

CORE 02.18.22 **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

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- ⊖ employment
- ⊖ trucking
- ⊖ retail sales
- ⊖ confidence

SPOT IRON ORE¹

After climbing four consecutive weeks and to a six-month high, spot iron ore pricing softened throughout the week.

Spot iron ore pricing ended the week at \$130.65/mt, down from \$153.75/mt a week ago.

- Despite the dip, iron ore is still up 50% since the recent November low.

Iron ore remains elevated on bullish sentiment on post Winter Olympics demand in China.

- However, China's government said they would intervene again on iron ore supply and price, warning against falsifying stocks and offers.

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing decreased slightly this week, now down three out of the last four weeks.

Zinc pricing ended the week at \$3,668.50/mt (\$1.664/lb), down from \$3,673/mt (\$1.666lb) previously.

- Despite the drop, the price of zinc has now settled over \$1.60/lb for forty-two consecutive readings and remains near 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.

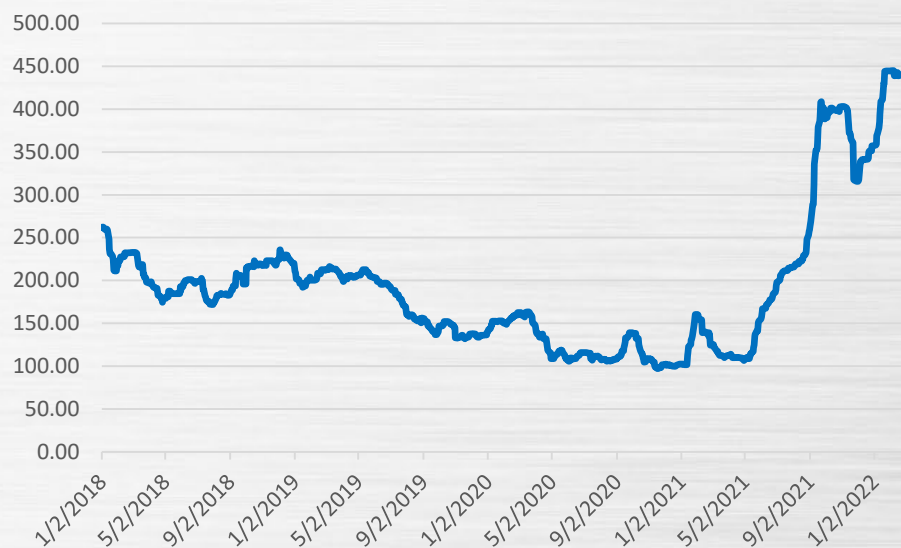
Global zinc inventory increased again this week due to another large surge into Shanghai warehouses.

- LME warehouse inventory slid for the ninth consecutive week, dropping from 151,900 metric tons to 147,775 metric tons.
- Shanghai warehouse inventory increased significantly, climbing from 45,735 metric tons to 166,364 metric tons.

COST



COKING COAL³



COKING COAL

Coking coal pricing decreased slightly this week, down in consecutive weeks after hitting an all-time high.

Coking coal settled at \$440.00/mt, down slightly from \$442.50/mt last week.

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

Storms in Australia last month had a major impact on supply, with imports from Australia to India coming in at multi-year lows, while China continues to block Australian coal.

- The U.S. however benefited from the China/Australia situation, with an estimated 11 million tons exported to China in 2021, more than the previous four years combined.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

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

U.S. mills produced an estimated 1,758k tons at a 79.8% utilization rate; this is down from 1,785k tons and an 81.1% rate previously.

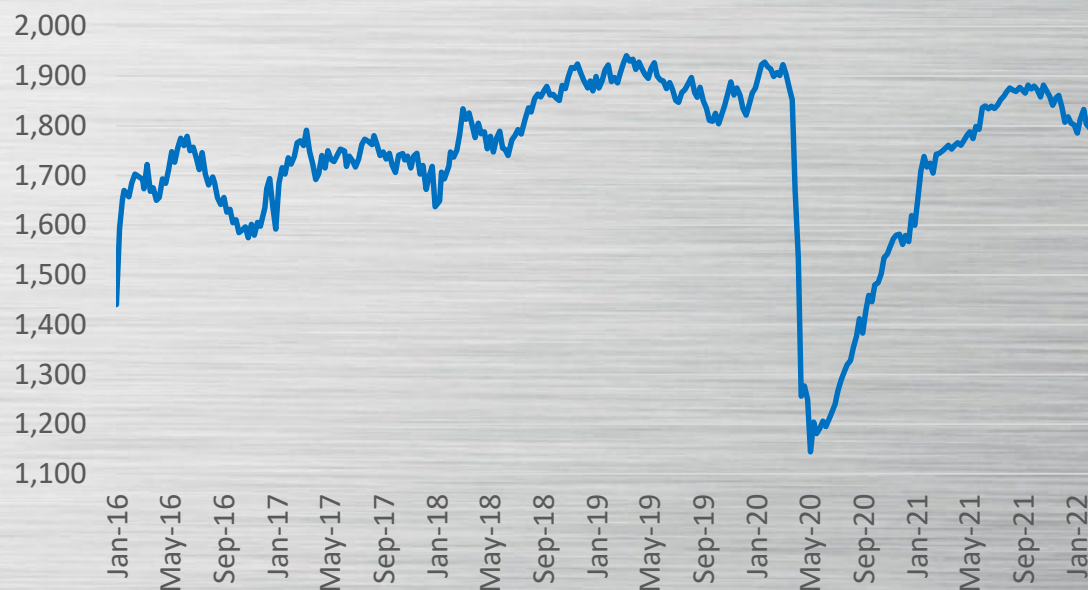
- This is now the lowest weekly tonnage output since March 2021 when it was 1,753k tons.

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

- Production from the Midwest region dropped from 218k tons to 195k tons.

Year-to-date production is now up 4.9% compared to the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

▼ LIGHT VEHICLE PRODUCTION⁵

Disruptions from key material shortage, both from the chips and the recent Canadian border protest, helped to push U.S. light vehicle production lower in January.

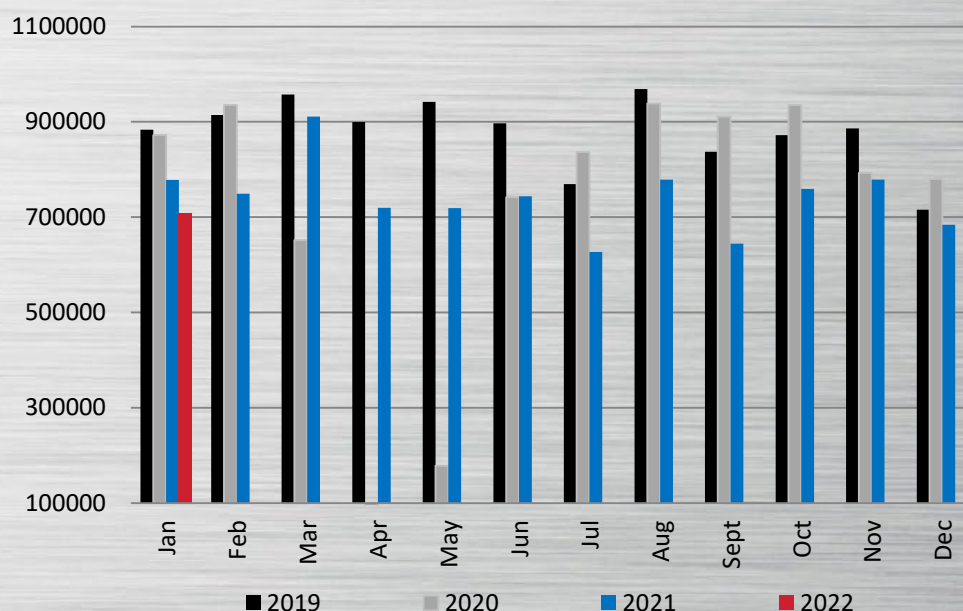
January light vehicle production totaled 708,976 units, up 3.6% from December but still well below (8.9%) year-ago levels.

- This was the seventh consecutive month in which production slipped on a month-over-month basis.

While production of cars slipped, on a month-over-month, basis in January, light truck production increased slightly.

- Car and light truck production were down 3.2% and up 5.1%, respectively.

U.S. LIGHT VEHICLE PRODUCTION



DEMAND

HOUSING MARKET INDEX⁶

Confidence among U.S. homebuilders slowed in February, slipping for the second consecutive month.

The February Housing Market Index came in at 82, down slightly from 83 in January.

- Any reading over 50 indicates a positive outlook for future construction, while any reading below 50 denotes a negative outlook.

While the next six months and traffic components of the index slowed, the present situation component remained flat.

- The present situation component remained at 90, one of the strongest readings of all time.

Looking forward, building material costs, labor constraints, and delivery delays continue to impact outlooks.

HOUSING MARKET INDEX



HOUSING STARTS & PERMITS⁷

After climbing the previous three months, new housing starts slipped on a seasonally adjusted basis in January.

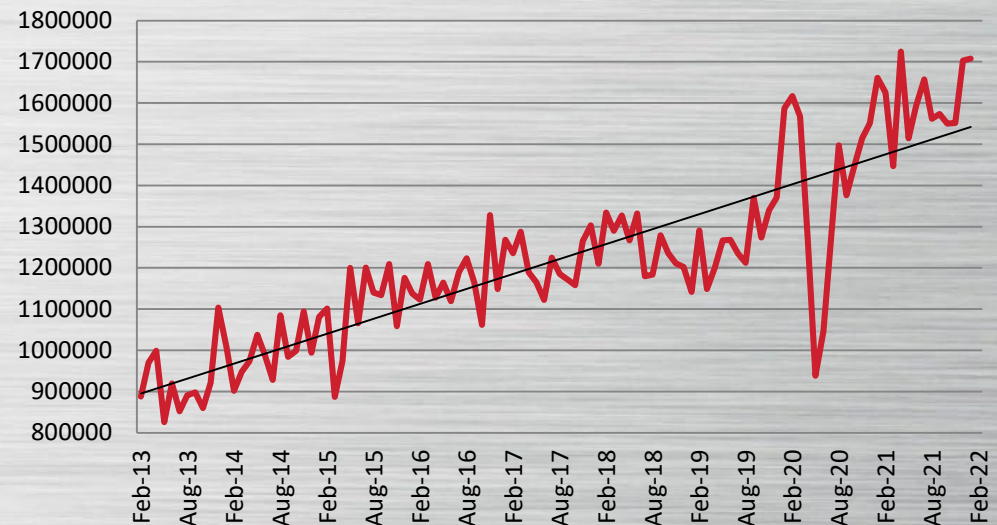
January new housing starts came in at a 1.638 million unit rate, down 4.1% from December but up a slight 0.8% from a 1.625 million unit rate in January 2021.

- This was the eleventh consecutive month in which starts have increased on a year-over-year basis.
- The slip in January was due to lower single-family starts, as multi-family starts made up the highest percentage of total starts (31.9%) since February 2020.

Permits, an indicator for future construction, increased in January, climbing 0.7% to a 1.899 million unit rate.

- This was the fourth consecutive monthly increase and the highest level since May 2006.

NEW HOUSING STARTS (SAAR)



EXISTING HOME SALES⁸

After slipping in December, sales of existing homes increased, on a seasonally adjusted basis, in January.

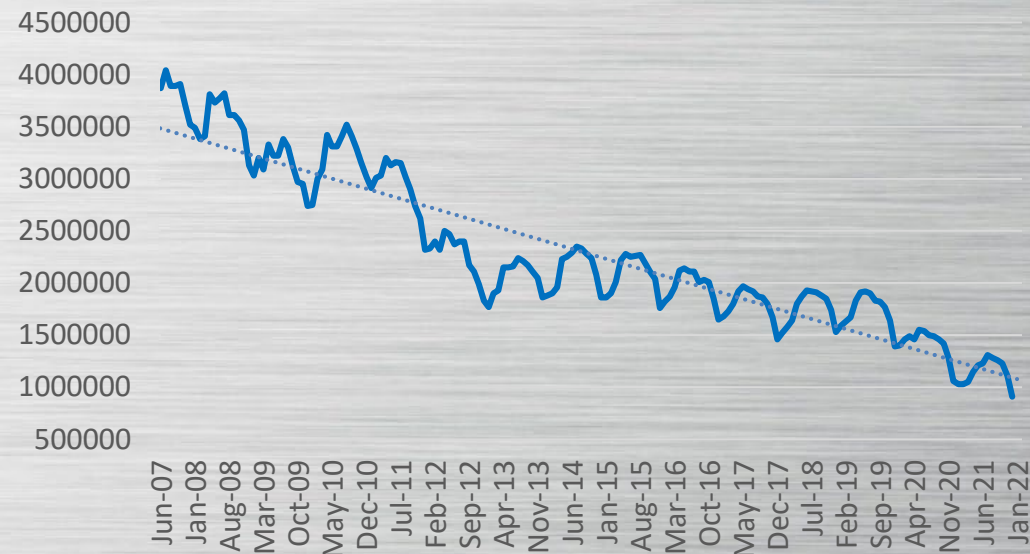
Existing home sales came in at a 6.500 million unit rate in January, up 6.7% from December but down 2.3% from a 6.650 million unit rate in January 2021.

- This is the fifth consecutive month in which sales were below year-ago levels.

While sales increased, the inventory of unsold existing homes continued to slide.

- The inventory at the end of January totaled 860,000 units, down from 880,000 units in December and are at a new recent record low.
- The current inventory level, when combined with January's sales rate, equates to 1.6 months of supply.
 - This is down from 1.7 months in December and below the five-year average of 3.4 months.

EXISTING HOMES FOR SALE



EMPIRE MANUFACTURING INDEX⁹

After declining in January, business activity from the manufacturing sector improved in the New York region in February.

The February Empire Manufacturing Index came in at 3.1, up from a -0.7 reading in January but remains well below the level from the first half of last year.

- The two-month average came in at 1.2, down from January and at its lowest level since June 2020.
- Any reading above 0.0 indicates expansion, while any reading below 0.0 denotes contraction.

New orders and shipments held steady, and unfilled orders increased.

- Looking ahead, while companies expect conditions to improve over the next six months, optimism dipped to its lowest level since mid-2020.

EMPIRE MANUFACTURING INDEX (2MMA)



DEMAND

INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION¹⁰

Total industrial production saw strong growth in January, climbing 1.4% from December.

The January Industrial Production Index came in at 103.5, up from 102.0 in December and at its highest level since December 2019.

- The index in January was pushed higher by increases from manufacturing output and mining production, which rose 0.2% and 1.0%, respectively.

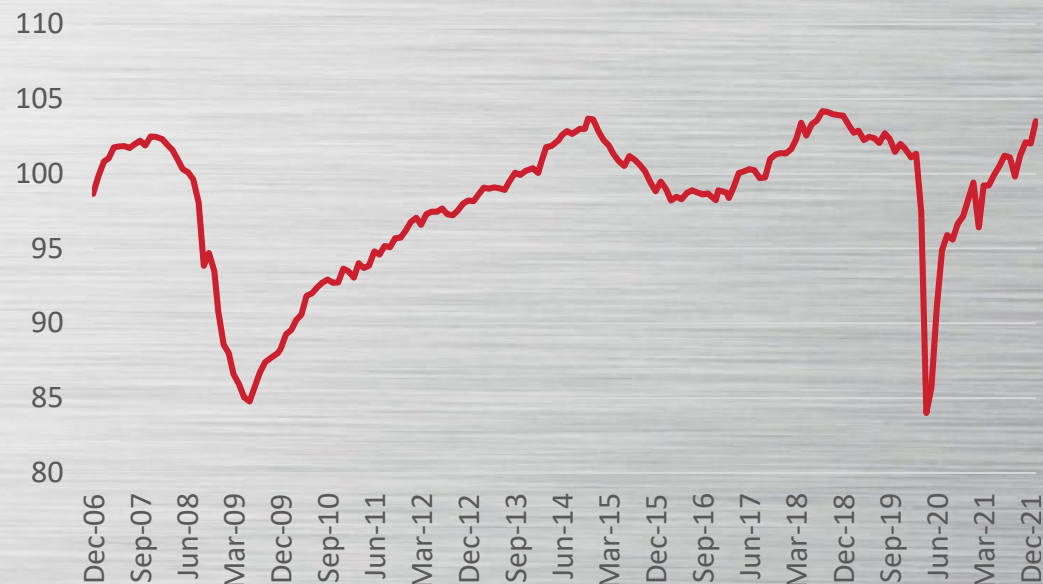
The index measuring durable good manufacturing increased as well, climbing 0.2% to 103.1.

- The durable goods manufacturing index was helped by a strong increase in appliance manufacturing.

Capacity utilization for the industrial sector increased 1.0% in January to 77.6%.

- Despite the recent increase, the utilization rate remains 1.9% below the long run (1972-2021) average.

INDUSTRIAL PRODUCTION INDEX



ECONOMIC

**WEEKLY INITIAL
JOBLESS CLAIMS¹¹**

After sliding three consecutive weeks, weekly initial jobless claims unexpectedly rose last week.

The Department of Labor's Weekly Initial Jobless Claims report came in at 248,000 claims, up from 225,000 claims previously.

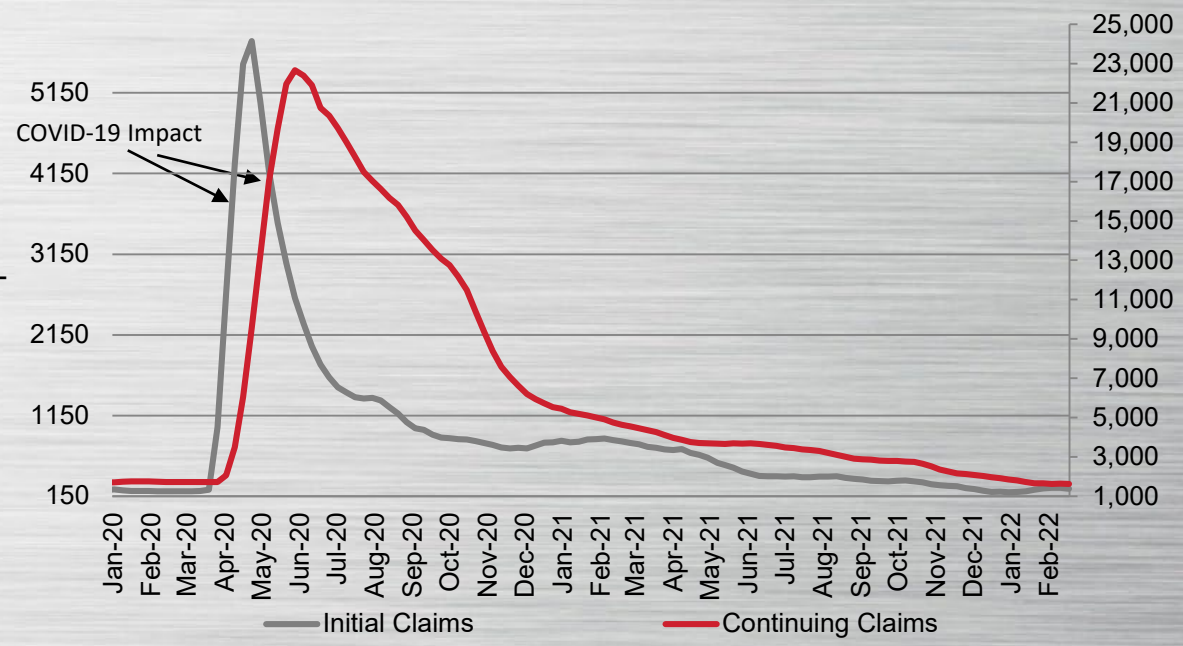
- Claims had been declining steadily since hitting a three-month high in mid-January.
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 243,250, from 253,750 claims previously.

Continuing claims, or claims lasting longer than one week, dropped after coming in flat the week prior.

- Continuing claims slid to 1.593 million from 1.619 million previously.

The economy is still dealing with a shortage of workers, with a near record 10.9 million job openings at the end of December.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC



LINEHAUL INDEX¹²

The Cass Truckload Linehaul Index continued to increase in January.

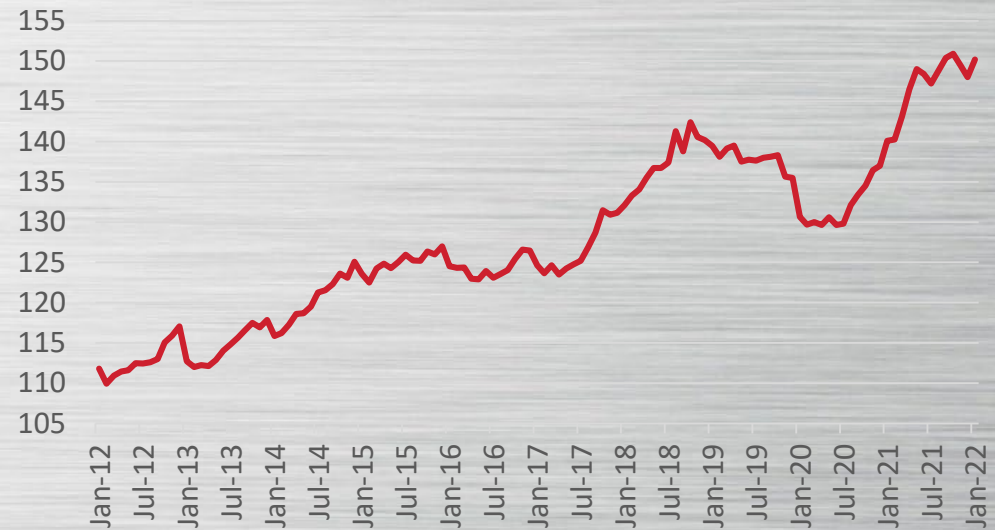
- The Linehaul Index came in at 150.2, up 2.2 points from 148.0 in December.
 - The Index was up sharply on a year-over-year basis, climbing over 10 points from January 2021.

Strong freight demand and tight capacity are continuing to push the index higher.

The Linehaul Index is an indicator of market fluctuations in per-mile truckload pricing.

- The index isolates the linehaul component from other components like fuel and accessories.

LINEHAUL INDEX



▲ RETAIL SALES¹³

RETAIL SALES (SAAR)

After sliding in December, retail sales increased sharply in January.

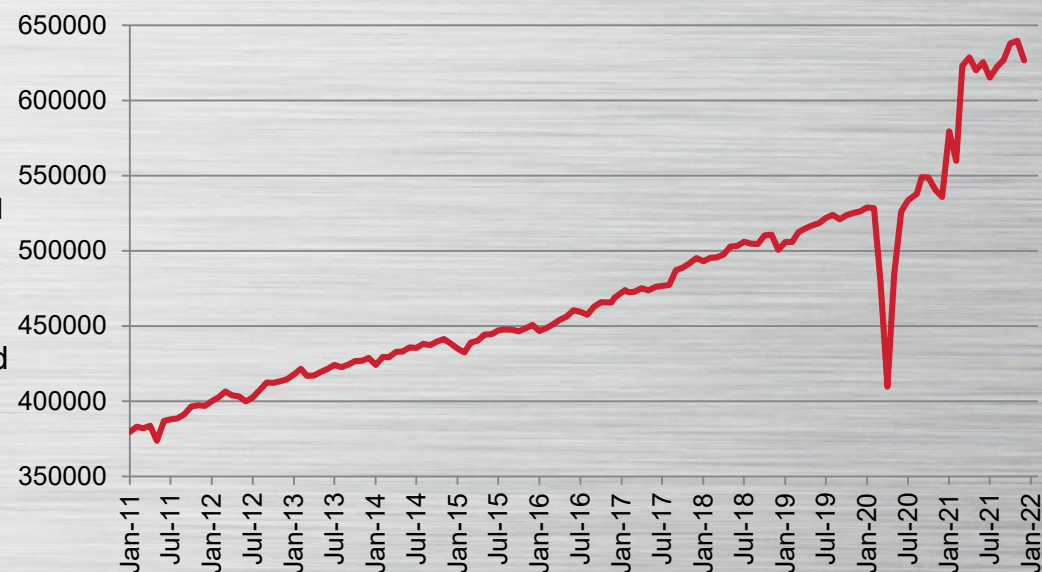
January retail sales totaled \$649.8 billion, on an adjusted rate, up 3.8% from December and up 13.0% from January 2021.

- Over the past three months, total sales were up 16.1% compared to the same period last year.

The largest increases in sales, compared to December, came from furniture stores, online retailers, and automotive parts and dealers.

- The largest declines came from sporting good stores, gas stations, and health & beauty stores.

Total retail sales, when adjusted for inflation, still saw 3.2% increase in January.



SOURCES

- 1 Platts, Spot Iron Ore: February 17, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: February 18, 2022.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: February 18, 2022.
- 3 Platts, Coking Coal Price: February 18, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: February 15, 2022.
- 5 WardsAuto, U.S. Light Vehicle Production: January 2022.
- 6 National Association of Homebuilders, Housing Market Index: February 2022.
- 7 U.S. Census Bureau, New Residential Construction: January 2022.
- 8 National Association of Realtors, Existing Home Sales: January 2022.
- 9 Federal Reserve, Empire Manufacturing Index: February 2022.
- 10 The Federal Reserve, Industrial Production/Capacity Utilization: January 2022.
- 11 Department of Labor, Weekly Initial Jobless Claims: February 10, 2022.
- 12 Cass Information Systems, Linehaul Index: January 2022.
- 13 US Census Bureau, Retail Sales: January 2022.

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The logo for MSUSA, featuring a stylized red 'M' followed by the text 'MSUSA' in white. The background of the entire image is a dark, textured American flag with stars and stripes, where the stars are represented by faint, embossed coin-like patterns.

M MSUSA

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