

CORE 05.06.22 **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

09

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

SPOT IRON ORE¹

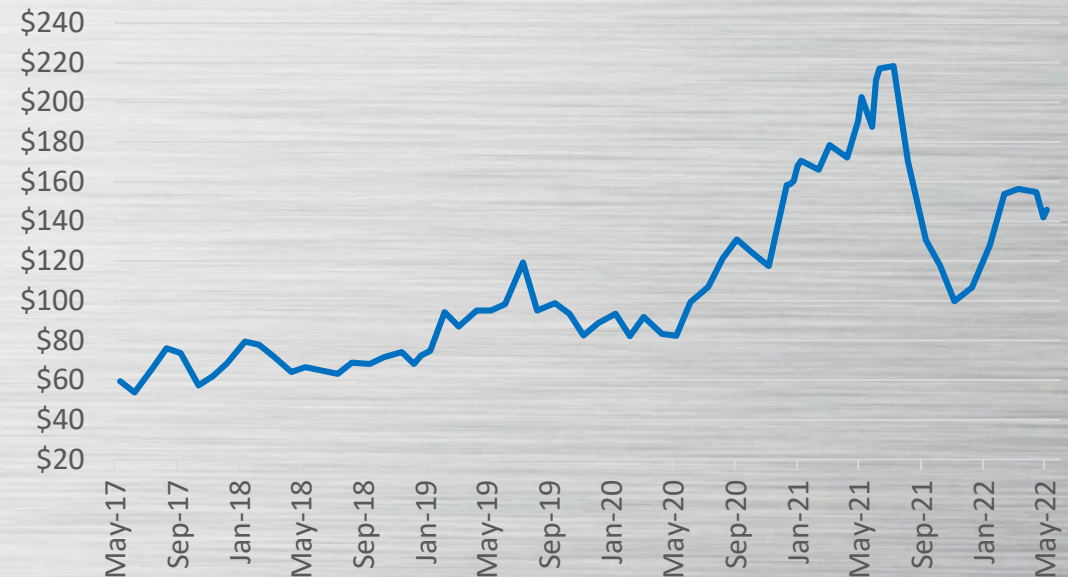
After sliding four consecutive weeks, spot iron ore rebounded to end the week.

Spot iron ore pricing ended the week at \$145.80/mt, up from \$142.00/mt a week ago.

- Iron ore price rose on Thursday after China's central bank said it would take monetary policy steps to help businesses hit by the COVID-19 outbreak and support a recovery in consumption.
- This is after China's Purchasing Managers Index fell to its lowest level since February 2020, the last time COVID hit the country hard.

Australian exports of iron ore rose by 1.7 Mt in the first quarter of 2022, to 217.0 Mt, however March was 1.9 Mt below the same month last year at 75.5 Mt.

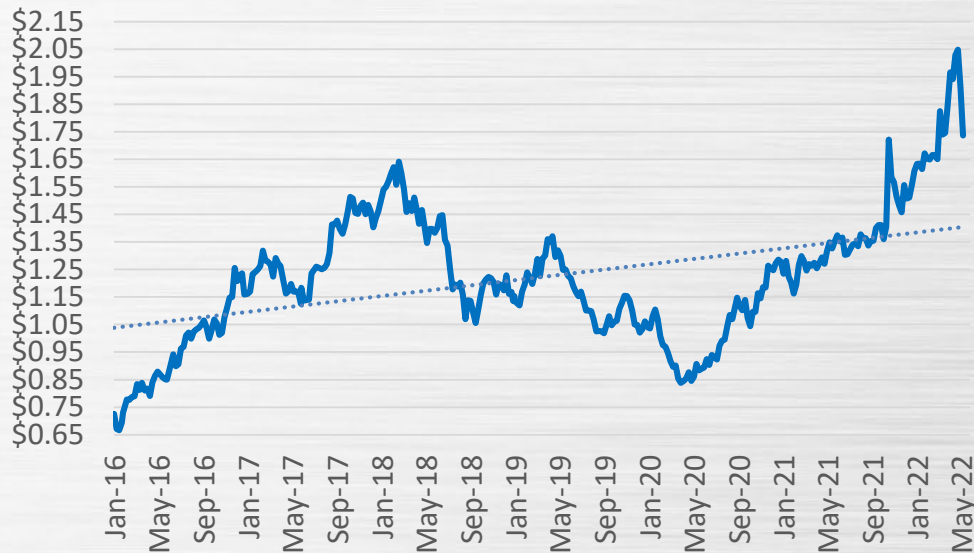
IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing slid significantly for the second consecutive week.

Zinc pricing ended the week at \$3,829/mt (\$1.737/lb), down from \$4,212/mt (\$1.911/lb) previously.

- The rising energy costs and supply tightness in Europe remains; however, U.S. demand has weakened some on cautious economic outlook.
- Rising interest rates, inflation, and the strengthening U.S. dollar has led to softening in commodity prices.

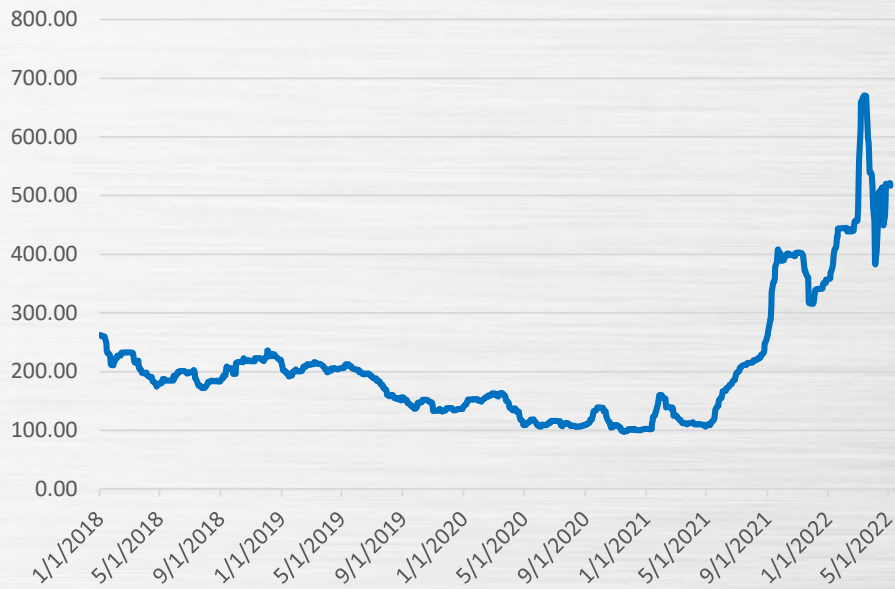
Global zinc inventory increased after sliding the previous five weeks.

- LME warehouse inventory increased slightly from 93,350 metric tons to 94,375 metric tons.
- Shanghai warehouse inventory increased as well, climbing from 169,598 metric tons to 172,622 metric tons.

The International Lead and Zinc Group expects global demand for zinc will outpace supply in 2022, resulting in a deficit of 292,000 tonnes.

COST

▼ COKING COAL³



COKING COAL

After climbing significantly last week, coking coal pricing dipped slightly this week.

Coking coal settled at \$516.75/mt, down from \$518/mt previously.

- Coking coal is still up nearly 35% in the last month.

Buyers continue to stock up ahead of the European Union’s import ban on Russian coal starting August 1st.

- However, the shift away from Russian coking coal has already begun, leading to a significant deficit on the supply side.
 - Russia exported 31.81 million tonnes of coking coal last year, with the main destinations being China, South Korea, and Japan.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production dropped slightly last week after climbing the previous three weeks.

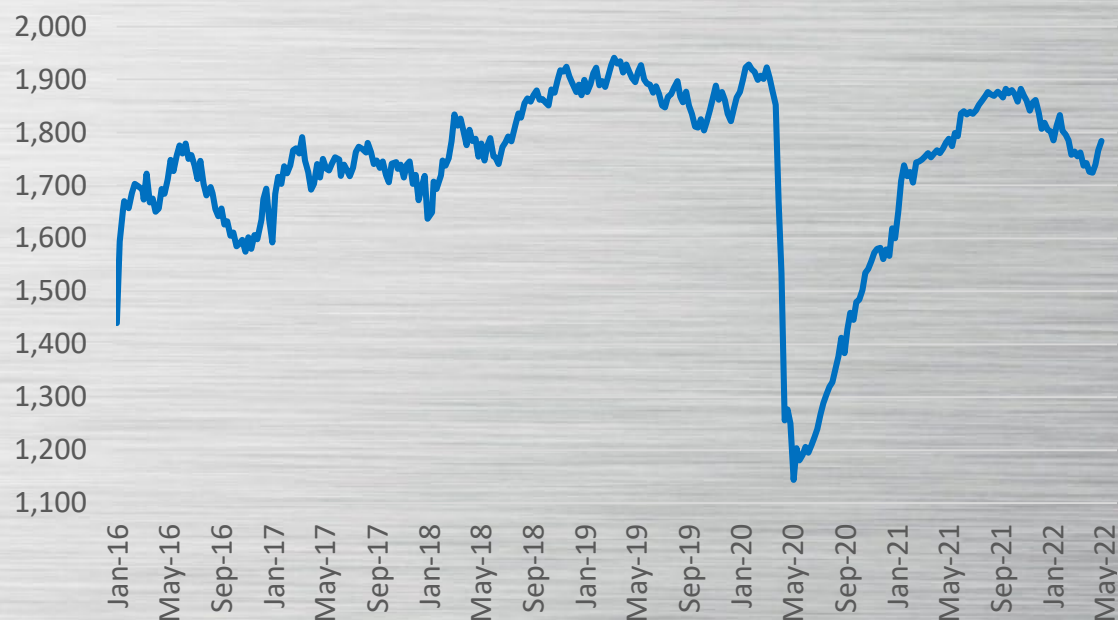
U.S. mills produced an estimated 1,775k tons at an 81.3% utilization rate; this is down from 1,784k tons and an 81.7% rate previously.

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

- Production from the Southern region dropped from 766k tons to 754k tons.

With the drop, year-to-date production is now up only 1.5% compared to the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

▼ LIGHT VEHICLE SALES⁵

U.S. LIGHT VEHICLE SALES

Despite slowing slightly in April, domestic light vehicle sales cracked the 1.2 million unit mark for the second consecutive month.

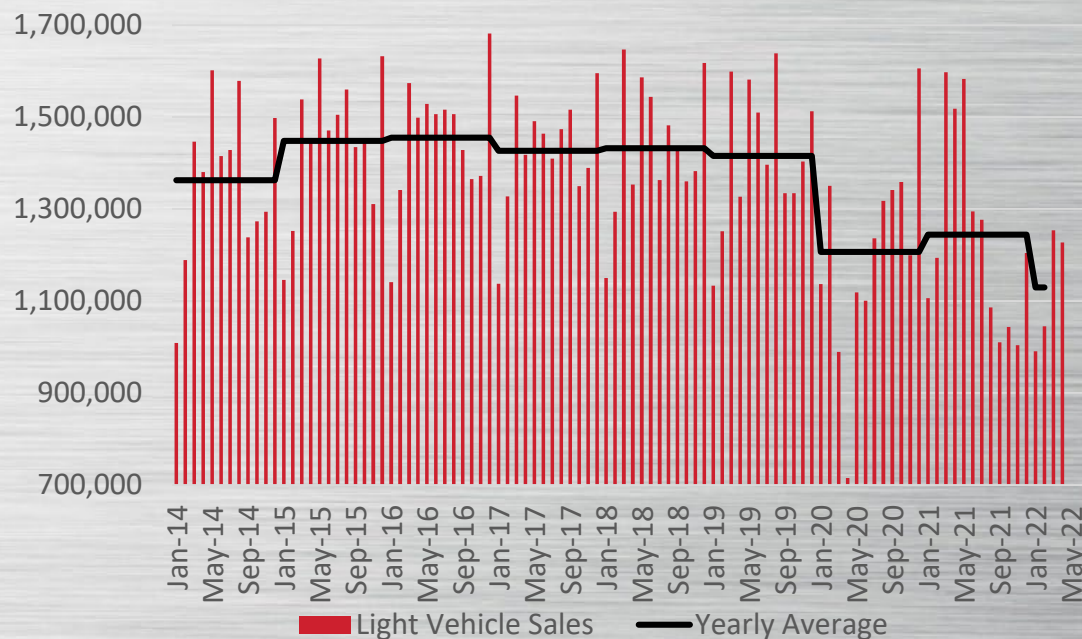
U.S. light vehicle sales totaled 1.227 million units in April, down 2.2% from March and down 19.2% from 1.518 million units sold in April 2021.

- Light vehicle sales have now declined on a year-over-year basis for nine consecutive months.
- On a units sold/day basis, April had the highest rate since last July.

While sales of cars declined in April, light truck sales were virtually flat.

- April car and light truck sales declined 2.3% and 0.1%, respectively.

Year-to-date light vehicle sales are now down 16.6% compared to the first four months of 2021.



▼ LIGHT VEHICLE INVENTORY⁶

After seeing a recovery in March, U.S. light vehicle inventory resumed its decline in April.

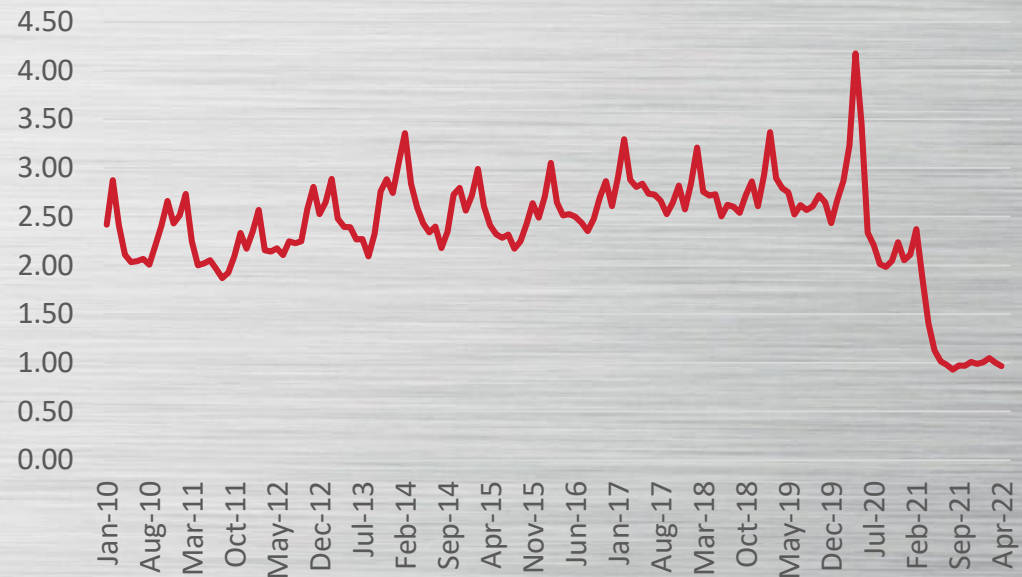
April U.S. light vehicle inventory totaled 1.162 million units, down 5.7% from March and down a sharp 41.1% from 1.973 million units in April 2021.

- Inventory of both cars and light trucks declined in April, sliding 3.3% and 4.8%, respectively.
- The inventory of imported vehicles declined the most, sliding 10.5% in April.

The current inventory, when combined with April's sales pace, equates to 26 days of supply.

- The current inventory-to-sales ratio is at 0.95, its second lowest level on record and well below the 10-year average of 2.42.

VEHICLE INVENTORY TO SALES RATIO (2MA)



CONSTRUCTION SPENDING⁷

Construction spending continued to climb in March and is now up for the thirteenth consecutive month.

- Construction spending came in at a \$1.730 trillion rate, up 0.1% from February and up 11.7% from a \$1.549 trillion rate in March 2022.

While spending slipped slightly for non-residential projects, the increase in residential construction spending was enough to overcome that decline.

- Residential construction spending came in at a \$891.3 billion rate, up 1.0% from February.
 - This was a new all-time record high in residential construction spending.
- Non-residential construction spending slipped 0.8% from February to a \$839.2 billion rate.
 - This was the first month-over-month decline since June.

Residential construction spending accounted for 51.5% of total spending, the highest percentage since mid-2006.

CONSTRUCTION SPENDING (SAAR)



ISM MANUFACTURING INDEX⁸

ISM MANUFACTURING INDEX

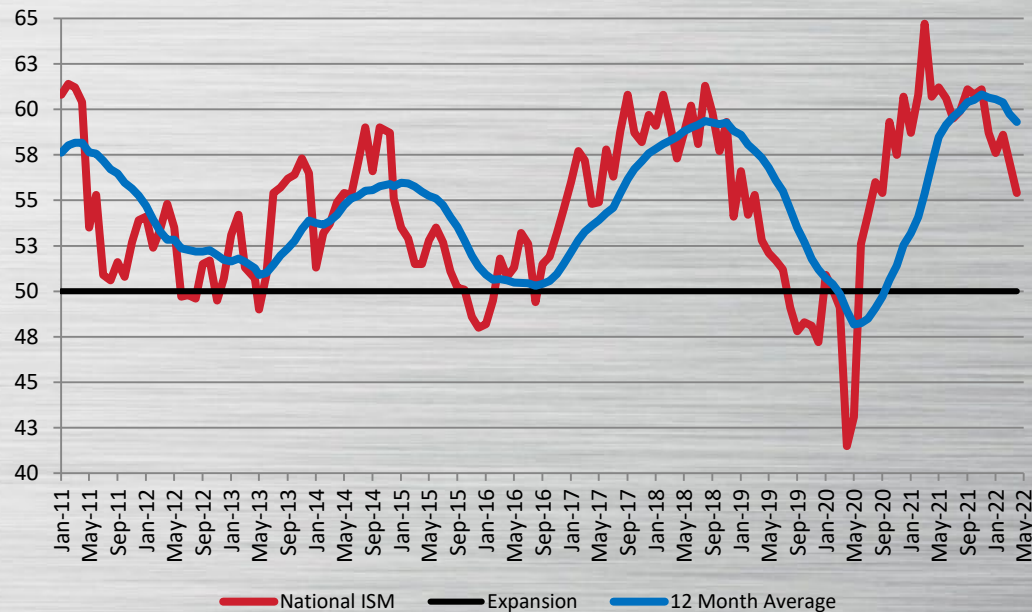
Economic activity in the manufacturing sector continued to grow in April, now up for the twenty-third consecutive month.

The April ISM Manufacturing Index came in at 55.4, down slightly from 57.1 in March.

- Despite the slight easing in April, the index remains above the key 50.0 level.
- Any reading above 50 indicates growth, while any reading below 50 denotes contraction.

Both the new orders and production components slowed slightly in April but both remained above 50.

- The new orders and production components came in at 53.5 and 53.6, respectively.
- The backlog of orders component slowed as well, sliding to 56.0 from 60.0 previously.



WEEKLY INITIAL JOBLESS CLAIMS⁹

Weekly initial jobless claims unexpectedly increased last week, back to 200,000 claims for the first time since mid-March.

The Department of Labor's Weekly Initial Jobless Claims report came in at 200,000 claims, up from 181,000 claims previously.

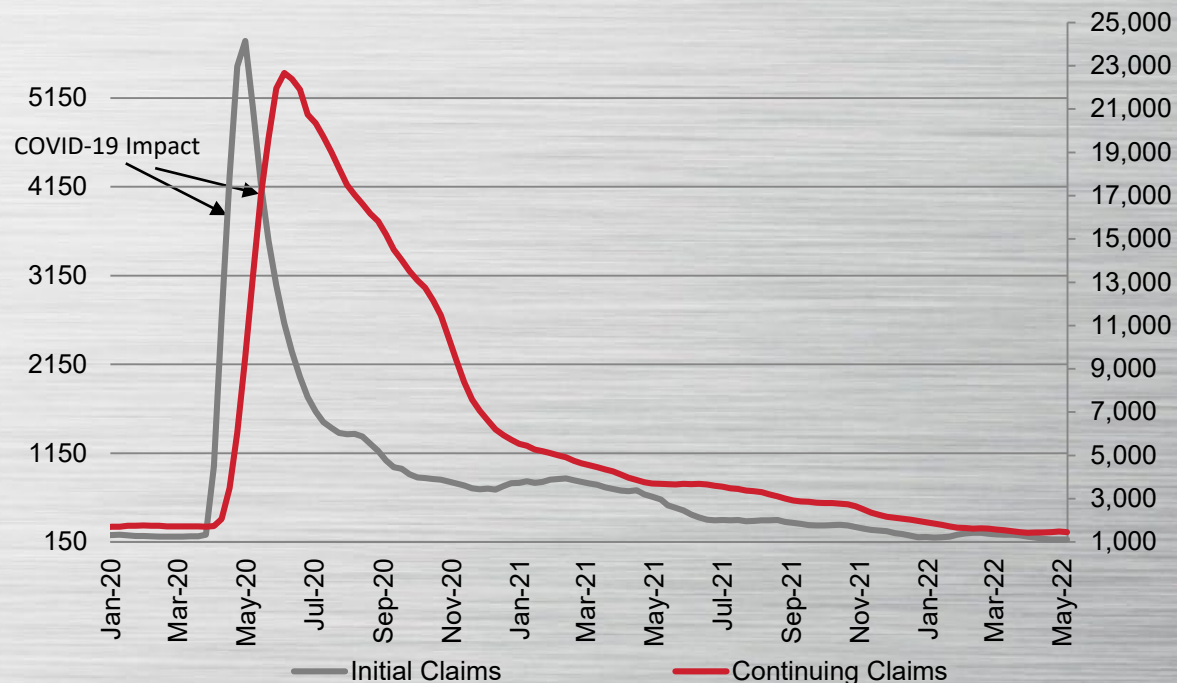
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 188,000, from 178,750 claims previously.

Continuing claims, or claims lasting longer than one week, decreased for the fourth consecutive week and is now at the lowest level since January 17, 1970.

- Continuing claims slid to 1.384 million from 1.403 million previously.

For the second straight month, the increase in layoffs was led by the leisure and hospitality industry.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC

EMPLOYMENT SITUATION¹⁰

The U.S. added 428,000 jobs in April, the sixteenth consecutive monthly increase.

- The U.S. has now added at least 400,000 jobs for five consecutive months and have added 21.153 million since the bottom in April 2020.

The private sector, which accounts for roughly 70% of employment, saw an increase of 406,000 jobs in April.

- Government employment increased sharply in April, climbing by 22,000 jobs.

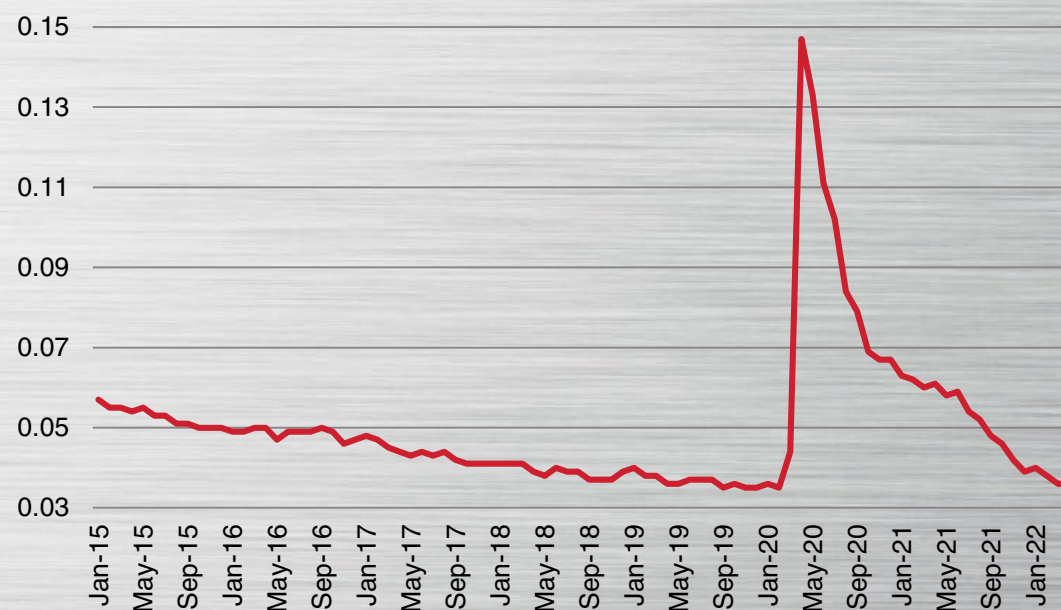
Total construction employment increased by 2,000 jobs, but within that total building construction employment increased by 7,400 jobs.

Manufacturing saw a 55,000 job increase, including a 31,000 increase from durable good manufacturing.

- Fabricated metal product employment increased by 3,500 in April.

Despite the continued job growth, the employment rate stayed flat, holding at 3.6%.

UNEMPLOYMENT RATE



SOURCES

- 1 Platts, Spot Iron Ore: May 5, 2022.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: May 6, 2022.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: May 6, 2022.
Platts, Coking Coal Price: May 6, 2022.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: May 3, 2022.
- 5 Wards Auto, U.S. Light Vehicle Sales: April 2022.
- 6 WardsAuto, U.S. Light Vehicle Inventory: April 2022.
- 7 U.S. Census Bureau, Construction Spending: March 2022.
- 8 Institute for Supply Management, Manufacturing Index: April 2022.
- 9 Department of Labor, Weekly Initial Jobless Claims: May 5, 2022.
- 10 Bureau of Labor Statistics, Employment Situation: April 2022.

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