

ECONOMIC RECOVERY OPTIMISM IS DRIVING DEMAND HIGHER

Demand continues to grow for construction, manufacturing, and automotive industries. With growing demand jobs are opening up across sectors, supporting economic recovery.

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; the limited supply is being offset by lower buying patterns ahead of Q2 maintenance.
- Obsolete and shredded grades are headed towards a \$20 decline in April as the export market dried up significantly.

Market sentiment for iron ore is weak because of the ongoing restrictions and inspections on steelmakers in regions outside of the Tangshan region in China.

- With that being said, iron ore prices are still being supported on the strong prices of steel products globally.

SUPPLY

Domestic raw steel production rebounded for the second consecutive week.

- U.S. steelmakers produced 1.766 million tons at a 77.9% utilization rate.
- Production was up sharply from the same week last year as we have reached the point when mills started idling capacity to cope with the onset of the pandemic.

The United Steelworkers (USW) at Allegheny Technologies, Inc. (ATI) announced its intent to strike over “unfair labor practices” beginning last 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.

Sometime this week, US Mon Valley suffered a major water main break that has left the whole facility down.

- While the expectation is for the repairs to be made over the next couple of days, the downtime will result in roughly 5,500 tons lost per day.

DEMAND

March light vehicle sales had their strongest March sales rate in 21 years.

- Light vehicle sales came in at a 17.75 million-unit rate and were only held back from hitting the 18.00 million-unit rate by lean dealer inventories.
- Continued strong demand will put pressure on producers to keep up with production even with the chip shortage.

The combination of production disruptions and strong demand has officially put light vehicle inventories at dealers in crisis mode.

- The March light vehicle inventory, when combined with March’s sales, left just 39 days of supply on the lots.
 - This is down from 54 days in February and well below the historical average of 65 days.

After climbing the previous two months, total construction spending slipped in February.

- Despite the m/m decline, spending continued to climb on a y/y basis (+5.3%); marking the twenty-first consecutive month with a y/y increase in spending.
- Some of the slip in February can be attributed to the week-long deep freeze that blanketed much of the South.

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

After showing strong improvement in the manufacturing sector last week, the ISM service sector index showed the fastest growth on record in March.

- The strong service sector growth, combined with the strong manufacturing data from last week, and the strong jobs report, paints a rosy picture for continued economic recovery.

The March jobs report showed the U.S. added roughly 915,000 jobs, the highest monthly total since August.

- The construction sector added a strong 110,000 jobs as the housing market remains strong and building activity picked up as we entered the spring.
- Manufacturing employment saw a sizeable 53,000-job increase as well, as the race to keep up with demand helped to boost manufacturing employment demand.