

CORE 01.07.22 REPORT

COST

01

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

SUPPLY

04

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

DEMAND

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

ECONOMIC

09

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

SPOT IRON ORE¹

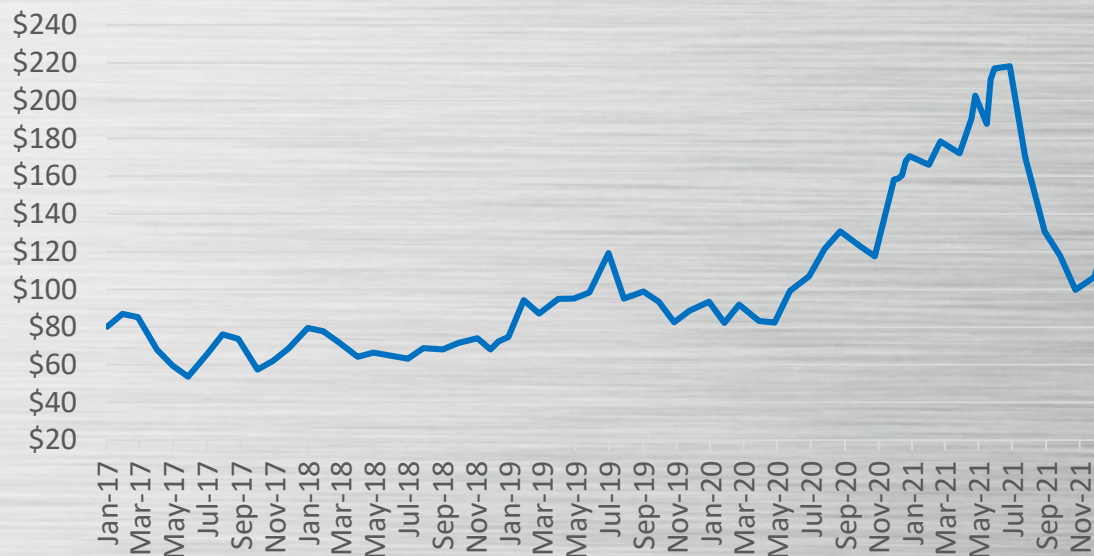
Spot iron ore pricing rebounded sharply this week, starting the new year off strong.

Spot iron ore pricing ended the week at \$128.25/mt, up from \$117.25/mt a week ago.

- This is the highest level seen since mid-September.
- Iron ore prices have increased on the back of end-of-year restocking in China, however steel production cuts will remain in China until after the Winter Olympics in February.

After climbing more than 70% in 2020, iron ore prices hit an all-time high in July 2021, but ended the year down 24%.

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing increased slightly this week, now up for the fourth consecutive week.

Zinc pricing ended the week at \$3,602.50/mt (\$1.634/lb), up from \$3,601/mt (\$1.633lb) previously.

- This is the highest price for zinc since mid-October when zinc ran up to a fourteen-year high.
- This is also up significantly from the 2021 average of \$1.37/lb and the 2020 average of \$1.03/lb.

LME warehouse inventory decreased for the second consecutive week, sliding from 199,750 to 193,875.

Shanghai warehouse inventory increased after sliding the previous two weeks, climbing from 57,917 metric tons to 64,336 metric tons.

COST



COKING COAL³



COKING COAL

Coking coal pricing continued its upward trajectory this week, now up six consecutive weeks.

Coking coal settled at \$371.00/mt, up from \$357.25/mt last week.

- Coking coal price has climbed 17.5% since November 2020, and is nearing the all-time high of \$408.25/mt seen in September.

Much like iron ore, coal is also climbing on the back of restocking and optimistic demand out of China.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production dropped again last week, ending the year with three consecutive decreases.

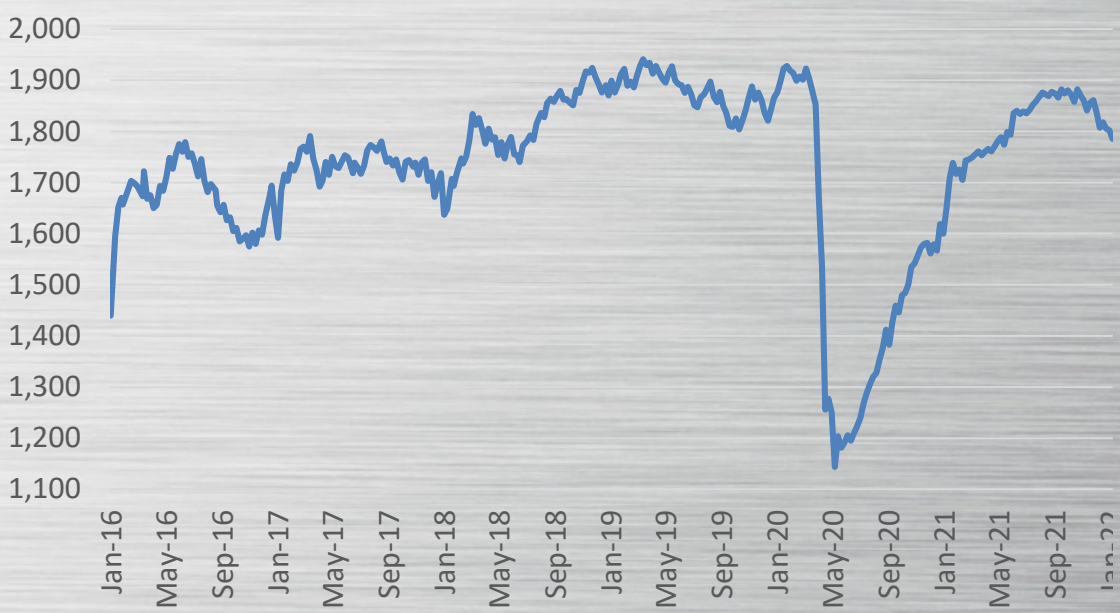
U.S. mills produced an estimated 1,785k tons at an 80.9% utilization rate; this is down from 1,803k tons and an 81.6% rate previously.

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

- Production from the Southern region slid from 718k tons to 707k tons.

Raw steel production ended the year at 94,185k tons, up 19.6% from 2020 raw steel production of 78,758k tons, but down from 99,534k tons in 2019.

WEEKLY DOMESTIC PRODUCTION



DEMAND

LIGHT VEHICLE SALES⁵

After slipping in November, U.S. light vehicle sales rebounded in December, climbing to their highest monthly total since July.

U.S. light vehicle sales totaled 1.194 million units, up 19.4% from November but still 25.6% below year ago levels.

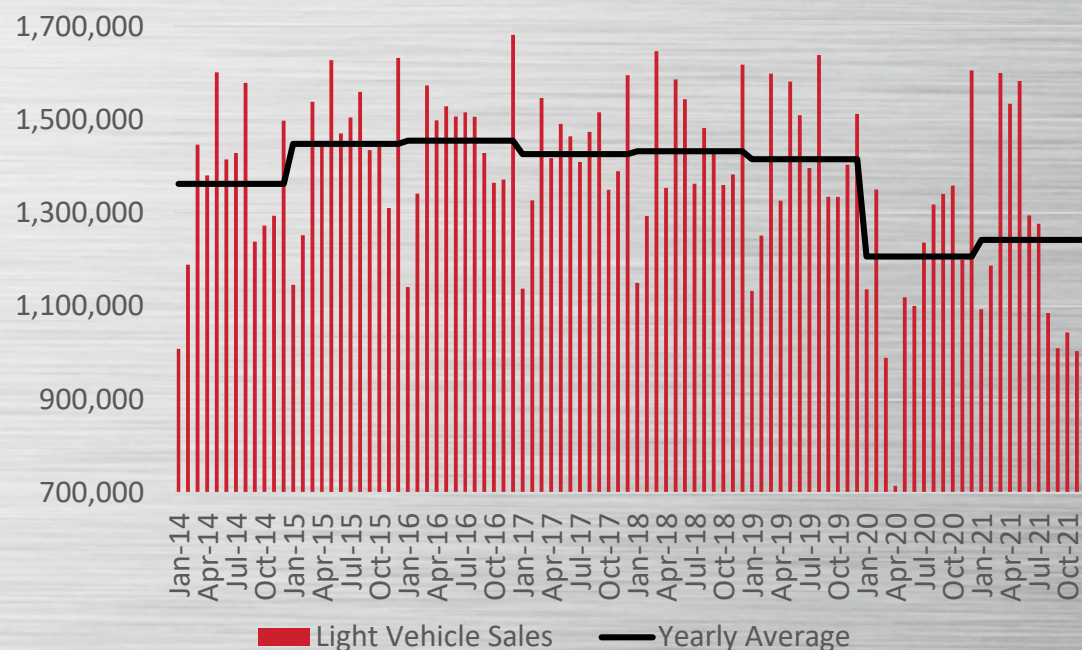
- While sales of both cars and light trucks increased on a month-over-month basis, the largest increase came from light truck sales.
- While car sales saw a strong 12.6% increase, light truck sales jumped 19.2%.

Despite the slowdown in sales during the second half of the year, full year, 2021, sales totaled 14.91 million units.

- This is up 3.0% from the 14.47 million total in 2020.

Much of the slowdown in sales during the back half of 2021 was due to supply constraints that will hopefully begin to be alleviated as production can rebound throughout 2022.

U.S. LIGHT VEHICLE SALES



DEMAND

LIGHT VEHICLE INVENTORY⁶

The slight improvement in recent domestic production rates helped combat the slightly higher selling pace in December to push light vehicle inventory slightly higher.

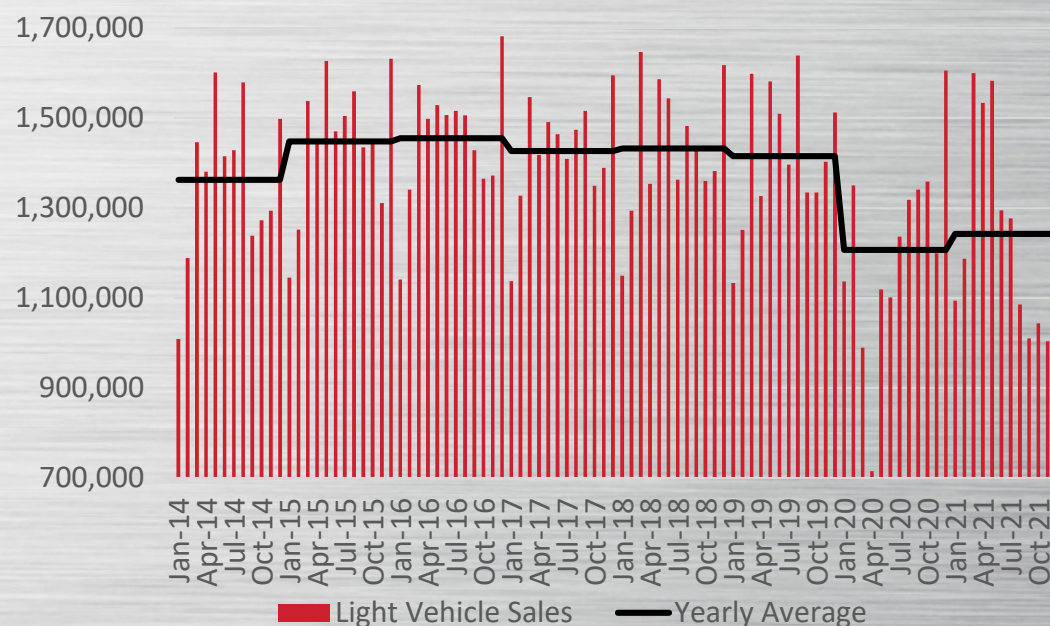
December U.S. light vehicle inventory totaled 1.123 million units, up 7.4% from November but still nearly 60% below last December's total.

- Inventory increased across the board as the supply of cars, light trucks, and all imported vehicles improved slightly.

Despite the uptick in inventory, the increase in sales kept the days of supply flat at 25 days in December.

- This is below the 32 day 2021 average and well below historically normal levels of 65 days.

U.S. LIGHT VEHICLE DAYS OF SUPPLY



DEMAND

CONSTRUCTION SPENDING⁷

Construction spending continued to climb in November, now up for the ninth consecutive month.

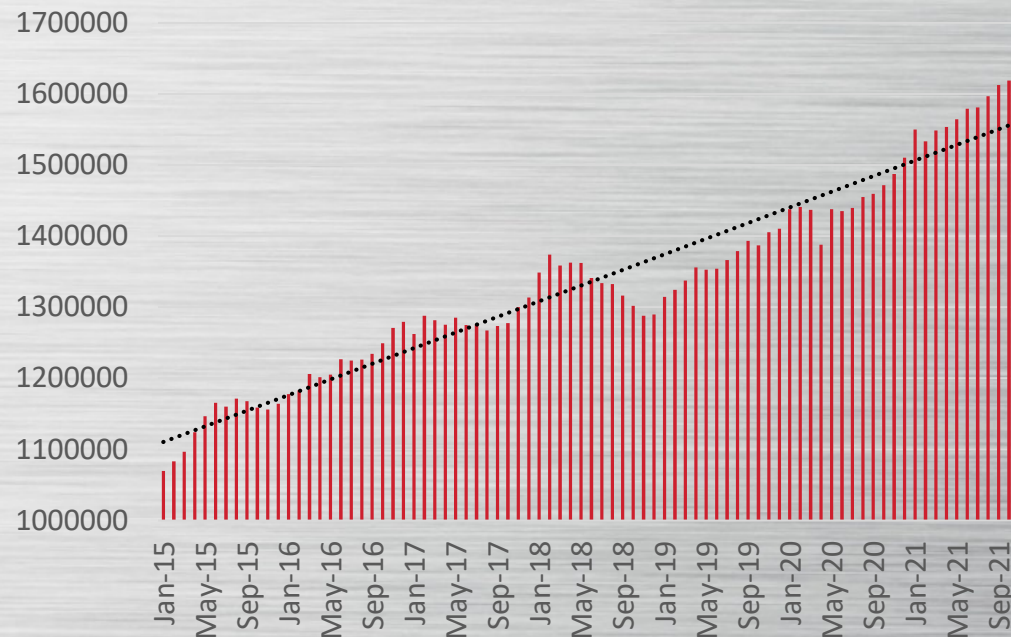
Total construction spending came in at a \$1.626 trillion rate in November, up 0.4% from October and up 9.3% from a \$1.487 trillion rate in November 2020.

While non-residential construction spending was virtually flat month-over-month, spending on residential construction continued to climb.

- Residential construction spending came in at a \$805.3 billion rate, up 0.9% from October and up 16.1% from a \$693.8 billion rate in November 2020.
- The decline in non-residential construction spending came from public projects as private projects saw a slight 0.1% month-over-month increase.

Construction spending continues to set new record highs each month and that trend is expected to continue moving into 2022.

CONSTRUCTION SPENDING (SAAR)



DEMAND

ISM MANUFACTURING INDEX⁸

Growth from the manufacturing sector continued in December, just at a slightly lower rate than most of the year.

The ISM Manufacturing Index came in at 58.7, down from 61.1 in November and down from 60.7 in December 2020.

- Despite being the slowest growth since January, the index remained above 50 for the nineteenth consecutive month.

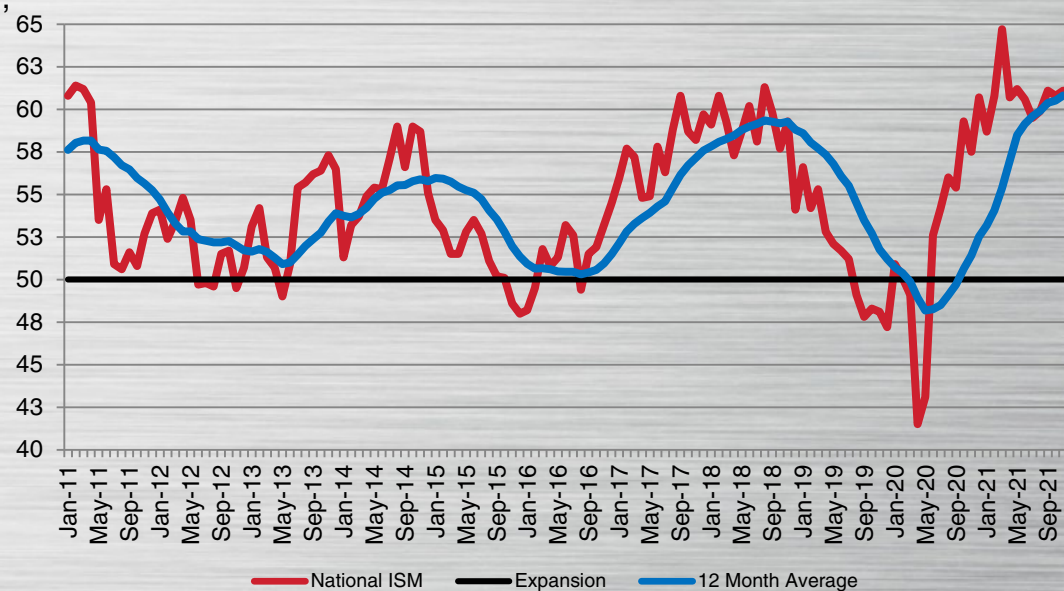
For 2021, the index averaged 60.7, its highest annual rate in recent history.

- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

While the backlog of orders component grew at a faster rate, a slight slowdown in growth from the new orders and production components helped slow the overall index's growth.

The employment component grew stronger in December, now growing for the fourth consecutive month.

ISM MANUFACTURING INDEX



ECONOMIC

WEEKLY INITIAL JOBLESS CLAIMS⁹

Weekly initial jobless claims increased last week as the Omicron variant continues to spread throughout the United States.

The Department of Labor's Weekly Initial Jobless Claims report came in at 207,000 claims, up from 200,000 claims previously.

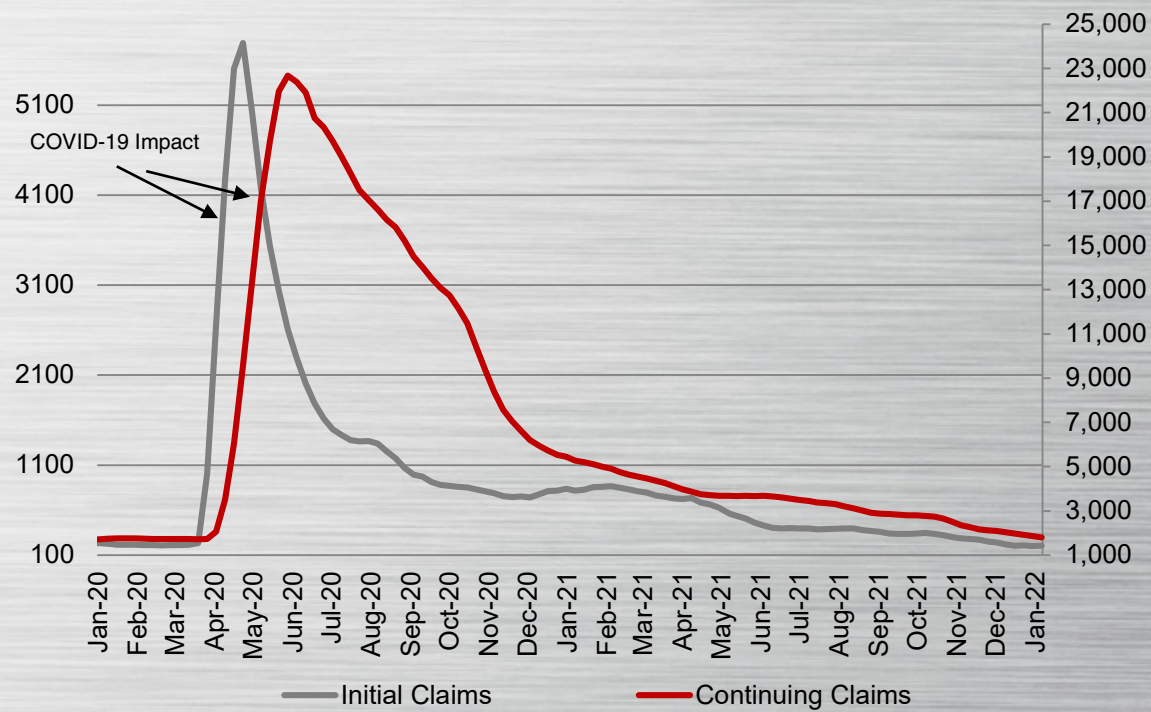
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 204,500, from 199,750 claims previously.

Continuing claims, or claims lasting longer than one week, increased after sliding the previous three weeks.

- Continuing claims rose to 1.754 million, down from 1.718 million previously.

At the state level, New York, Pennsylvania, and Connecticut saw the largest increase in claims with 8,922, 6,806, and 5,992 claims respectively.

WEEKLY INITIAL JOBLESS CLAIMS



SOURCES

- 1 Platts, Spot Iron Ore: January 6, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: January 7, 2022.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: January 7, 2022.
- 3 Platts, Coking Coal Price: January 7, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: January 4, 2022.
- 5 WardsAuto, U.S. Light Vehicle Sales: December 2021.
- 6 WardsAuto, U.S. Light Vehicle Inventory: December 2021.
- 7 U.S. Census Bureau, Construction Spending: November 2021.
- 8 Institute for Supply Chain, ISM Manufacturing Index: December 2021.
- 9 Department of Labor, Weekly Initial Jobless Claims: January 6, 2022.

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