

CORE 12.17.21 **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 costs
- ⬆️ retail sales
- ⊖ inflation

SPOT IRON ORE¹

Spot iron ore pricing continued its steady rebound after dropping below \$100/mt in early November.

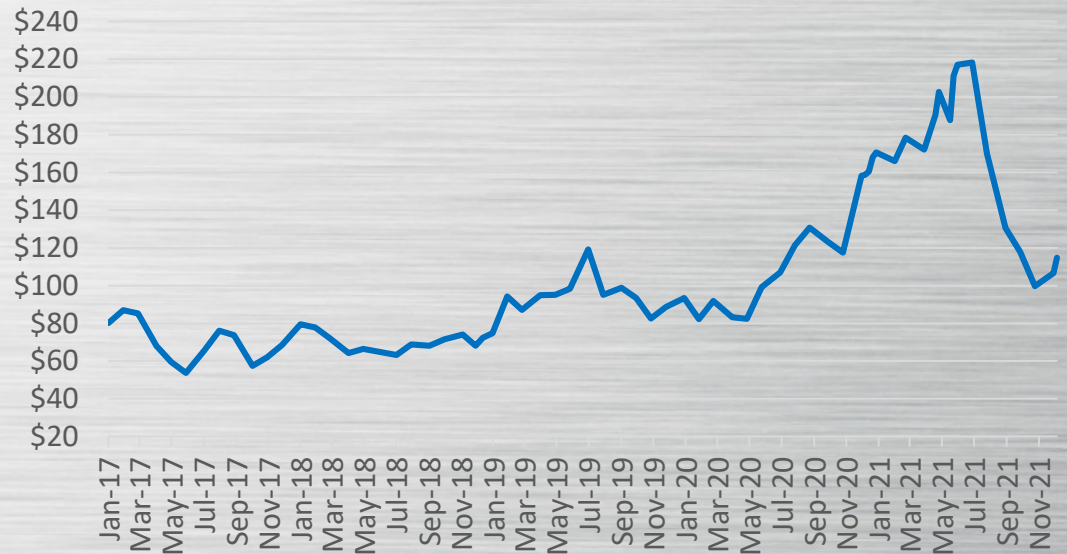
Spot iron ore pricing ended the week at \$114.70/mt, up from \$106.70/mt a week ago.

- This is up 21.5% month-over-month.

Iron ore prices have stabilized recently as the Chinese government has pledged to focus on economic stability next year and to continue its proactive monetary policy and fiscal policy.

- However the ramp up of economic production won't occur until after the Winter Olympics in February 2023.

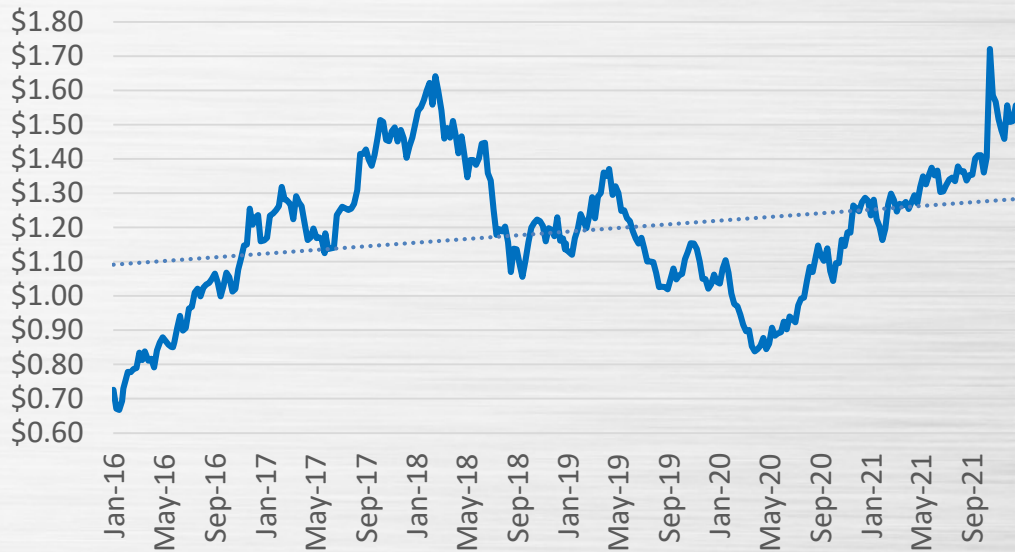
IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing increased for the second consecutive week this week.

Zinc pricing ended the week at \$3,430/mt (\$1.556/lb), up from \$3,332/mt (\$1.511lb) previously.

Zinc prices remain above the 100-day-moving-average and are expected to remain firm over coming months due to soaring power costs, keeping supply and inventories tight.

- Prices have dropped 20% since surging to a 14-year high in October, but still up 16% in 2021.

Global zinc inventory increased significantly this week due to a surge into LME warehouses.

- LME warehouse inventory climbed to 205,525 metric tons, from 164,425 metric tons previously.
- Shanghai warehouse inventory increased as well, climbing from 67,714 metric tons to 68,152 metric tons.

COST

COKING COAL³



COKING COAL

After rebounding last week, coking coal pricing stayed relatively flat this week.

Coking coal settled at \$341.50/mt, up slightly from \$341.00/mt last week.

- Prices have been supported by positive global demand (excluding China) as well as supply concerns due to flooding in Australia.

China's government also continues to intervene in the domestic coal mining and trading sector to improve coal supply.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production rebounded last week after sliding the previous two weeks and hitting the lowest tonnage output since May.

U.S. mills produced an estimated 1,818k tons at an 82.4% utilization rate; this is up from 1,807k tons and an 81.9% rate previously.

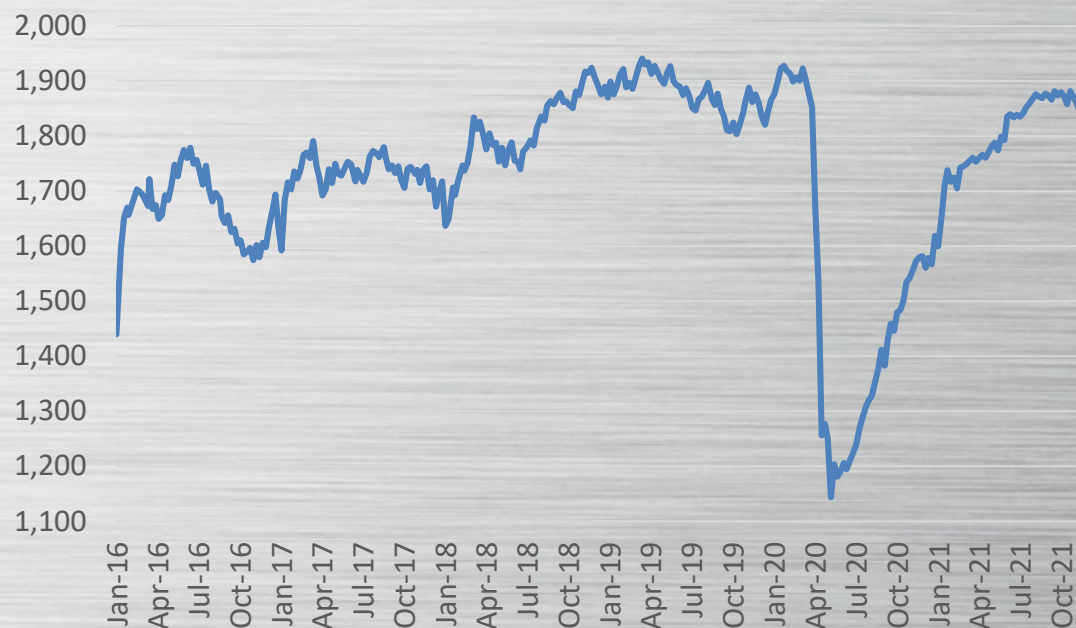
- Steel mills in the U.S. have run at an average utilization rate of 81.1% so far this year, up from 66.8% in 2020.

Production increased in four of the five regions, with the largest increase (in tons) coming from the Northeast and Midwest regions.

- Production from the Northeast region climbed from 164k to 169k tons, while the Midwest climbed from 201k to 206k tons.

Year-to-date production is now 19.9% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



HOUSING MARKET INDEX⁵

Confidence among U.S. homebuilders grew in December, now growing stronger for the fourth consecutive month.

The December Housing Market Index came in at 84, up from 83 in November but down slightly from 86 in December 2020.

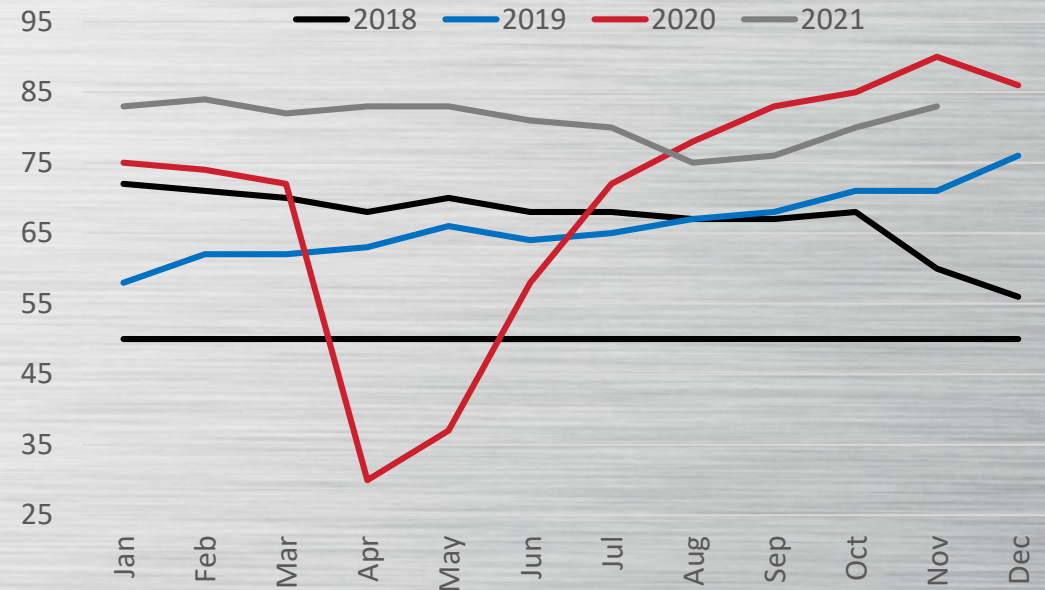
- For the year, the HMI averaged 81.2, up from the 70.0 average last year.
- Any reading over 50.0 indicates growth, while any reading below 50.0 denotes contraction.

Of the index's three components, both current sales and buyer traffic increased by 1 point.

- Sales expectations in the next six months was unchanged.

Builder sentiment continued to increase despite the recent headwinds from inflation, supply-chain disruptions, and the continued labor shortage.

HOUSING MARKET INDEX



DEMAND

RESIDENTIAL CONSTRUCTION⁶

NEW HOUSING STARTS (SAAR)

After sliding the previous two months, new housing starts pushed sharply higher in November.

New housing starts came in at a 1.679 million unit rate in November, up 11.8% from October and up 8.3% from a 1.551 million unit rate in November 2020.

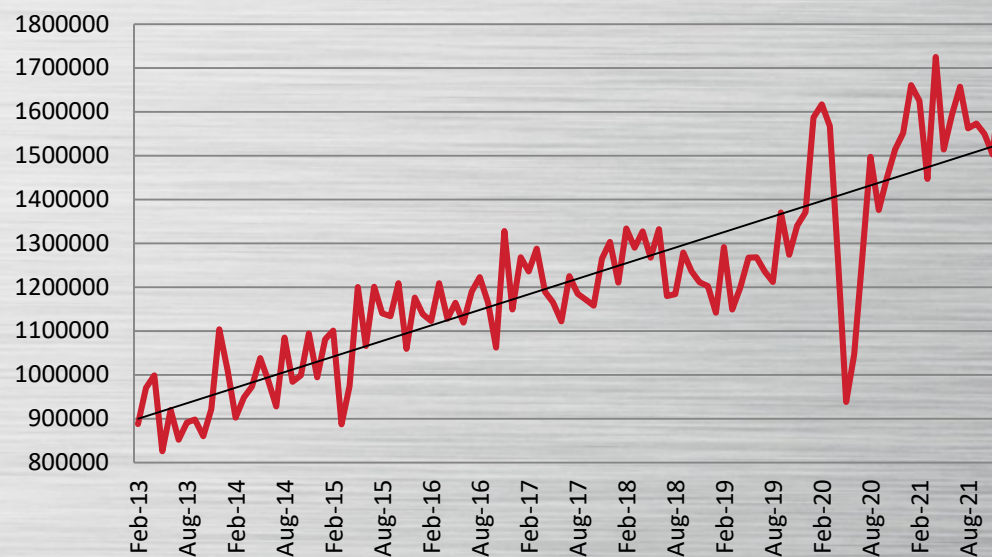
- This was the highest monthly rate for new housing construction since March.

The boost in new housing starts in November was split equally between single-family and multi-family units.

Permits, a leading indicator for future construction, increased as well, climbing for the second consecutive month.

- Permits came in at a 1.712 million unit rate, up 3.6% from October and up 0.9% from a 1.696 million unit rate in November 2020.

Year-to-date actual new housing starts are up 16.3% from the same timeframe last year and up 24.5% from the first eleven months of 2019.



ARCHITECTURE BILLINGS INDEX⁷

Activity at the architecture level grew at a slower pace in November than in October.

The November Architecture Billings Index came in at 51.0, down from 54.3 previously but remaining above 50.0 for the tenth consecutive month.

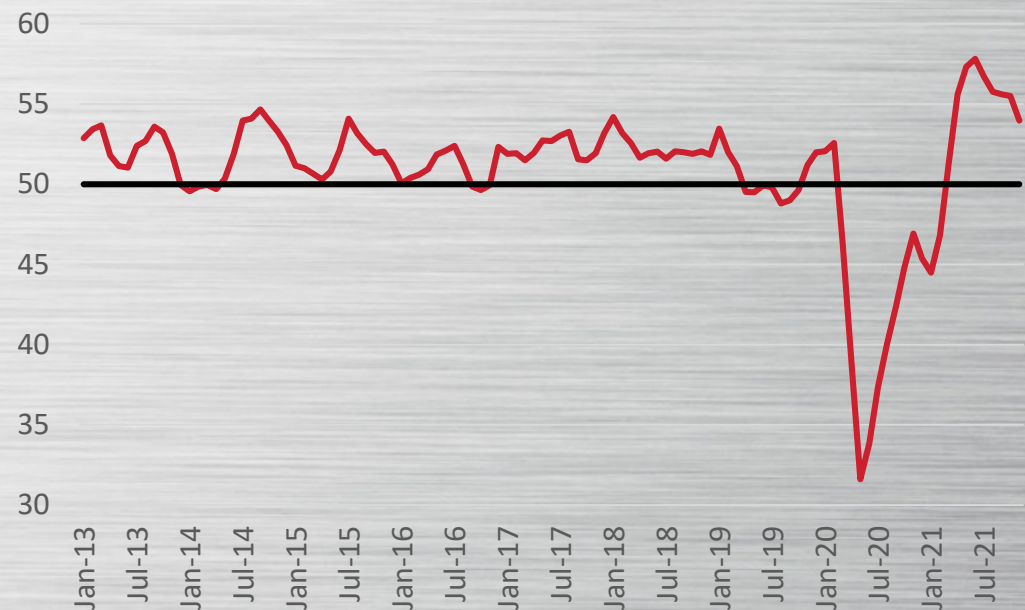
- Any reading over 50.0 indicates a growth in billings.

Regionally, three of the four regions showed continued growth in November with the strongest growth coming from the Midwest (57.6).

- The Northeast (45.5) was the only region to see a decline.

The sector breakdown saw all four sectors having growth in November, with the mixed practice (56.9) being the strongest.

ARCHITECTURE BILLINGS INDEX (3MMA)



EMPIRE MANUFACTURING INDEX⁸

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

The December Empire Manufacturing Index came in at 31.9, up from 30.9 in November and up sharply from 4.9 in December 2020.

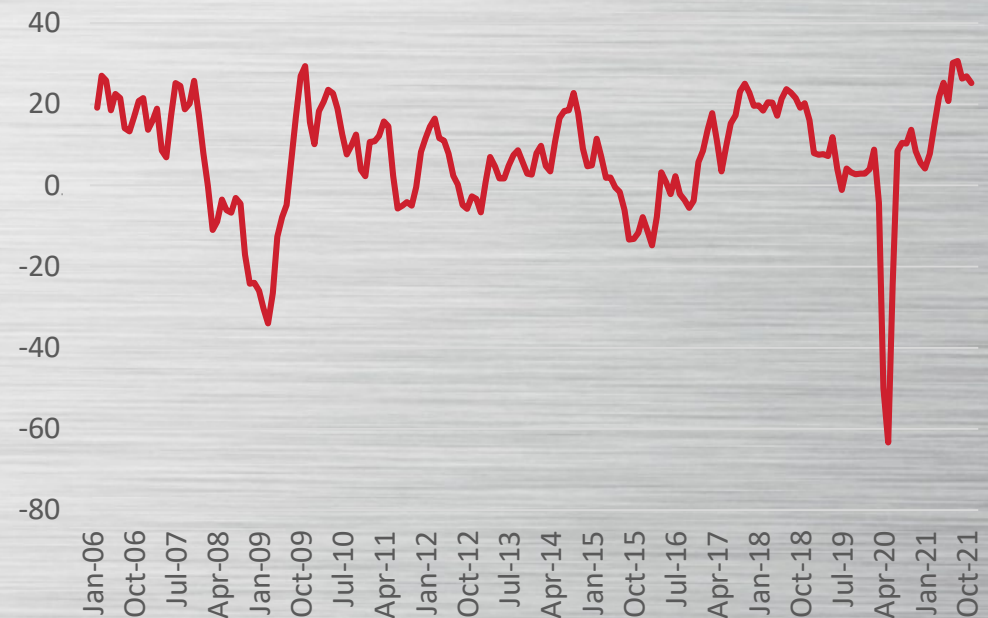
- The two-month average of 31.4, is the highest in recent history.
- Any reading over 0.0 indicates growth in activity, while any reading below 0.0 denotes a contraction.

The new orders, shipments, and unfilled orders components all posted strong gains in December.

- One other positive in the report points to a potential recovery from the labor sector, as the employment component increased and the average workweek component expanded.

Looking ahead, respondents remain optimistic that conditions will continue to improve over the next six months despite being slightly lower than a couple months ago.

EMPIRE MANUFACTURING INDEX (2MMA)



INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION⁹

U.S. industrial production continued to increase in November, now up in back-to-back months.

The U.S. industrial production index increased to 102.3, up 0.5% from October and up 5.3% from 97.2 in November 2020.

- The index is now at its highest level since September 2019 and appears to have fully recovered from the impacts of the COVID-pandemic.

The capacity utilization rate increased as well, climbing to 76.8%, up from 76.5% in October and 73.9% in November 2020.

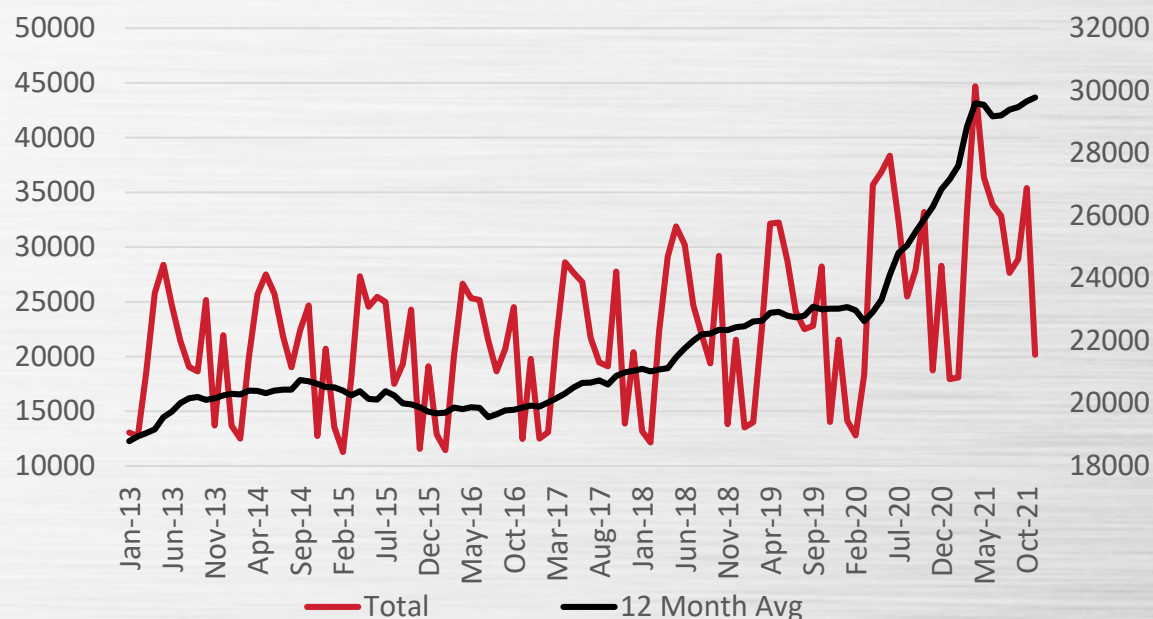
The overall growth in November was seen in most market groups, but a strong rebound (2.2%) from auto products helped to push durable goods index higher.

INDUSTRIAL PRODUCTION INDEX



DEMAND

TRACTOR & COMBINE SHIPMENTS¹⁰



TRACTOR AND COMBINE SHIPMENTS

Shipments of North American (U.S. and Canada) tractors and combines declined from October but remained above last year's rate.

Shipments totaled 20,146 units, down 43.1% from October but were up 7.6% from November 2020.

- This was the fifth consecutive month with a year-over-year increase in shipments.

Looking on a year-over-year basis, to help smooth seasonality, both tractor and combine shipments increased.

- Tractor and combine shipments increased 7.5% and 8.3%, respectively.

Year-to-date shipments remain 12.0% above the pace through November last year.

WEEKLY INITIAL JOBLESS CLAIMS¹¹

After dropping to a 52-year low, weekly initial jobless claims increased last week.

The Department of Labor's Weekly Initial Jobless Claims report came in at 206,000 claims, up from 188,000 claims previously.

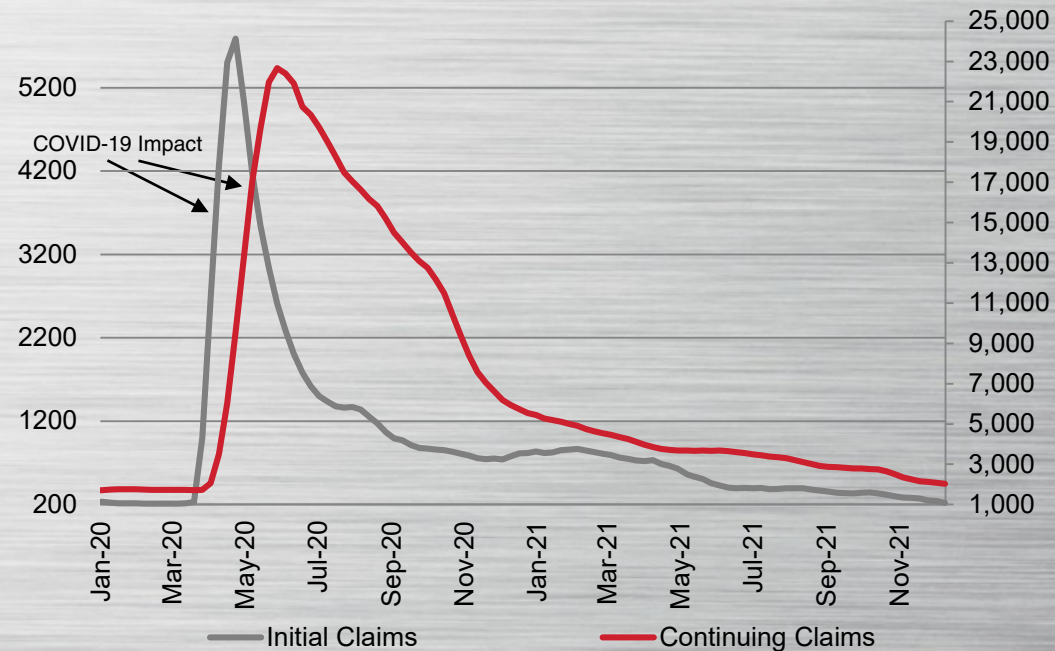
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 203,750, from 219,750 claims previously.

Continuing claims, or claims lasting longer than one week, decreased, now at the lowest level since March 14, 2020.

- Continuing claims slid to 1.845 million, down from 1.999 million previously.

At the state level, Texas, New York, and California saw the largest increase in claims with 8,639, 8,523 and 8,487 claims respectively.

WEEKLY INITIAL JOBLESS CLAIMS



TRUCKING COSTS¹²

The expenditures component of the Cass Freight Index continued to climb in November and has yet again set an all time high.

The expenditure component, which measures total amount spent on freight, increased to 4.275.

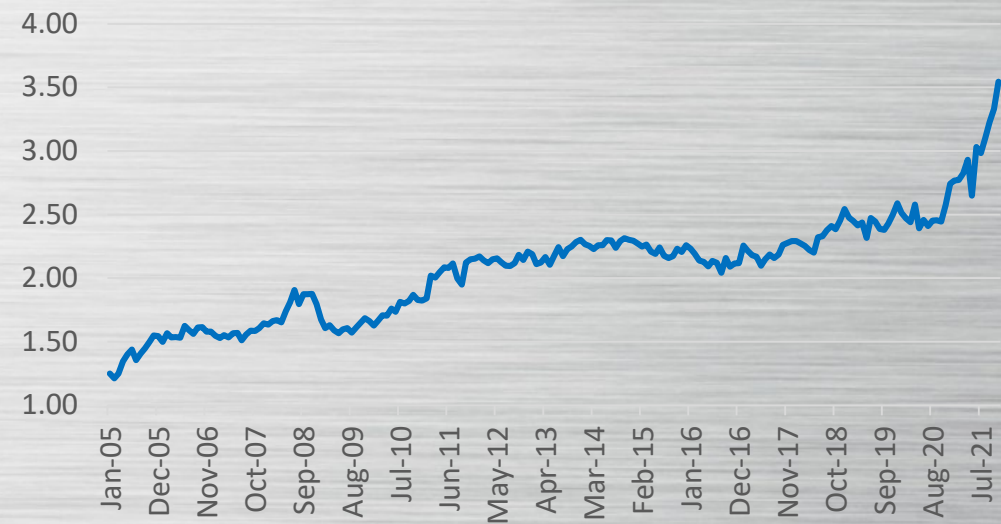
- This is up 8.0% from October and up a sharp 44.0% from November 2020.

Increased shipping activity combined with climbing rates helped to push the component higher in November.

The full year increase in spending will be 37% in 2021; which follows a 7% decline in 2020 and a flat reading in 2019.

The inferred freight rates (spending divided by shipments) increased to a record high as well.

CASS EXPENDITURES INDEX



▲ RETAIL SALES¹³

Retail sales increased slightly in November as it appears consumers are challenged to keep up with the rising prices.

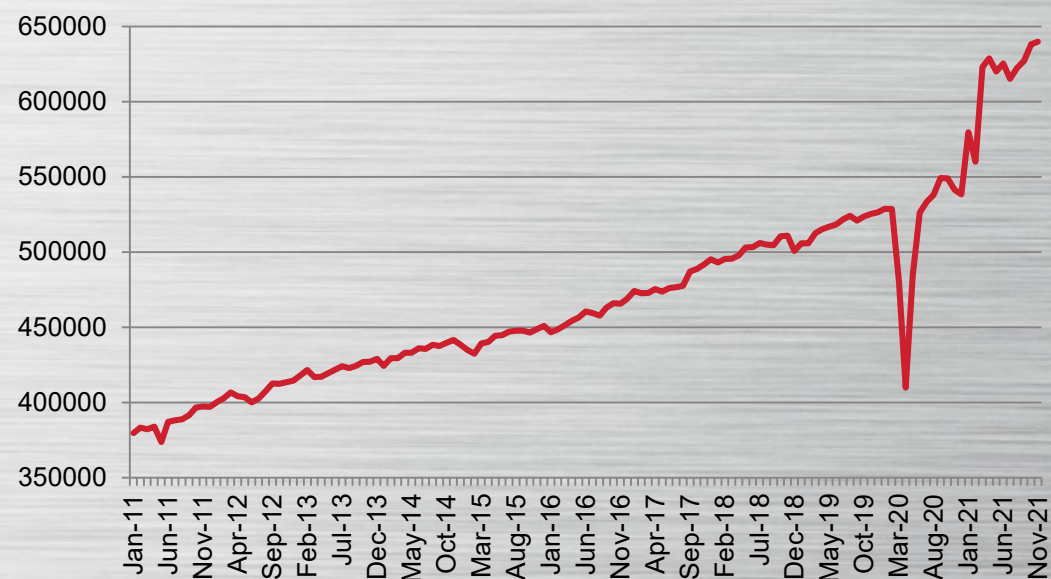
November retail sales came in at a \$639.8 billion rate, up 0.3% from October and up a sharp 18.2% from a \$541.2 billion rate in November 2020.

- This was the slowest month-over-month increase since July.

The largest increases in sales in November came from gas stations, food & beverage stores, and bars & restaurants.

- These increases were nearly completely offset by declines in sales from department stores, electronic & appliance stores, and health & personal care stores.

RETAIL SALES (SAAR)



SOURCES

- 1 Platts, Spot Iron Ore: December 16, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: December 17, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: December 17, 2021.
- 3 Platts, Coking Coal Price: December 17, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: December 14, 2021.
- 5 National Association of Homebuilders, Housing Market Index: December 2021.
- 6 U.S. Census Bureau, New Residential Construction: November 2021.
- 7 American Institute of Architects, Architecture Billings Index: November 2021.
- 8 NY Federal Reserve, Empire Manufacturing Index: December 2021.
- 9 Federal Reserve, Industrial Production/Capacity Utilization: November 2021.
- 10 Association of Equipment Manufacturers, Tractor and Combine Shipments: November 2021.
- 11 Department of Labor, Weekly Initial Jobless Claims: December 16, 2021.
- 12 Cass Information Systems, Transportation Index: November 2021.
- 13 U.S. Census Bureau, Retail Sales: November 2021.

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