

CORE 02.11.22 **REPORT**

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 **SCRAP¹**

After dropping significantly (\$60/gt) to start the new year, prime scrap slid again in February.

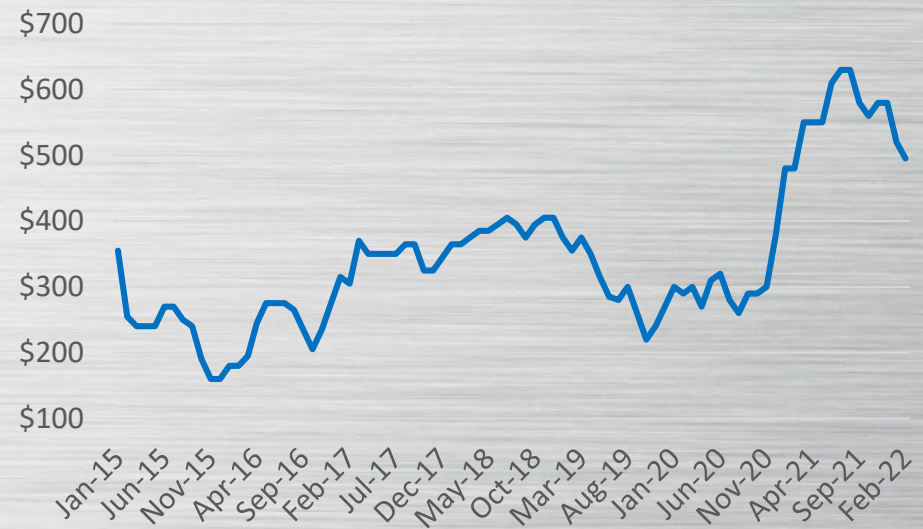
February prime scrap came in at \$495/gt, down \$25/gt from \$520/gt in January.

- This drop pushed prime scrap pricing below \$500/gt for the first time since last February.

A combination of softer mill order books, increased imports (finished, semi, and scrap), and auto destocking have helped soften demand for prime scrap to start 2022.

While prime scrap saw a drop, shredded scrap came in flat at \$480/gt.

PRIME SCRAP



COST

SPOT IRON ORE²

Spot iron ore pricing continued its upward momentum this week, now up for the fourth consecutive week.

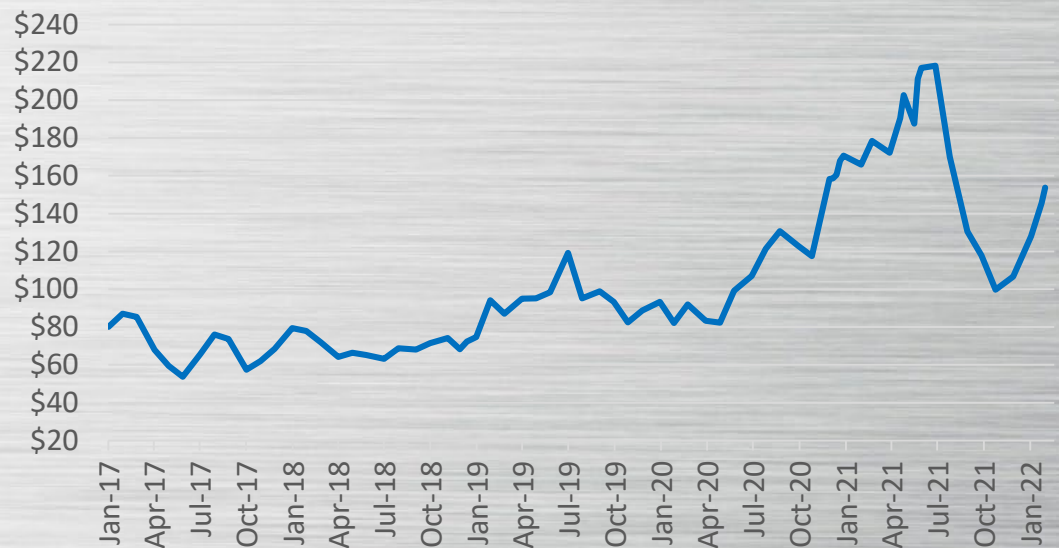
Spot iron ore pricing ended the week at \$153.75/mt, up from \$145.60/mt a week ago.

- This is up 15% over the last two weeks and up 70% since the recent November low.

Iron ore continues to rally on two main factors: bullish sentiment on post Winter Olympics demand in China and supply disruptions in top exporter Australia.

- China's production in January was down 6% year-over-year but is expected to ramp up quickly after the government announced plans to push back their emission standards by 5-years, to 2030.

IRON ORE COST



COST



WEEKLY ZINC PRICING³



ZINC

Zinc pricing increased this week after dipping slightly the previous two weeks.

Zinc pricing ended the week at \$3,673/mt (\$1.666/lb), up from \$3,635/mt (\$1.649lb) previously.

- The price of zinc has now settled over \$1.60/lb for thirty-five consecutive readings and is nearing the fourteen-year high of \$1.73/lb.

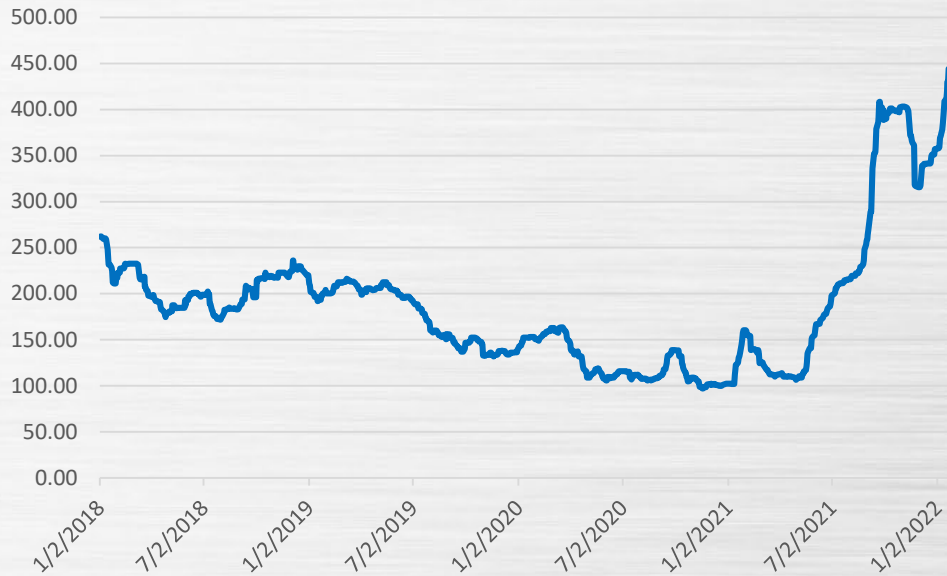
Rising energy costs, particularly in Europe, continue to disrupt production at large zinc smelters and limit production capability.

Global zinc inventory increased significantly this week due to a surge into Shanghai warehouses after the Lunar New Year.

- LME warehouse inventory slid for the eighth consecutive week, dropping from 154,950 metric tons to 151,900 metric tons.
- Shanghai warehouse inventory increased significantly, climbing from 93,333 metric tons to 145,735 metric tons.

COST

COKING COAL⁴



COKING COAL

After hitting all-time highs in three consecutive weeks, coking coal pricing decreased slightly this week.

Coking coal settled at \$442.50/mt, down slightly from \$444.75/mt last week.

- This is still up 35% from December, and almost quadruple the level in May when it was \$112/ton.

Pricing remains elevated on continued supply issues and China’s expected resurgence in steel production post Lunar New Year and Winter Olympics.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁵

Domestic raw steel production dropped again last week, now down three consecutive weeks.

U.S. mills produced an estimated 1,785k tons at an 81.1% utilization rate; this is down from 1,796k tons and an 81.6% rate previously.

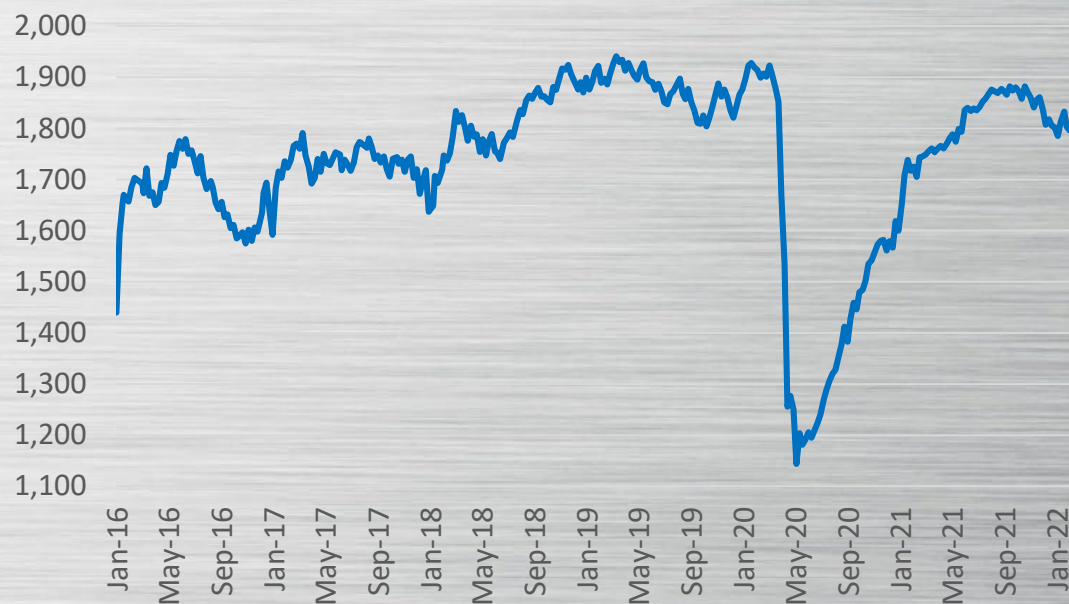
- This remains the lowest weekly tonnage output since May 2021.

Production dropped in three of the five regions, with the largest decrease (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region dropped from 624k tons to 613k tons.

Year-to-date production is now up 5.6% compared to the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

HEATING & COOLING EQUIPMENT⁶

HVAC EQUIPMENT SHIPMENTS

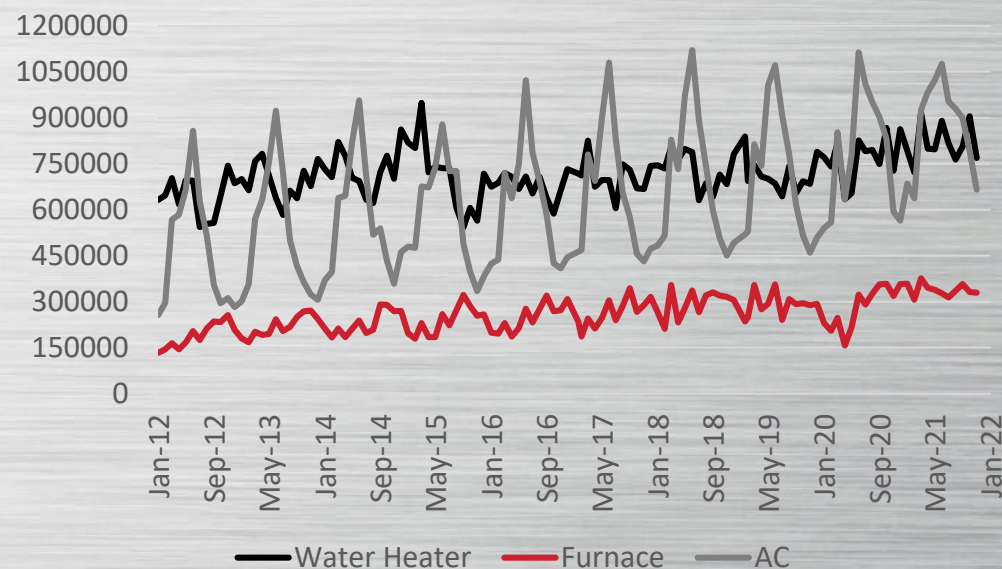
After slipping the previous two months, shipments of HVAC equipment rebounded to finish off 2021.

HVAC equipment shipments totaled 1.827 million units in December, up 3.5% from November and up 2.4% from 1.875 million units shipped in December 2020.

- On a year-over-year basis, to help smooth seasonality, shipments of water heaters, A/C & heat pumps increased, climbing 0.8% and 11.6%, respectively.
 - Furnace shipments slipped however, sliding 8.5% from last December.

For the full year 2021, HVAC equipment shipments totaled 24.096 million units, up 9.8% from 2020.

- This was the highest yearly total on record.



ECONOMIC

WEEKLY INITIAL JOBLESS CLAIMS⁷

Weekly initial jobless claims ticked lower for the third consecutive week, suggesting most of the Omicron-related disruptions and mandates are easing.

The Department of Labor's Weekly Initial Jobless Claims report came in at 229,000 claims, down from 239,000 claims previously.

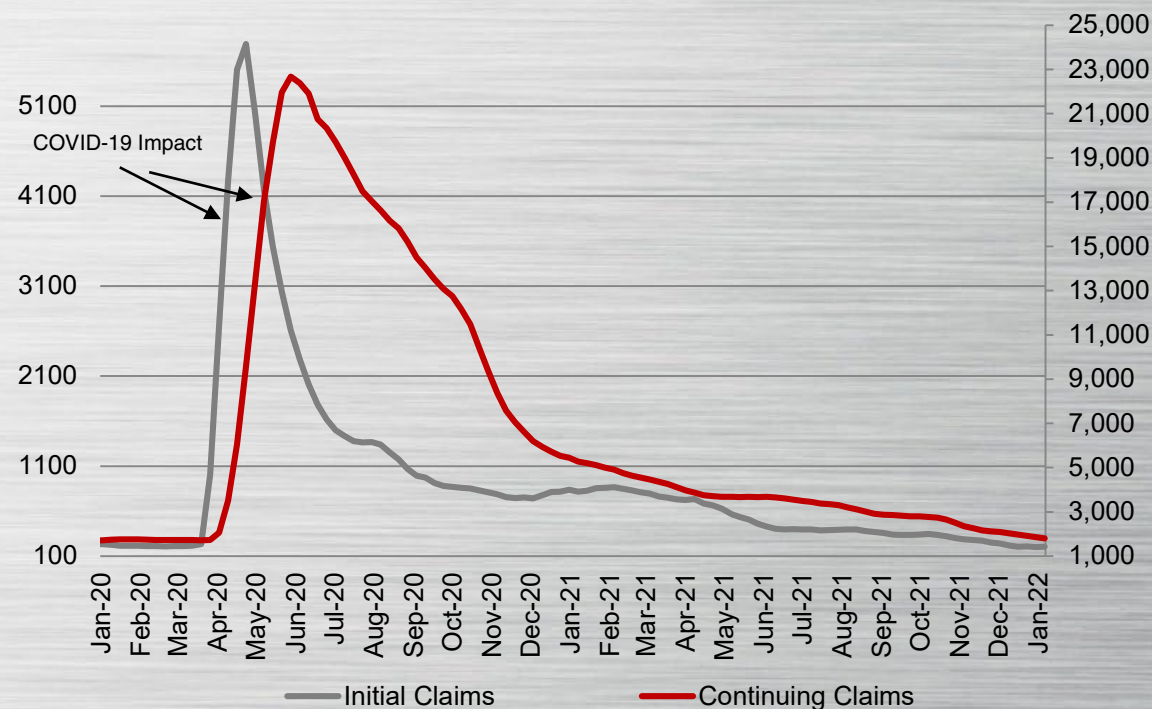
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 253,250, from 255,250 claims previously.

Continuing claims, or claims lasting longer than one week, came in flat after dropping the previous week.

- Continuing claims remained unchanged 1.621 million.

At the state level, Ohio, California, and Kentucky had the largest decrease in claims with 4,847, 2,595, and 2,318 claims respectively.

WEEKLY INITIAL JOBLESS CLAIMS



CONSUMER PRICE INDEX⁸

Prices paid by consumers continued to push higher to start 2022 and have now seen the largest twelve-month increase since February 1982.

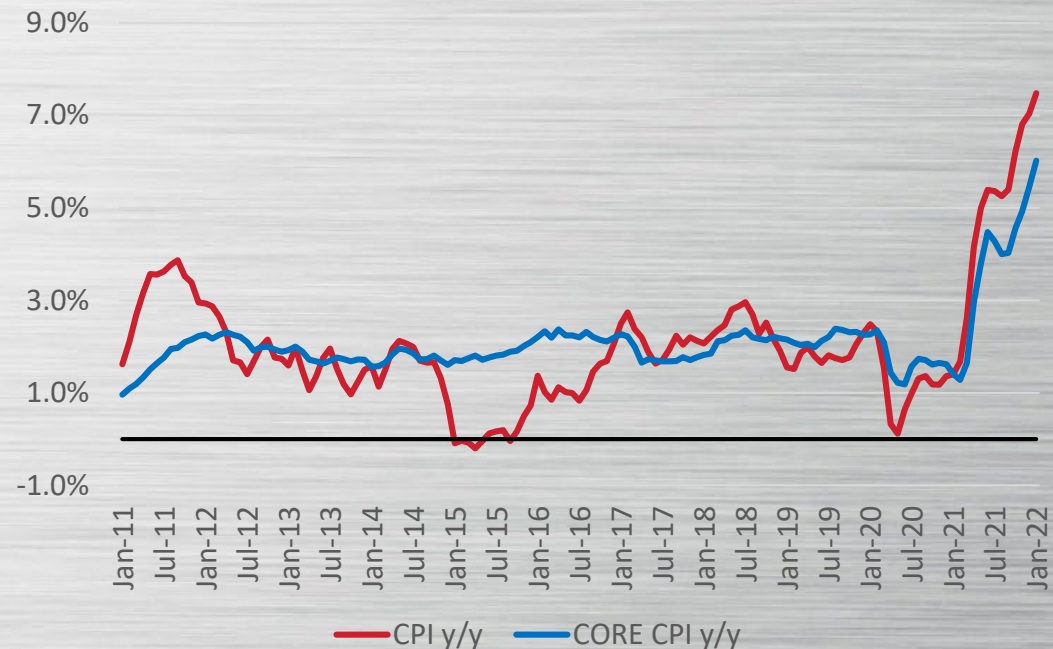
The January Consumer Price Index increased 0.84% from December and a sharp 7.48% over January 2021.

- Increases in prices for food, electricity, and shelter, were the largest contributors to the increase.

The CORE-CPI, which excludes volatile food and energy prices, increased as well, climbing 0.74% from December and 6.02% from January 2021.

- This was the largest twelve month increase for the CORE-CPI since August 1982.
 - Over the last twelve months, prices for shelter (+4.4%) and used cars and trucks (+40.5%) led the way.

CONSUMER PRICE INDEX



SOURCES

- 1 Prime Scrap Price: Market Conversations: Week ending February 11, 2022.
- 2 Platts, Spot Iron Ore: February 10, 2022.
London Metal Exchange, Weekly Zinc Price and Inventory Report: February 11, 2022.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: February 11, 2022.
- 4 Platts, Coking Coal Price: February 11, 2022.
- 5 American Iron & Steel Institute, Weekly Domestic Steel Production: February 8, 2022.
- 6 Association of Equipment Manufacturers, HVAC Equipment Shipments: December 2021.
- 7 Department of Labor, Weekly Initial Jobless Claims: February 10, 2022.
- 8 Bureau of Labor Statistics, Consumer Price Index: January 2022.

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