

## DEMAND CONTINUES TO STRESS CURRENT SUPPLY LEVELS

Domestic raw steel production is continuing to rebound. But, with supply chain issues and depleted inventories, availability is still being out paced by growing demand.

### INPUT COSTS

Zinc pricing pushed higher this week, closing in on \$1.30/lb for the first time in a month.

- With the price of the metal now trading well above the 20 and 50 DMAs, the short-term price action should remain sideways with an upside bias.

After the sharp jump in March, early expectations are for a quieter April scrap buying week.

- Prime scrap availability remains tight and a continued chip shortage is restraining flows but the limited supply is being offset by lower buying patterns ahead of Q2 maintenance.
- Obsolete and shredded grades are headed towards a \$20-\$30/gt decline in April as the export market dried up significantly.
  - Turkey's production outages tie to the Ramadan holiday, combined with the sharp 10-15% drop in the Turkish lira helped suppress the appetite for scrap import activity over the last couple of weeks.

### SUPPLY

Domestic raw steel production rebounded last week after sliding last week for the first time since early February.

- US steelmakers produced 1.760 million tons at a 77.6% utilization rate.
- Production was up 1.1% from the same week last year but is still down 5.6% on an YTD basis.

Last Friday, the United Steelworkers (USW) at Allegheny Technologies, Inc. (ATI) announced its intent to strike over “unfair labor practices” beginning this week.

- ATI will work toward an orderly shutdown of its impacted nine facilities, selling out of inventory.
- ATI also has an ability to operate its most critical facilities using non-represented and/or temporary employees as needed to meet demand.

## DEMAND

Google plans to invest \$7 billion in offices and data centers across 19 states this year, while creating up to 10,000 new full-time jobs.

- The details called for plans for building or expanding offices and data centers across the country, while moving into three new locations in Texas, North Carolina, and Minnesota.
- This is an added boost for a sector that was hit hard during the pandemic.

Another non-residential sector to watch for growth is schools.

- Three relief-funding bills have injected \$190.5 billion in funds for K-12.
  - While the majority of funds from the first two bills (\$67.8 billion) went to immediate needs (technology, PPE, staffing), the latest bill now provides opportunity for school leads to focus on using the funds on construction projects to better prepare for 3-5-10 years out.

The Chicago PMI continued to expand in March, now expanding for the ninth consecutive month.

- The March Chicago PMI came in at 66.3, up from 59.5 in February and the strongest rate of expansion since November 2018.
- For Q1, the average expansion was at its strongest level since Q3 2018.

## PRICE

Steel pricing continued to set new all-time highs, as the upward momentum continued this week.

- This current upward super-cycle for flat product pricing has now entered its eighth month, with no signs of turning in the near future.

## ECONOMIC

Despite the alleviating of the problem earlier this week, the nearly weeklong blockage of the Suez Canal will have a major impact on the global shipping supply chain.

- The Suez blockage will drastically reduce global container shipping capacity and lead to further delays for American importers to get their orders delivered.
- Global shipping rates were already on the rise and this will only push freight costs up everywhere.

The Consumer Confidence Index surged in March, climbing sharply after a slight increase in February.

- The March Index increased to 109.7, up from 90.4 in February.
  - This is the highest the reading has been in a year.
- The sharp increase in the overall index as well as the other components are a strong indication that economic growth is likely to continue to strengthen further in the short-to-medium term.

The March Chemical Activity Barometer increased to 127.8, up from February and up for the eleventh consecutive month.

- The Barometer is now at its highest level on record.
- The CAB is a leading economic indicator that typically leads industrial production by 3-6 months.