

**CORE** 11.19.21 **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**

**11**

- ⊕ employment
- ⊕ trucking
- ⊕ retail sales
- ⊖ inflation

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

Spot iron ore continued its rapid descent this week, now down for the fifth consecutive week.

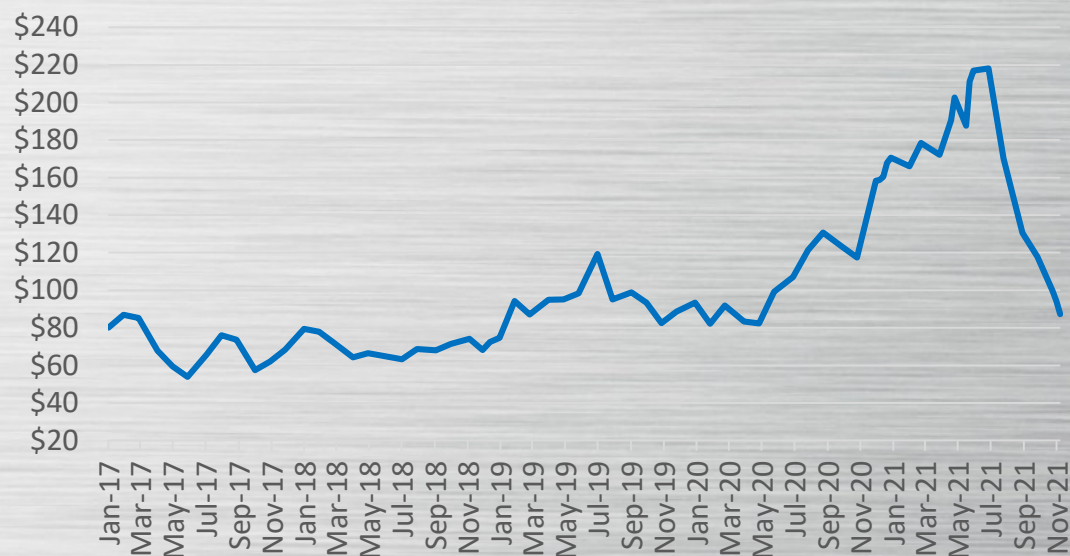
Spot iron ore pricing ended the week at \$87.20/mt, down from \$94.20/mt a week ago.

- Iron ore pricing is now at its lowest price since early April 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, cutting their steel output to its lowest level since 2017.

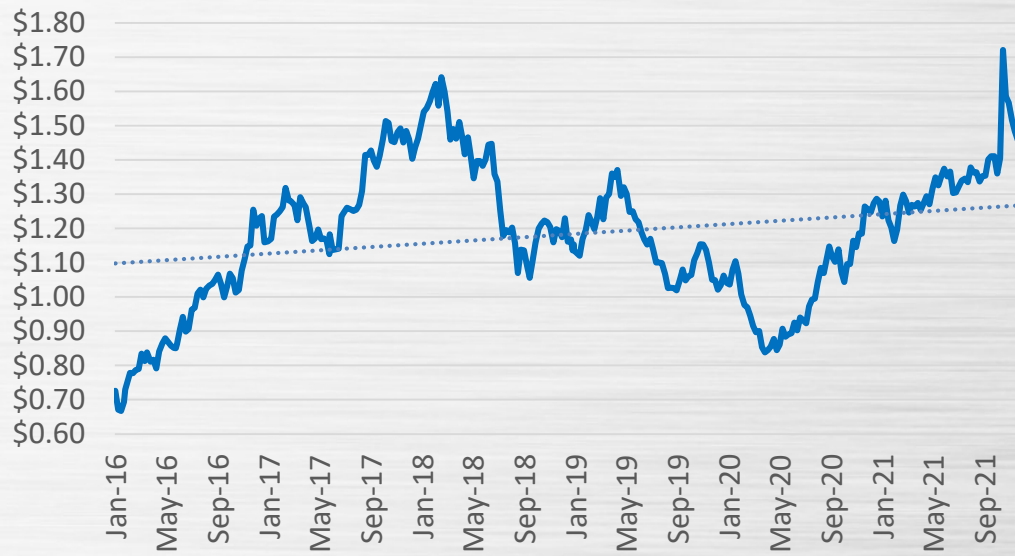
## IRON ORE COST



**COST**

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

**ZINC**



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

Zinc pricing ended the week at \$3,215/mt (\$1.458/lb), down from \$3,270/mt (\$1.483lb) previously.

- Despite the drop, smelters are still strained by high energy costs and still uncertain about production levels for 2022.

Global zinc inventory decreased for the fourth consecutive week.

- LME warehouse inventory slid to 177,400 metric tons, from 183,275 metric tons previously.
- Shanghai warehouse inventory decreased as well, dropping from 70,578 metric tons to 64,959 metric tons.



# COST

## ▼ COKING COAL<sup>3</sup>



## COKING COAL

Coking coal pricing decreased for the second consecutive week this week.

- Coking coal settled at \$364.00/mt, down from \$398.50/mt last week.
  - This is still up over 250% since the beginning of May.

Coking coal prices have begun to weaken from record highs posted in October following China’s intervention in the domestic coal mining and trading sector to improve coal supply.

- China’s energy shortage will likely ease through the next quarter which would drag thermal coal imports, resulting in weaker global prices.

## SUPPLY



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

After sliding three consecutive weeks and five out of the last six weeks, domestic raw steel production climbed last week.

U.S. mills produced an estimated 1,856k tons at an 84.1% utilization rate; this is up from 1,841k tons and an 83.4% rate previously.

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

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

- Production from the Great Lakes region climbed from 612k to 619k tons.

Year-to-date production remains 20.2% above the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

# LIGHT VEHICLE PRODUCTION<sup>5</sup>

After a sharp decline in September, U.S. light vehicle production saw a decent rebound in October.

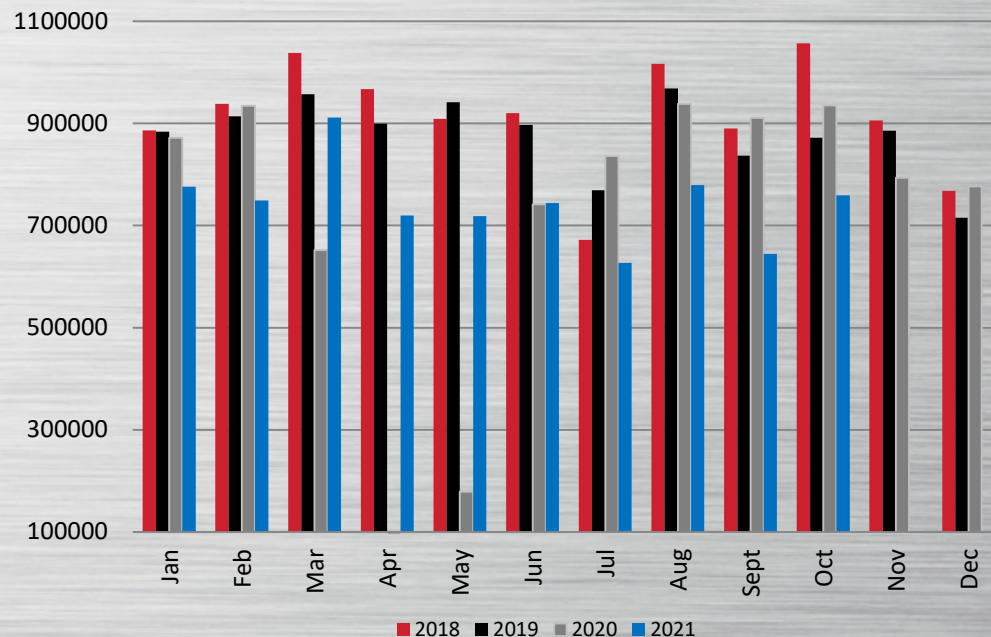
U.S. light vehicle production totaled 759,219 units in October, up 17.8% from September but still down 18.8% from 935,505 units in October 2020.

While both cars and light trucks saw increased month-over-month production in October, the largest increase came from car production, which was up 43.1% from September.

- Light truck production increased 13.8% from September but was still down 12.8% from October 2020.
  - This was the fourth consecutive month with a year-over-year decline for light truck production.

Despite the recent year-over-year declines in production, year-to-date light vehicle production remains 6.0% above the total from the same timeframe last year.

## U.S. LIGHT VEHICLE PRODUCTION



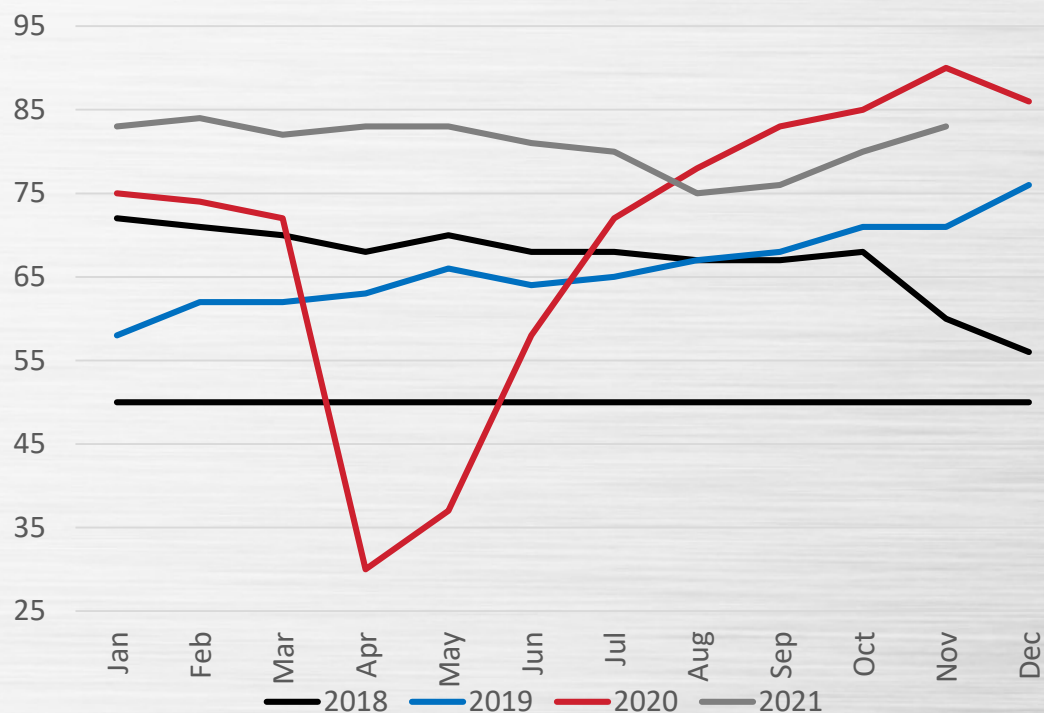


## DEMAND



# HOUSING MARKET INDEX<sup>6</sup>

## HOUSING MARKET INDEX



Confidence among U.S. homebuilders continued to grow in November, now increasing for the third consecutive month.

The November Housing Market Index came in at 83, up from 80 in October and is at its highest level since May.

- Any reading over 50 indicates a positive view of the current situation, while any reading below 50 denotes a negative view.

All three components continued to show expansion in November, with the present situation component being the strongest.

- The present situation component came in at 89, its highest level since February.
- The next six months and traffic components came in at 84 and 68, respectively.

# RESIDENTIAL CONSTRUCTION<sup>7</sup>

## NEW HOUSING STARTS (SAAR)

New housing starts continued to slow in October, now down for the second consecutive month and for the third time in the last four months.

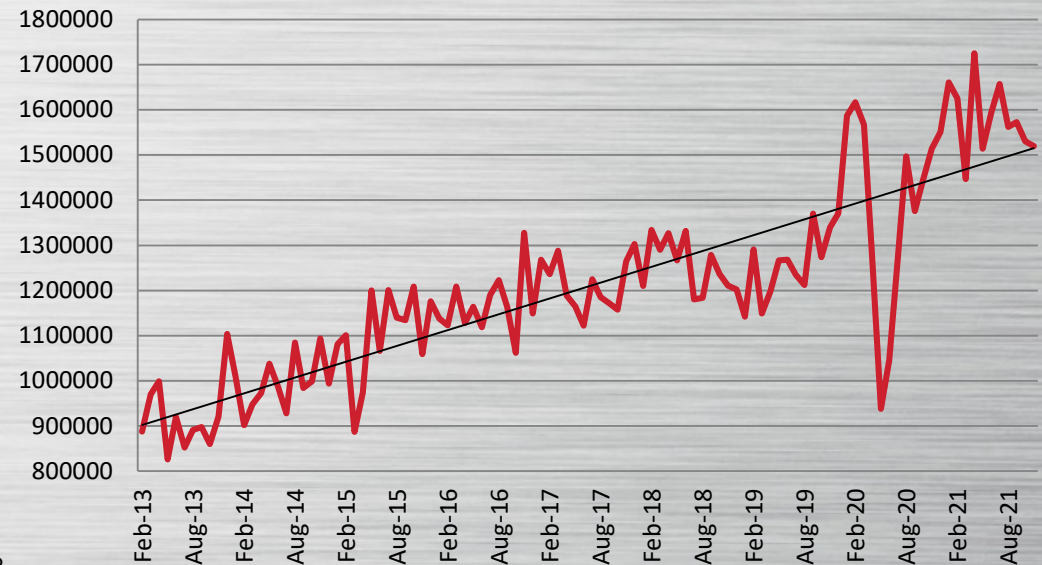
New housing starts came in at a 1.520 million unit rate, down 0.7% from September but up slightly from the 1.514 million unit rate in October 2020.

- The slowdown in starts in October came from single-family homes, as multi-family units increased after a sharp drop in September.

Permits, a leading indicator for starts, increased in October, climbing 4.0% from September to a 1.650 million unit rate.

- Permits were up on a year-over-year basis as well, climbing 3.4% from a 1.595 million unit rate.

Despite the recent slowdown, actual starts are up 17.0% compared to the same timeframe last year and are up 24.4% over the first ten months of 2019.





**DEMAND**

**▲ ARCHITECTURE BILLINGS INDEX<sup>8</sup>**



**ARCHITECTURE BILLINGS INDEX**

Activity at the architecture firm level continued to grow in October, just at a slightly slower pace than in the previous two months.

The October Architecture Billings Index came in at 54.3, down slightly from 56.6 in September but up from 47.5 in October 2020.

- This was the eighth consecutive month in which the index has been above 50.
- Any reading over 50 indicates an increase in activity while any reading below 50 denotes a slowdown.

Regionally, three of the four regions remained in growth territory, with only the Northeast (48.6) declining.

The sector breakdown showed all four sectors showing growth in October with the mix practice (58.7) and commercial/industrial (57.4) being the strongest.

## DEMAND

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

Business activity from the manufacturing sector continued to grow in the New York region.

The November Empire Manufacturing Index came in at 30.9, up eleven points from 19.8 in October.

- The two month average held relatively steady, coming in at 25.2.
  - The two-month average has now been above 0.0 for seventeen consecutive months.
- Any reading over 0.0 indicates expansion, while any reading below 0.0 denotes contraction.

The new order and shipment components posted strong gains, with each climbing to 28.8 and 28.2, respectively.

- While still growing in November, the unfilled order component saw a slowdown as the index slipped to 12.7.

## EMPIRE MANUFACTURING INDEX (2MMA)



## DEMAND

# INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION<sup>10</sup>

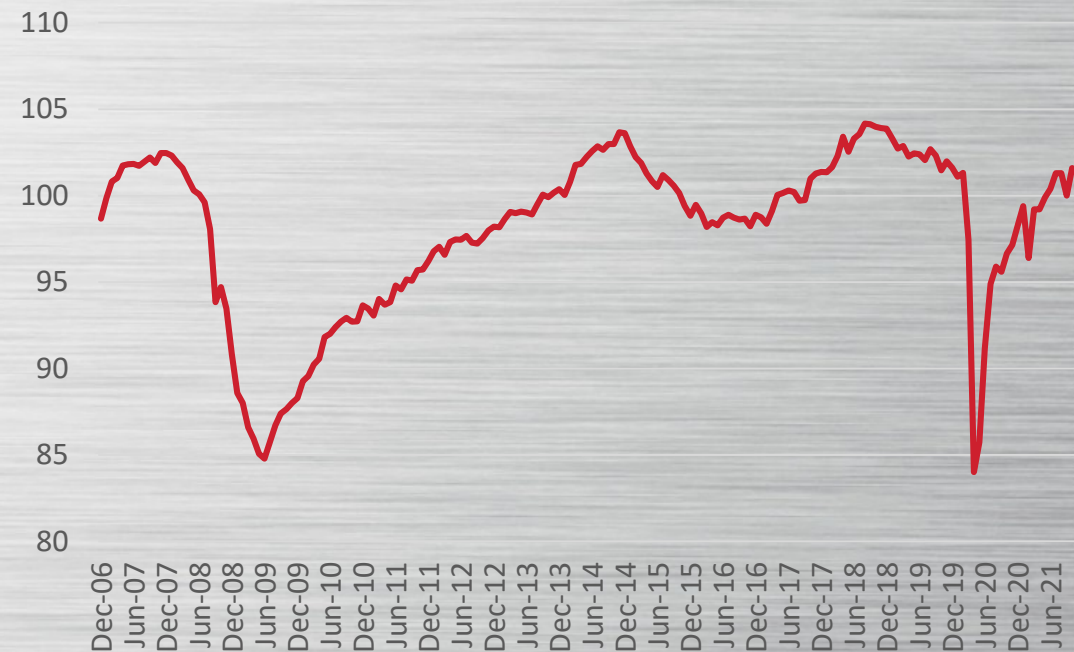
After slipping in September, industrial production increased in October as the lingering effects from Hurricane Ida continued to subside.

The October Industrial Production Index came in at 101.6, up from 100.0 in September and is at its highest level since December 2019.

- A 1.2% boost in manufacturing output helped to push the index higher, with the majority of that boost coming from increased production of motor vehicles and parts.
- The output of utilities was up 1.2%, while the mining output, mainly from increased oil production, was up 4.1%.

The capacity utilization rate came in at 76.4%, up from 75.2% in September and at its highest level since February 2020.

## INDUSTRIAL PRODUCTION INDEX





**ECONOMIC**

**WEEKLY INITIAL  
JOBLESS CLAIMS<sup>11</sup>**

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

The Department of Labor's Weekly Initial Jobless Claims report came in at 268,000 claims, down slightly from 269,000 claims previously.

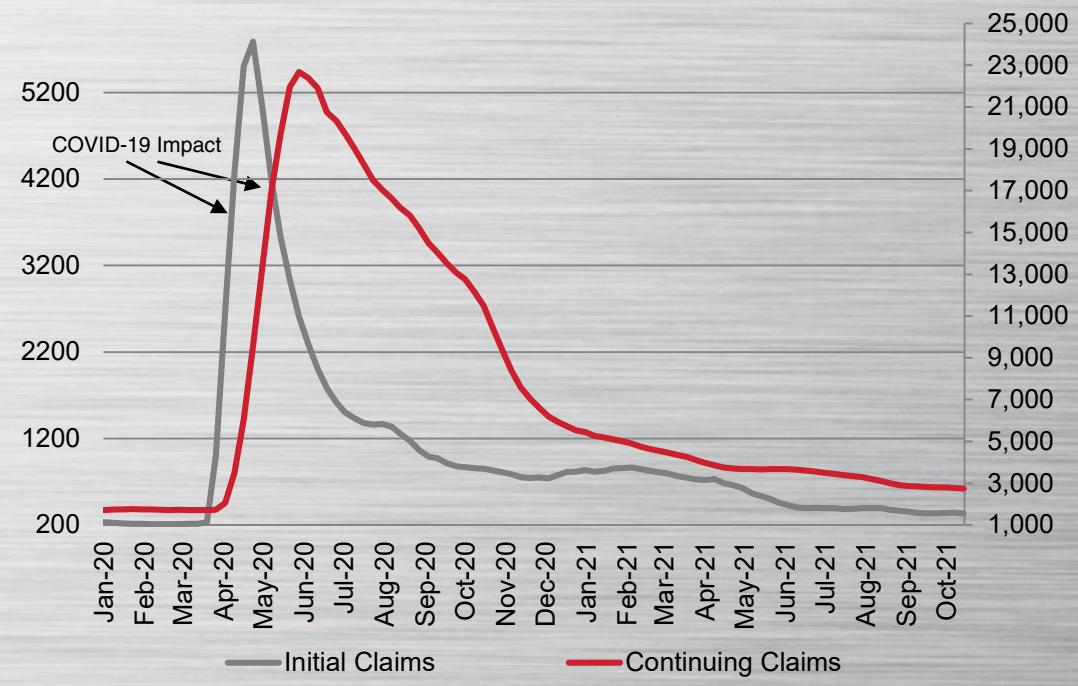
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 272,750, from 278,500 claims previously.

Continuing claims, or claims lasting longer than one week, decreased as well, now down seven out of the last eight weeks.

- Continuing claims slid to 2.080 million, down from 2.209 million previously.

At the state level, California and Washington DC had the biggest drop in claims with 4,222 and 1,794 claims, respectively.

**WEEKLY INITIAL JOBLESS CLAIMS**



## ECONOMIC



# LINEHAUL INDEX<sup>12</sup>

After hitting a recent record high in September, the Linehaul Index continued to push higher in October.

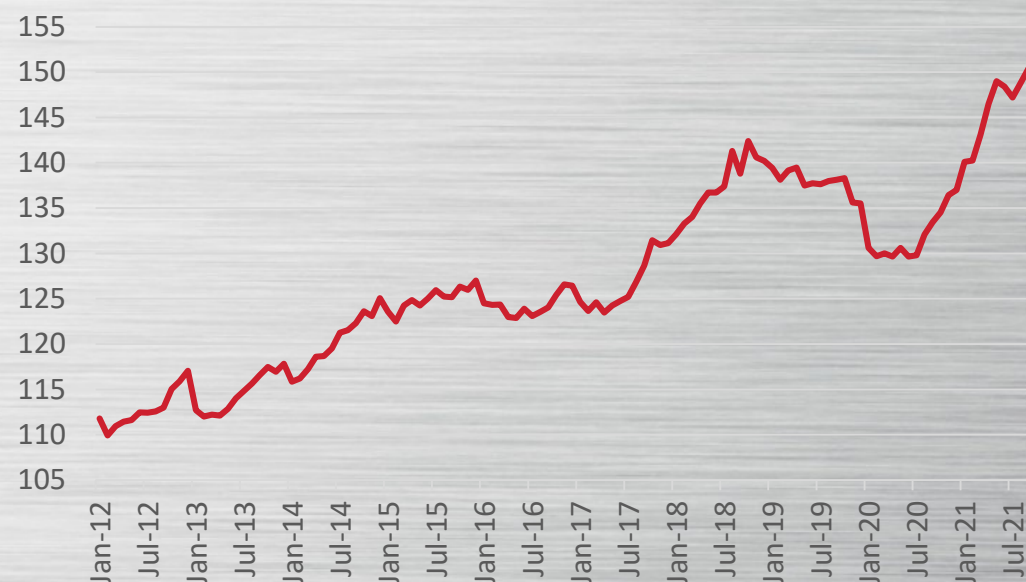
The October Linehaul Index came in at 150.9, up from 150.4 in September and up 12.2% from the 134.5 reading in October 2020.

Upward pressure from supply chain constraints and vaccine mandates could continue to slow the return of truck drivers, which will only push freight rates higher.

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

- The index isolates the linehaul component, excluding the volatility in other component pricing like fuel.
- The index provides an accurate reflection of trends in baseline freight rates.

## LINEHAUL INDEX



## ECONOMIC


**RETAIL SALES<sup>13</sup>**

Retail sales in October, adjusted for seasonality, came in at a \$638.2 billion rate, up 1.7% from September.

- This was the third consecutive month-over-month increase.

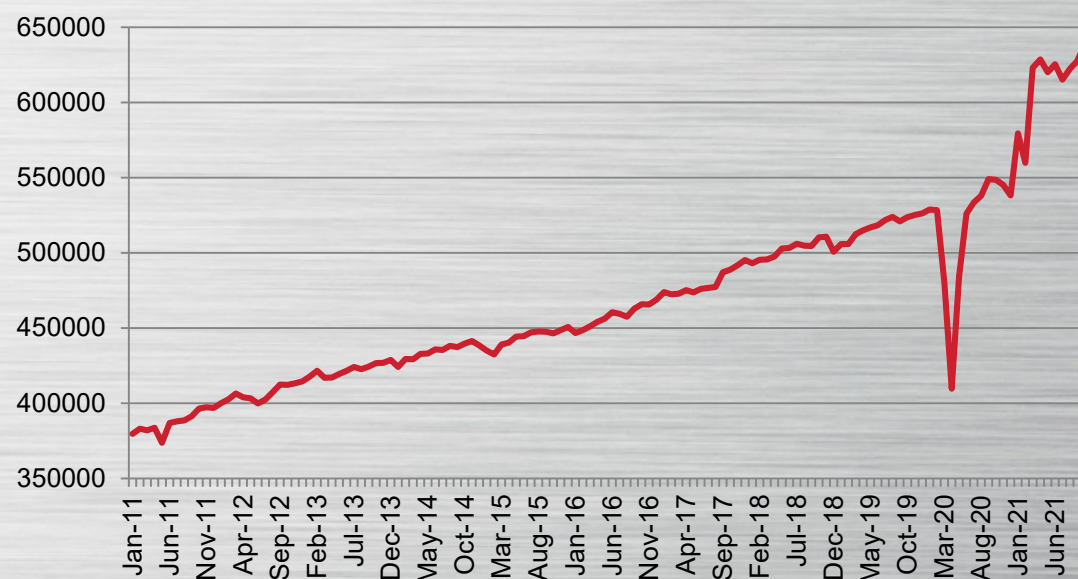
Sales continued to be up sharply on a year-over-year basis as well, climbing 16.3% from a \$548.7 billion rate in October 2020.

- Total sales for the August through October period were up 15.4% from the same timeframe last year.

The largest increases in sales, compared to last October, came from gas stations, clothing stores, electronic stores, bars/restaurants, and online retailers.

- On a month-over-month basis, numerous businesses saw increases except clothing stores and health stores, which saw sales slip 0.7% and 0.6%, respectively.

## RETAIL SALES (SAAR)







**Happy Thanksgiving!**

**The CORE Report will return on December 6th, following the Thanksgiving holiday. Thank you for subscribing to the CORE Report, the center of steel market news!**

## SOURCES

- 1 Platts, Spot Iron Ore: November 18, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: November 19, 2021.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: November 19, 2021.
- 3 Platts, Coking Coal Price: November 19, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: November 16, 2021.
- 5 WardsAuto, U.S. Light Vehicle Production: October 2021.
- 6 National Association of Homebuilders, Housing Market Index: November 2021.
- 7 U.S. Census Bureau, New Residential Construction: October 2021.
- 8 American Institute of Architects, Architecture Billings Index: October 2021.
- 9 New York Federal Reserve, Empire Manufacturing Index: November 2021.
- 10 The Federal Reserve, Industrial Production/Capacity Utilization: October 2021.
- 11 Department of Labor, Weekly Initial Jobless Claims: November 18, 2021.
- 12 Cass Information Systems, Linehaul Index: October 2021.
- 13 U.S. Census Bureau, Retail Sales: October 2021.

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