

CORE 01.14.22 **REPORT**

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SCRAP¹

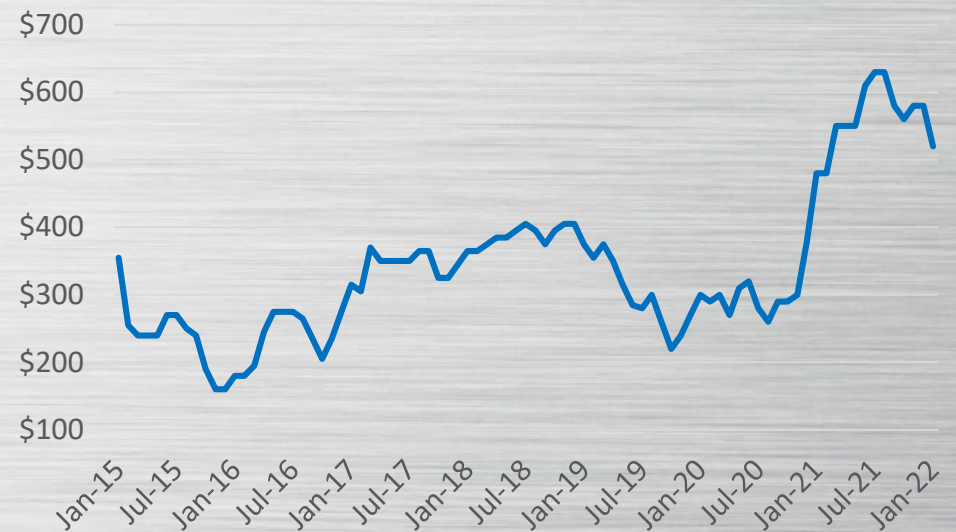
After settling sideways in December, prime scrap dropped significantly to start off the New Year.

January prime scrap came in at \$520/gt, down \$60/gt from \$580/gt in December.

- Despite the decline, this is still well above the 5-year average of \$390/gt.
- This drop also bucked the typical trend, as prime scrap has historically climbed in January, up 10 out of the previous 12 years.

Scrap had more than its share of challenges this month due to a slow U.S. export market to Turkey, domestic mills suffering from thinning order books, falling steel prices, production issues, and holding too much raw material inventory.

PRIME SCRAP



COST

SPOT IRON ORE²

After starting the New Year off strong, spot iron ore pricing dipped slightly this week.

Spot iron ore pricing ended the week at \$127.95/mt, down from \$128.25/mt a week ago.

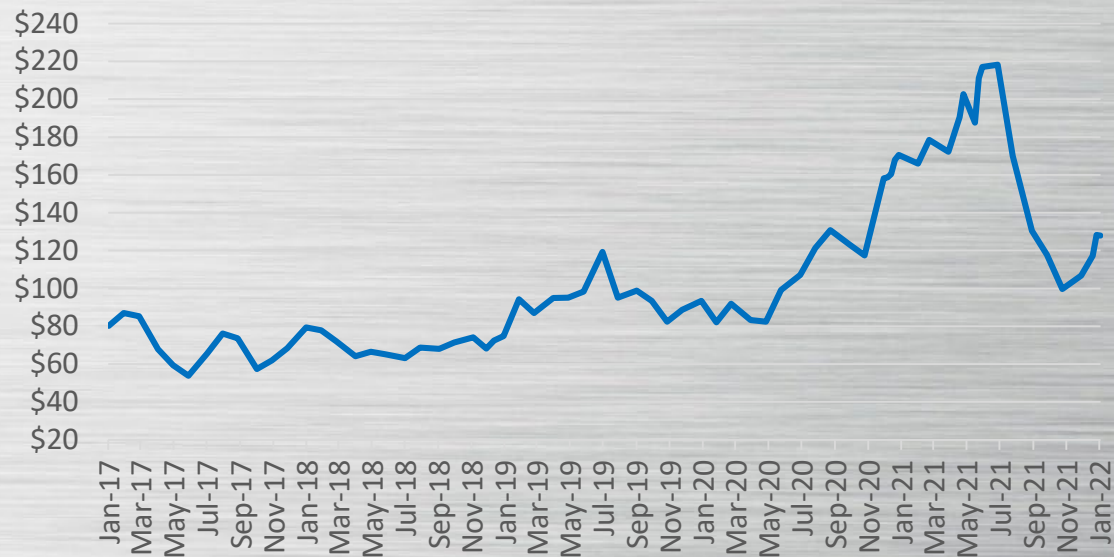
- This is still the highest level seen since mid-September.

Prices climbed after heavy rains in Brazil halted operations at Vale, the world's second largest producer of iron ore.

The market is also on the lookout for Chinese government policy towards steel output controls.

- China's December iron ore imports slid 18% month-over-month to 86.07 million tonnes.

IRON ORE COST



COST


WEEKLY ZINC PRICING³
**ZINC**

Zinc pricing decreased slightly this week after climbing the previous four weeks.

Zinc pricing ended the week at \$3,560/mt (\$1.615/lb), down from \$3,602.50/mt (\$1.634lb) previously.

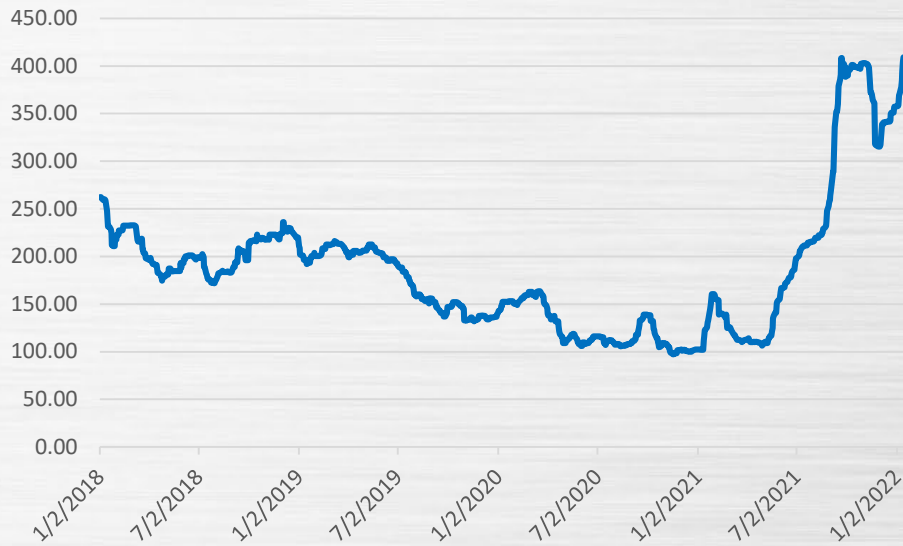
- Despite the drop, this is above both the 20 and 50 day moving averages of \$1.60/lb and \$1.54/lb, signaling continued strength.

Global zinc inventory decreased, now down seven out of the last eight weeks.

- LME warehouse inventory decreased for the fourth consecutive week, sliding from 193,875 to 183,675.
- Shanghai warehouse inventory decreased as well, sliding from 64,336 metric tons to 63,097 metric tons.

COST

COKING COAL⁴



COKING COAL

Coking coal pricing hit a new all-time high this week, now up seven consecutive weeks.

Coking coal settled at \$409/mt, up from \$371/mt last week.

- This is the highest price since September 2021 when it was \$408.25/mt.

Coking coal continues to overtake iron ore as the largest input cost for many of the world's steel mills and continues to face supply pressures.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁵

After ending the year with three consecutive decreases, domestic raw steel production increased sharply to start the New Year.

U.S. mills produced an estimated 1,813k tons at an 82.3% utilization rate; this is up from 1,785k tons and an 80.9% rate previously.

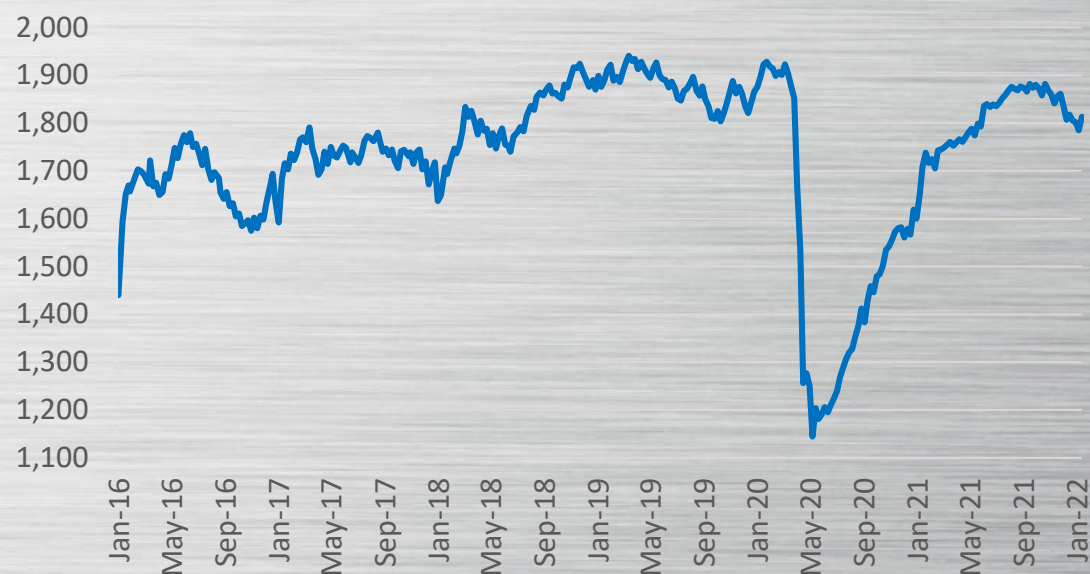
- This is the highest tonnage output since mid-December when mills produced 1,818k tons.

Production increased in three of the five regions, with the largest increase (in tons) coming from the Southern region.

- Production from the Southern region spiked from 707k tons to 735k tons.

Year-to-date production starts off the New Year up 7.1% compared to the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

HVAC EQUIPMENT SHIPMENTS⁶

Shipments of heating and cooling equipment continued to slow in November and are now down in three of the last four months.

HVAC equipment shipments totaled 1.764 million units, down 13.0% from October.

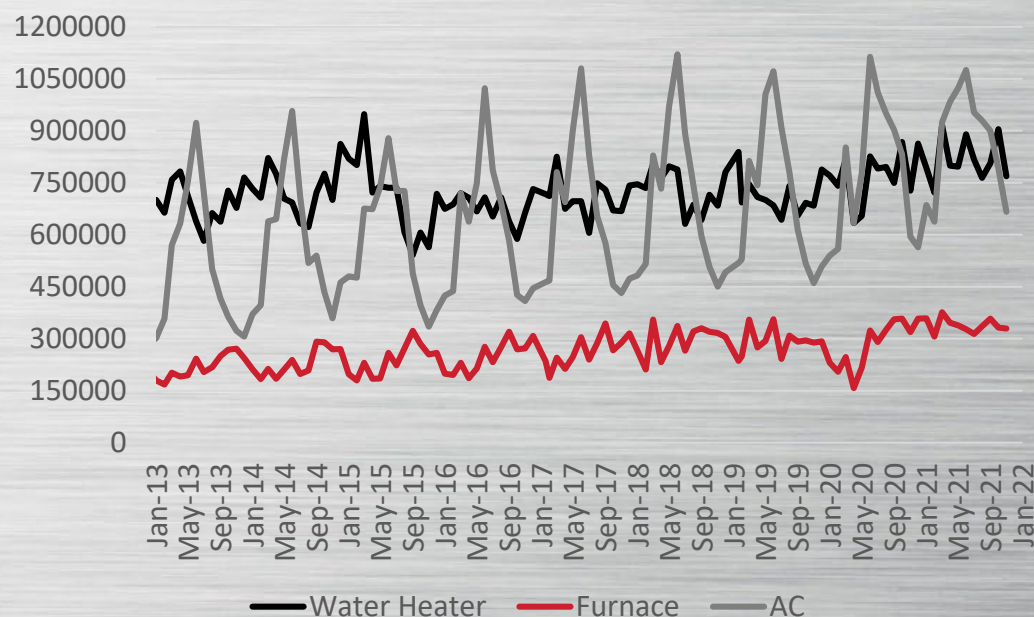
- The recent slowdown is more due to seasonality as shipments, on a year-over-year basis, were up 7.5% in November.

Looking on a year-over-year basis to help smooth seasonality, furnaces, water heaters, and A/C & heat pumps, all increased.

- A/C & heat pump shipments saw the largest increase, climbing 12.1%.
- Furnace and water heater shipments increased 3.2% and 5.75%, respectively.

Through November, year-to-date shipments are up 10.4% compared to the same timeframe last year.

HVAC EQUIPMENT SHIPMENTS



INDUSTRIAL PRODUCTION/ CAPACITY UTILIATION⁷

After climbing in October and November, industrial production slipped slightly in December.

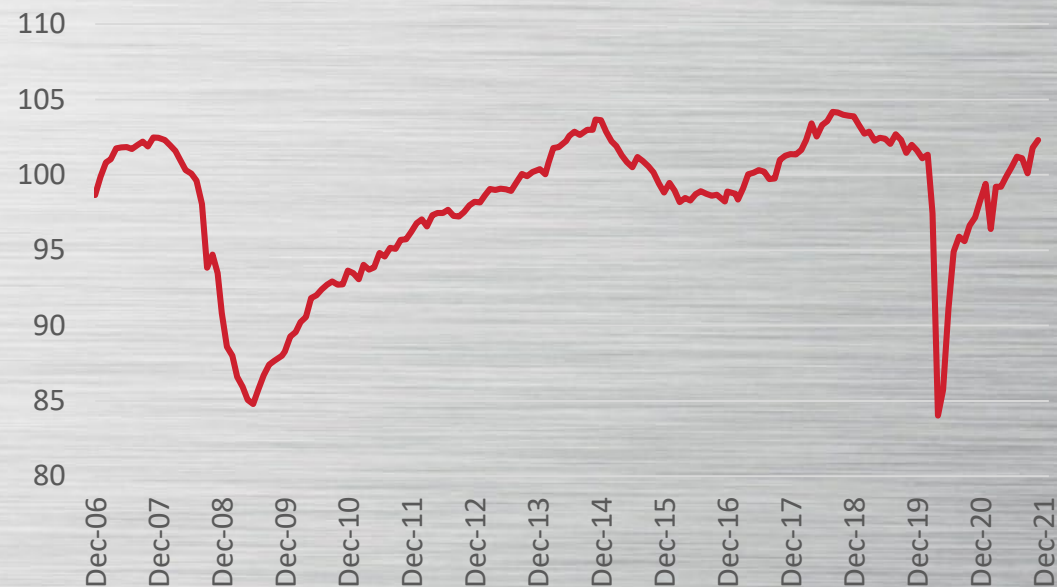
The December industrial production index came in at 101.9, down slightly from 102.0 in November.

- For the fourth quarter as a whole, total industrial production rose at an annual rate of 4.0%.
- The index was up 3.7% from December 2020, marking the tenth consecutive month with a year-over-year increase.

Capacity utilization slipped slightly as well in December, slipping 0.1% from November to 76.5%

The industrial production index for the manufacturing of durable goods slipped to 102.0, down from 102.4 in November.

INDUSTRIAL PRODUCTION INDEX



TRACTOR & COMBINE SHIPMENTS⁸

TRACTOR AND COMBINE SHIPMENTS

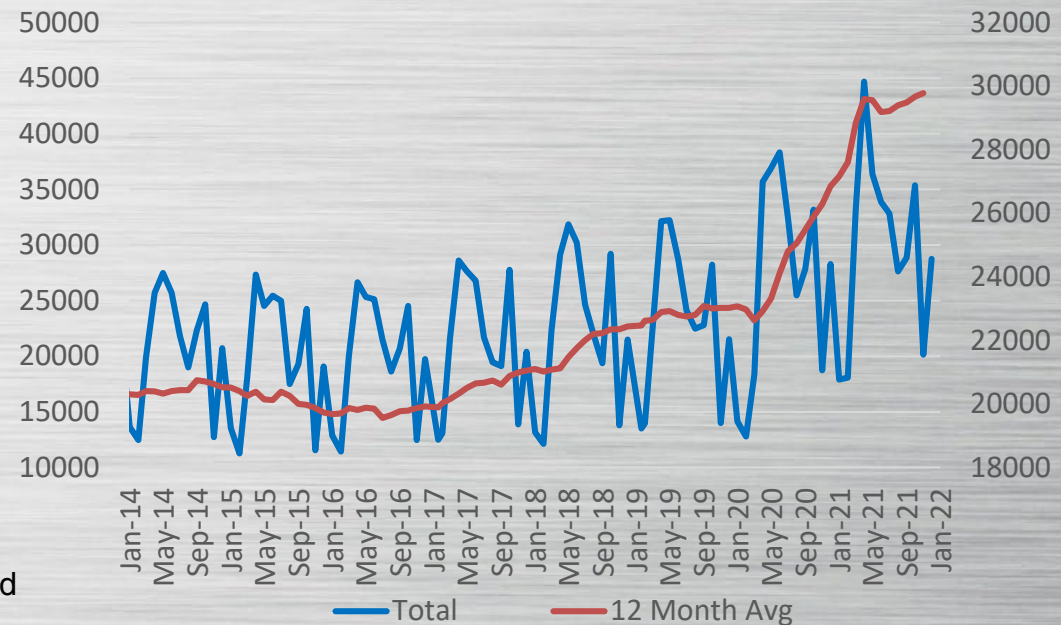
North American tractor and combine shipments climbed sharply in December, ending a year of strong growth.

Tractor and combine shipments totaled 28,755 units, up 42.7% from November and up 1.6% from December 2020.

- Shipments of both tractors and combines increased in December.
- On a seasonally adjusted basis, to smooth seasonality, shipments for tractors and combines increased 1.3% and 15.1%, respectively.
 - This is the sixth consecutive month in which both increased on a year-over-year basis.

For the full year 2021, tractor and combine shipments increased 11.1% over the full year 2020.

- Compared to 2019, shipments were up 29.5%.



ECONOMIC

WEEKLY INITIAL JOBLESS CLAIMS⁹

Weekly initial jobless claims increased again 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 230,000 claims, up from 207,000 claims previously.

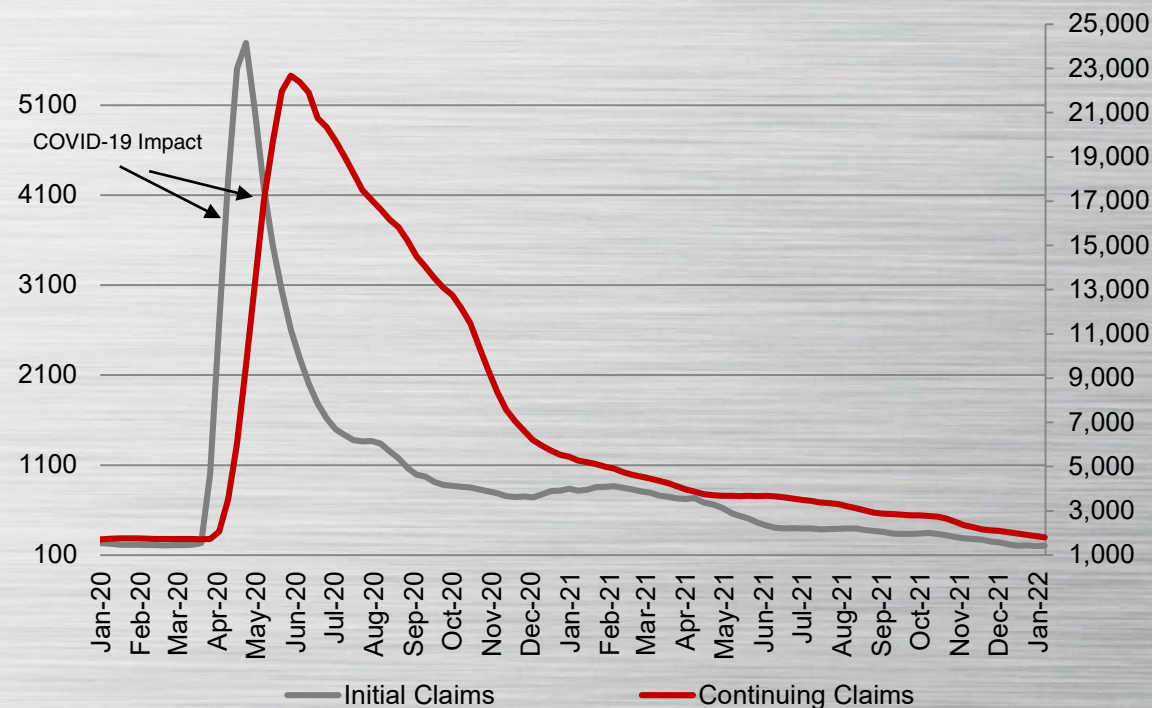
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 210,500, from 204,500 claims previously.

Continuing claims, or claims lasting longer than one week, decreased, now down four out of the last five weeks.

- Continuing claims dropped to 1.559 million, down from 1.753 million previously.

At the state level, New York, Pennsylvania, and Connecticut saw the largest increase in claims for the second consecutive week, with 8,812, 6,772, and 6,020 claims respectively.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC


RETAIL SALES¹⁰

After climbing the previous four months, retail sales dropped sharply in December.

December retail sales came in at a \$626.8 billion rate, down 19.0% from November but still up 16.9% from the \$536.0 billion rate last December.

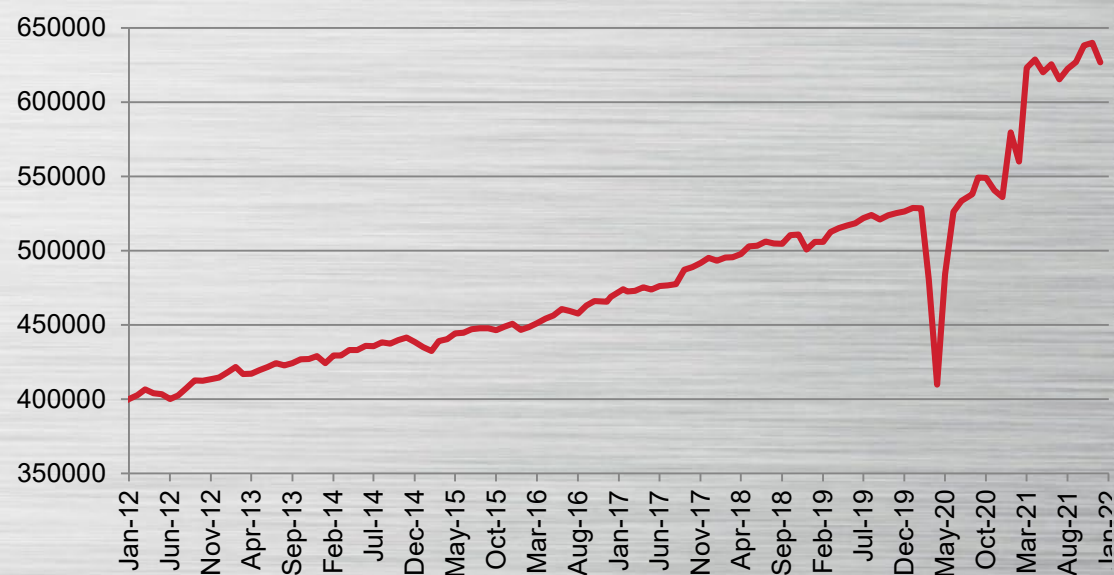
- This was the sharpest month-over-month decline since February.
- Product shortages, inflation, and the rapid spread of the Omicron variant, helped to push sales lower in December.

The largest declines in December came from furniture stores, department stores, sporting good stores, and electronic stores.

- These declines were only partly offset by increases from home/garden stores and personal health stores.

Despite the slowdown of late, total 2021 sales were up 19.3% compared to 2020.

RETAIL SALES (SAAR)



ECONOMIC

TRUCKING COSTS¹¹

The Cass Freight Index continued to accelerate in December as both the shipment and expenditure indices increased.

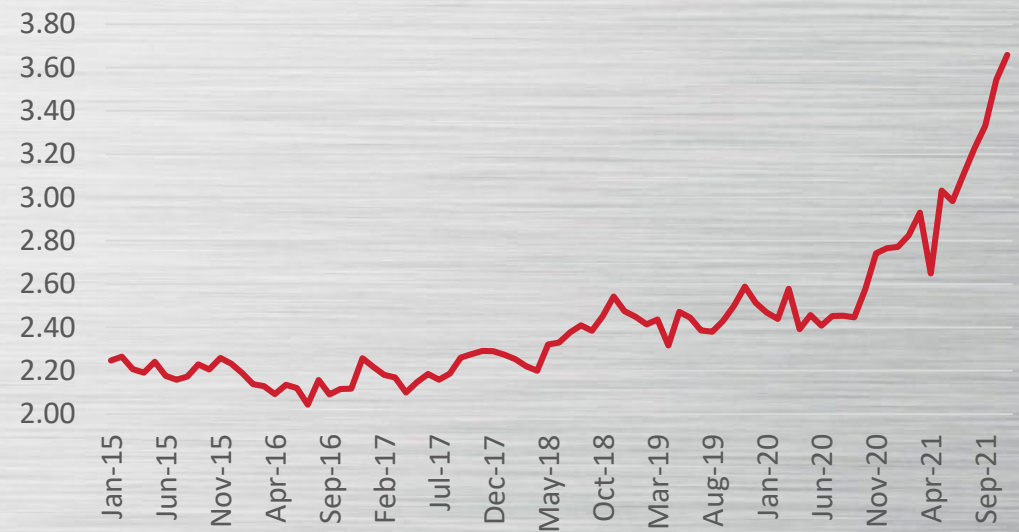
The Cass shipment index increased 4.2% from November, as shipments held firm despite the normal holiday slowdown.

The Cass expenditure component, which measures the total amount spent on freight, increased as well.

- The expenditure component increased 6.6% from November to a fresh record high.
- For 2021, the index increased 38% after a 7% decline in 2020 and a flat reading in 2019.

Inferred freight rate, expenditures divided by shipments, increased 3.5% from November and were up 33% from December 2020.

INFERRED FREIGHT RATES



CONSUMER PRICE INDEX¹²

Prices paid by consumers continued to climb higher in December, climbing 0.31% from November and a sharp 7.04% over December 2020.

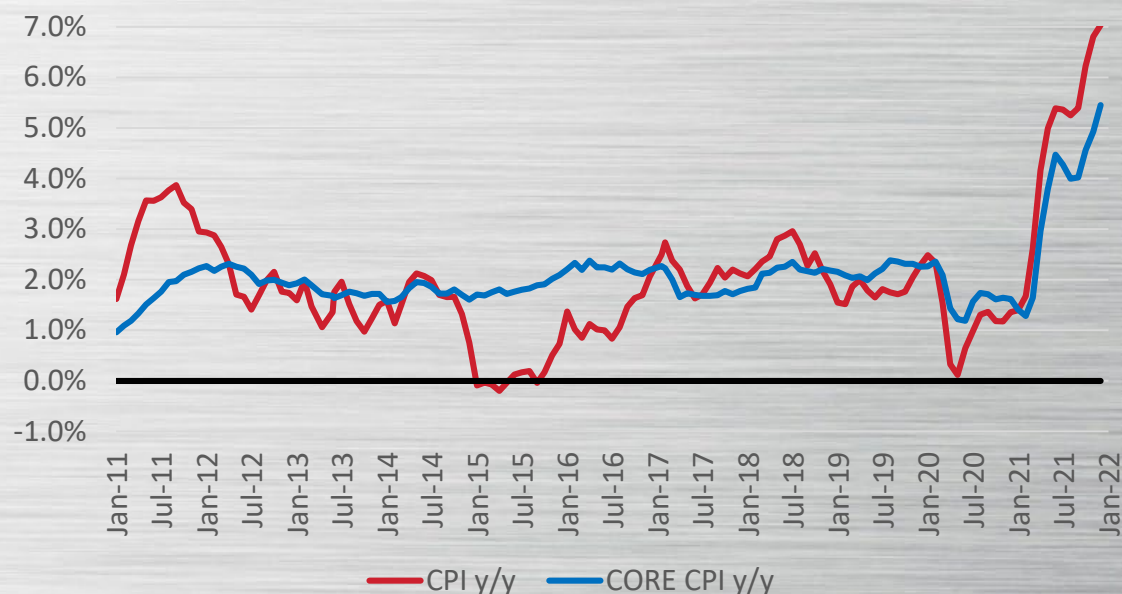
- This was the largest annual increase for the CPI since June 1982.

Increased prices for shelter and used cars/trucks were the largest contributors to the increase.

The CORE-CPI, which excludes volatile prices for food and energy, increased as well, climbing 0.4% from November and 5.5% from December 2020.

- The CORE-CPI was boosted by increased prices for vehicles, shelter, household furnishings, and apparel.
- This was the largest 12-month increase since February 1991.

CONSUMER PRICE INDEX



SOURCES

- 1 Prime Scrap Price: Market Conversations: Week ending January 14, 2022.
- 2 Platts, Spot Iron Ore: January 13, 2022.
London Metal Exchange, Weekly Zinc Price and Inventory Report: January 14, 2022.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: January 14, 2022.
- 4 Platts, Coking Coal Price: January 14, 2022.
- 5 American Iron & Steel Institute, Weekly Domestic Steel Production: January 12, 2022.
- 6 A/C Heating & Refrigeration, HVAC Equipment Shipments: November 2021.
- 7 The Federal Reserve, Industrial Production/Capacity Utilization: December 2021.
- 8 Association of Equipment Manufacturers, Tractor and Combine Shipments: December 2021.
- 9 Department of Labor, Weekly Initial Jobless Claims: January 13, 2022.
- 10 U.S. Census Bureau, Retail Sales: December 2021.
- 11 Cass Information Systems, Transportation Indices, December 2021.
- 12 Bureau of Labor Statistics, Consumer Price Index: December 2021.

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M MSUSA

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