

**CORE** 02.02.24 **REPORT**

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- ⊖ energy
- ⊖ zinc
- ⊖ coking coal

**SUPPLY**

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- ⊖ imports
- ⊖ inventories

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- ⊖ GDP
- ⊖ confidence

## SPOT IRON ORE<sup>1</sup>

After a sharp increase last week, spot iron ore resumed its downward momentum this week, slipping for the third time in four weeks.

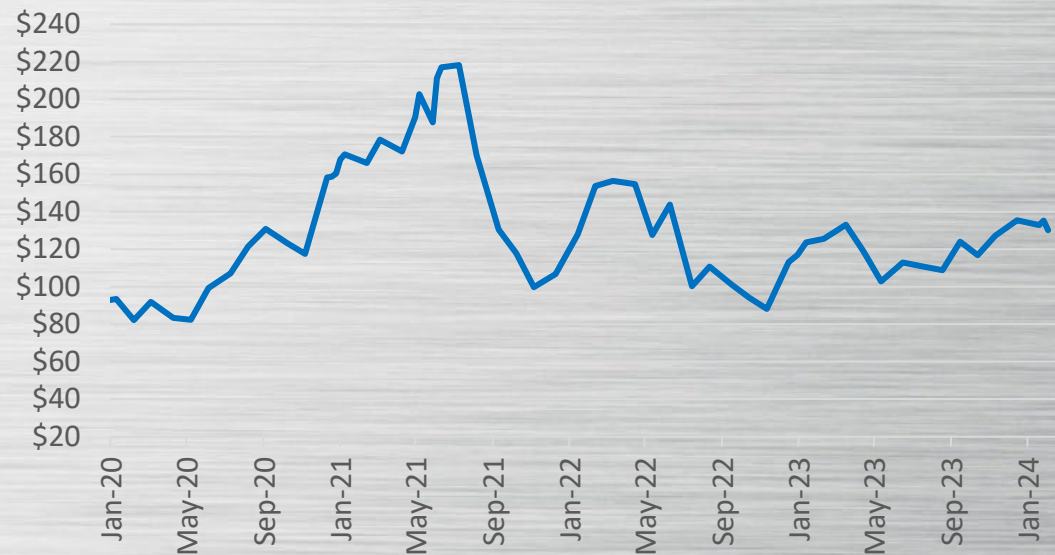
Spot iron ore pricing ended the week at \$130.20/mt, down from \$135.20/mt a week ago.

- This is down 3.7% week-over-week and is now at the lowest level since November.

Despite the dip, China continues to pump nearly \$140 billion in stimulus to boost their property and infrastructure sectors.

- While it remains to be seen whether these measures will translate into increased demand in the world's second-largest economy, the optimism generated is likely to boost demand for iron ore.

## IRON ORE COST



# COST



## WEEKLY ZINC PRICING<sup>2</sup>



## ZINC

After a sharp increase last week, zinc pricing resumed its downward slide, dropping for the fourth time in the last five weeks.

Zinc pricing ended the week at \$2,462/mt (\$1.117/lb), down from \$2,581.50/mt (\$1.171lb) previously.

- This is down 4.6% week-over-week after hitting the highest price since late December.

Zinc has been navigating through numerous market fluctuations including a stabilizing U.S. dollar, the closure of a smelter in Europe, and subdued demand in China.

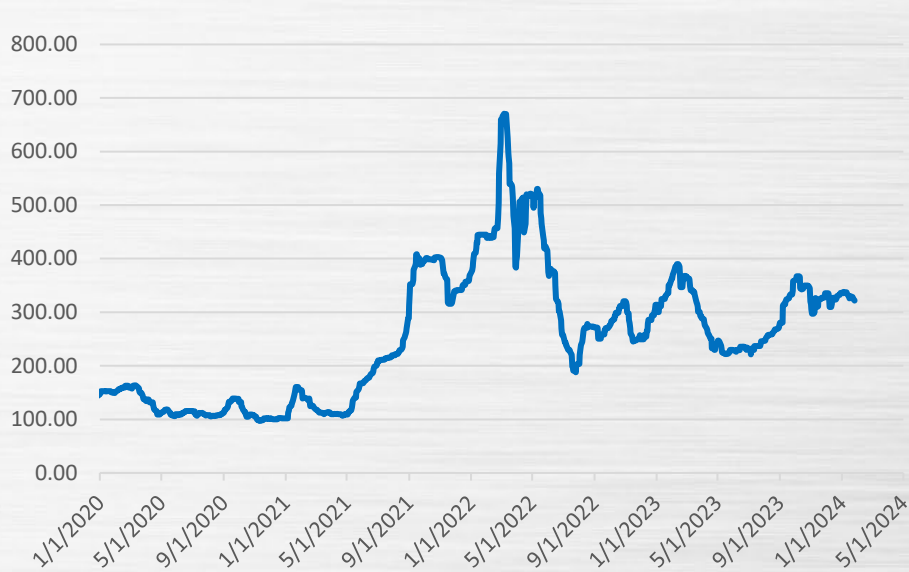
Global zinc inventory increased this week after sliding the previous three weeks.

- LME warehouse inventory increased, climbing from 193,475 metric tons to 198,875 metric tons.
- Shanghai warehouse inventory increased as well, climbing from 22,647 metric tons to 27,882 metric tons.



# COST

## COKING COAL<sup>3</sup>



## COKING COAL

Coking coal pricing continued its recent slide, dropping for the third consecutive week.

Coking coal settled at \$322/mt, down from \$329.75/mt last week.

- This is down 2.4% week-over-week and is now at the lowest level since December.
- Despite the drop over the last three weeks, coking coal is up nearly 50% from May of last year.

On top of China’s economic stimulus, India is expected to boost steel production this year by 8-10%, further driving demand for the steelmaking ingredient.

## SUPPLY



# WEEKLY DOMESTIC STEEL PRODUCTION<sup>4</sup>

Domestic raw steel production dropped slightly for the third consecutive week.

U.S. mills produced an estimated 1,680k tons at a 75.6% utilization rate; this is down from 1,682k tons and a 75.7% rate previously.

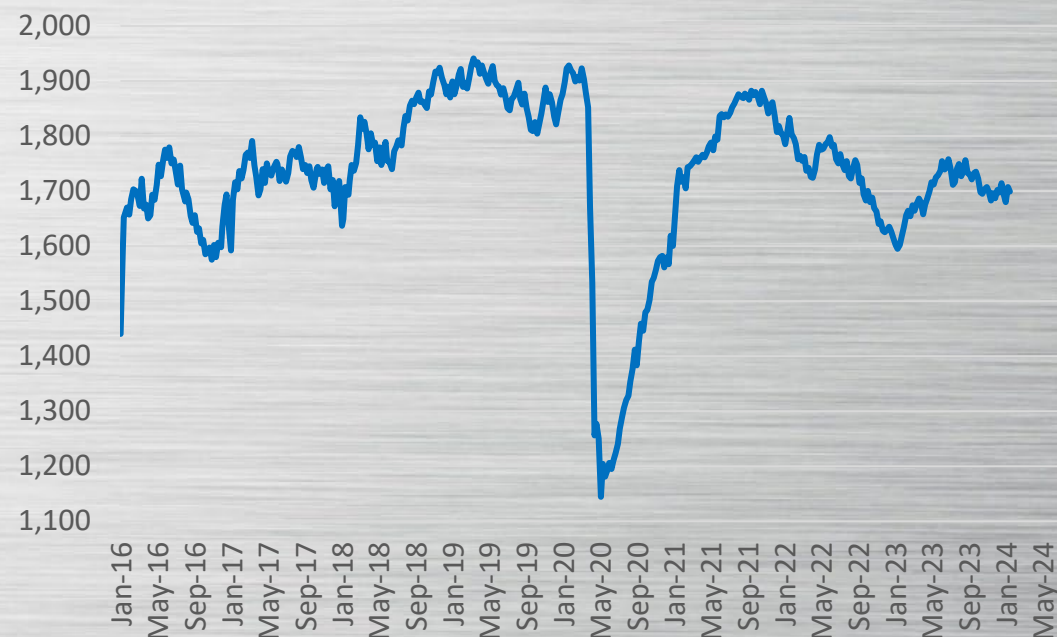
- This remains the lowest weekly tonnage output since the last week of 2023.

Production decreased in three of the five regions, with large drop (in tons) coming from the Southern region.

- Production from the southern region slipped from 754k tons to 736k tons.

Year-to-date production is now up 4.9% compared to the same timeframe from last year.

## WEEKLY DOMESTIC PRODUCTION



# DEMAND

## ▼ LIGHT VEHICLE SALES<sup>5</sup>

After the sharp jump in December, U.S. light vehicle sales slowed to start the new year.

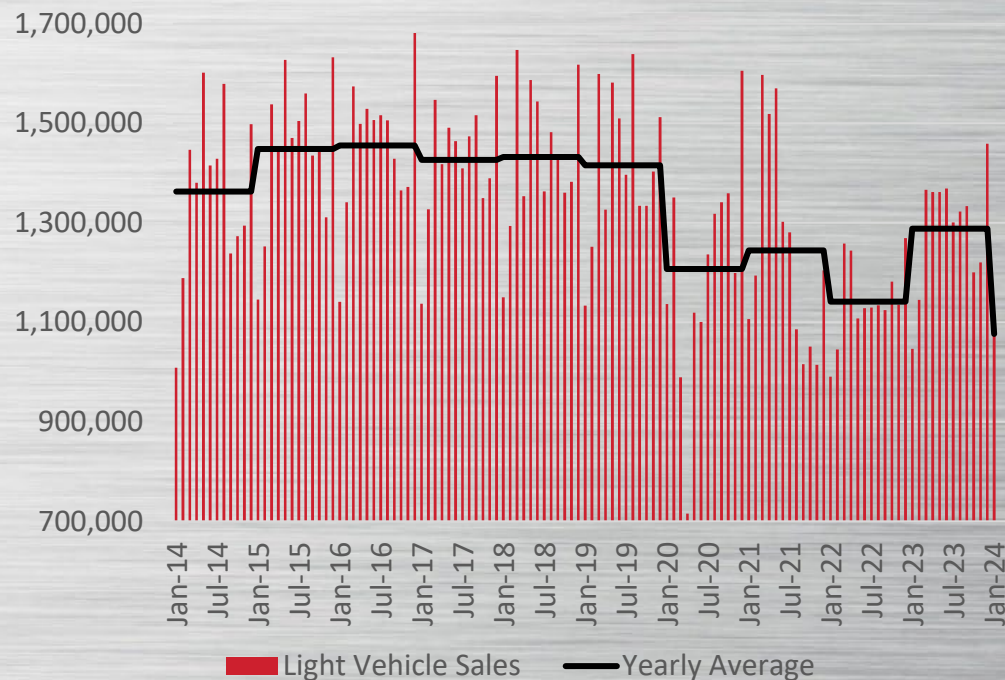
U.S. light vehicle sales totaled 1.076 million units in January, down 26.2% from December but were up 2.8% compared to 1.047 million units sold in January 2023.

- January is typically the slowest month of the year when it comes to light vehicle sales.

When looking on a year-over-year basis, a stronger increase in light truck sales helped to overcome the decline in car sales.

- While car sales slipped 1.1%, light truck sales were up 1.6% compared to last January.
- Car sales have now declined, on a year-over-year basis, in three of the last four months.

## U.S. LIGHT VEHICLE SALES





## DEMAND

# CONSTRUCTION SPENDING<sup>6</sup>

Total construction spending on a seasonally adjusted basis ended the year on a strong note.

December construction spending increased to a \$2.096 trillion rate, up 0.9% from November and up 13.9% from the \$1.841 trillion rate in December 2022.

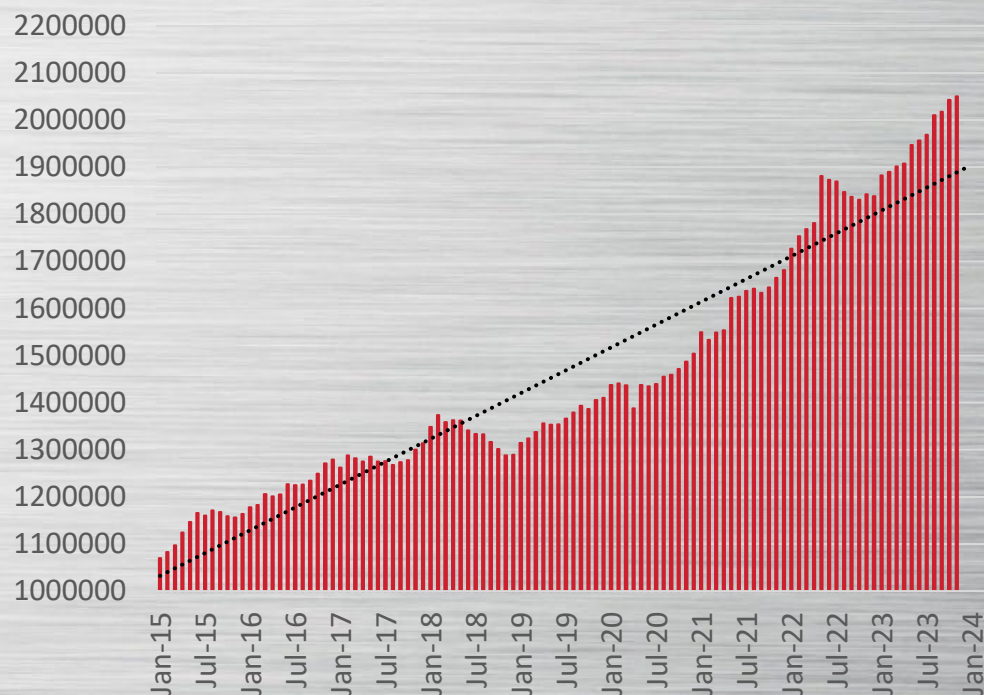
- December had the largest year-over-year increase since July 2022.
- Total construction spending has now increased on a year-over-year basis for the 55th consecutive month.

Spending on both residential and non-residential projects increased from November, climbing 1.4% and 0.4%, respectively.

- This was the third consecutive monthly increase for spending on residential projects; this follows declines in two of the three months during Q3.

Residential projects accounted for 44.0% of the total spend in December, its highest percentage since August.

## TOTAL CONSTRUCTION SPENDING (SAAR)



## DEMAND

# CHICAGO PMI<sup>7</sup>

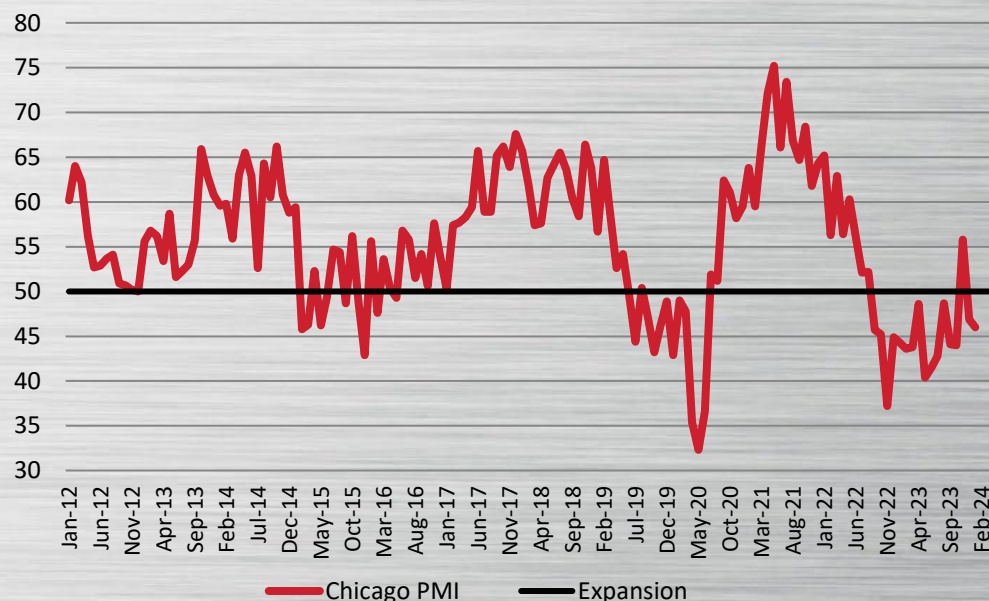
Manufacturing activity in the Chicagoland region continued to contract in January and has now been in contraction for four out of the last five months.

The January Chicago PMI came in at 46.0, down slightly from 46.9 previously but up from the 44.3 reading in January 2022.

- The three-month average improved to 49.6, up from 48.9 in December and is at its highest level since falling into contraction in October 2022.
- Any reading below 50 indicates a contraction in activity, while any reading above 50 shows growth.

While the new orders and employment improved slightly, albeit while still being in contraction, the production component fell into contraction in January.

## CHICAGO PMI





# ISM MANUFACTURING INDEX<sup>8</sup>

Economic activity in the manufacturing sector continued to contract in January, albeit at its slowest rate since October 2022.

The ISM Manufacturing Index came in at 49.1, up from 47.4 in both December and last January.

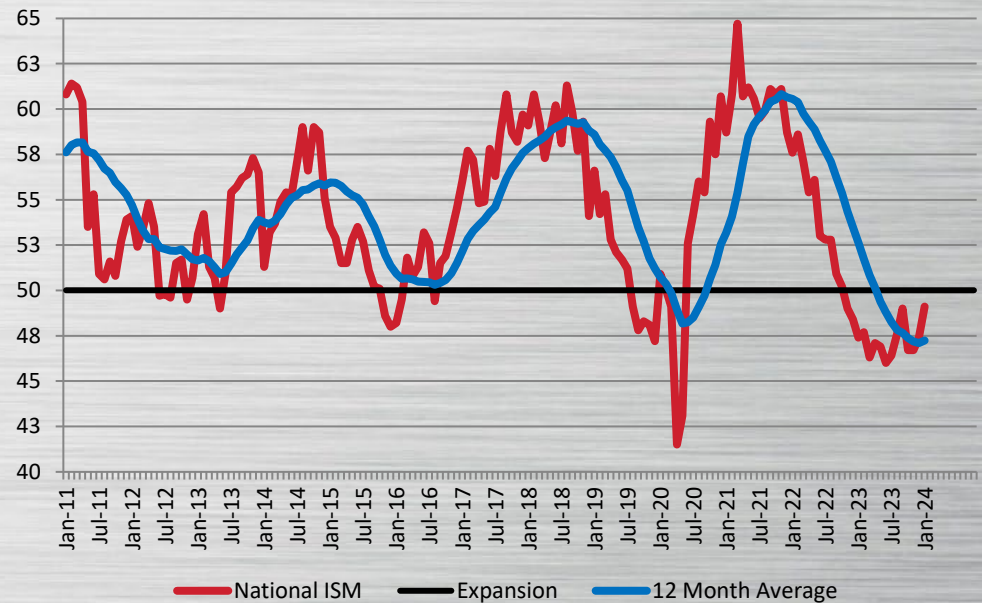
- The three-month average increased as well, climbing to 47.7 from 46.9 previously.
- Any reading above 50.0 shows expansion, while any reading below 50.0 shows contraction.

Within the index, both the new order and production components improved as both were back in expansion in January.

- While the production component increased 0.5 to 50.4, the new order component increased 5.5 points to 52.5.

The biggest decline came from the inventory component, which contracted further (43.7) in January.

## ISM MANUFACTURING INDEX



# ECONOMIC

## WEEKLY INITIAL JOBLESS CLAIMS<sup>9</sup>

The number of Americans filing new claims for jobless benefits increased for the second consecutive week as large companies announced more layoffs.

The Department of Labor's Weekly Initial Jobless Claims report came in at 224,000 claims, up from 215,000 claims previously.

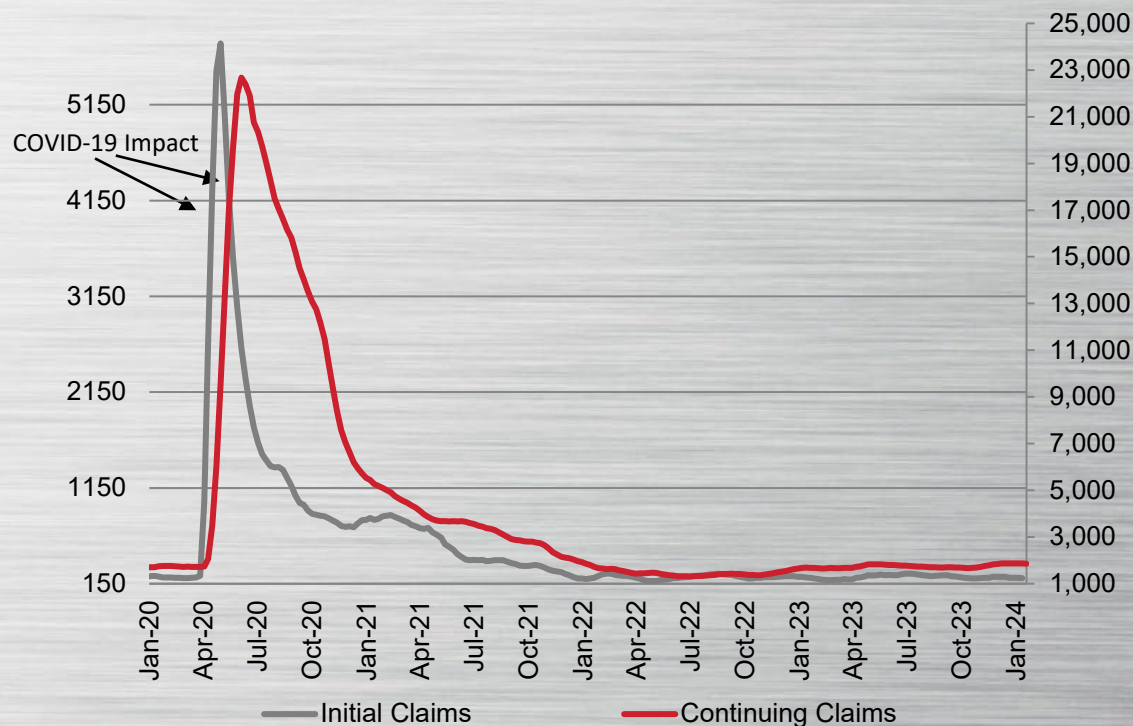
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, rose to 207,750.

Continuing claims, or claims lasting longer than one week, increased to the highest level since November.

- Continuing claims came in at 1.898 million claims, up from 1.828 million claims previously.

This week UPS announced 12,000 layoffs, while retail stores REI, Levi's, Macy's and Wayfair announced workforce reduction as well.

## WEEKLY INITIAL JOBLESS CLAIMS



## ECONOMIC

# EMPLOYMENT SITUATION<sup>10</sup>

The U.S. added 353,000 jobs in January, the highest monthly increase since Summer 2022.

The private sector, which accounts for roughly 70% of the workforce, increased by 317,000 jobs.

- The government lost 1,100 jobs after adding 2,200 jobs in December.

Goods-producing employment increased by 28,000 jobs, with 11,000 of those jobs coming from the construction sector.

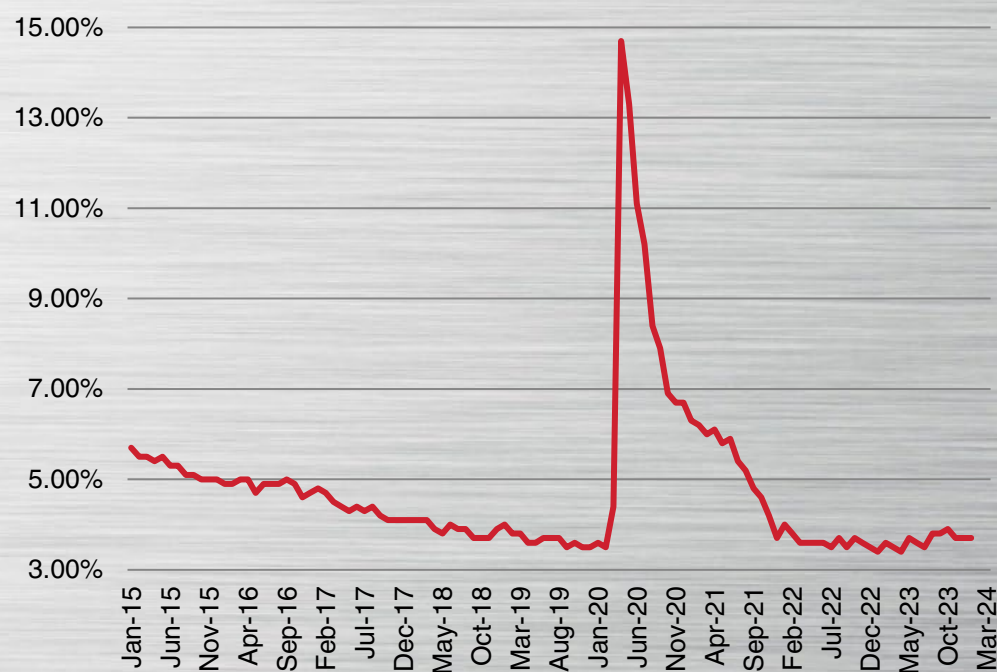
- The construction of buildings added 4,100 jobs, split equally between residential and non-residential buildings.

Manufacturing employment increased by 23,000 jobs, with durable goods manufacturing adding 4,000 jobs.

- Fabricated metal product employment added 1,900 jobs, while machinery manufacturing employment added 900 jobs.

The unemployment rate held steady at 3.7% for the second consecutive month.

## UNEMPLOYMENT RATE







# CONSUMER CONFIDENCE<sup>11</sup>

Confidence among U.S. consumers continued to increase in January and is now at its highest reading in over two years.

The Conference Board's January Consumer Confidence Index came in at 114.8, up from a revised 108.0 in December.

- This was the third consecutive monthly increase for the index.

The Present Situation Index increased sharply, climbing to 161.3 from 147.2 previously.

- The Expectations Index (short-term outlook) increased as well, climbing nearly 2.0 points to 83.8.

The boost in confidence in January likely came from slower inflation data, anticipation of lower interest rates, and generally favorable employment conditions.

## SOURCES

- 1 Platts, Spot Iron Ore: February 2, 2024.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: February 2, 2024.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: February 2, 2024.
- 3 Platts, Coking Coal Price: February 2, 2024.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: January 30, 2024.
- 5 WardsAuto, U.S. Light Vehicle Sales: January 2024.
- 6 U.S. Census Bureau, Construction Spending: December 2023.
- 7 Institute for Supply Managers, Chicago PMI: January 2024.
- 8 Institute for Supply Management, ISM Manufacturing Index: January 2024.
- 9 Department of Labor, Weekly Initial Jobless Claims: January 25, 2024.
- 10 U.S. Census Bureau, Employment Situation: January 2024.
- 11 Conference Board, Consumer Confidence: January 2024.

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