

CORE 05.07.21 **REPORT**

COST

01

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

SUPPLY

03

- ⊖ lead times
- ⊕ production
- ⊖ imports
- ⊖ inventories

DEMAND

04

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

ECONOMIC

08

- ⊕ employment
- ⊖ GDP
- ⊖ confidence
- ⊖ retail sales

SPOT IRON ORE¹

Spot iron ore pricing increased sharply again this week, now up for the sixth consecutive week.

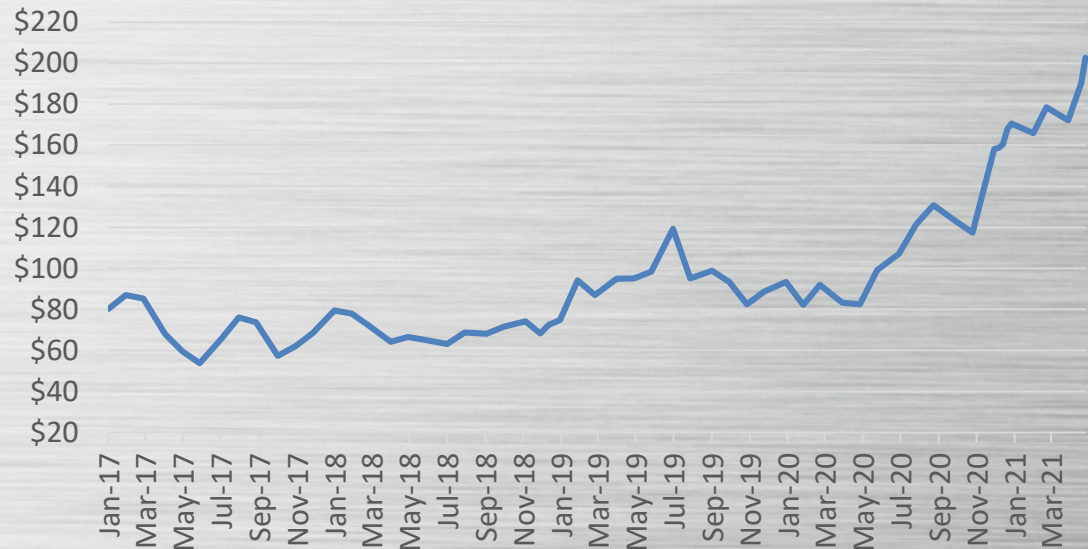
Spot iron ore pricing ended the week at \$190.45/mt, up from \$190.45/mt a week ago.

- This is the highest price for iron ore ever recorded.

Iron ore prices continue to gain support from the record high finished steel prices seen globally.

- The resilience of iron ore prices has been compounded by tight supply, particularly in the last three months, as both Brazil and Australia experienced seasonal production reductions.
 - Australian miners, Rio Tinto and BHP, saw a decline in production by 11% and 5% quarter over quarter respectively, while the largest miner in Brazil, Vale, saw its ore production drop by 20%.

IRON ORE COST



COST

▲ WEEKLY ZINC PRICING²



ZINC

Zinc pricing increased significantly this week, now up four out of the last five weeks.

Zinc pricing ended the week at \$2,973/mt (\$1.349/lb), up from \$2,904/mt (\$1.317/lb) previously.

- This remains the highest price for zinc since May of 2019.

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

- LME warehouse inventory decreased slightly to 290,800 metric tons, from 291,925 metric tons previously.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION³

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

U.S. mills produced an estimated 1,788k tons at a 78.7% utilization rate; this is up from 1,781k tons and a 78.4% rate previously.

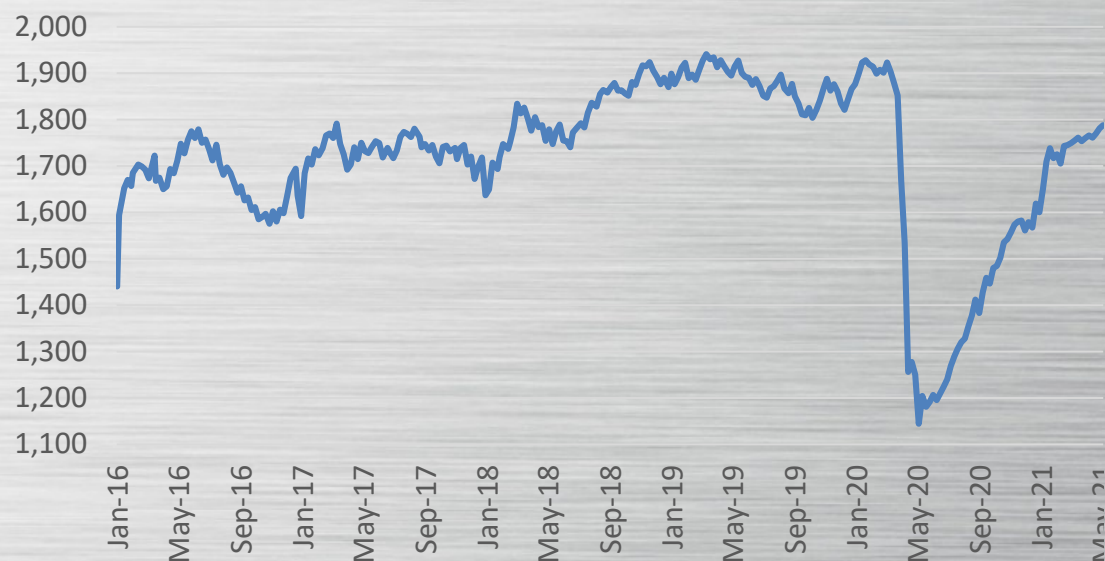
- This sets another new pandemic-era high for both tons and utilization rate, the highest since March 2020.

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 744k tons to 756k tons.

Year-to-date production is now 1.3% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

LIGHT VEHICLE SALES⁴

U.S. light vehicle sales had its strongest sales pace in April since July 2005.

- April light vehicle sales came in at a seasonally adjusted rate of 18.51 million vehicles.

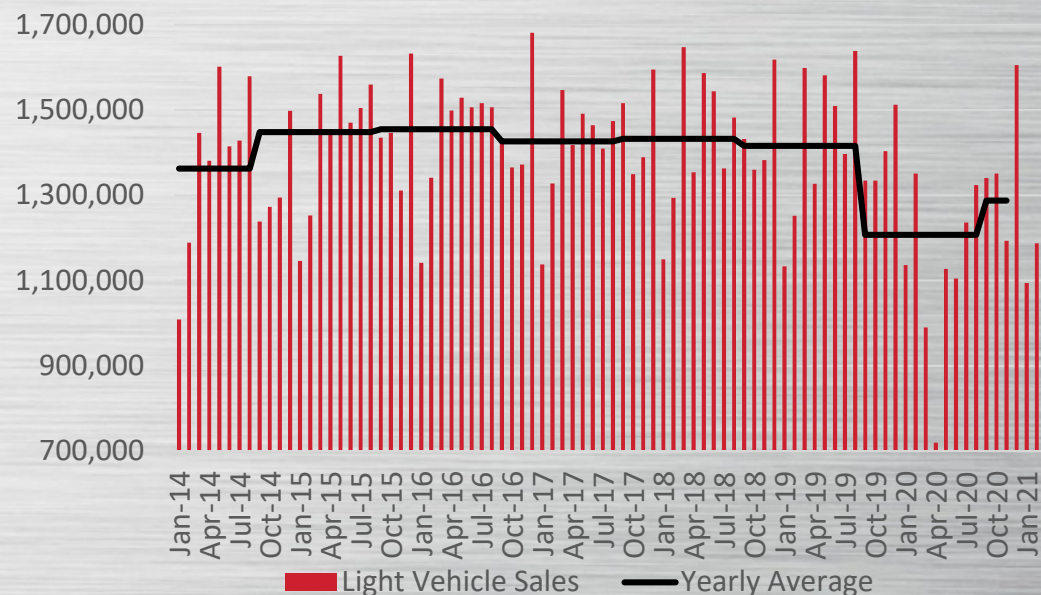
Actual light vehicle sales totaled 1.512 million units in April, down slightly from March but up over 111% from pandemic bottom in April 2020.

- Sales of both cars and light trucks were up sharply compared to last year climbing 101.0% and 104.5%, respectively.

Year-to-date light vehicle sales are now up 28.7% from the same timeframe last year and up 1.6% from the first four months of 2019.

The continued increase in demand will only continue to pressure dealer inventories as production continues to struggle through parts and material shortages.

U.S. LIGHT VEHICLE SALES



DEMAND

LIGHT VEHICLE INVENTORY⁵

U.S. light vehicle inventory continued to decline as sales ramped up and production remains constrained.

U.S. light vehicle inventory totaled 1.973 million units in April, down 17.9% from March and down 39.6% from 3.265 million units in April 2020.

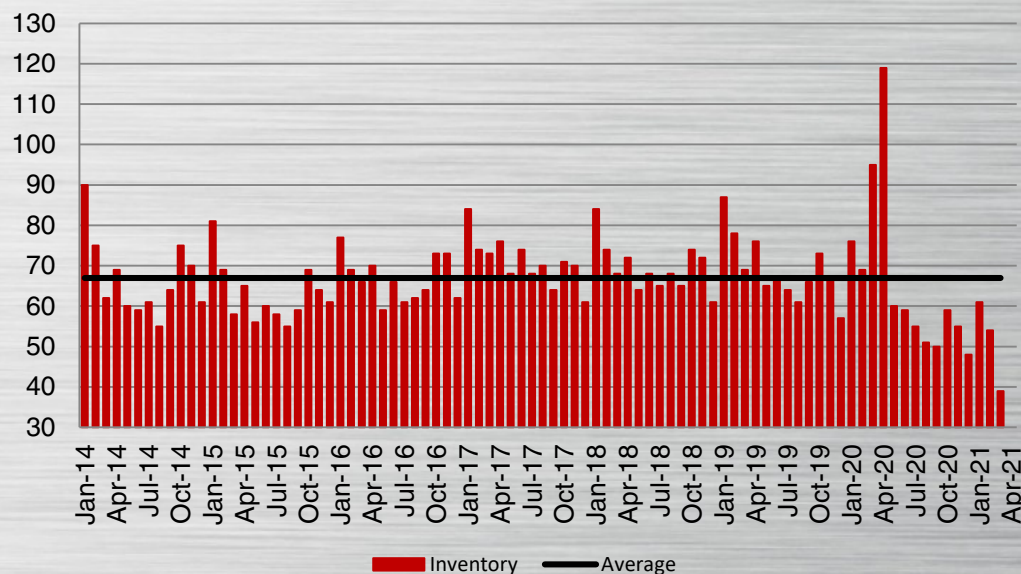
- This is the lowest light vehicle inventory has been since December 2009.

Current light vehicle inventory, when combined with April's strong sales pace, equates to 34 days of supply.

- This is down from 39 days of supply in March and the well below the five-year average of 67 days.

The extremely lean inventory level will continue to pressure light vehicle production through the balance of 2021 and into 2022.

U.S. LIGHT VEHICLE DAYS OF SUPPLY



DEMAND

CONSTRUCTION SPENDING⁶

After slipping in February, total construction spending regained its upward momentum in March.

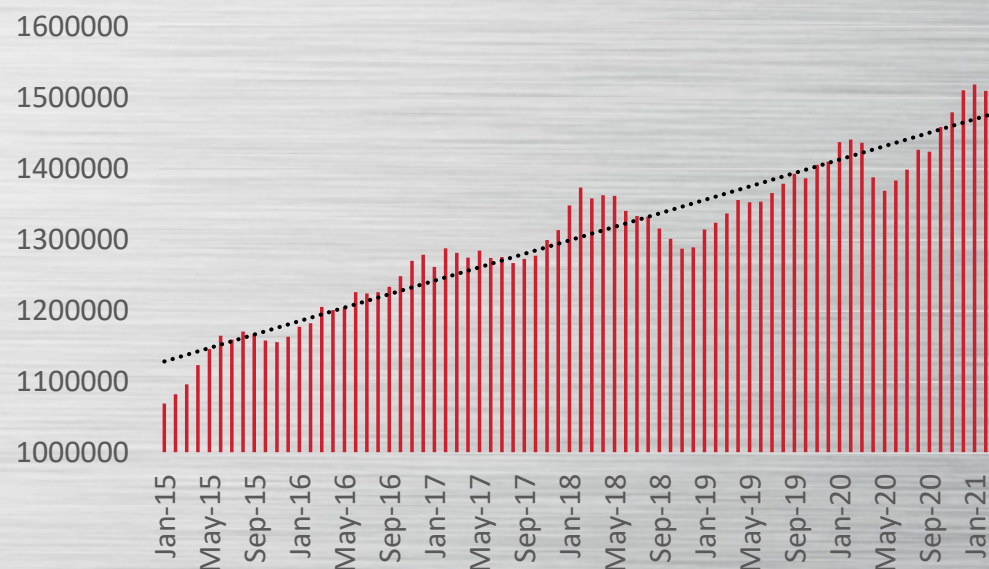
Total construction spending came in at a \$1.513 trillion rate in March, up 0.2% from a \$1.510 trillion rate in February.

- Spending continued to climb on a year-over-year basis as well, climbing 5.3% from a \$1.437 trillion rate in March 2020.
 - Total construction spending has now increased on a year-over-year basis for twenty-two consecutive months.

The increase in total spending in March almost solely came from residential spending.

- Residential spending came in at a \$734.6 billion rate in March, up 1.7% from February and up 23.3% from a \$596.0 billion rate in March 2020.
- The increase in residential spending more than offset the 1.1% decline in non-residential spending.
 - Non-residential spending came in at a rate of \$778.5 billion.
 - Non-residential spending has now declined, on a year-over-year basis, for nine consecutive months.

TOTAL CONSTRUCTION SPENDING (SAAR)



DEMAND

ISM MANUFACTURING INDEX⁷

Economic activity in the manufacturing sector continued to grow in April as the ISM Manufacturing index came in at 60.7.

- The manufacturing sector has now increased for eleven consecutive months.

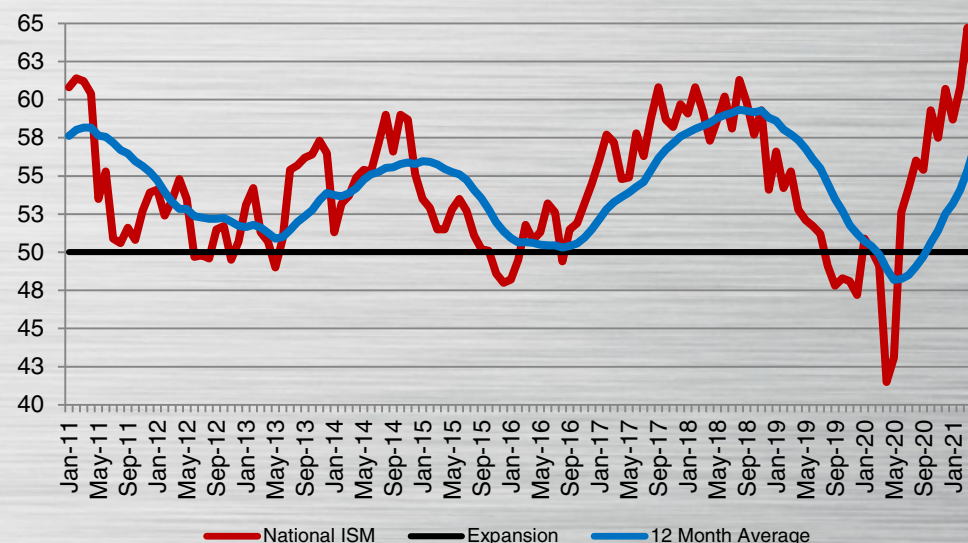
The 60.7 reading for April is a slight slowdown from March (64.7) but is well above the 41.5 reading from April 2020.

- The 12-month average is now up to 57.0, the highest 12-month average since April 2019.

Both the New Orders and Production components continued to show expansion in April, coming in at a 64.3 and 62.5, respectively.

- The Order Backlog component actually expanded faster in April, climbing to 68.2 from 67.5, previously.

ISM MOMENTUM INDEX



WEEKLY INITIAL JOBLESS CLAIMS⁸

Weekly initial jobless claims decreased for the fourth consecutive week last week, hitting another pandemic era low.

The Department of Labor's Weekly Initial Jobless Claims report came in at 498,000 claims, down from 590,000 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 560,500, from 627,750 claims previously.

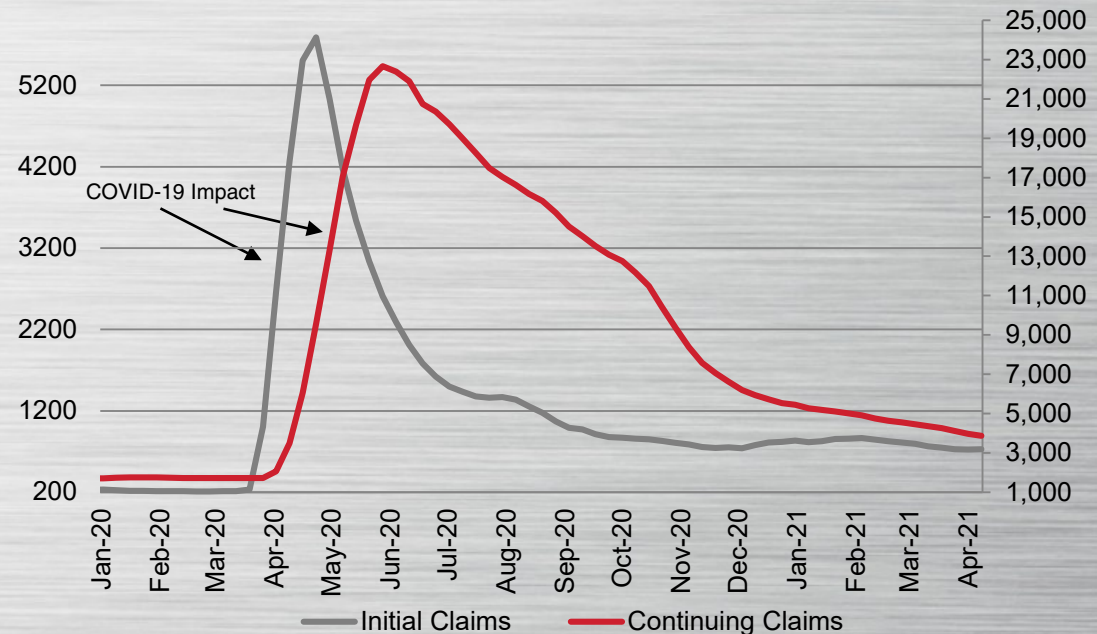
Continuing claims, or claims lasting longer than one week, increased slightly, now up for the second consecutive week after sliding the previous fourteen weeks.

- Continuing claims increased to 3.690 million, up from 3.653 million previously.

At the state level, only Kentucky reported a notable increase, with its claims rising 4,657.

- Virginia (-23,909), Florida (-9,662) and California (-7,402) were among the states posting significant declines.

WEEKLY INITIAL JOBLESS CLAIMS



SOURCES

- 1 Platts, Spot Iron Ore: May 6, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: May 7, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: May 7, 2021.
- 3 American Iron & Steel Institute, Weekly Domestic Steel Production: May 4, 2021.
- 4 WardsAuto, US Light Vehicle Sales: April 2021.
- 5 WardsAuto, US Light Vehicle Inventory: April 2021.
- 6 US Census Bureau, Total Construction Spending; March 2021.
- 7 Institute for Supply Managers, National ISM Manufacturing Index: April 2021
- 8 Department of Labor, Weekly Initial Jobless Claims: May 6, 2021.

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