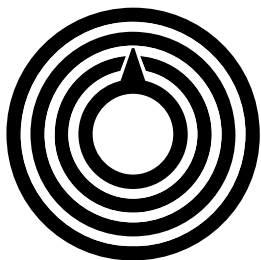


CORE REPORT

WEEK ENDING 02.19.21

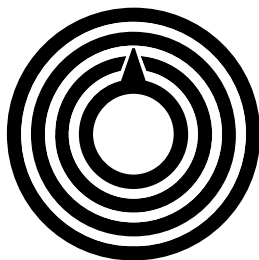
COST



PAGE 01

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

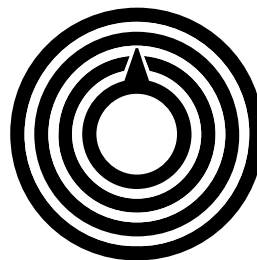
SUPPLY



PAGE 03

- lead times
- production
- imports
- inventories

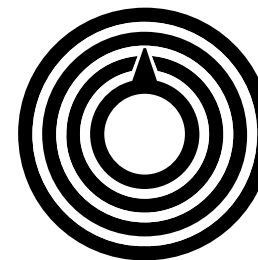
DEMAND



PAGE 04

- automotive
- construction
- appliance
- manufacturing
- agriculture
- durable goods

ECONOMIC



PAGE 09

- employment
- retail sales
- trucking
- GDP



SPOT IRON ORE¹

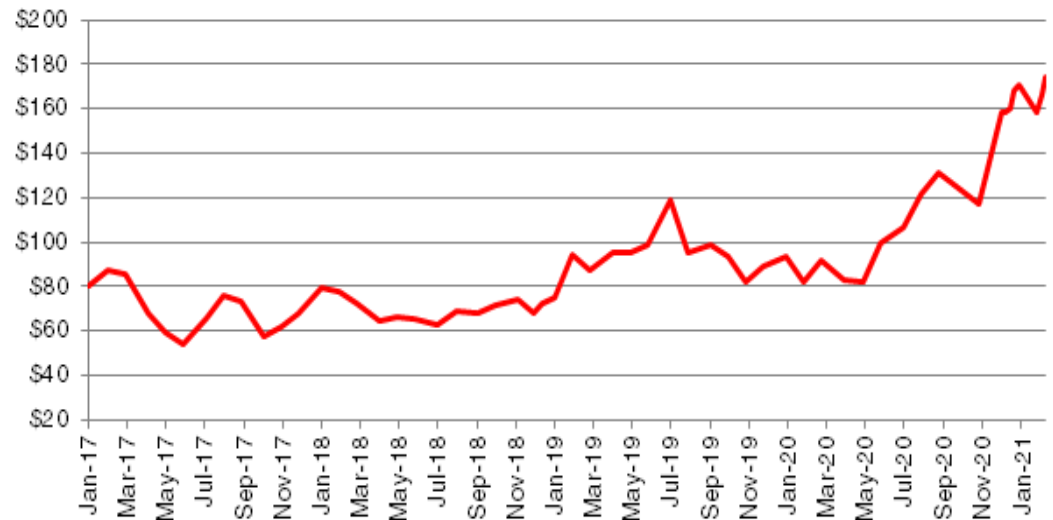
Spot iron ore pricing increased significantly this week, now up for the third consecutive week.

Spot iron ore pricing ended the week at \$174.45/mt, up from \$165.95/mt a week ago.

○ This is the highest price for iron ore since September of 2011.

Iron ore prices surged this week after the Chinese New Year holiday, on support from strong steel prices and positive outlook on steel demand.

Spot Iron Ore





ZINC²

Zinc pricing increased sharply this week, now up for the third consecutive week.

Zinc pricing ended the week at \$2,864/mt (\$1.299/lb), up from \$2,793.50/mt (\$1.267/lb) previously.

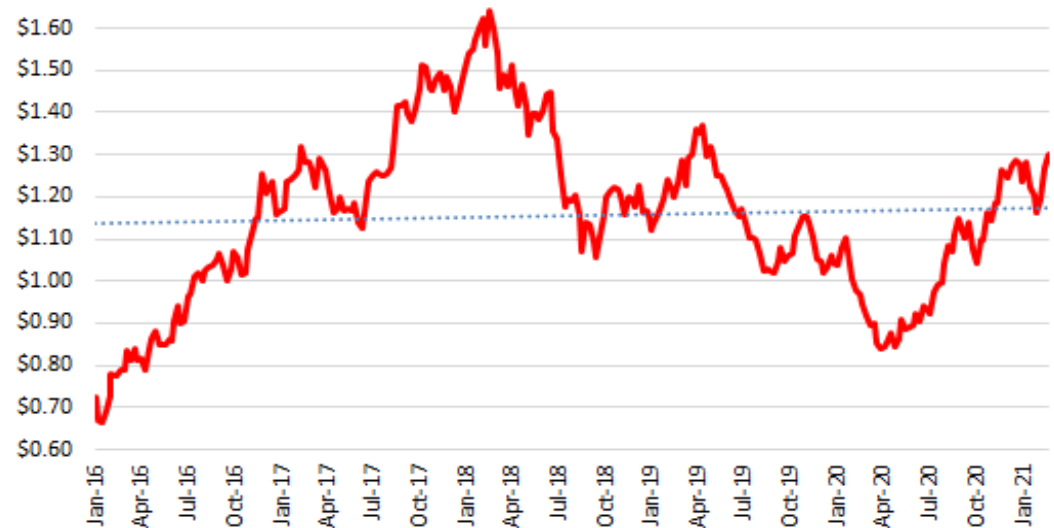
- This is the highest price for zinc since April of 2019.

Global zinc inventory climbed again this week on the back of a large surge into the Shanghai warehouse, now up for the fourth consecutive week.

- LME warehouse inventory decreased slightly to 276,525 metric tons, from 284,250 metric tons previously.
- Shanghai warehouse inventory increased significantly this week, climbing from 69,366 metric tons to 101,919 metric tons.

- This is the highest level since June of 2020.

Weekly Zinc Pricing





WEEKLY DOMESTIC STEEL PRODUCTION³

Domestic raw steel production increased last week, alternating up and down movements for the last five weeks.

U.S. mills produced an estimated 1,743k tons at a 76.9% utilization rate; this is up from 1,705k tons and a 75.2% rate previously.

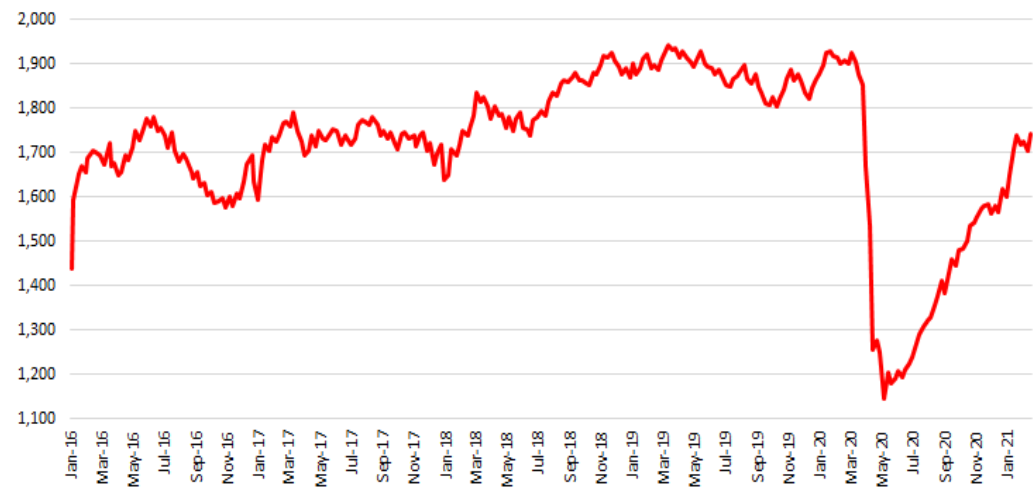
○ This is the highest utilization rate since the pandemic started in March of 2020.

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

○ Production from the Southern region climbed from 708k tons to 725k tons.

Year-to-date production is now 10.4% below the same timeframe from last year.

Weekly Domestic Steel Production





LIGHT VEHICLE PRODUCTION⁴

The supply disruptions, mainly from the global semiconductor shortage, began to show itself in January light vehicle production.

US light vehicle production totaled 770,458 units in January, down 0.8% from December and down 11.7% from 872,108 units in January 2020.

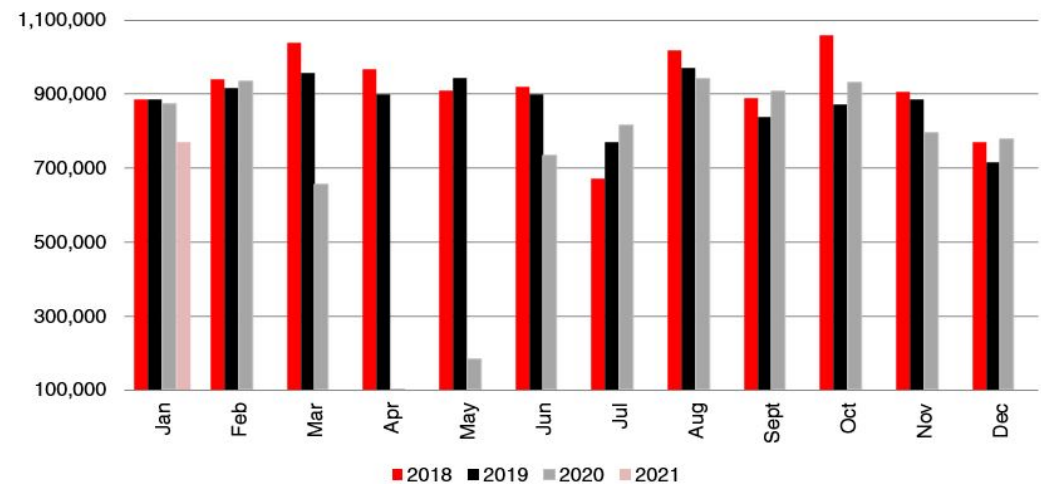
○ This was the third consecutive month in which production declined on a month-over-month basis.

Month-over-month production declined for both cars and light trucks, sliding 0.4% and 0.9%, respectively.

○ This was the lowest January production level since 2011.

As demand from the consumer continues to rebound and dealer inventories remain lean, the push for a boost in production will linger as domestic producers navigate the current situation.

U.S. Light Vehicle Production





HOUSING MARKET INDEX⁵

Confidence among US homebuilders increased in February after a slight slowing in January.

The February Housing Market Index came in at 84, up from 83 in January and up from 74 in February 2020.

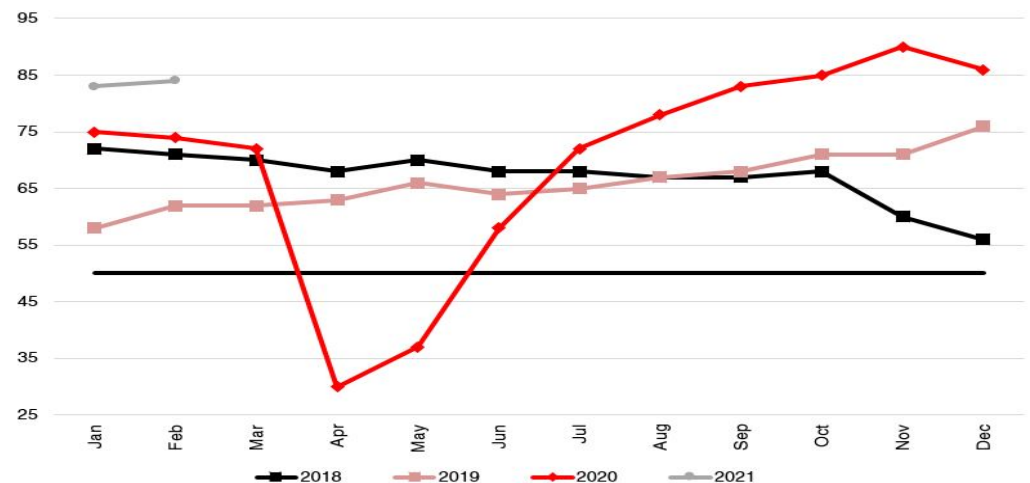
○ Any reading over 50 indicates an increase in confidence about homebuilding conditions.

All three components remain well above 50 in February, with the present sales situation remaining the strongest at 90.

○ The Next Six Months and Traffic component remain strong as well, coming in at 80 and 72, respectively.

While limited supply, combined with strong demand continues to boost homebuilding activity domestically, the rising costs could become a headwind later this year.

Housing Market Index





NEW RESIDENTIAL CONSTRUCTION⁶

New Housing Starts (SAAR)

New housing starts slipped in January after climbing to a 15+ year high in December.

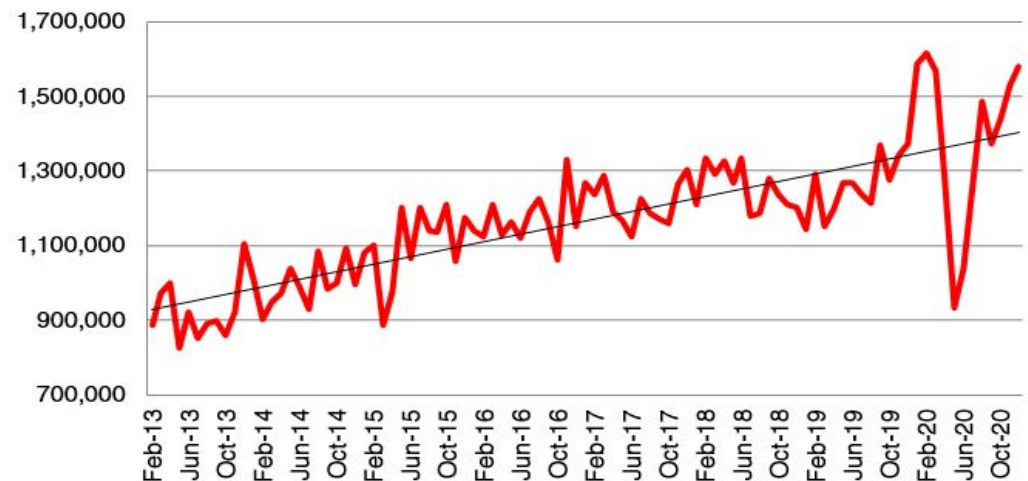
January new housing starts came in at a 1.580 million unit rate, down 6.0% from December and down 2.3% from a 1.617 million unit rate in January 2020.

- This was the first month with a year-over-year decline in starts since May.

Permits, an indicator for future construction, continued to climb and are now at their highest level since 2006.

- Permits came in at a 1.881 million unit rate in January, up 10.4% from December and up 22.5% from a 1.536 million unit rate in January 2020.

Limited inventory of both unsold new and existing homes will continue to pressure builders to keep up with the current demand pace, that has been sparked by historically low mortgage rates.





INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION⁷

In a further sign that the manufacturing sector continues to recover from the depths of the pandemic, Industrial Production increased once again in January.

The January Industrial Production Index came in at 107.2, up from 106.2 in December and is now at its highest level since last February.

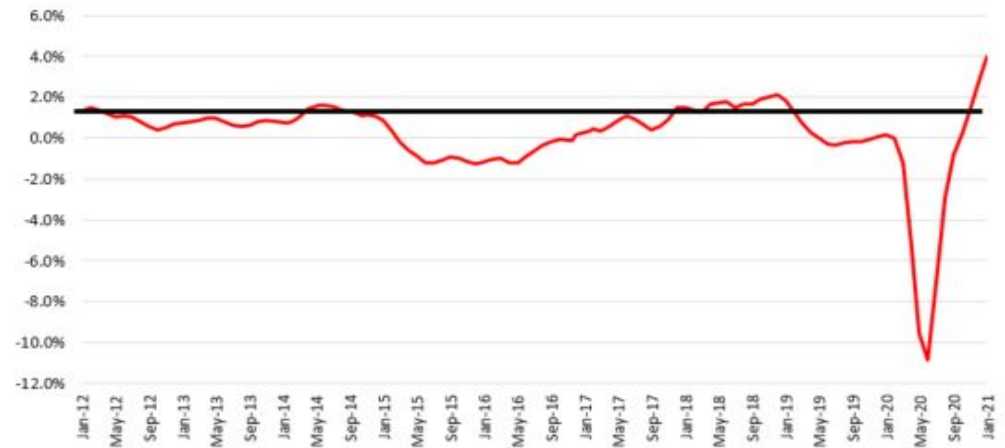
- This was the fourth consecutive increase and the eighth increase in the last nine months.

The Capacity Utilization Rate increased as well, climbing to 75.6%.

- This is up 0.9% from December and is now nearly back to pre-pandemic levels of 76.9%.

The index for the manufacturing of durable goods increased to 106.4, up for the ninth consecutive month.

Industrial Production Momentum





EMPIRE MANUFACTURING INDEX⁸

Manufacturing activity in February for the New York region grew at its fastest rate since September.

The Empire Manufacturing Index came in at 12.1, up from 3.5 in January and just below the 12.9 reading from February 2020.

- The two-month average increased to 7.8, its highest reading since November.
- Any reading above 50 indicates growth in activity within the sector.

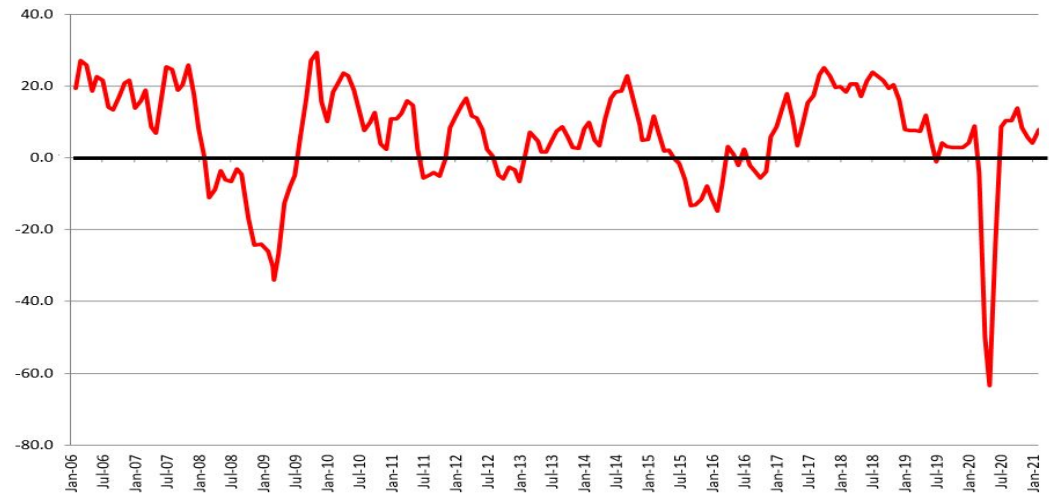
The new orders and shipments components both continued to push higher in February, helping to lift the overall index higher.

- The new orders and shipments components came in at 10.8 and 4.0, respectively.

The index for future business conditions rose to 34.9, suggesting that firms remained optimistic about the future.

- The capital expenditures index increased to 28.6, its highest level in over a year.

Empire Manufacturing Index (2mma)





WEEKLY INITIAL JOBLESS CLAIMS⁹

Weekly initial jobless claims unexpectedly increased last week, now at the highest level in over a month.

The Department of Labor's Weekly Initial Jobless Claims report came in at 861,000 claims, up from 848,000 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 833,250, from 846,500 claims previously.

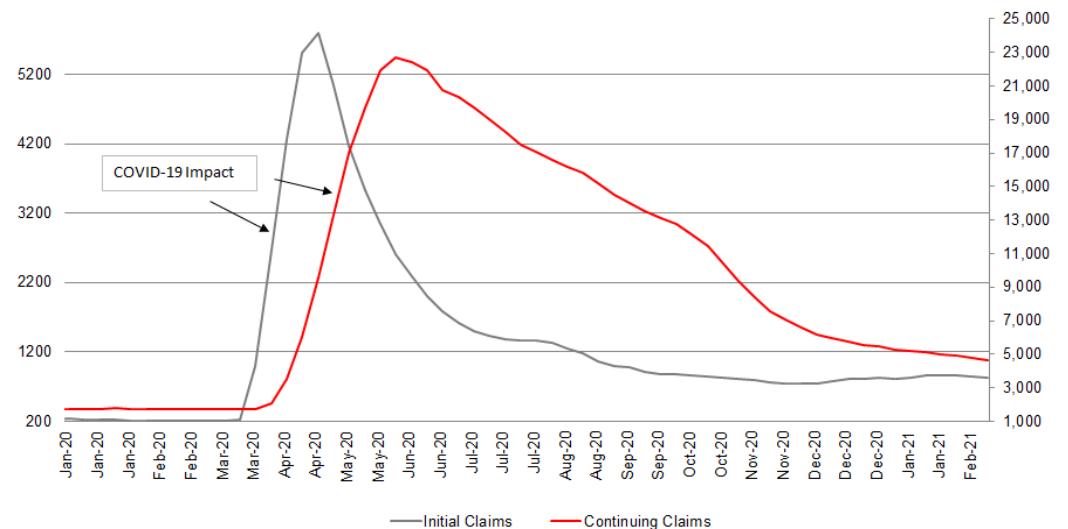
Continuing claims, or claims lasting longer than one week, dropped to another pandemic-era low, now down nine out of the last ten weeks.

- Continuing claims decreased to 4.494 million, down from 4.558 million previously.

At the state level, Illinois and California saw the largest increase in claims, with 33,491 and 20,657, respectively.

- Texas saw the largest drop with 12,428 claims, although this is expected to climb due to the recent winter storm.

Weekly Initial Jobless Claims





RETAIL SALES¹⁰

Retail sales increased sharply in January on both a month-over-month and year-over-year basis.

- The boost in sales can be attributed to the arrival of the second round of stimulus checks.

January retail sales totaled \$568.2 billion on a seasonally adjusted basis.

- This is up 5.3% from December and 7.4% from a \$528.9 billion rate in January 2020.

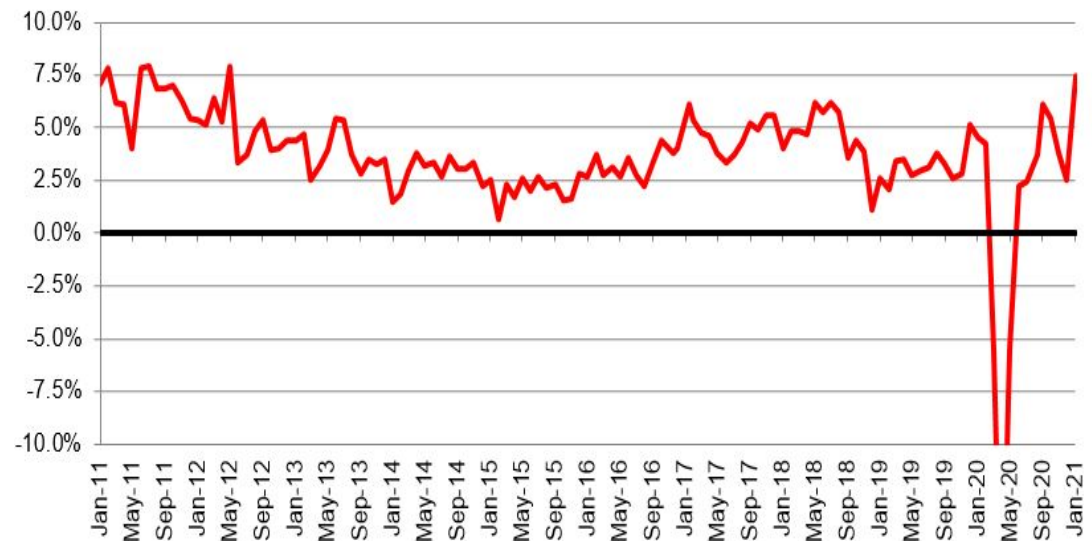
- The strong month-over-month boost in January ended a string of three consecutive monthly declines.

While there were no sectors to see a month-over-month decline in sales, there were multiple that saw double-digit growth.

- Electronic & appliance stores, furniture stores, and online retailers saw sales jump 14.7%, 12.0%, and 11.0%, respectively.

Building material and garden supply stores saw a 4.6% jump in spending from December and a sharp 19.0% increase from January 2021.

Retail Sales Y/Y %





FREIGHT RATES¹¹

The Cass Truckload Linehaul Index increased sharply in January, climbing to its highest level since December 2018.

The Linehaul Index came in at 140.1, up from 137.0 in December and up over 7% from 130.6 in January 2020.

- The index has now risen for seven consecutive months, climbing 8.1% over that time.

Tight capacity, which is being exaggerated by the production issues from the chip shortages, have over come the recent slowing of consumer spending.

- A sharp jump higher of consumer spending in January, combined with the increased issue due to weather will certainly push rates higher in the near term.

The Linehaul Index measures the market fluctuations in per mile truckload pricing.

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

Linehaul Index





¹ Platts, Spot Iron Ore: February 18, 2021.

² London Metal Exchange, Weekly Zinc Price and Inventory Report: February 19, 2021.

Shanghai Futures Exchange, Weekly Zinc Inventory Report: February 19, 2021.

³ American Iron & Steel Institute, Weekly Domestic Steel Production: February 16, 2021.

⁴ WardsAuto, US Light Vehicle Production: January 2021.

⁵ National Association of Homebuilders, Housing Market Index: February 2021

⁶ US Census Bureau, New Residential Construction: January 2021

⁷ The Federal Reserve, Industrial Production//Capacity Utilization: January 2021.

⁸ New York Federal Reserve, Empire Manufacturing Index: February 2021.

⁹ Department of Labor, Weekly Initial Jobless Claims: February 18, 2021.

¹⁰ US Census Bureau, Retail Sales: January 2021

¹¹ Cass Information Systems, Linehaul Index: January 2021

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