

**CORE** 01.21.22 **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
- ⊖ retail sales
- ⊖ trucking costs
- ⊖ inflation

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

After slipping slightly last week, spot iron ore pricing continued its upward momentum this week.

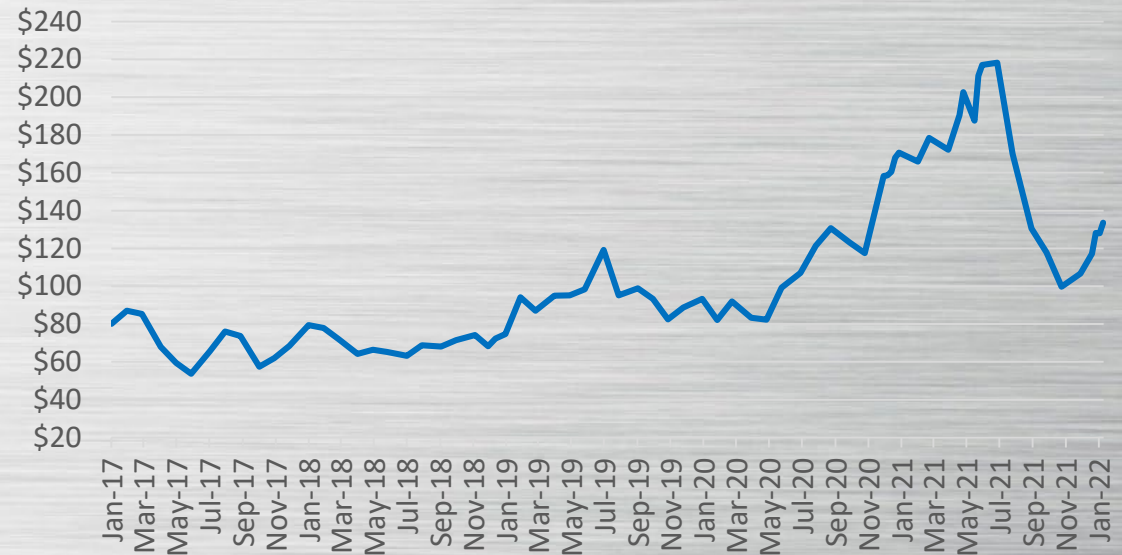
Spot iron ore pricing ended the week at \$133.65/mt, up from \$127.95/mt a week ago.

- This is the highest price since mid-September and up over 16% since the beginning of December.

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

- Vale announced this week that they had an output loss of roughly 1.5 million metric tons due to the heavy rains.

## IRON ORE COST



# COST

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



## ZINC

Zinc pricing increased significantly this week, now up five out of the last six weeks.

Zinc pricing ended the week at \$3,686/mt (\$1.672/lb), up from \$3,560/mt (\$1.615lb) previously.

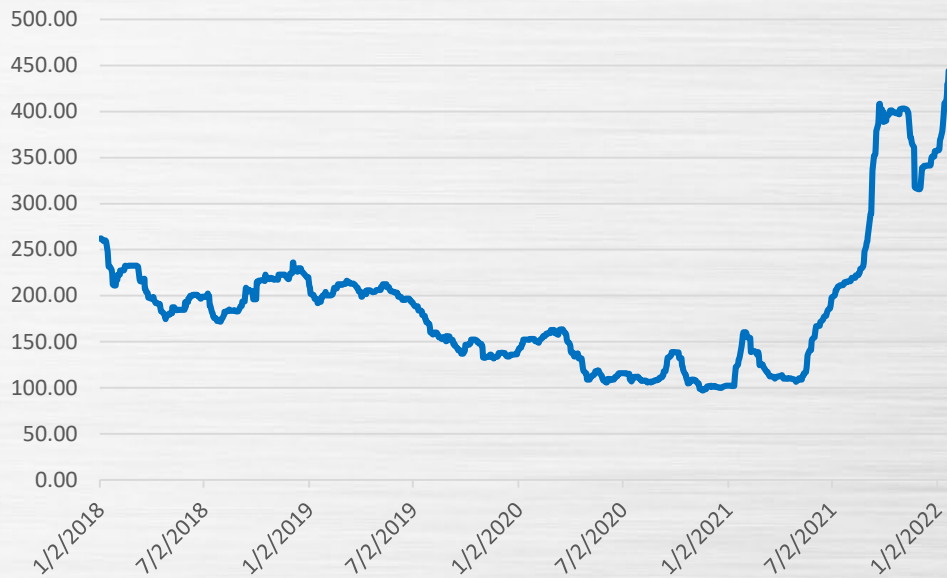
- This remains well above both the 20 and 50 day moving averages and is nearing the 14-year high of \$1.73/lb seen in October.
- Rising energy costs, particularly in Europe, have disrupted production at zinc smelters and limited availability.

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

- LME warehouse inventory decreased for the fifth consecutive week, sliding from 183,675 metric tons to 167,650 metric tons.
- Shanghai warehouse inventory increased however, climbing from 63,097 metric tons to 75,172 metric tons.

# COST

## COKING COAL<sup>3</sup>



## COKING COAL

Coking coal pricing increased significantly this week and hit another new all-time high, now up eight consecutive weeks.

Coking coal settled at \$444/mt, up from \$409/mt last week.

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.

- Severe storms in Queensland, Australia and winter storms in the U.S. have limited spot supplies of coking coal over the past several weeks.
- China is also expected to keep their trade ban of Australian coal, putting further strain on Canadian, U.S., and Russian coal markets.

## SUPPLY



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

After increasing sharply to start the New Year, domestic raw steel production continued its upward trajectory last week.

U.S. mills produced an estimated 1,833k tons at an 83.2% utilization rate; this is up from 1,813k tons and an 82.3% rate previously.

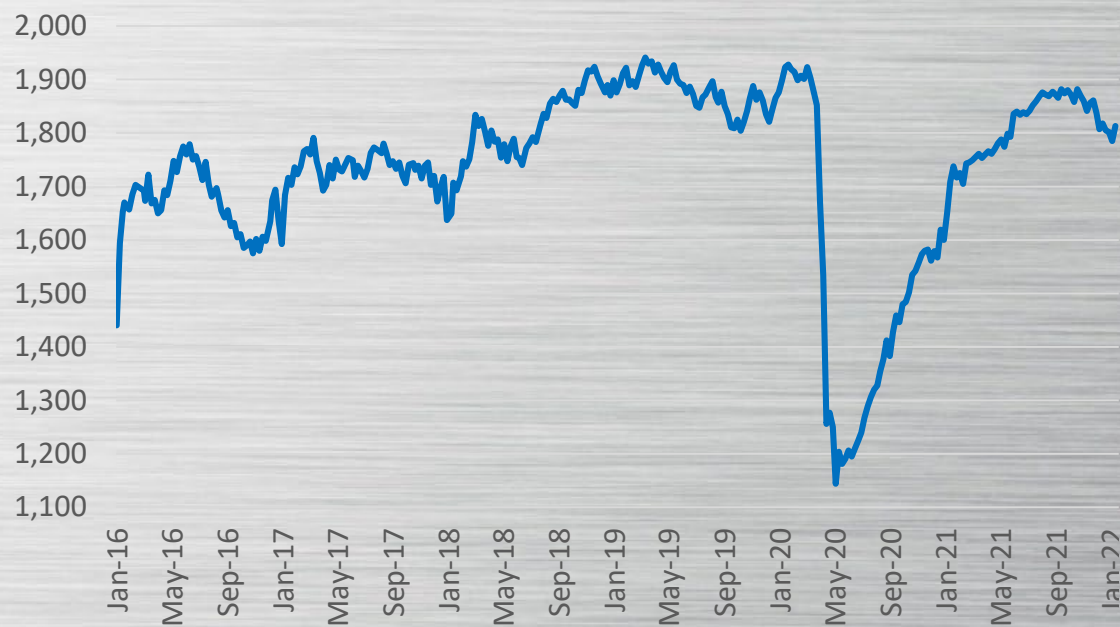
- This is the highest tonnage output since late-November when mills produced 1,837k tons.

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

- Production from the Great Lakes region rose from 620k tons to 629k tons while the Midwest region climbed from 200k tons to 209k tons.

Year-to-date production is now up 6.5% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



## DEMAND

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

The recent variant rise combined with the continued issues around the supply chain helped to limit light vehicle production in December.

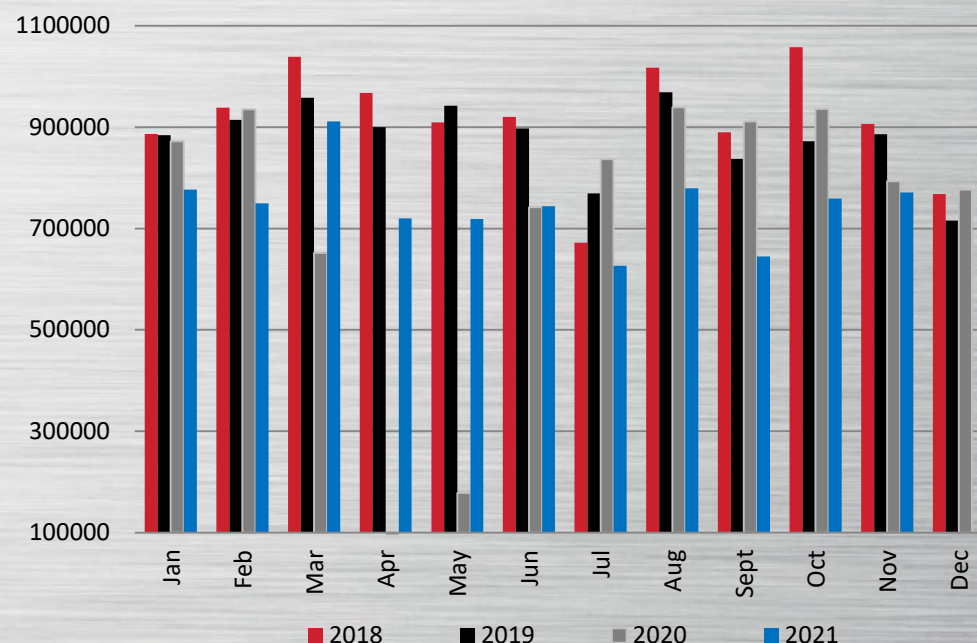
December light vehicle production totaled 684,220 units, down 12.1% from November and down 12.3% from December 2020.

- This was the sixth consecutive month in which production declined on a year-over-year basis.

Production of both cars and light trucks declined, sliding 6.7% and 13.3%, respectively.

For 2021, light vehicle production totaled 8.893 million units, up 3.6% from 2020 but was down 15.7% from 2019.

## U.S. LIGHT VEHICLE PRODUCTION



## DEMAND

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

## HOUSING MARKET INDEX

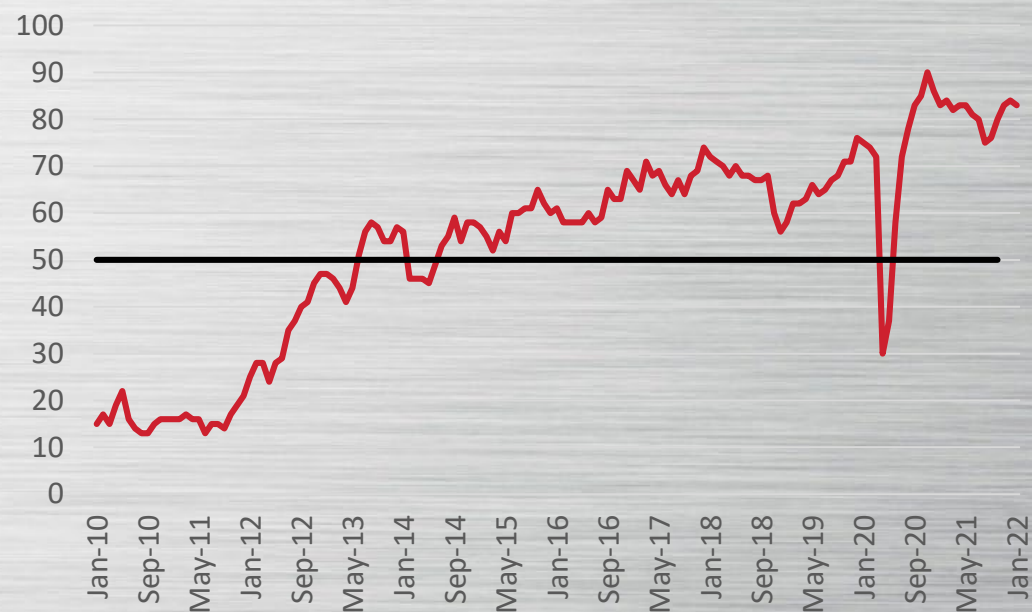
Confidence among U.S. homebuilders remained very strong in January.

The Housing Market Index came in at 83, virtually flat from the 84 reading in December and the 83 reading from January 2021.

- Any reading over 50.0 indicates an increase in optimism, while any reading below 50.0 denotes a contraction in outlook.

All three components remained strong in January, with the present situation remaining the strongest at 90.0.

- The next six months and traffic components showed solid growth once again by coming in at 83.0 and 69.0, respectively.



## DEMAND

# RESIDENTIAL CONSTRUCTION<sup>7</sup>

## NEW HOUSING STARTS (SAAR)

New residential construction continued to show strength to wrap up the year as new housing starts continued to grow.

New housing starts came in at a 1.702 million unit rate in December, up 1.4% from November and up 2.5% from December 2020.

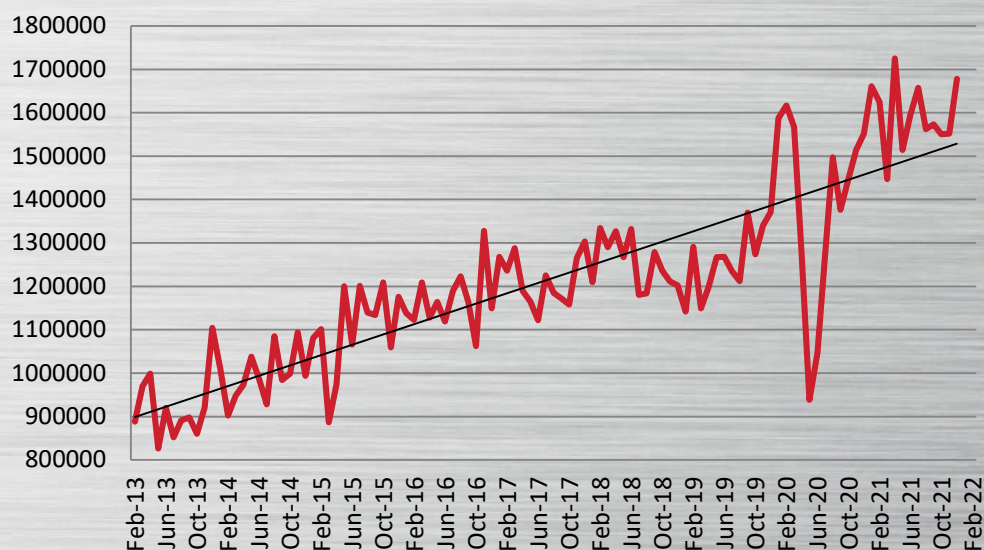
- This is the third consecutive monthly increase and starts are at their highest rate since March.

The boost in starts in December came from multi-family units, which increased 10.6% from November.

Permits, an indicator of future construction, increased as well, climbing a sharp 9.1% from November to a 1.873 million unit rate in December.

- December's rate was up 10.9% from a 1.758 million unit rate in December 2020.

For 2021, actual new housing starts totaled 1.595 million units, up 15.6% compared to 2020 and is at the highest annual total since 2006.





## DEMAND

# EXISTING HOME SALES<sup>8</sup>

After climbing the previous three months, existing home sales declined in December.

December existing home sales slipped to a 6.180 million unit rate, down 4.6% from November and down 7.1% from a 6.650 million unit rate in December 2020.

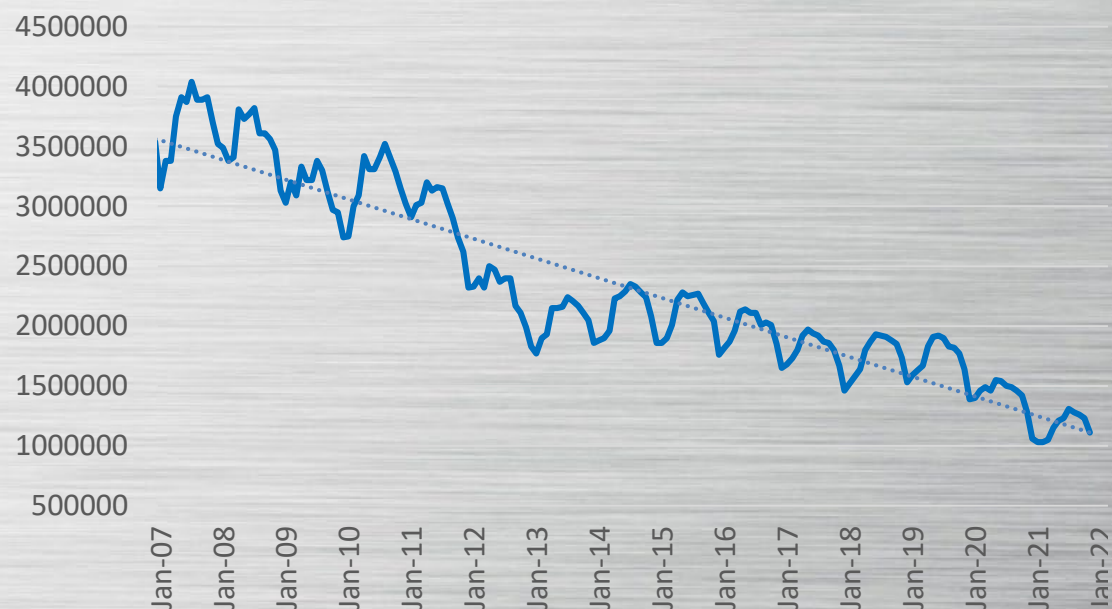
- For 2021, actual existing home sales were up 8.4% compared to 2020 and were at their highest yearly total since 2007.

Inventory of unsold existing homes continued to decline, sliding to 910,000 units.

- This is the lowest amount of unsold homes since records began in 1999.

The median sale price totaled \$358,000, up 15.8% from December 2020.

## EXISTING HOMES FOR SALE



# ARCHITECTURE BILLINGS INDEX<sup>9</sup>

After growth slowed in November, activity at the architectural firm level increased slightly in December.

The December Architecture Billings Index came in at 52.0, up from 51.0 in November.

- The three month average came in at 52.4, down slightly from November and at its slowest growth rate since March.
  - Any reading over 50 indicates growth, while any reading below 50 denotes contraction in activity.

Regionally, the largest growth came from the South (56.4) and Midwest (51.0).

On a sector breakdown, the strongest growth came from mixed practice (60.6).

## ARCHITECTURE BILLINGS INDEX (3MA)



## DEMAND

# EMPIRE MANUFACTURING INDEX<sup>10</sup>

Growth in business activity from the manufacturing sector leveled off in New York after climbing for the previous eighteen months.

The January Empire Manufacturing Index came in at -0.7, down sharply from 31.9 in December.

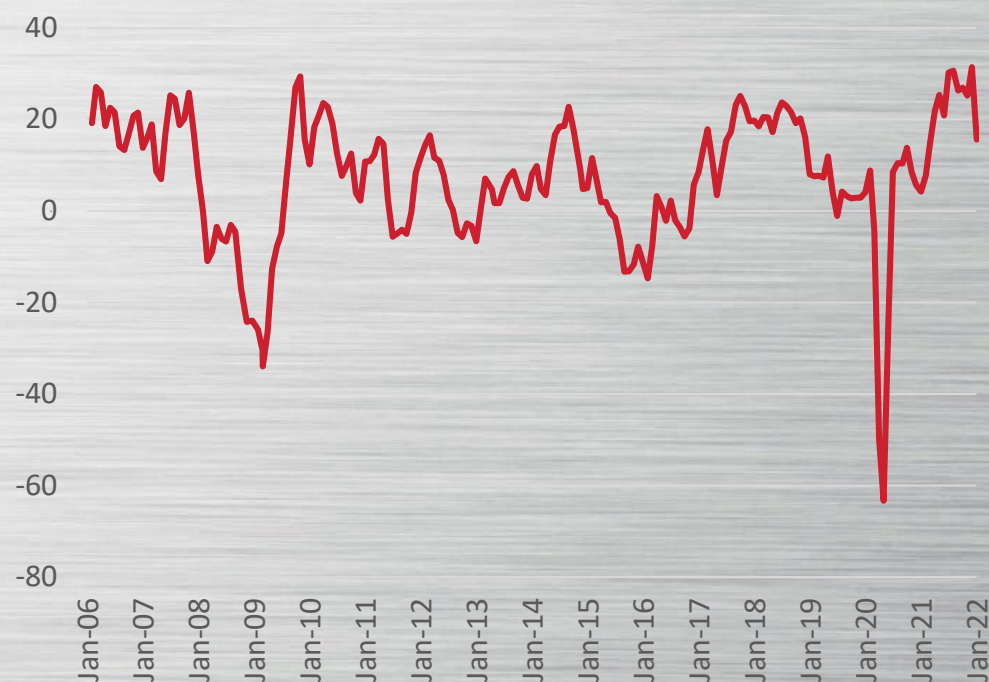
- The two-month average dipped to 15.6, its lowest level since March.
- Any reading above 0.0 indicates growth, while any reading below 0.0 denotes contraction.

While shipments remained virtually flat, new orders declined slightly.

- Lengthening delivery lead times and a growing amount of unfilled orders also helped to level off growth.

While a stark change from the recent trend, the slowdown in January can be attributed to the sharp infection rate increase from the latest Omicron variant.

## EMPIRE MANUFACTURING INDEX (2MMA)



**ECONOMIC**

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

Weekly initial jobless claims increased for the third consecutive week and the most since October, as the Omicron variant continues to spread throughout the United States.

The Department of Labor's Weekly Initial Jobless Claims report came in at 286,000 claims, up from 231,000 claims previously.

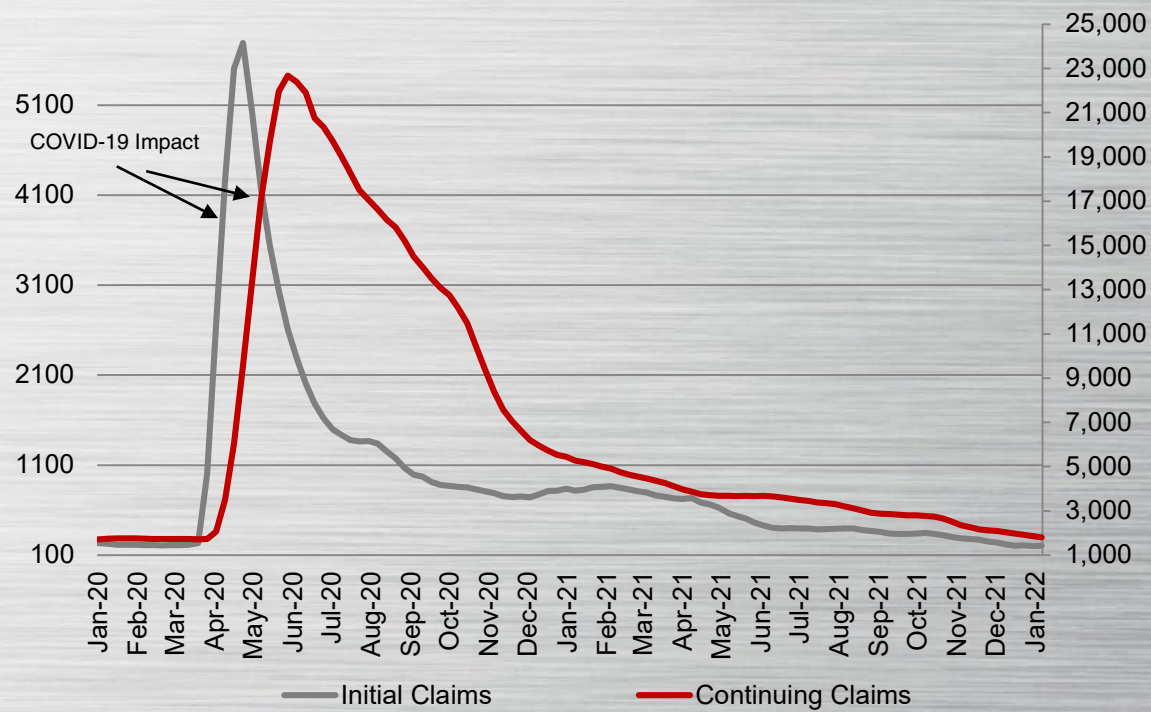
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 231,000, from 210,750 claims previously.

Continuing claims, or claims lasting longer than one week, also increased significantly.

- Continuing claims spiked to 1.635 million, up from 1.551 million previously.

At the state level, California had the largest jump in claims with 6,075, while New York reported the largest drop with 14,011 claims.

**WEEKLY INITIAL JOBLESS CLAIMS**



## SOURCES

- 1 Platts, Spot Iron Ore: January 20, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: January 21, 2022.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: January 21, 2022.
- 3 Platts, Coking Coal Price: January 21, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: January 18, 2022.
- 5 WardsAuto, U.S. Light Vehicle Production: December 2021.
- 6 National Association of Homebuilders, Housing Market Index: January 2022.
- 7 U.S. Census Bureau, New Residential Construction: December 2021.
- 8 National Association of Realtors, Existing Home Sales: December 2021.
- 9 American Institute of Architects; Architecture Billings Index: December 2021.
- 10 NY Federal Reserve, Empire Manufacturing Index: January 2022.
- 11 Department of Labor, Weekly Initial Jobless Claims: January 13, 2022.

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