

CORE 05.20.22 **REPORT**

COST

01

- ▼ scrap
- ▲ iron ore
- energy
- ▲ zinc
- ▲ coking coal

SUPPLY

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- lead times
- ▲ production
- imports
- inventories

DEMAND

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- ▼ construction
- appliance
- ▼ manufacturing
- agriculture
- durable goods

ECONOMIC

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- ▼ employment
- inflation
- ▲ retail sales
- GDP

 **SCRAP¹**

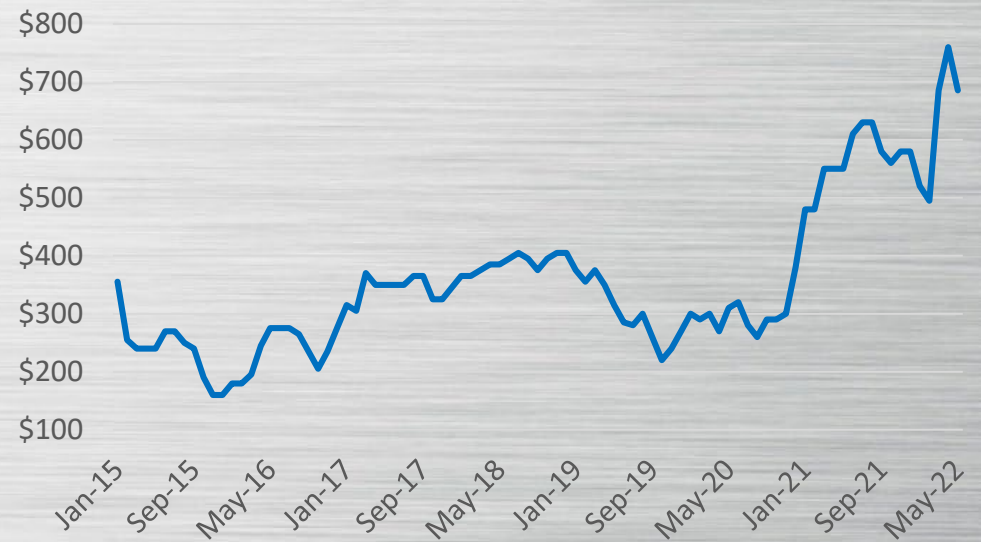
After a \$195/gt increase in March and a \$75/gt increase in April, prime scrap dropped in May.

May prime scrap price settled at \$685/gt, down \$75/gt from \$760/gt in April.

- This is down 10% but remains at the highest price since August 2008.

Declining global demand, increased scrap imports, and a revised domestic melt mix all helped to push pricing down this month.

PRIME SCRAP



COST



SPOT IRON ORE²

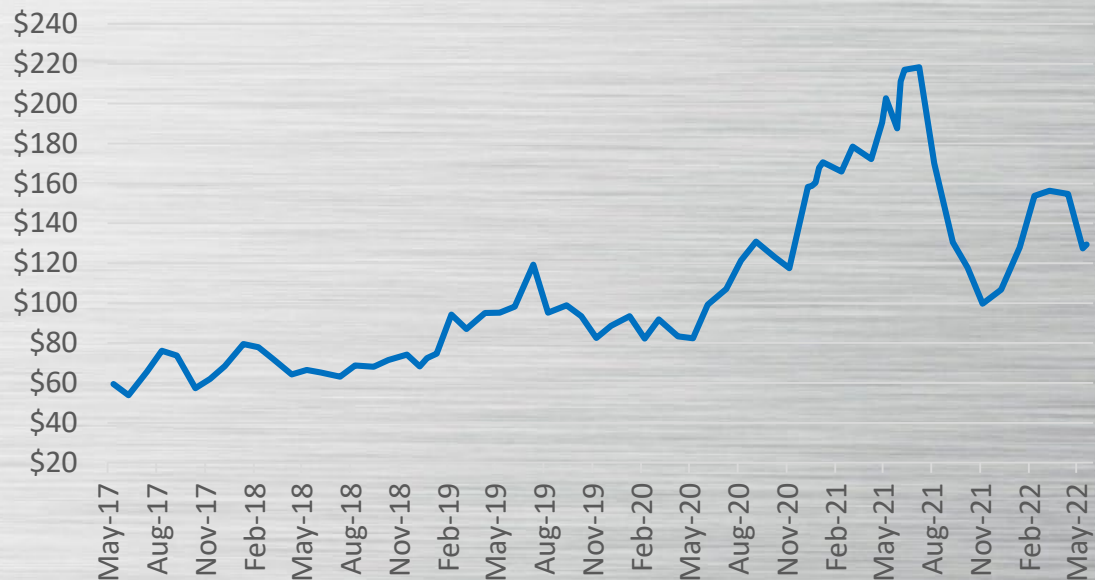
Spot iron ore pricing rebounded slightly this week, ending a string of five drops in six weeks.

Spot iron ore pricing ended the week at \$129.40/mt, up from \$127.50/mt a week ago.

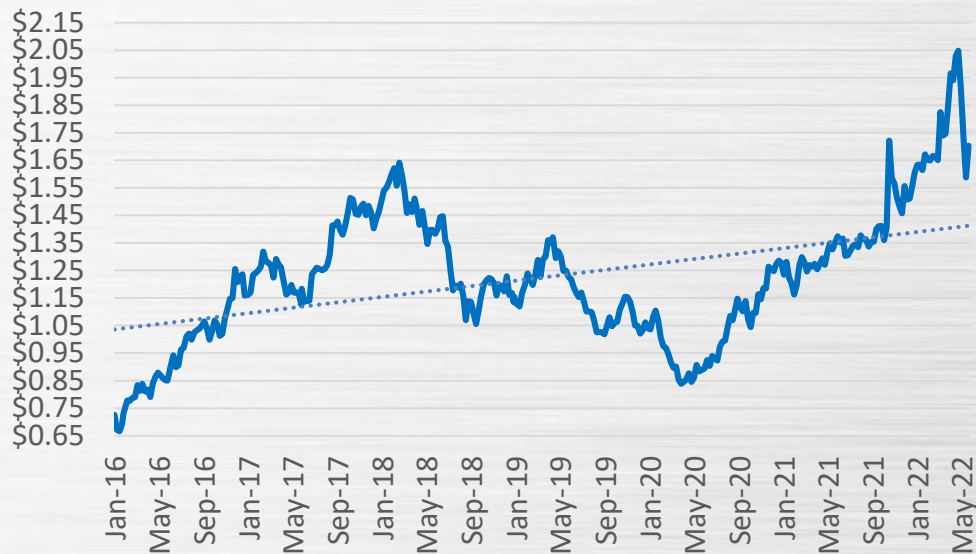
- Spot iron ore pricing remains down 15% month-over-month and 44% below prior year levels.

Iron ore and other steelmaking inputs reversed course after China announced plans to lift COVID lockdowns on June 1st, which lasted more than six weeks and contributed to a sharp slowdown in China's economic activity.

IRON ORE COST



COST

WEEKLY ZINC PRICING³

ZINC

After sliding significantly for three consecutive weeks, zinc pricing rebounded sharply this week.

Zinc pricing ended the week at \$3,755/mt (\$1.703/lb), up from \$3,500/mt (\$1.588/lb) previously.

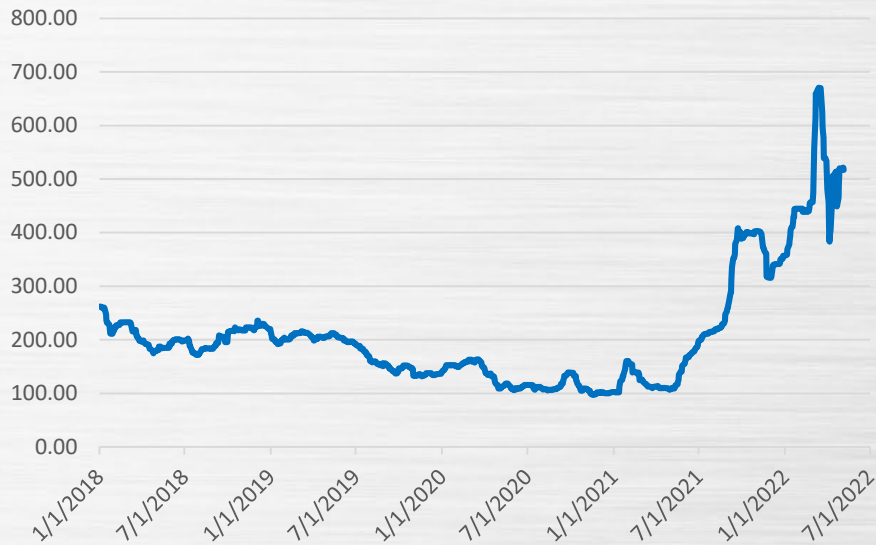
- The rising energy costs and supply tightness in Europe continues to be the main driver in elevated zinc prices.
 - Interest rate hikes in the U.S. also seem to have settled into global commodity prices.

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

- LME warehouse inventory increased slightly from 86,550 metric tons to 86,625 metric tons.
- Shanghai warehouse inventory decreased, sliding from 167,066 metric tons to 166,539 metric tons.

COST

COKING COAL⁴



COKING COAL

After dipping slightly last week, coking coal pricing continued its volatile swings as the market searches for available supply outside of Russia.

Coking coal settled at \$525.00/mt, up from \$515.25/mt previously.

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

Japan's ministry of economy and trade announced plans to phase out Russian coal completely and shift to supply from Australia, Indonesia, and Vietnam.

- Japan is the world's third largest coal importer and gets roughly 40% of their coking coal from Russia.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁵

Domestic raw steel production increased again last week, now up five out of the last six weeks.

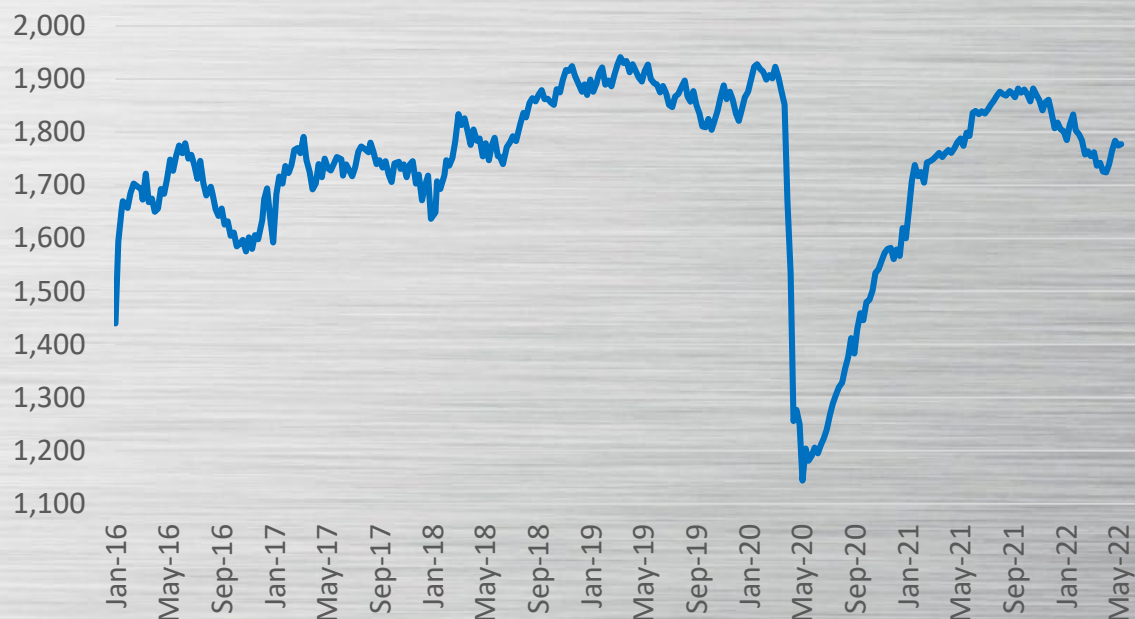
U.S. mills produced an estimated 1,785k tons at an 81.8% utilization rate; this is up from 1,777k tons and an 81.4% rate previously.

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

- Production from the Southern region climbed from 772k tons to 779k tons.

Despite the increase, year-to-date production remains up only 1.3% compared to the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

HOUSING MARKET INDEX⁶



HOUSING MARKET INDEX

While still quite strong, confidence among U.S. homebuilders slowed considerably in May.

The May Housing Market Index came in at 69, down from 77 in April and is now at its lowest level since early on in the pandemic.

- Any reading over 50 indicates a strong outlook on construction, while any reading below 50 denotes a slowing outlook.

All three components saw slowing growth in April, with the biggest decline coming from the Next Six Months outlook.

- The short-term outlook component slipped to 63, down 10 points from 73, previously.
- The present situation and traffic components slipped as well, sliding to 78 and 52, respectively.

RESIDENTIAL CONSTRUCTION⁷

NEW HOUSING STARTS (SAAR)

New residential construction starts slipped slightly in April, now down for the second consecutive month.

Housing starts came in at a 1.724 million unit rate, down 0.2% from a 1.728 million unit rate in March.

- Starts continued to climb on a year-over-year basis however, climbing 14.1% from a 1.505 million unit rate in April 2021.
- The boost in starts completely came from multi-family units, which increased 15.3% from March.
 - Single-family unit starts slipped, sliding 7.3% to a 1.100 million unit rate.

Year-to-date actual new housing starts are now up 10.4% compared to the same timeframe last year.

Permits, a leading indicator for future construction, slipped as well in April, sliding 3.2% to a 1.819 million unit rate.

- Permits were up on a year-over-year basis however, climbing 3.1% from a 1.765 million unit rate in April 2021.



EXISTING HOME SALES⁸

EXISTING HOMES FOR SALE

Existing home sales slipped once again in April, now down for the third consecutive month.

Existing home sales came in at a 5.610 million unit rate, down 2.4% from March and down 5.9% from a 5.960 million unit rate in April 2021.

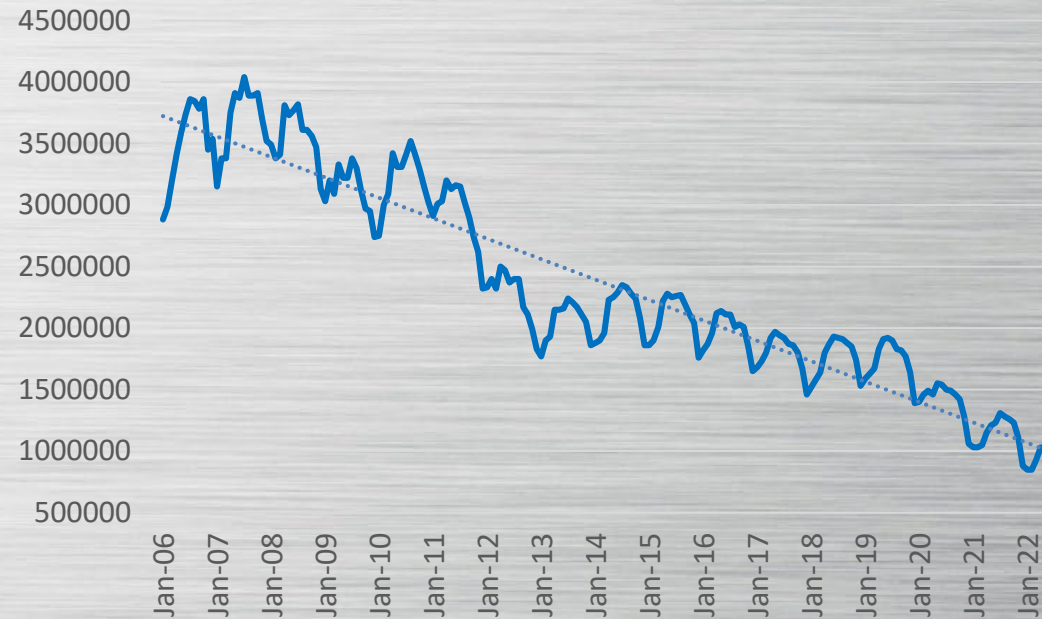
- Sales are now at their lowest level since June 2020.

Inventory of unsold existing homes increased in April, coming in at 1.030 million units.

- This is up 10.8% from March and up 21.2% from February.
 - Despite the recent increase in inventories, the current level remains over 10% below the year ago level.

The median sales increased again, setting a fresh all-time record.

- The median sales price came in at \$391,200, up 4.4% from March.



DEMAND

ARCHITECTURE BILLINGS INDEX⁹

Activity at the architecture level continued to grow in April, just at a slightly slower pace than in March.

The April Architecture Billings Index came in at 56.5, down slightly from the 58.0 level in March.

- Despite the slight slowing, the index remains well above the key 50.0 level.
- Any reading over 50.0 indicates growth, while any reading below 50.0 denotes contraction.

Regionally, all four regions showed growth in April, with the strongest growth coming from the West (58.2).

All three sectors continued to grow as well, with the commercial/industrial sector (60.7) showing the strongest growth.

ARCHITECTURE BILLINGS INDEX (3MA)



EMPIRE MANUFACTURING INDEX¹⁰

After showing strong growth in April, business activity in the New York region declined in May.

- This is the second monthly decline in the last three months.

The May Empire Manufacturing Index came in at -11.6, down sharply from 24.6 in April.

- The two-month average increased slightly however, coming in at 6.5.

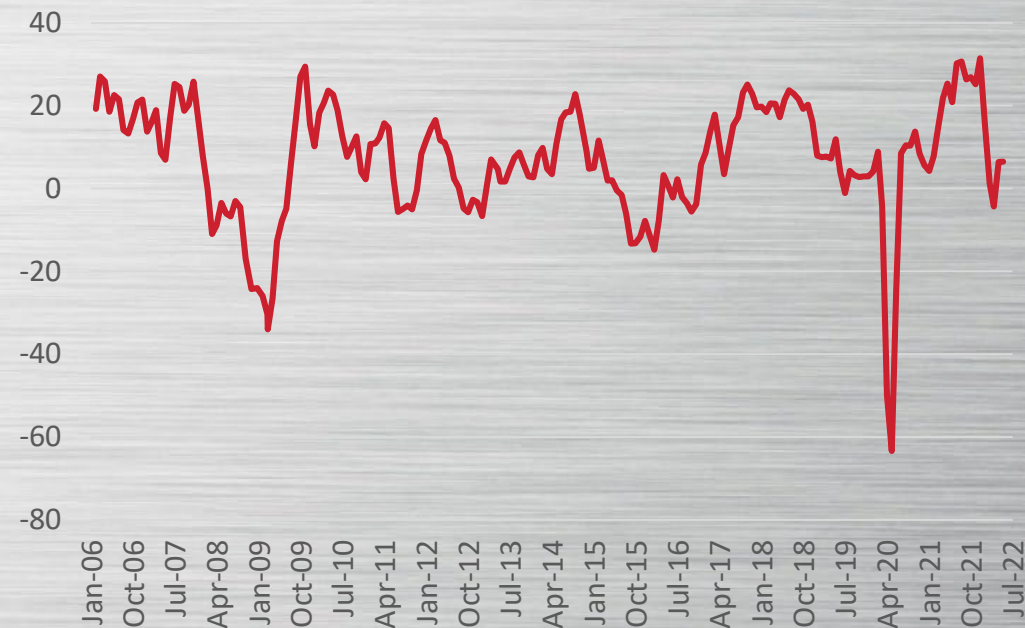
The new orders and shipments components both declined in May, sliding 8.8 and 15.4, respectively.

- The decline in shipments was the strongest since the beginning of the pandemic.

However, the index for future business conditions was virtually flat from April, coming in at 18.0.

- The biggest negative of the future outlook was the capital expenditure component fell to its lowest level in several months.

EMPIRE MANUFACTURING INDEX (2MMA)



DEMAND

INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION¹¹

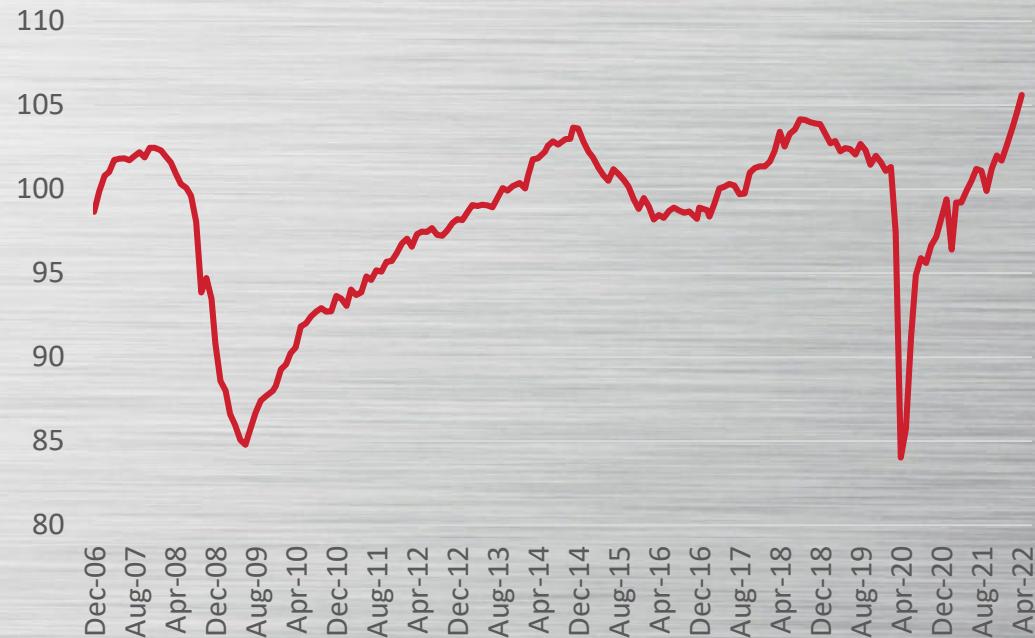
Total industrial production increased again in April, up for the fourth consecutive month.

- The industrial production index came in at 105.6, up 1.1% from March and up 6.5% from April 2021.
- All major sectors increased in April, with manufacturing output increasing 0.8% in April.
 - The index for durable good manufacturing increased 1.1% and was helped by a strong 3.9% increase in the production of motor vehicles and parts.

Capacity utilization increased as well, climbing to 79.0%, its highest level since January 2019.

- Capacity utilization for manufacturing increased to 79.2%, the highest level since April 2007.

INDUSTRIAL PRODUCTION INDEX



WEEKLY INITIAL JOBLESS CLAIMS¹²

Weekly initial jobless claims unexpectedly increased last week, hitting the highest level since mid-March.

The Department of Labor's Weekly Initial Jobless Claims report came in at 218,000 claims, up from 197,000 claims previously.

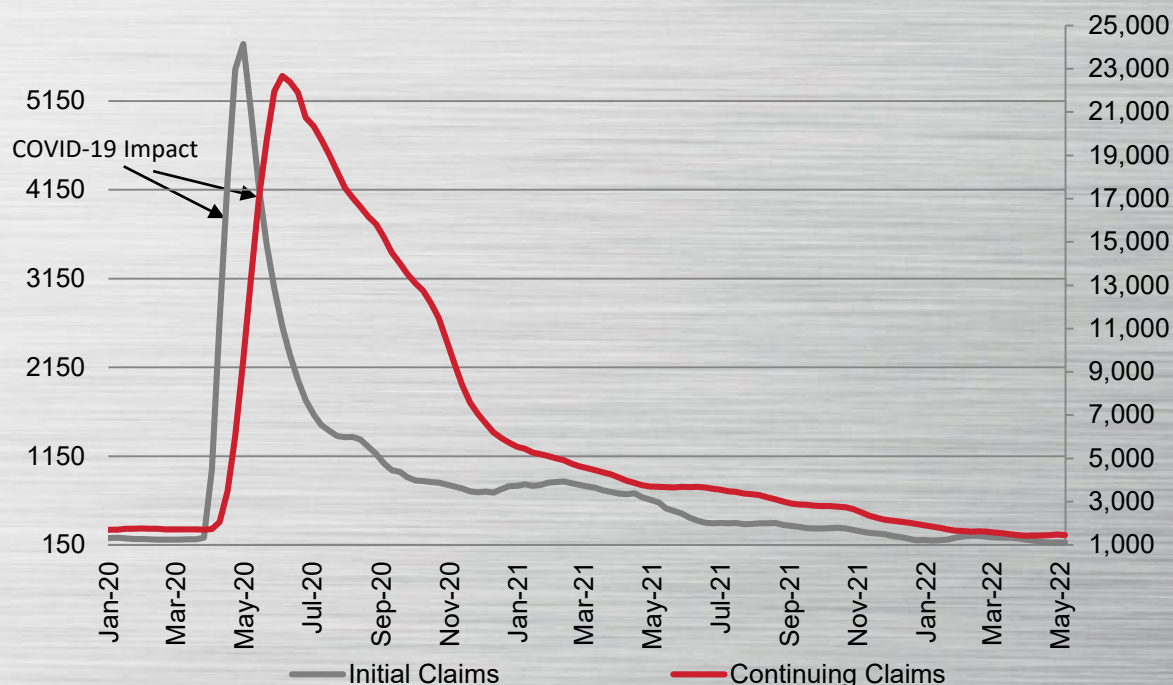
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 199,500, from 191,250 claims previously.

Continuing claims, or claims lasting longer than one week, decreased for the sixth consecutive week and is at the lowest level since December 27, 1969.

- Continuing claims slid to 1.317 million from 1.342 million previously.

Despite steadily decreasing claims, there were a record 11.5 million job openings at the end of March, contributing to rapid wage growth and inflation.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC


RETAIL SALES¹³
RETAIL SALES (SAAR)

Retail sales continued to push higher in April, now climbing for the fourth consecutive month.

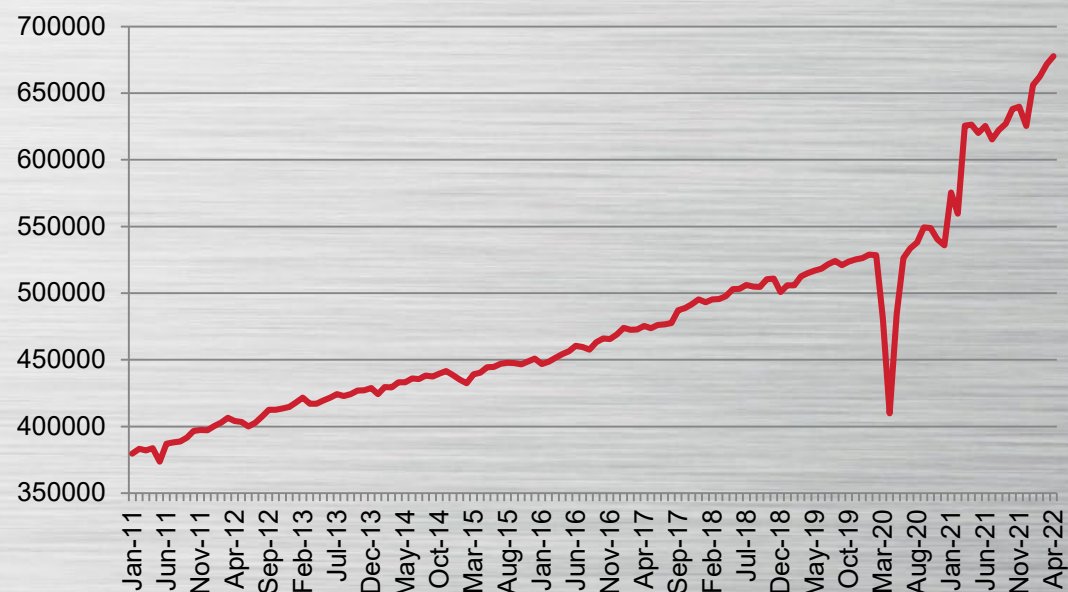
Retail sales came in at a \$677.7 billion rate, up 0.9% from March and up a sharp 8.2% from April 2021.

- Excluding the volatile sales from gas stations, total sales came in at a \$615.4 billion rate.
 - This is up 1.3% from March and 5.9% from April 2021.

The largest increases in sales, compared to April 2021, came from gasoline stations (+36.9%), bars/restaurants (+19.8%), online retailers (+12.7%) and grocery stores (+8.1%).

- These increases were only partly offset by year-over-year declines in sales from auto dealers (-2.4%), electronic stores (-5.2%), and sporting goods stores (-5.4%).

Year-to-date actual retail sales are up 11.4% compared to the first four months of 2021.



SOURCES

- 1 Prime Scrap Price, Market Conversations. Week ending May 20, 2022.
- 2 Platts, Spot Iron Ore: May 19, 2022.
- 3 London Metal Exchange, Weekly Zinc Price and Inventory Report: May 20, 2022.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: May 20, 2022.
- 4 Platts, Coking Coal Price: May 20, 2022.
- 5 American Iron & Steel Institute, Weekly Domestic Steel Production: May 17, 2022.
- 6 National Association of Homebuilders, Housing Market Index: May 2022.
- 7 U.S. Census Bureau, New Housing Starts: April 2022.
- 8 National Association of Realtors, Existing Home Sales: April 2022.
- 9 American Institute of Architects, Architecture Billings Index: April 2022.
- 10 NY Federal Reserve, Empire Manufacturing Index: May 2022.
- 11 The Federal Reserve, Industrial Production/Capacity Utilization: April 2022
- 12 Department of Labor, Weekly Initial Jobless Claims: May 19, 2022.
- 13 U.S. Census Bureau, Retail Sales: April 2022.

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