

CORE 03.12.21 **REPORT**

COST

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

SUPPLY

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- lead times
- ▲ production
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- inventories

DEMAND

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

ECONOMIC

07

- ▲ employment
- ▲ inflation
- confidence
- retail sales

SCRAP¹

After a flat reading in February, prime scrap price skyrocketed in March.

March scrap settled at \$550/gt, up \$70/gt from \$480/gt in February.

- This is the highest price for scrap since September 2008.
- Prime scrap is now up 112% since the recent bottom of \$260/gt in August.

Declines in scrap supply due to continued automotive shutdowns along with winter storms have negatively impacted collections and distribution, which has helped to push prices upward.

PRIME SCRAP



COST

SPOT IRON ORE²

Spot iron ore pricing decreased this week after climbing the previous three weeks.

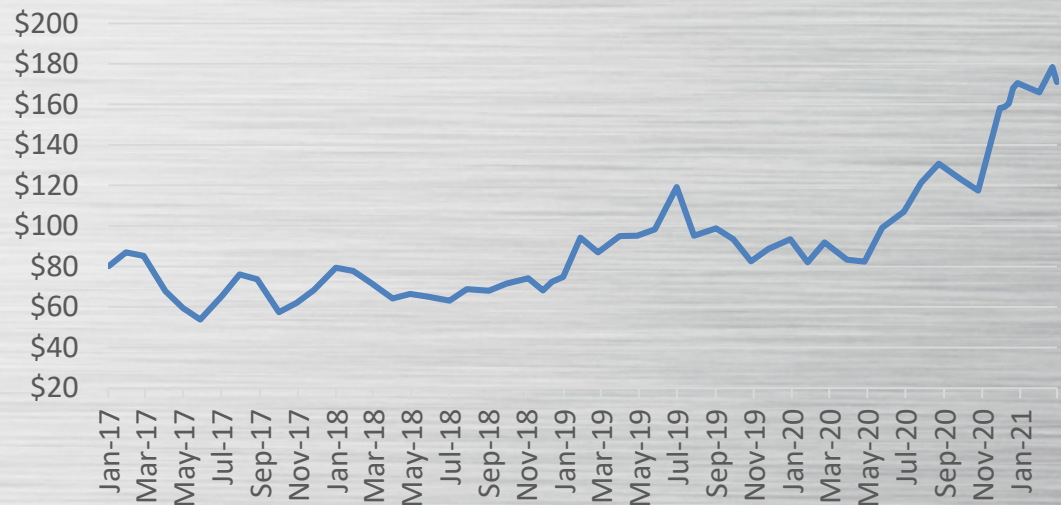
Spot iron ore pricing ended the week at \$171.05/mt, down from \$178.45/mt a week ago.

- This is down after setting the highest price since September 2011 the week prior.

Iron ore prices dipped globally this week due to the announcement of strong supervision on steel production operations and emission standards in China.

- However, overall sentiment remains bullish as global steel demand continues to recover from COVID-19.

IRON ORE COST



COST


WEEKLY ZINC PRICING³
**ZINC**

Zinc pricing increased this week after sliding the previous two weeks.

Zinc pricing ended the week at \$2,784/mt (\$1.263/lb), up from \$2,746.50/mt (\$1.246/lb) previously.

- Global zinc demand fell roughly 5% in 2020 due to COVID-19; with automotive and infrastructure sectors hit the hardest.
 - Stronger downstream demand from those sectors, along with power generation, construction, and consumer goods sectors should support prices going forward.

Global zinc inventory climbed again this week, now up for the seventh consecutive week.

- LME warehouse inventory decreased slightly to 267,175 metric tons, from 268,775 metric tons previously.
- Shanghai warehouse inventory increased again this week, climbing from 118,305 metric tons to 123,218 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production increased slightly last week, now up for the fourth consecutive week.

U.S. mills produced an estimated 1,755k tons at a 77.4% utilization rate; this is up from 1,749k tons and a 77.2% rate previously.

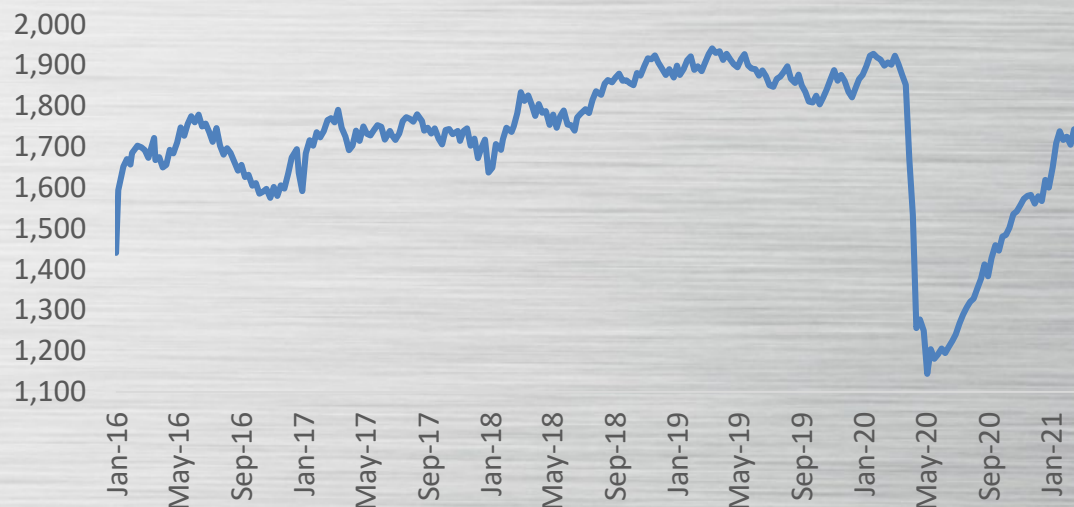
- This once again sets a new pandemic-era high for domestic mill utilization rate.

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

- Production from the Southern region climbed from 715k tons to 740k tons.

Year-to-date production is now 9.8% below the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



HEATING AND COOLING EQUIPMENT⁵

Shipments of heating and cooling equipment continued to climb in January, pushed higher by the strong residential construction market.

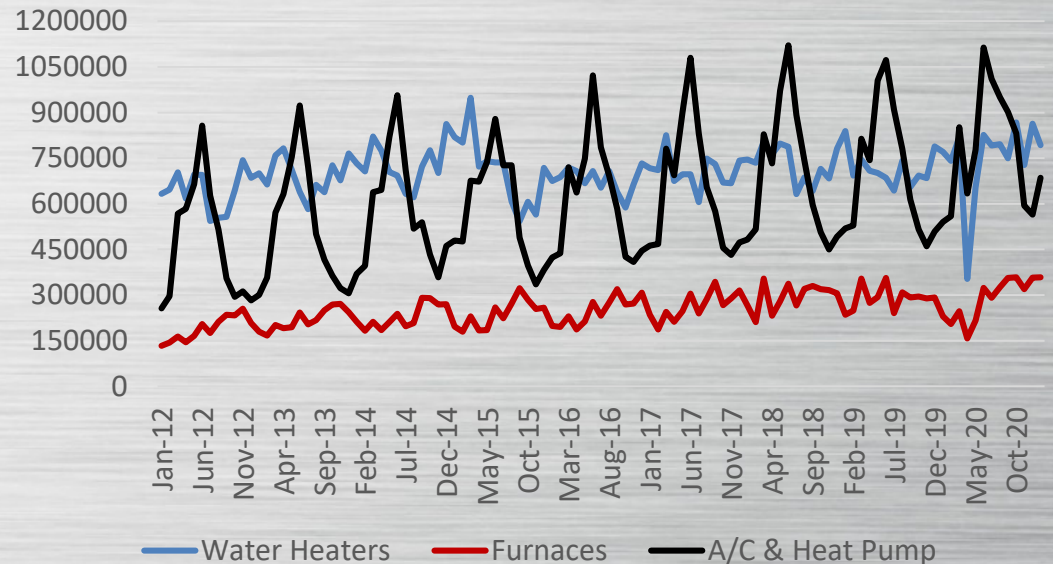
January HVAC equipment shipments totaled 1.838 million units, up 3.0% from December and up a sharp 19.3% from 1.505 million units in February 2020.

- This was the eighth consecutive month in which shipments increased on a year-over-year basis.

While all three product groups saw increased shipments, on a year-over-year basis, furnace shipments increased the most, climbing 55.9%.

- Water heater and A/C and heat pump shipments increased 2.9% and 27.0%, respectively, compared to last January.

HVAC EQUIPMENT SHIPMENTS

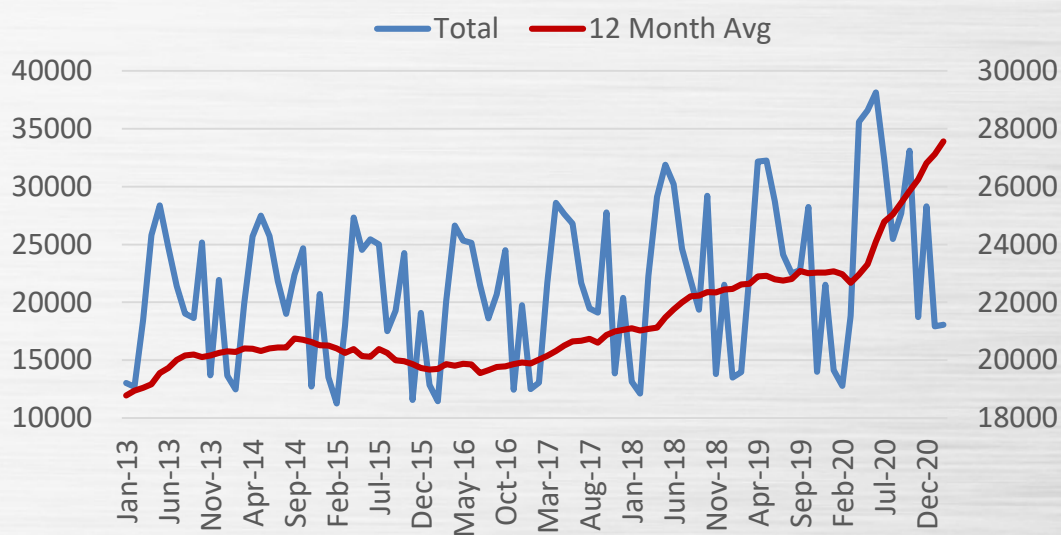


DEMAND



TRACTOR AND COMBINE SHIPMENTS⁶

TRACTOR AND COMBINE SHIPMENTS



After the sharp seasonal decline in January, total North American shipments of tractors and combines increased in February.

Shipments came in at 18,076 units, up 0.9% from January and up a sharp 41.5% from 12,776 units in February 2020.

- This is the eleventh consecutive month in which shipments have increased by at least ten percent on a year-over-year basis.

Shipments of tractors led the push higher, climbing 1.9% from January and 42.7% from February 2020.

- Combine shipments lagged behind, sliding 41.2% from January and 12.4% on a year-over-year basis.
- Combine shipments have now declined, on a year-over-year basis, for the third time in the last four months.

Year-to-date shipments are now 33.7% from the same timeframe last year.

WEEKLY INITIAL JOBLESS CLAIMS⁷

Weekly initial jobless claims decreased last week, now down three out of the last four weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 712,000 claims, down from 754,000 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 760,750 from 794,750 claims previously.

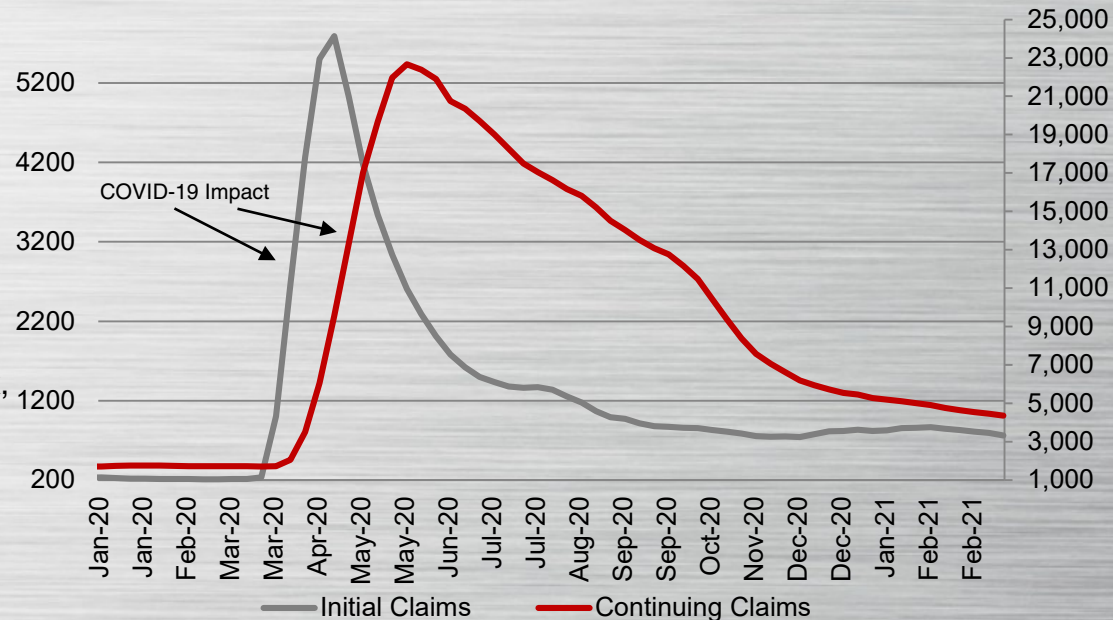
Continuing claims, or claims lasting longer than one week, dropped to another pandemic-era low, now down for the eighth consecutive week.

- Continuing claims decreased to 4.144 million, down from 4.337 million previously.

Though the unemployment rate has dropped from a pandemic-era high of 14.8% last April to 6.2% in February, there are still huge gaps in employment.

- There still remains about 10 million unemployed workers through February.

WEEKLY INITIAL JOBLESS CLAIMS





CONSUMER PRICE INDEX⁸

Prices paid by consumers continued to inch higher in February but came in line with most market expectations.

The February Consumer Price Index increased 0.55% from January and 1.68% from February 2020.

- This was the highest year-over-year increase in prices since pre-pandemic February 2020.

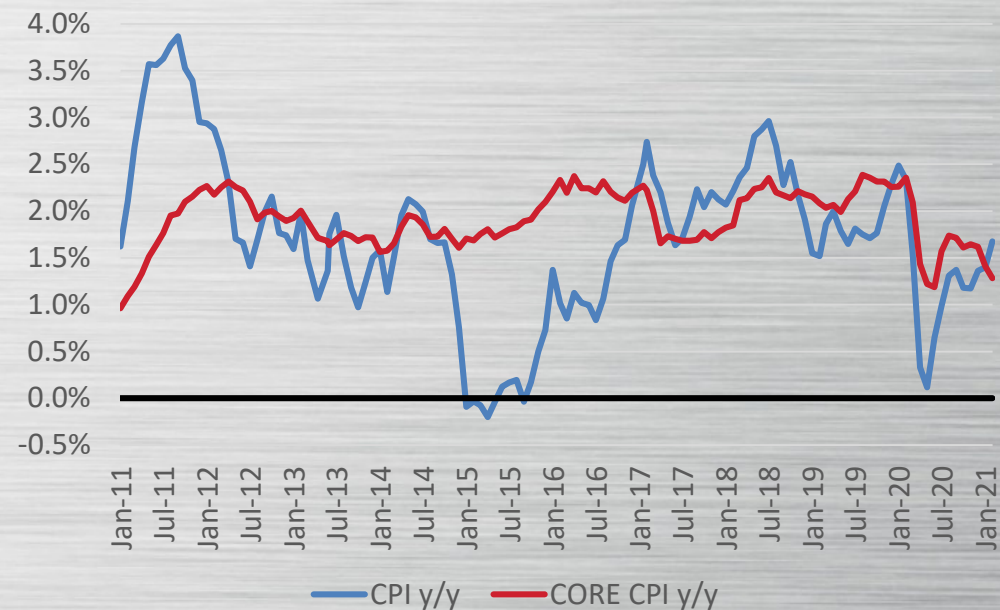
Excluding the volatile food and energy sector, consumer prices increased slightly from January.

- The CORE-CPI increased 0.35% from January and was up 1.28% from February 2020.
 - This is down from the 1.62% y/y increase in December and the 1.41% y/y increase in January.
 - This was the lowest year-over-year increase in the CORE-CPI since June.

The increase in the CORE-CPI came from rising prices for shelter, recreation, vehicle insurance, and medical care.

- These increases, and others, were only partly offset by declining prices for airline fees, used cars, and apparel.

CONSUMER PRICE INDEX



SOURCES

- 1 Prime Scrap Pricing. Market Conversations: Week ending March 12, 2021.
- 2 Platts, Spot Iron Ore: March 11, 2021.
London Metal Exchange, Weekly Zinc Price and Inventory Report: March 12, 2021.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: March 12, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: March 9, 2021.
- 5 A/C Heating & Refrigeration Institute, Heating and Cooling Equipment Shipments: January 2021.
- 6 Association of Equipment Manufacturers, Tractor/Combine Shipments: February 2021.
- 7 Department of Labor, Weekly Initial Jobless Claims: March 11, 2021.
- 8 Bureau of Labor Statistics, Consumer Price Index: February 2021.

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