

CORE 05.14.21 **REPORT**

COST

01

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

SUPPLY

04

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

DEMAND

05

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

ECONOMIC

08

- ⊕ employment
- ⊕ inflation
- ⊕ trucking
- ⊖ retail sales



SCRAP¹

After leveling off in April, prime scrap price remained flat again for May.

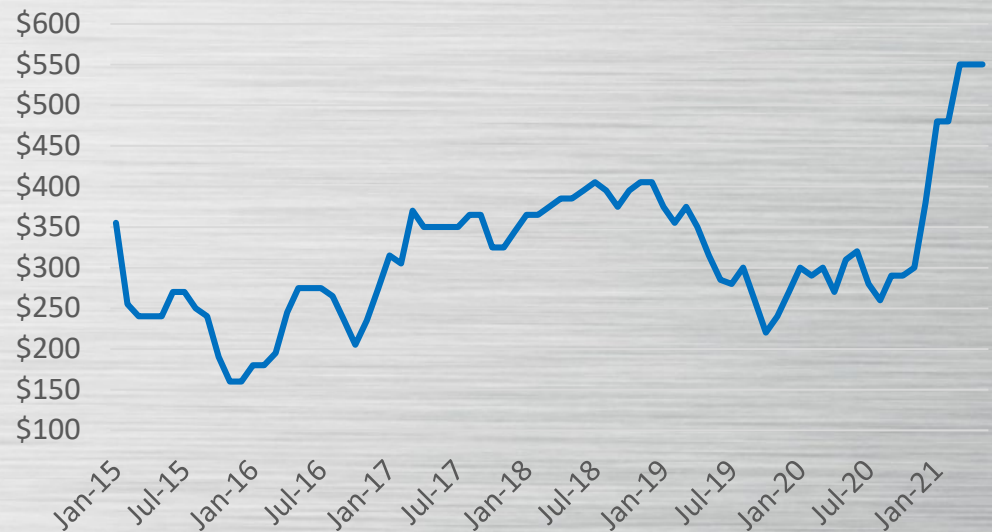
- May scrap settled at \$550/gt, flat from \$550/gt in April.
- This remains the highest price for scrap since September 2008.

The scrap environment remains tight and has caused many sheet producers to increase the use of shredded scrap into their mix.

- Steel Dynamics announced they decreased their prime scrap consumption by 10% across sheet operations in Q1.

Despite this possible slowdown in prime demand, it is expected that the decline in supply will continue to outweigh the slowdown in consumption, keeping prices elevated over the short-to-medium term.

PRIME SCRAP



COST



SPOT IRON ORE²

Spot iron ore pricing skyrocketed this week, now up for the seventh consecutive week.

Spot iron ore pricing ended the week at \$233.10/mt, up from \$202.65/mt a week ago.

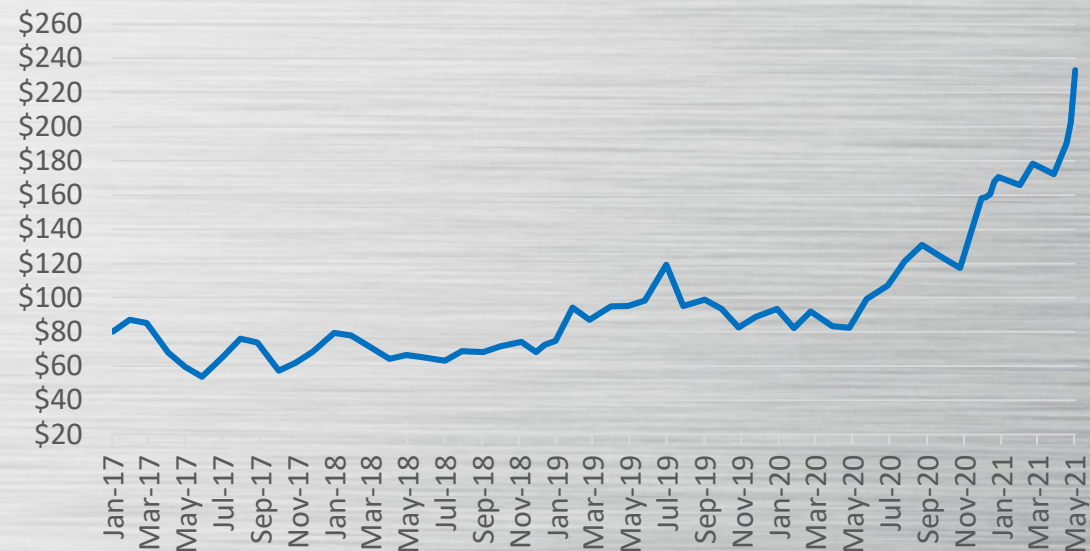
- This is the highest price for iron ore ever recorded.

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

Strong demand from China, the world's biggest consumer of iron ore, along with global stimulus spending, are major contributing factors.

- China's daily crude steel output hit a fresh record high in late April amid strong profit margins.
 - Production of steel is likely to climb even more in the coming months as capacity expands and profit margins continue to grow.

IRON ORE COST



COST

WEEKLY ZINC PRICING³



ZINC

Zinc pricing decreased slightly this week after climbing the previous two weeks.

Zinc pricing ended the week at \$2,924/mt (\$1.326/lb), down from \$2,973/mt (\$1.349/lb) previously.

- Zinc price briefly touched \$1.378/lb on Monday, the highest price since June of 2018.

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

- LME warehouse inventory decreased slightly to 287,150 metric tons, from 290,800 metric tons previously.
- Shanghai warehouse inventory decreased as well, sliding from 97,793 metric tons to 91,614 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production decreased last week, ending a streak of three consecutive increases.

U.S. mills produced an estimated 1,774k tons at a 78.1% utilization rate; this is down from 1,788k tons and a 78.7% rate previously.

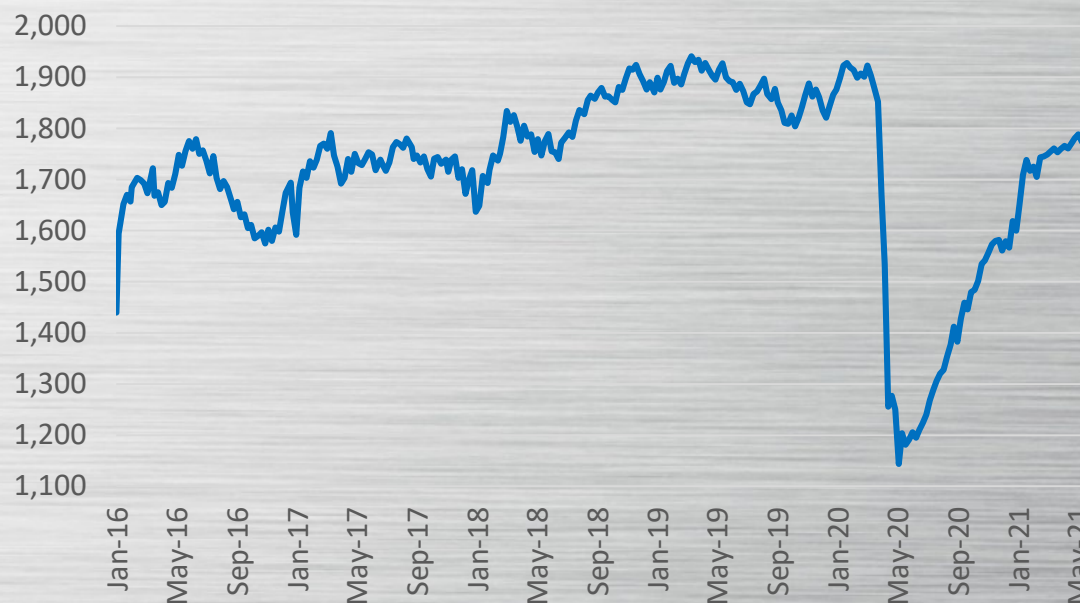
- Production has still climbed six out of the last eight weeks and is down slightly from the pandemic-era high seen the week prior.

Production decreased in four of the five regions, with the largest decrease (in tons) coming from the Northeast region.

- Production from the Northeast region dropped from 160k tons to 150k tons.

Despite the drop, year-to-date production is now 3% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

HEATING & COOLING EQUIPMENT⁵

After slipping on a month-over-month basis in February, heating and cooling equipment shipments increased sharply in March.

March shipments of heating and cooling equipment totaled 2.217 million units.

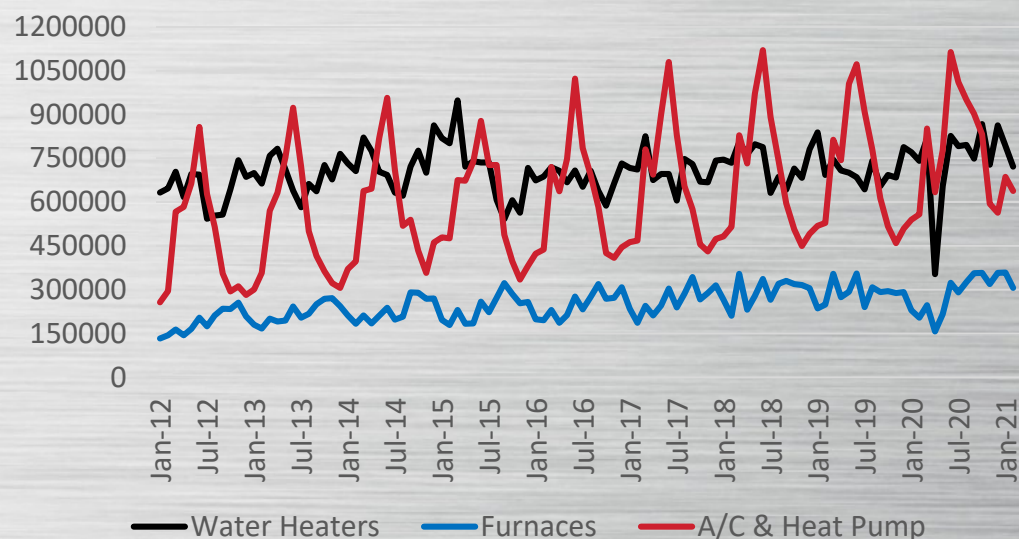
- This is up 33.1% from February and up a sharp 15.7% from 1.917 million units in March 2020.
- This is the ninth consecutive month in which shipments have increased, on a year-over-year basis, by at least 10%.

All three product groups saw year-over-year increases in March, with furnace shipments, up 52.2%, seeing the strongest growth.

- Water heater and A/C & heat pump shipments were up 12.0% and 8.6%, respectively.

For Q1, HVAC equipment shipments totaled 5.721 million units, up 15.3% from the total in Q1 2020.

HVAC EQUIPMENT SHIPMENTS



DEMAND

INDUSTRIAL PRODUCTION/CAPACITY UTILIZATION⁶

Total industrial production increased in April as factory output was able to return to operation of plants impacted by February's weather issues.

Industrial production came in at 106.3, up from 105.6 in March and well above the 91.3 bottom seen last April.

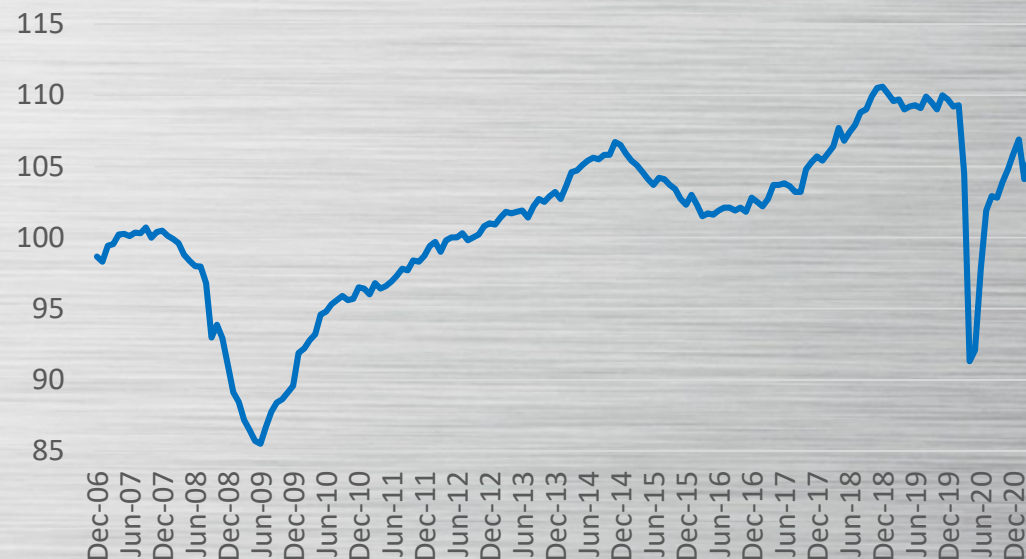
- Despite the recent recovery, industrial production still remains below the pre-pandemic peak of 110.0.
 - The continued slowdown of output from motor vehicles is keeping the index lower.

Capacity utilization increased as well, climbing to 74.9%.

- This is up from 74.4% in March and is at its highest level since February 2020.

While improving, utilization remains nearly 5% below its long-run average.

INDUSTRIAL PRODUCTION INDEX



TRACTOR & COMBINE SHIPMENTS⁷

TRACTOR & COMBINE SHIPMENTS

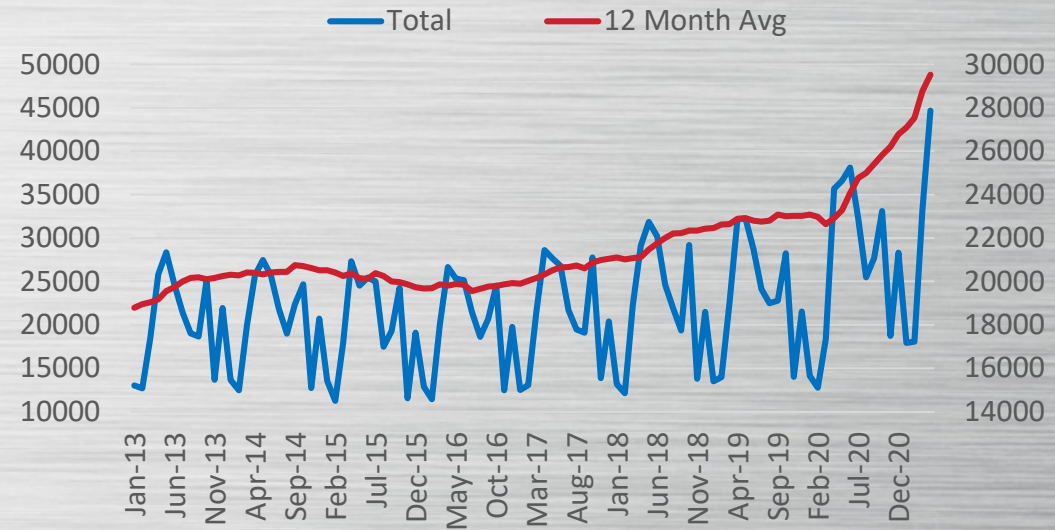
Shipments of North American (Canada and USA) tractors and combines continued to climb higher in April.

April tractor and combine shipments totaled 44,693 units, up 34.3%, from 33,271 units in March.

- This was the highest monthly shipment total in over fifteen years.

Looking on a year-over-year basis, to help smooth seasonality, shipments of both tractors and combines increased, climbing 25.7% and 1.3%, respectively.

Increased prices for crops, as well as a growing inventory, are helping to fuel agricultural equipment demand.



WEEKLY INITIAL JOBLESS CLAIMS⁸

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

The Department of Labor's Weekly Initial Jobless Claims report came in at 473,000 claims, down from 507,000 claims previously.

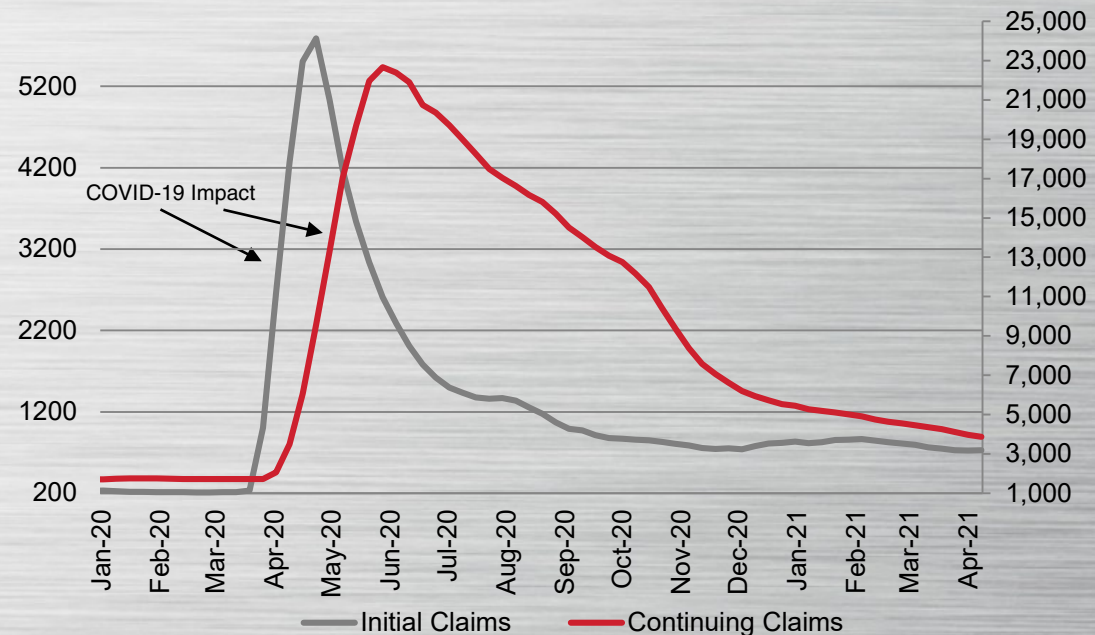
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 534,000, from 562,250 claims previously.

Continuing claims, or claims lasting longer than one week, decreased slightly after increasing the previous two weeks.

- Continuing claims decreased to 3.655 million, down from 3.700 million previously.

Several states such as Tennessee and Missouri that have unemployment rates below the national average of 6.1% have recently announced they will end federally funded pandemic unemployment benefits next month.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC

CONSUMER PRICE INDEX⁹

The combination of government stimulus and major supply chain disruptions, pushed the prices paid by consumers higher.

The Consumer Price Index increased at a 4.2% rate from a year ago, the fastest paced increase in more than 12 years.

Excluding the volatile food and energy sectors, prices increased 3.0% from the same period last year.

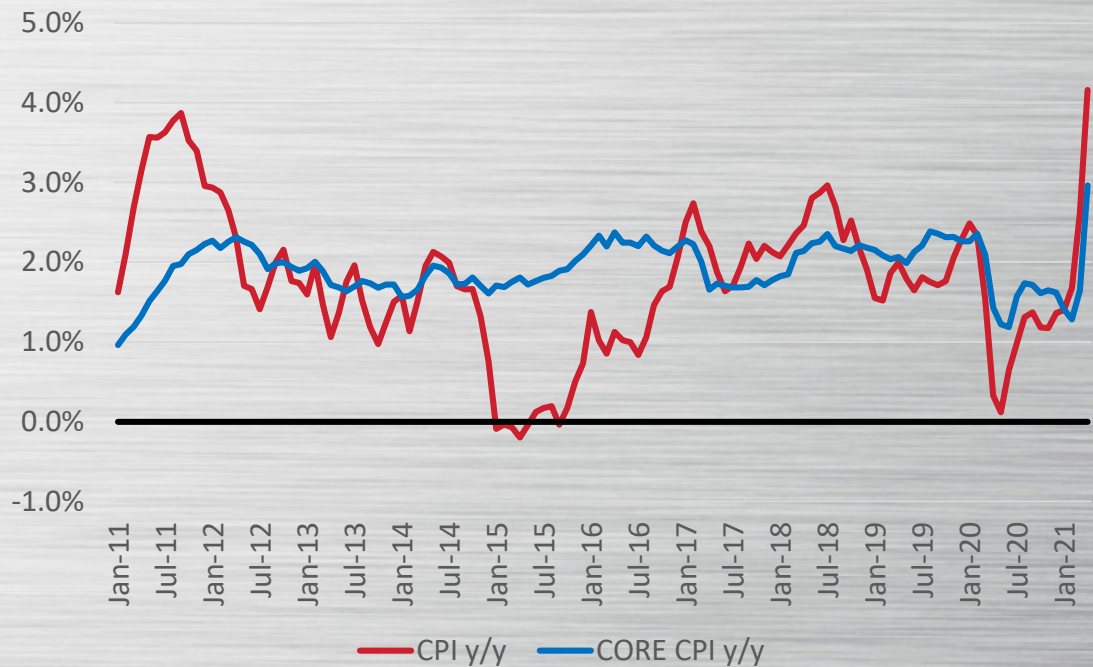
- The 3.0% increase was the fastest year-over-year increase since January 1996.

Prices were up 0.9% on a month-over-month basis in April, this follows a 0.4% increase in March.

- A 10% increase in the index for used cars and trucks was the largest contributor to the overall increase.
 - Lodging away from home increased 7.6%, airline fares increased 10.2% and shelter increased 0.4%.

Year-over-year comparisons are going to be skewed for a few months because 2020's initial pandemic impact.

CONSUMER PRICE INDEX



ECONOMIC



LINEHAUL INDEX¹⁰

The Cass Linehaul Index continued to climb in April, hitting a record high for the second consecutive month.

The Cass Truckload Linehaul Index came in at 146.5 in April, up from the previous all time high of 143.1 in March and is now up for the tenth consecutive month.

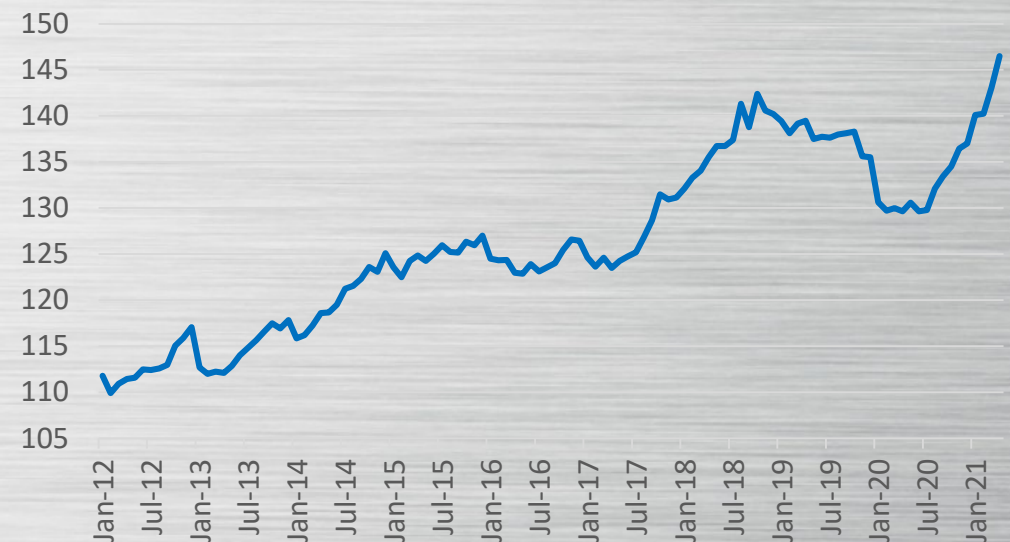
- The index is up sharply on a year-over-year basis, climbing from 129.65 in April 2020.

Strong freight demand and major supply constraints in both trucks and truck drivers, will help keep the Linehaul Index moving higher through the balance of the year.

The Linehaul Index is a timely indicator of market fluctuations in per-mile truckload pricing.

- The index isolates the linehaul component from other high variable components, like fuel.

LINEHAUL INDEX



RETAIL SALES¹¹

After a sharp jump higher in March, retail sales were virtually flat on a month-over-month basis in April.

April retail sales came in at a \$619.9 billion adjusted rate, up slightly from a \$619.8 billion rate in March.

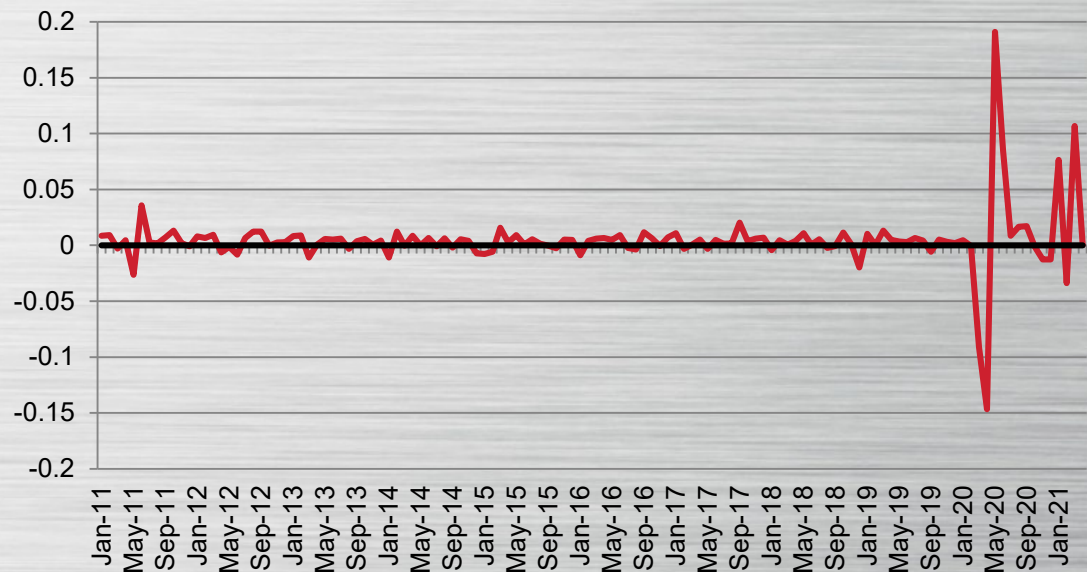
- On a year-over-year basis, April sales were up 51.2% from a \$410.0 billion rate in April 2020.
 - The year-over-year figures will be skewed for much of Q2 and Q3 due to the height of the COVID lockdowns last year.

Excluding the volatile gas sales, retail sales were up 0.1% from March, climbing to a \$573.9 billion rate.

Sales increased the most from motor vehicle dealers, electronic stores, and bars and restaurants.

- These increases offset declines in sales from clothing stores, sporting good stores, and department stores.

RETAIL SALES M/M %



SOURCES

- 1 Prime Scrap Pricing. Market Conversations: Week ending May 14, 2021.
- 2 Platts, Spot Iron Ore: May 13, 2021.
London Metal Exchange, Weekly Zinc Price and Inventory Report: May 14, 2021.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: May 14, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: May 11, 2021.
- 5 A/C, Heating, and Refrigeration Institute, HVAC Equipment Shipments: March 2021.
- 6 The Federal Reserve, Industrial Production/Capacity Utilization: April 2021.
- 7 Association of Equipment Manufacturers: Tractor and Combine Shipments. April 2021.
- 8 Department of Labor, Weekly Initial Jobless Claims: May 13, 2021.
- 9 Bureau of Labor Statistics, Consumer Price Index: April 2021.
- 10 Cass Information Systems, Linehaul Index: April 2021.
- 11 US Census Bureau, Retail Sales: April 2021.

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