAuto, U.S. Light Vehicle Inventory: October 2021.
- 8 U.S. Census Bureau, Total Construction Spending: September 2021.
- 9 Institute for Supply Managers, ISM Manufacturing Index: October 2021.
- 10 Department of Labor, Weekly Initial Jobless Claims: November 4, 2021.
- 11 Bureau of Labor Statistics, Employment Situation: October 2021.

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