

CORE 11.03.23 **REPORT**

COST

01

- ⊖ scrap
- ⬆️ iron ore
- ⊖ energy
- ⬆️ zinc
- ⬇️ coking coal

SUPPLY

04

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

DEMAND

05

- ⊖ automotive
- ⬆️ construction
- ⊖ agriculture
- ⬇️ manufacturing
- ⊖ appliance
- ⊖ durable goods

ECONOMIC

10

- ⊖ employment
- ⊖ inflation
- ⊖ GDP
- ⬇️ confidence
- ⬆️ mill price increase

SPOT IRON ORE¹

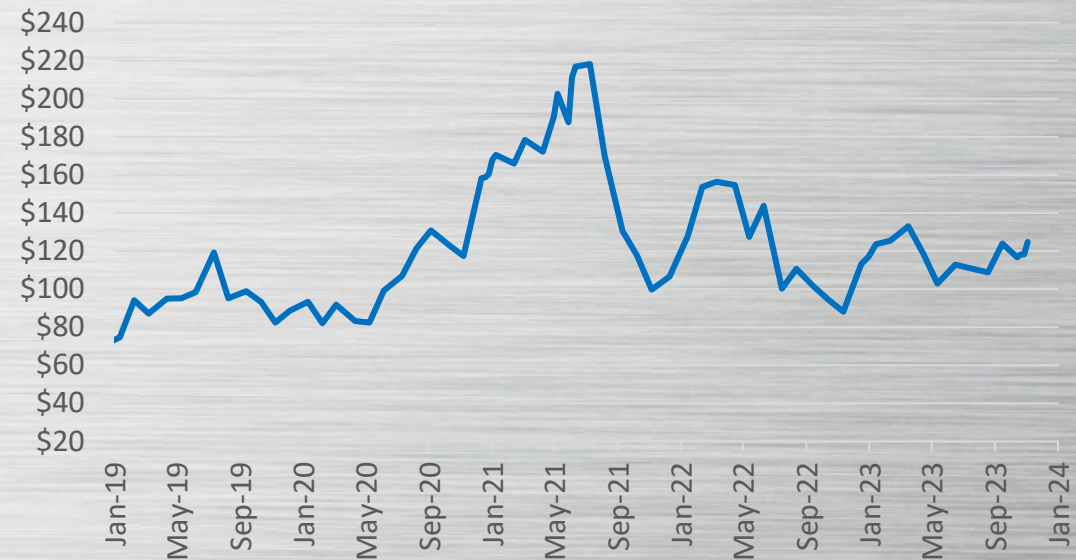
Spot iron ore surged over 6% this week after positive news from China's weeklong government financial meetings.

Spot iron ore pricing ended the week at \$124.75/mt, up from \$118.30/mt a week ago.

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

China's government is expected to help with debt and financing for all property sectors and inject stimulus to boost housing demand, which accounts for about a third of the country's overall steel demand.

IRON ORE COST



COST

WEEKLY ZINC PRICING²



ZINC

Zinc pricing increased again this week, now up for the third consecutive week.

Zinc pricing ended the week at \$2,493.50/mt (\$1.131/lb), up from \$2,445/mt (\$1.109/lb) last week.

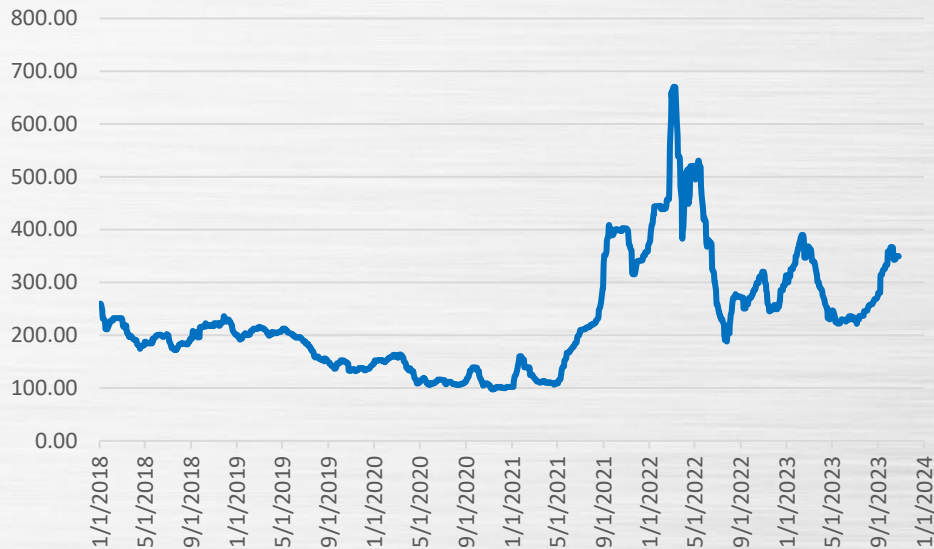
- Nyrstar announced this week the closure of two mines in Tennessee due to weak zinc prices and high operational costs, adding to the list of shuttered global zinc assets.
 - All of the recent mine closures are equivalent to 3% of global supply.

Global zinc inventory increased this week after sliding the previous two weeks.

- LME warehouse inventory climbed from 78,475 metric tons to 82,200 metric tons.
- Shanghai warehouse inventory rose as well, climbing from 31,876 metric tons to 33,547 metric tons.

COST

COKING COAL³



COKING COAL

After climbing sharply last week, coking coal came in relatively flat this week.

Coking coal ended the week at \$349/mt, down slightly from \$350/mt last week.

- Despite the drop, coking coal is up thirteen out of the last fifteen weeks and up over 25% from this time last month.

Increased steel production from India continues to put pressure on pricing, with their crude steel production in September up by 17% year-over-year.

- India is also expected to complete numerous construction projects ahead of their election year in 2024.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production increased slightly last week, now up for the second consecutive week after hitting a five-month low.

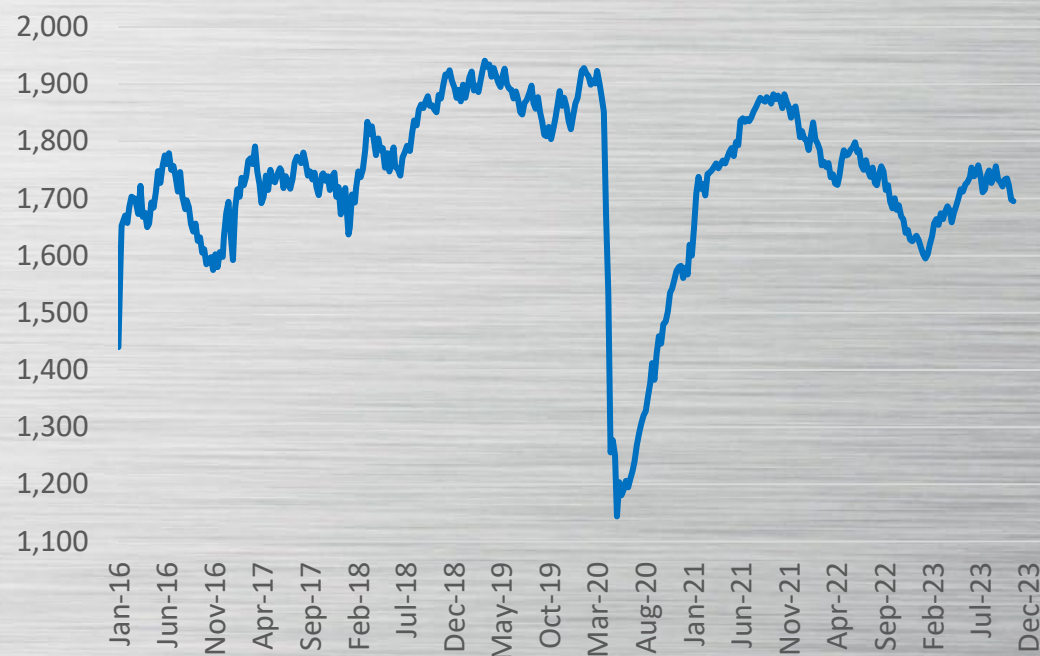
U.S. mills produced an estimated 1,707k tons at a 74.3% utilization rate; this is up from 1,703k tons and a 74.1% rate previously.

Production decreased in three of the five regions, but was once again offset by a large surge coming from the Southern region.

- Production from the Southern region rose from 746k tons to 766k tons.

Year-to-date production is now down 2.7% compared to the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

▼ LIGHT VEHICLE SALES⁵

After climbing the previous two months, U.S. light vehicle sales declined in October.

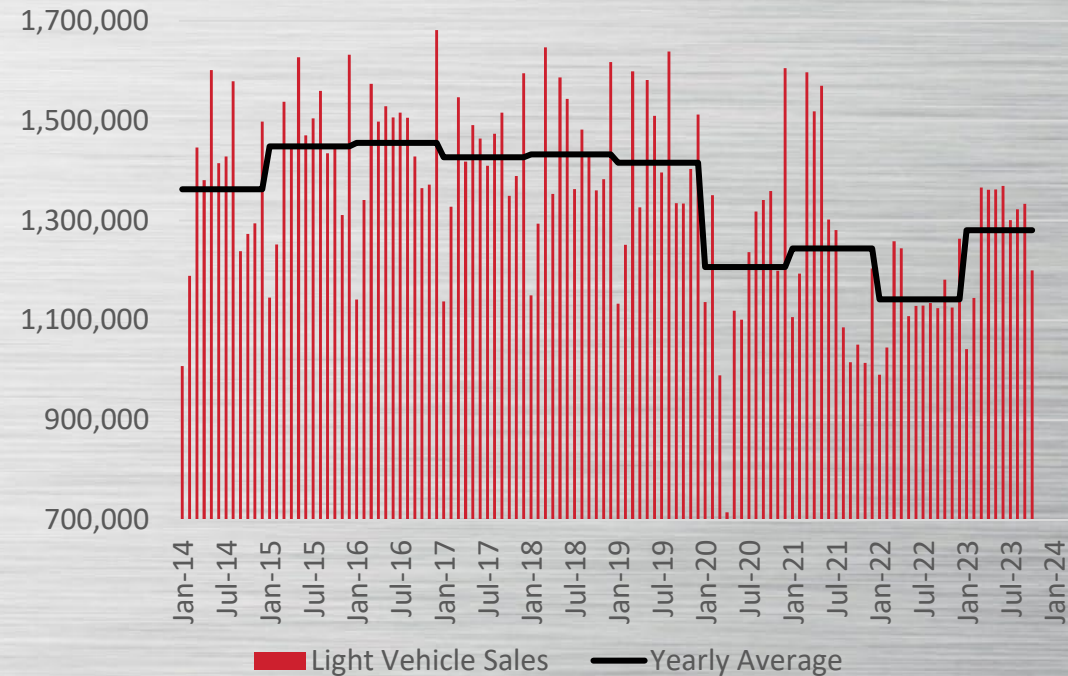
October light vehicle sales totaled 1.200 million units, down 10.0% from September but up 1.6% from the 1.182 million unit total in October 2022.

- Sales have now increased, on a year-over-year basis, for fifteen consecutive months.

Light vehicle sales came in at a 38.7k units/day rate in October, this was the lowest level since January.

While pent-up demand from both consumers and for fleet sales helped keep sales high, potential heads like higher interest rates and tighter credit may keep a lid on further upward growth.

U.S. LIGHT VEHICLE SALES



LIGHT VEHICLE INVENTORY⁶

Despite the slight supply disruption, from the work stoppage at the "Big 3", U.S. light vehicle inventory increased in October.

Total light vehicle inventory ended October at 2.154 million units, up 4.4% from September and up 40.1% from 1.537 million units in October 2022.

- Inventory is now up for the third consecutive month and for the fifth time in the last six months.

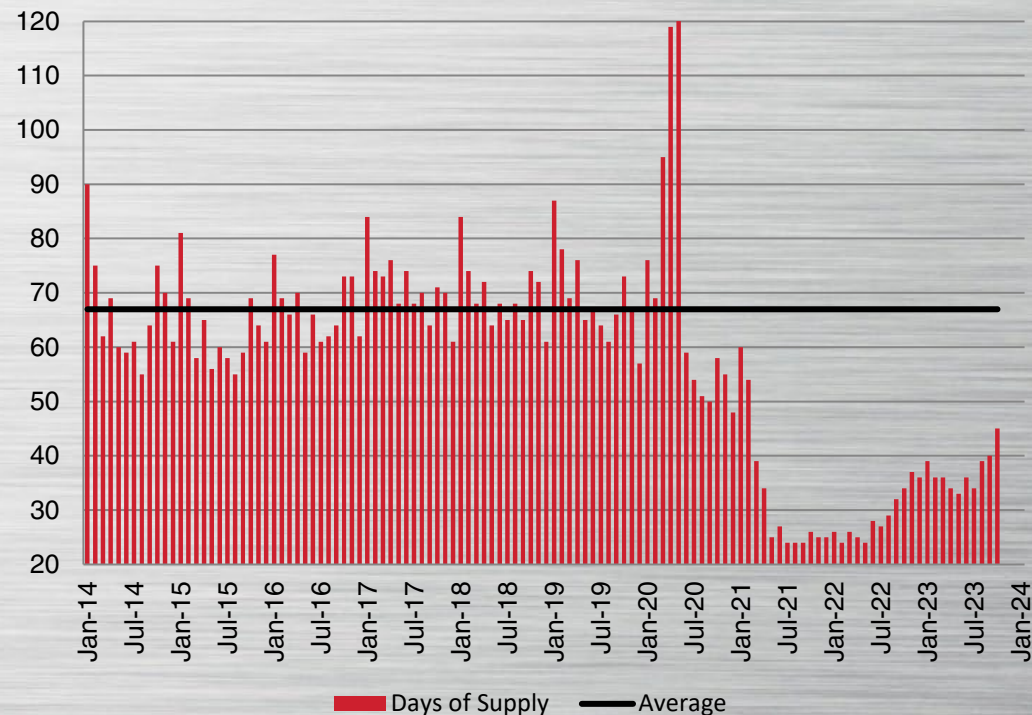
While inventory of both cars and light trucks increased, the larger increase was from cars, which climbed by 8.0% compared to September.

- Light truck inventories were up 4.1% on a month-over-month basis.

Current inventory, when combined with October's sales rate, equates to 45 days of supply.

- This is up from 40 days in September but remains well below the 67-day historical average.

U.S. LIGHT VEHICLE DAYS OF SUPPLY



CONSTRUCTION SPENDING⁷

Total construction spending continued to climbing in September and is now for the ninth consecutive month.

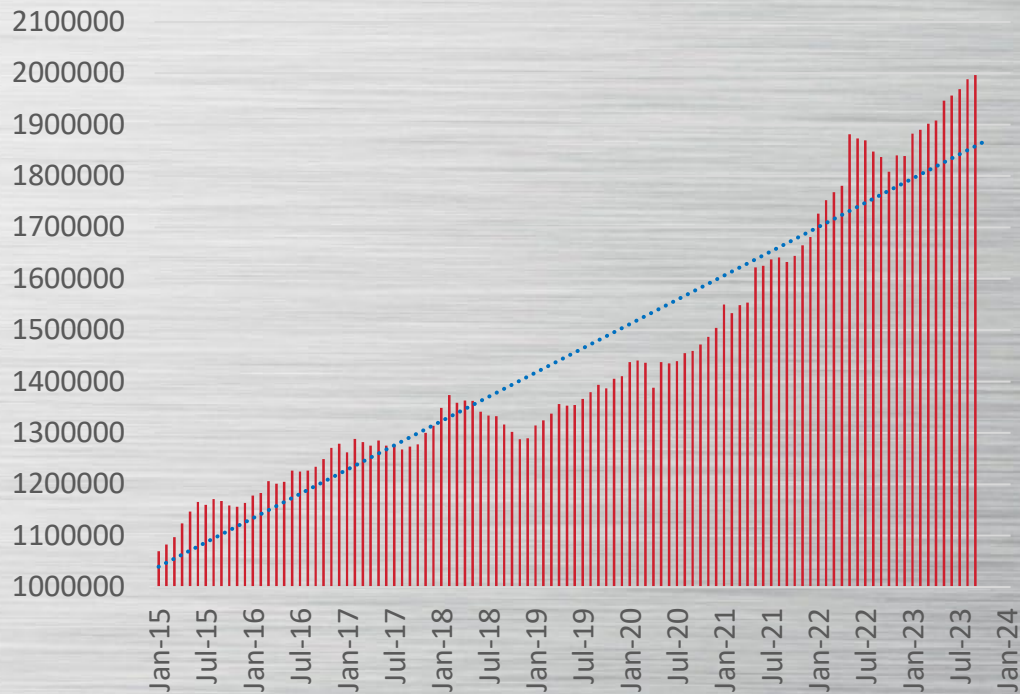
Total spending came in at a \$1.997 trillion rate, up 0.4% from August and up 8.7% from the \$1.837 trillion rate in September 2022.

- The 8.7% year-over-year increase in September was the highest since January.

Spending on both residential and non-residential projects increased from September, climbing 0.6% and 01%, respectively.

- Looking on a year-over-year basis however, non-residential spending saw a sharp 21.3% increase while residential spending fell 2.1%.
- Residential spending has now declined, on a year-over-year basis, for nine consecutive months.

CONSTRUCTION SPENDING (SAAR)



CHICAGO PMI⁸

Manufacturing activity in the Chicagoland region continued to slide in October, now in contraction for fourteen consecutive months.

The October Chicago PMI came in at 44.0, down from 44.1 in September and is at its lowest level since July.

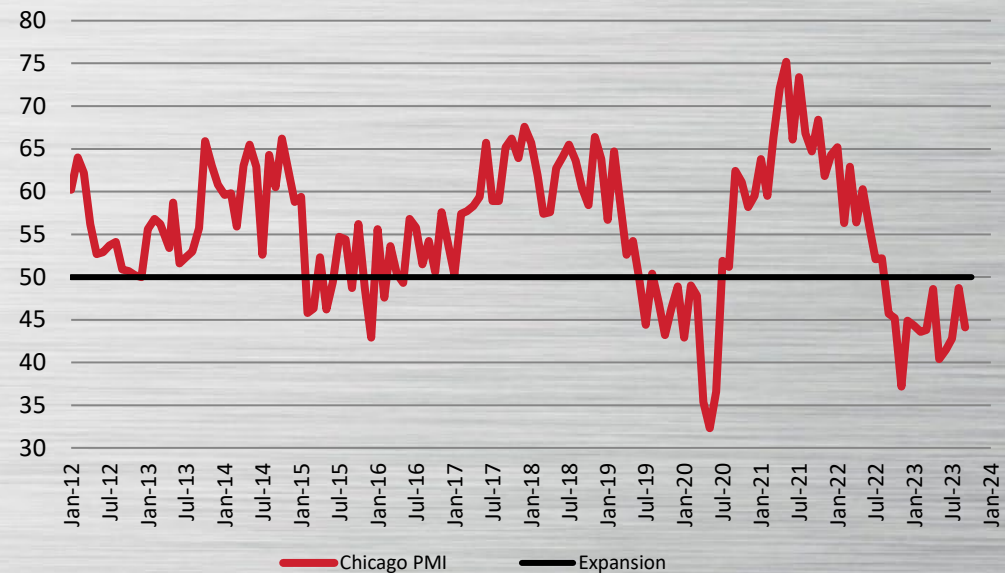
- Any reading below 50 denotes contraction, while any reading over 50 shows expansion.

The production component saw the largest decline in October, sliding 4.6 to 46.5.

- The deliveries and order backlog components slipped as well, sliding 0.5 and 0.3, respectively.

The new order component increased 4.2 after a sharp 17.6 decline in September.

CHICAGO PMI



ISM MANUFACTURING INDEX⁹

Economic activity from the manufacturing sector contracted in October, now in contraction for the twelfth consecutive month.

The ISM Manufacturing PMI came in at 46.7 in October, down from 49.0 in September.

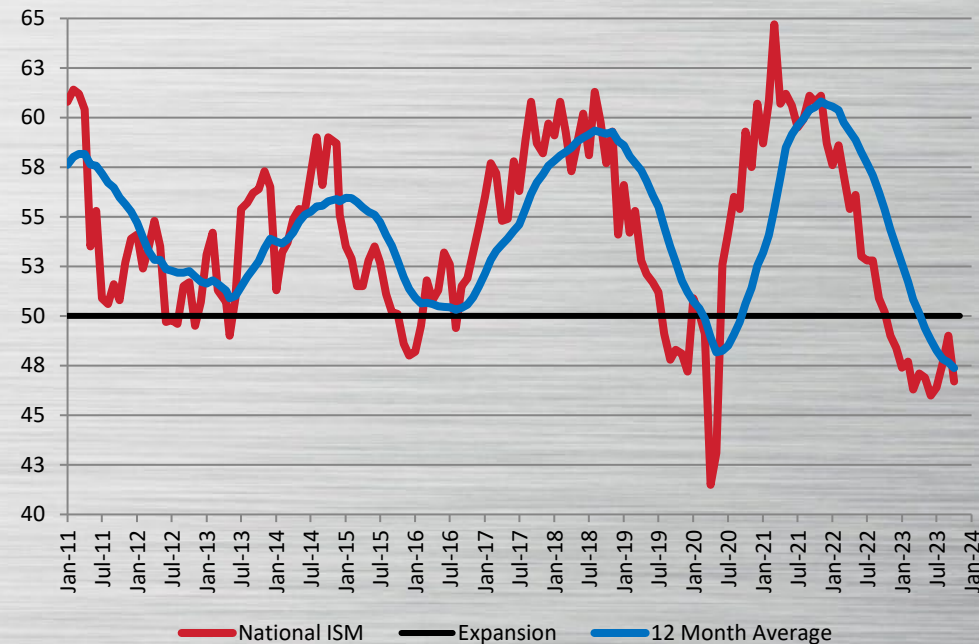
- The October PMI is below the rolling twelve-month average of 47.4 as well.
 - The twelve-month average is at its lowest level since December 2009.

Both the new order and production components declined, sliding by 3.7 and 2.1 points, respectively.

- Despite the decline from production, it remained in expansion slightly at 50.4.

The backlog of orders component came in at 42.2, down from 42.4 previously.

ISM MANUFACTURING INDEX





WEEKLY INITIAL JOBLESS CLAIMS¹⁰

The number of Americans filing new claims for unemployment benefits increased again last week to a seven-week high.

The Department of Labor's Weekly Initial Jobless Claims report came in at 217,000 claims, up from 212,000 claims previously.

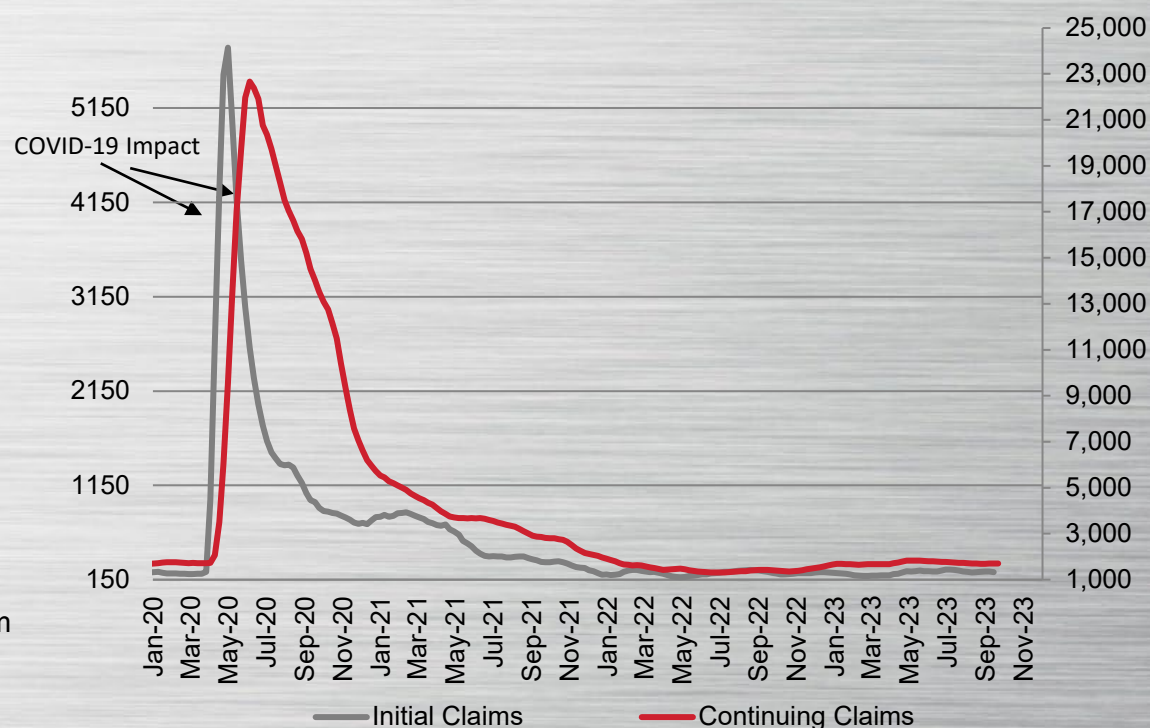
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, increased to 210,000.

Continuing claims, or claims lasting longer than one week, increased for the sixth consecutive week.

- Continuing claims came in at 1.818 million claims, up from 1.783 million claims previously.

Claims have been rising since early September, a sign that it's taking longer for people to find new jobs, which would be further evidence of a slowdown in hiring.

WEEKLY INITIAL JOBLESS CLAIMS



ECONOMIC



EMPLOYMENT SITUATION¹¹

The U.S. added 150,000 jobs in October, down from the 297,000 jobs added in September and slightly below the market expectations of 170,000 new jobs.

The private sector, which accounts for roughly 70% of the workforce, added 99,000 jobs in October.

- Government employment increased by 51,000 jobs in October.

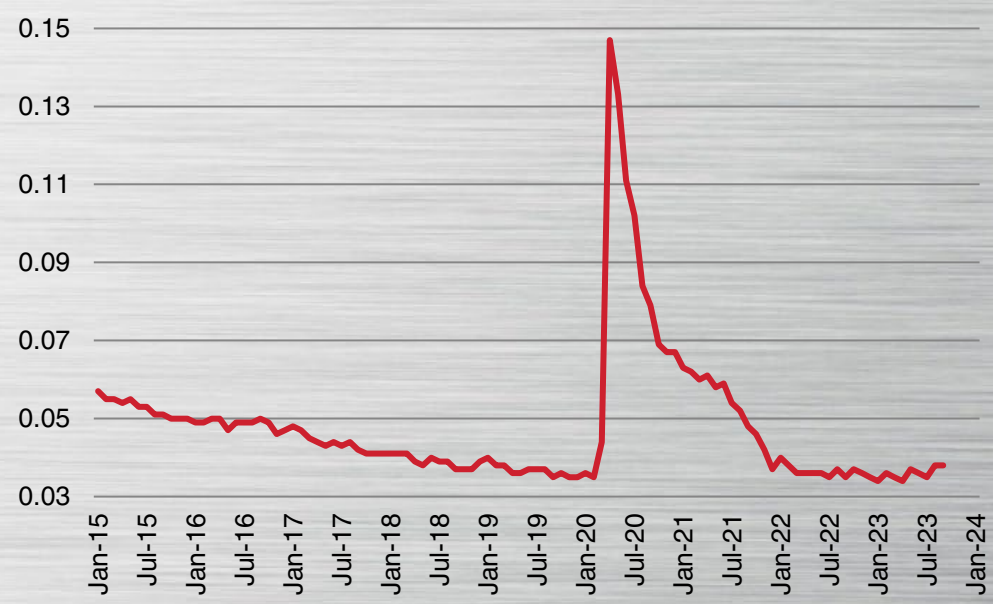
Construction employment increased by 23,000 jobs, with 6,300 of those coming from building construction.

- Both residential and non-residential building construction employment increased.
- Jobs at the architecture firm level increased by 2,600 jobs after sliding by 600 jobs in September.

Durable good manufacturing employment declined, sliding by 36,000 jobs; this decline was due to the labor disruption in the auto sector.

- Fabricated metal product manufacturing increased by 800 jobs.

UNEMPLOYMENT RATE





CONSUMER CONFIDENCE¹²

Confidence among U.S. consumers continued to weaken in October, now down for the third consecutive month.

According to The Conference Board, October Consumer Confidence slipped to 102.6, down from a revised 104.3 in September.

- The present situation component declined to 143.1, down a little over 3.0 points from September.
- The expectations component decline to 75.6 from 76.4, previously.
 - The expectation component remained below 80.0, the level that historically signals a recession within the next year.

Rising prices overall, but for food and gasoline specifically, negatively impacted consumers in October.

- Other concerns included the political situation and higher interest rates.



MILL PRICE INCREASE¹³

After an increase by U.S. Steel/Big River last week, domestic mills once again announced new pricing this week.

Cleveland-Cliffs announced minimum base pricing of \$900 per net ton for hot rolled, matching U.S. Steel's increase last week.

- The price announcement is the company's second since October 19th, when it took HRC prices to a minimum of \$800/ton.

Later in the week, ArcelorMittal USA set minimum base pricing at \$900/ton for hot rolled and \$1,150/ton for CRC and HDG.

SOURCES

- 1 Platts, Spot Iron Ore: November 3, 2023.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: November 3, 2023.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: November 3, 2023.
- 3 Platts, Coking Coal Price: November 3, 2023.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: October 31, 2023.
- 5 WardsAuto, U.S. Light Vehicle Sales: October 2023.
- 6 WardsAuto, U.S. Light Vehicle Inventory: October 2023.
- 7 U.S. Census Bureau, Total Construction Spending: September 2023.
- 8 Chicago Business Barometer, Chicago PMI: October 2023.
- 9 Institute of Supply Management, ISM Manufacturing Index: October 2023.
- 10 Department of Labor, Weekly Initial Jobless Claims: November 2, 2023.
- 11 U.S. Census Bureau, Unemployment Rate: October 2023.
- 12 Conference Board, Consumer Confidence: October 2023.
- 13 Mill Price Increase Letters; Cleveland-Cliffs, ArcelorMittal USA: Week ending November 3, 2023.

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The logo for MSUSA, featuring a stylized red 'M' followed by the text 'MSUSA' in white. The background of the entire image is a dark, textured American flag with stars and stripes, where the stars are represented by faint, embossed coin-like patterns.

M MSUSA

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