

CORE 09.22.23 **REPORT**

COST

01

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

SUPPLY

04

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

DEMAND

05

- ⊕ automotive
- ⊖ construction
- ⊖ agriculture
- ⊖ manufacturing
- ⊖ appliance
- ⊖ consumption

ECONOMIC

11

- ⊕ employment
- ⊖ confidence
- ⊖ GDP
- ⊖ inflation
- ⊕ trucking

SPOT IRON ORE¹

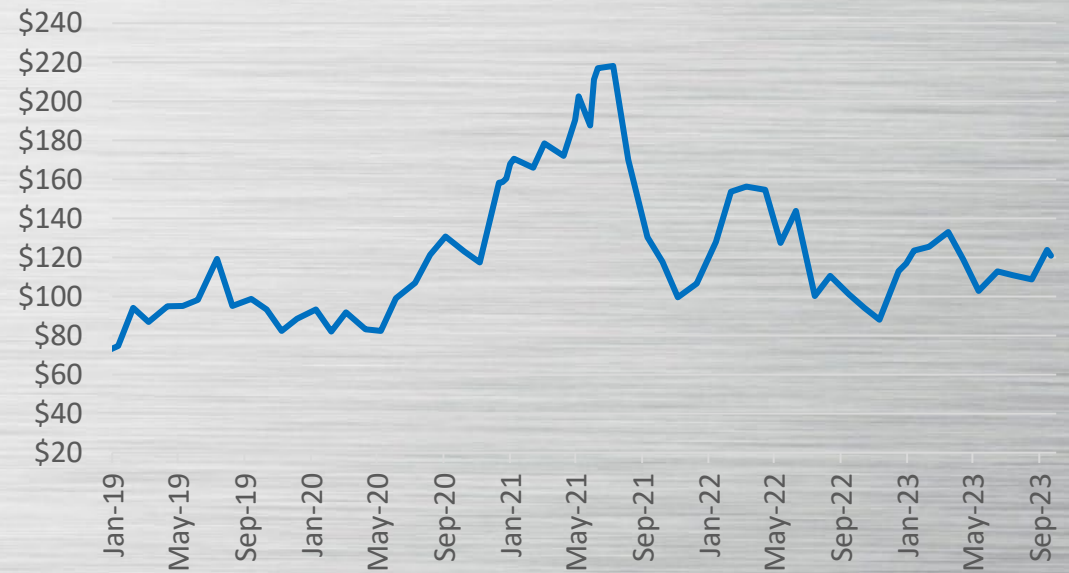
After climbing sharply last week to a five-month high, spot iron ore ticked down slightly this week.

Spot iron ore pricing ended the week at \$120.90/mt, down from \$123.95/mt a week ago.

- This remains the highest price for iron ore since early-April.

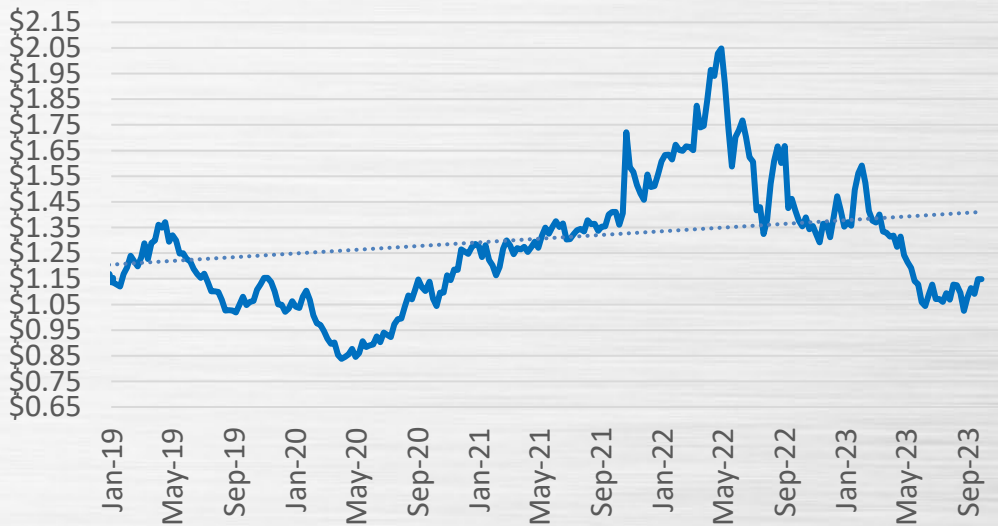
Despite the slight drop this week, spot price of iron ore remains bullish amid improving sentiment and supportive fundamentals in China.

IRON ORE COST



COST

WEEKLY ZINC PRICING²



ZINC

After climbing sharply last week, zinc pricing came in flat this week.

Zinc pricing ended the week at \$2,532/mt (\$1.148/lb), flat from \$2,532/mt (\$1.148/lb) last week.

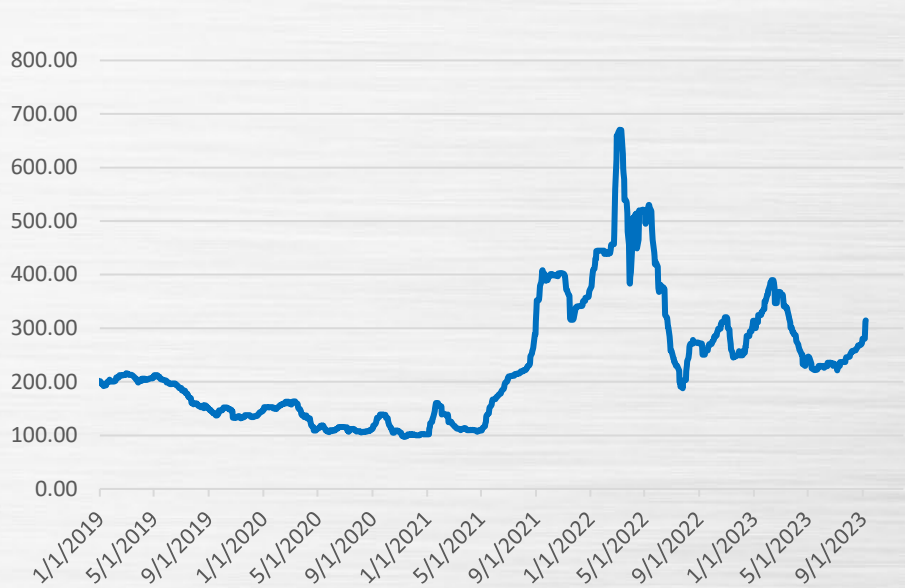
- This remains near the multi-month high seen three weeks ago.

Global zinc inventory decreased again this week, down for the fourth time in the last five weeks.

- LME warehouse inventory slipped from 127,450 metric tons to 108,050 metric tons.
- Shanghai warehouse inventory dropped slightly this week as well, slipping from 46,877 metric tons to 46,104 metric tons.

COST

COKING COAL³



COKING COAL

Coking coal continued its sharp upward push this week, climbing for the eighth consecutive week.

Coking coal ended the week at \$324.25/mt, up sharply from \$314.75/mt last week.

- This now marks the highest price for coking coal since early-March.

Coking coal pricing continues to climb as Chinese mills ramp up production ahead of a seasonal pick-up in domestic construction activity.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production increased slightly last week after sliding the previous three weeks.

U.S. mills produced an estimated 1,733k tons at a 76.2% utilization rate; this is up from 1,721k tons and a 75.7% rate previously.

Production increased in three out of the five regions, with the largest drop (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region rose from 555k tons to 571k tons.

Year-to-date production is now down 3.4% compared to the same timeframe from last year.

Integrated steelmaker U.S. Steel is idling the remaining active blast furnace at its Granite City mill in response to the United Auto Workers (UAW) strike.

WEEKLY DOMESTIC PRODUCTION



DEMAND

▲ LIGHT VEHICLE PRODUCTION⁵

U.S. light vehicle production jumped in August, a boost in preparation of the auto strike.

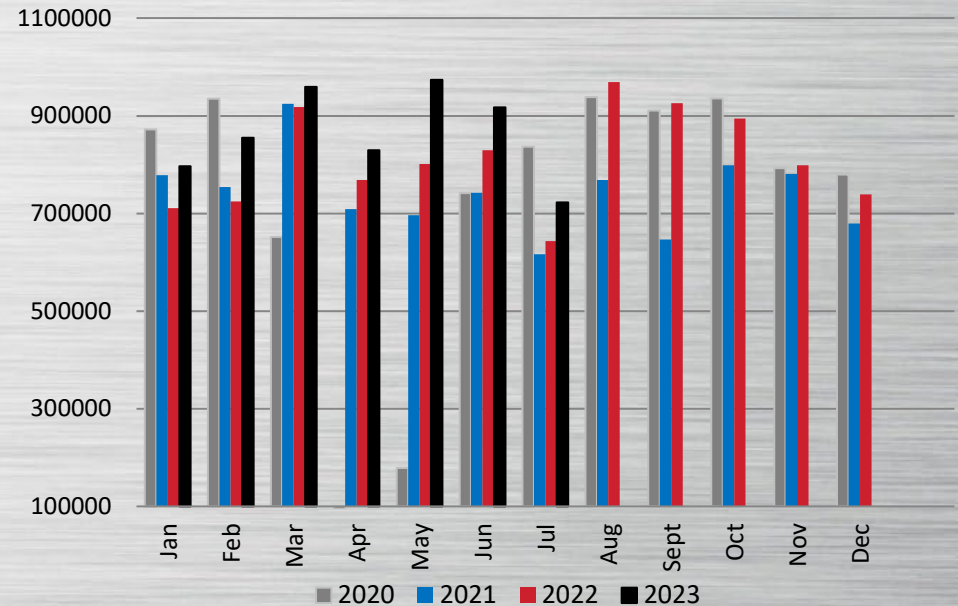
U.S. light vehicle production totaled 991,903 units, up 38.0% from July and up 1.7% from last August.

- This was the highest monthly production total since October 2018.
- Production has now increased, on a year-over-year basis, for seventeen consecutive months.

Production of both cars and light trucks increased on a year-over-year basis, climbing 2.8% and 1.4%, respectively.

Year-to-date light vehicle production is up 10.5% compared to the same timeframe last year.

U.S. LIGHT VEHICLE PRODUCTION



HOUSING MARKET INDEX⁶

Confidence among U.S. homebuilders contracted in September after a neutral reading in August.

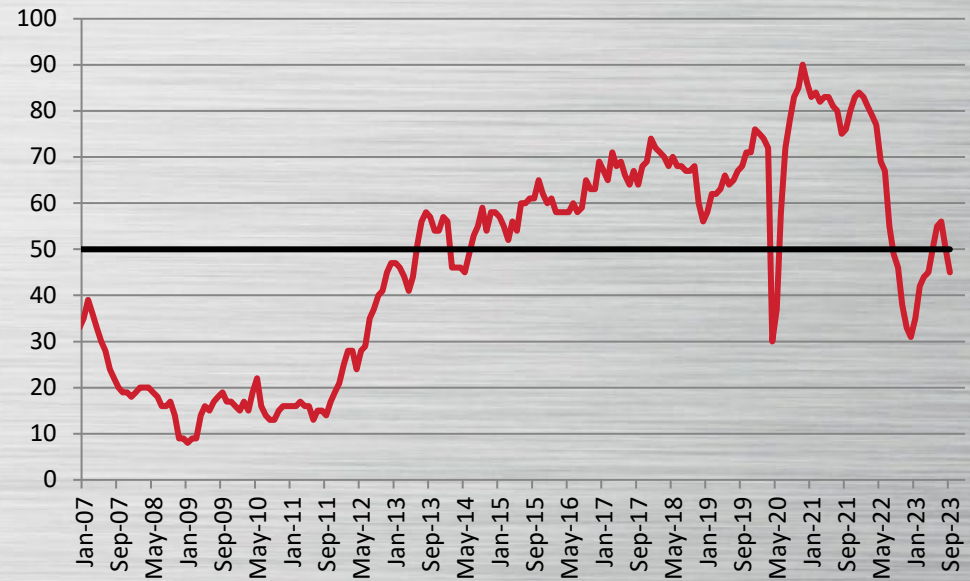
The Housing Market Index came in at 45, down from 50 in August and down from 46 in September 2022.

- Any reading below 50 denotes a pessimism about the housing market, while a reading above 50 shows optimism.

Within the index, the present situation component (51), was the only to come in above 50.

- The next six month and traffic components both declined in September, sliding to 49 and 30, respectively.

HOUSING MARKET INDEX



RESIDENTIAL CONSTRUCTION⁷

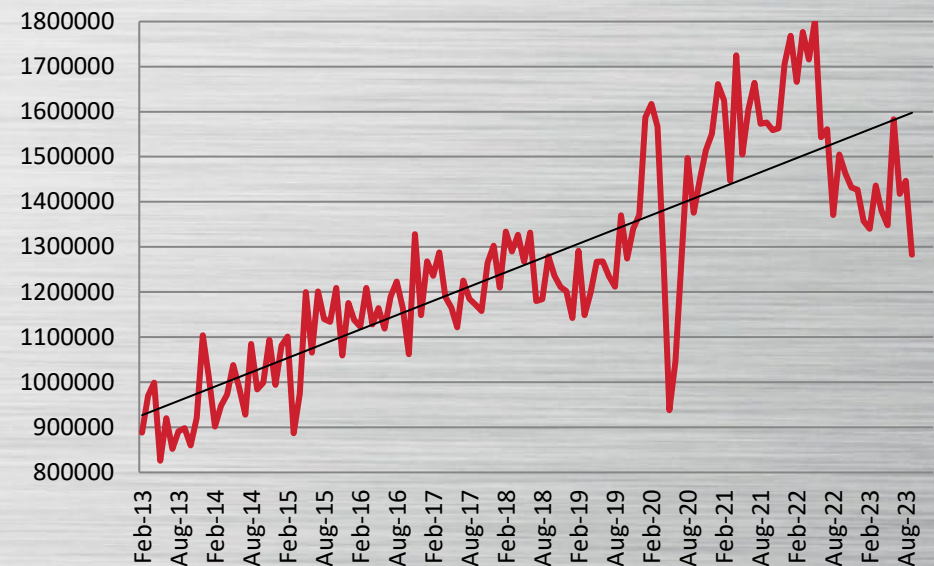
NEW HOUSING STARTS (SAAR)

New construction of residential units declined sharply in August, sliding 11.3% from July to a 1.283 million unit rate.

- This is down 14.8% from the 1.505 million unit rate in August 2022 and is at its lowest level since June 2020.
- Year-to-date actual new residential construction is now down 12.5% compared to the same timeframe last year.

Contrary to the decline in starts, new permits increased again in August, now up for the third time in the last four months.

- Permits increased to a 1.543 million unit rate, up 6.9% from July, but was down slightly from the 1.586 million unit rate in August 2022.
 - Permits are a leading indicator for future new residential construction.



EXISTING HOME SALES⁸

Sales of existing home sales continued to slide in August, now down for the third consecutive month and for the fifth time in the last six months.

Existing home sales came in at a 4.040 million unit rate, down 0.7% from July and down 15.3% from the 4.770 million unit rate in August 2022.

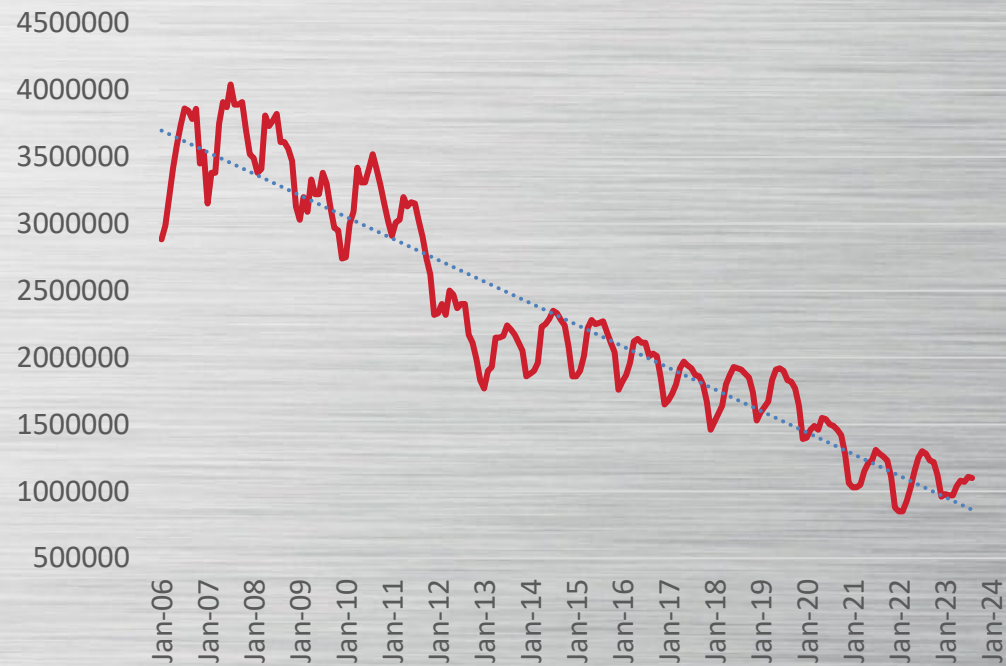
- Sales have now declined, on a year-over-year basis, for the twenty-fourth consecutive month.

Year-to-date actual existing home sales are down 21.4% compared to the same timeframe last year.

Inventory of unsold existing homes declined slightly, slipping to 1.100 million units.

- This is down 0.9% from July and down 14.1% from August 2022.
- The current inventory, when combined with August's sales pace, equates to 3.3 months of supply.

EXISTING HOMES FOR SALE



ARCHITECTURE BILLINGS INDEX⁹

ARCHITECTURE BILLINGS INDEX (3MMA)

Activity at the architecture level declined in August after being stable to slightly growing the previous three months.

The August Architectural Billings Index came in at 48.1, down from 50.0 in July and down from 53.3 in August 2022.

- Any reading below 50.0 denotes a contraction in activity, while any reading above 50.0 shows expansion.

The new project inquiries remained strong however, climbing slightly to just under 55.0.

Regionally, only the Northeast (50.6) saw growth, while the West (45.8) continued to be the weakest.

On a sector breakdown, the commercial/industrial sector was the only to show growth, climbing to 51.5.

- The multi-family residential sector was the weakest, coming in at 44.1.



DEMAND

TRACTOR & COMBINE SHIPMENTS¹⁰

Tractor and combine shipments continued to slip in August, now down for the second consecutive month.

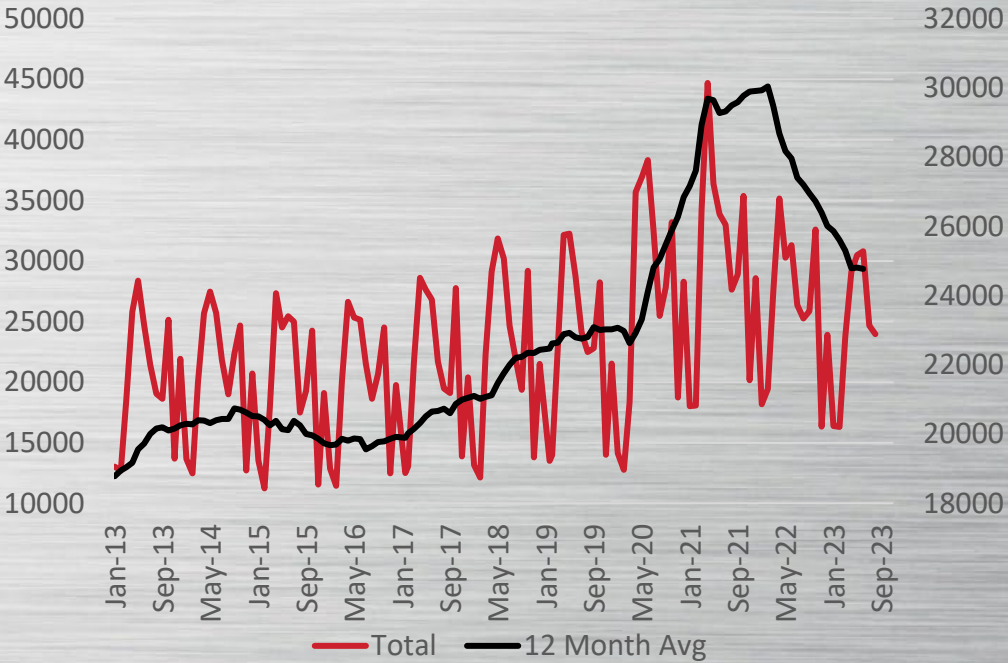
North American (U.S. and Canada) shipments totaled 23,970 units, down 2.9% from July and down 5.1% from August 2022.

- Shipments are now down on a year-over-year basis for the third consecutive month and now down for the seventeenth time in the last eighteenth months.

Shipments of both tractors and combines declined in August, with the largest decline coming from combine shipments.

Year-to-date shipments are now down 8.4% compared to the same timeframe last year.

TRACTOR AND COMBINE SHIPMENTS



WEEKLY INITIAL JOBLESS CLAIMS¹¹

Applications for unemployment benefits fell to the lowest level in eight months last week as the labor market continues to show strength in the face of elevated interest rates.

The Department of Labor's Weekly Initial Jobless Claims report came in at 201,000 claims, down from 221,000 claims previously.

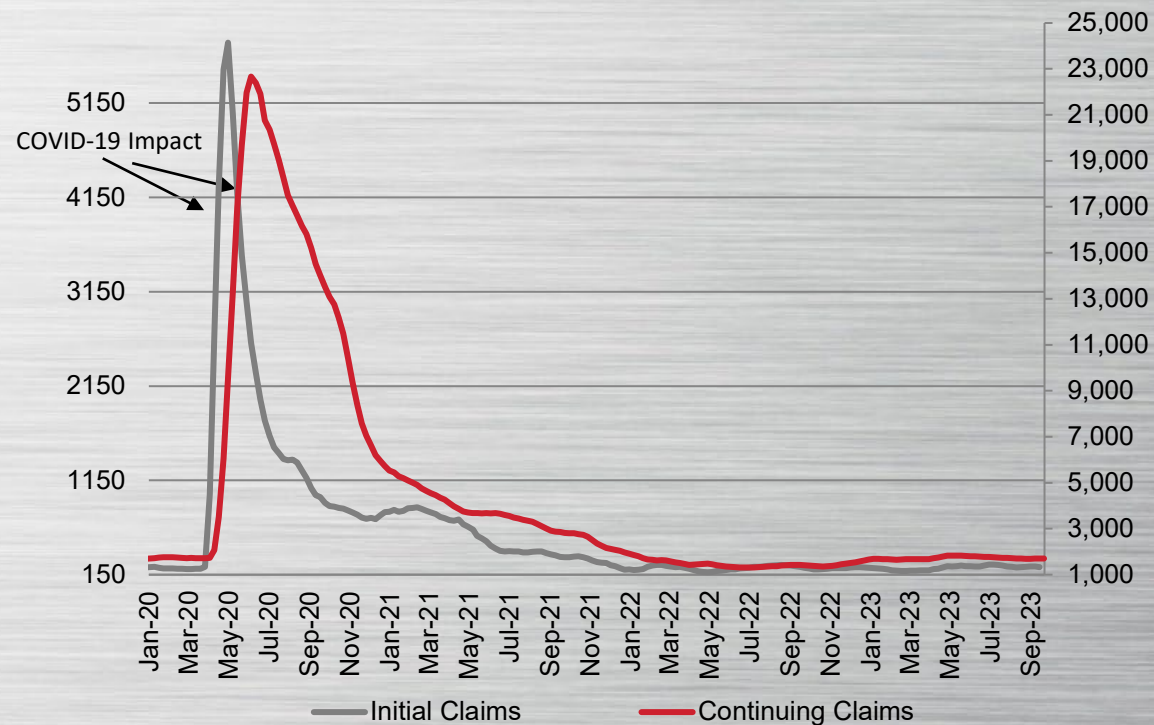
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, dropped to 217,000.

Continuing claims, or claims lasting longer than one week, decreased as well.

- Continuing claims came in at 1.662 million claims, down from 1.683 million claims previously.

Claims could increase in the coming weeks as a partial strike by the United Auto Workers (UAW) forces auto manufacturers to temporarily lay off workers.

WEEKLY INITIAL JOBLESS CLAIMS





INFERRED FREIGHT RATES¹²

The Cass shipment index increased in August, climbing 1.9% from July but was down 10.6% from last August.

- The current downtrend for shipments is at the 20-month mark, which compares to a range of 21-25 months the previous three downcycles.

The Cass expenditure index, which measures total spend for freight, increased as well climbing 1.1% compared to July.

The inferred freight rate (spend/shipments) declined again, sliding for the ninth consecutive month.

- Current rates of 3.026 are now at their lowest level since July 2021.

INFERRED FREIGHT RATES



SOURCES

- 1 Platts, Spot Iron Ore: September 22, 2023.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: September 22, 2023.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: September 22, 2023.
Platts, Coking Coal Price: September 22, 2023.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: September 19, 2023.
- 5 WardsAuto, U.S. Light Vehicle Production: August 2023.
- 6 National Association of Homebuilders, Housing Market Index: September 2023.
- 7 U.S. Census Bureau, New Residential Construction: August 2023.
- 8 National Association of Realtors, Existing Home Sales: August 2023.
- 9 American Institute of Architects, Architecture Billings Index: August 2023.
- 10 Association of Equipment Manufacturers, Tractor and Combine Shipments: August 2023.
- 11 Department of Labor, Weekly Initial Jobless Claims: September 21, 2023.
- 12 Cass Information System, Transportation Index: August 2023.

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