

METALS MODERATING AFTER SPRING SPIKE

Hot rolled steel prices briefly declined from their 2021 peak but returned to elevated levels in Spring 2022 due to the “commodity shock” caused by the Russia-Ukraine conflict.

Non-ferrous metal pricing also spiked in the spring due to the commodity shock before softening amid China’s COVID-19 lockdowns, which weakened demand.

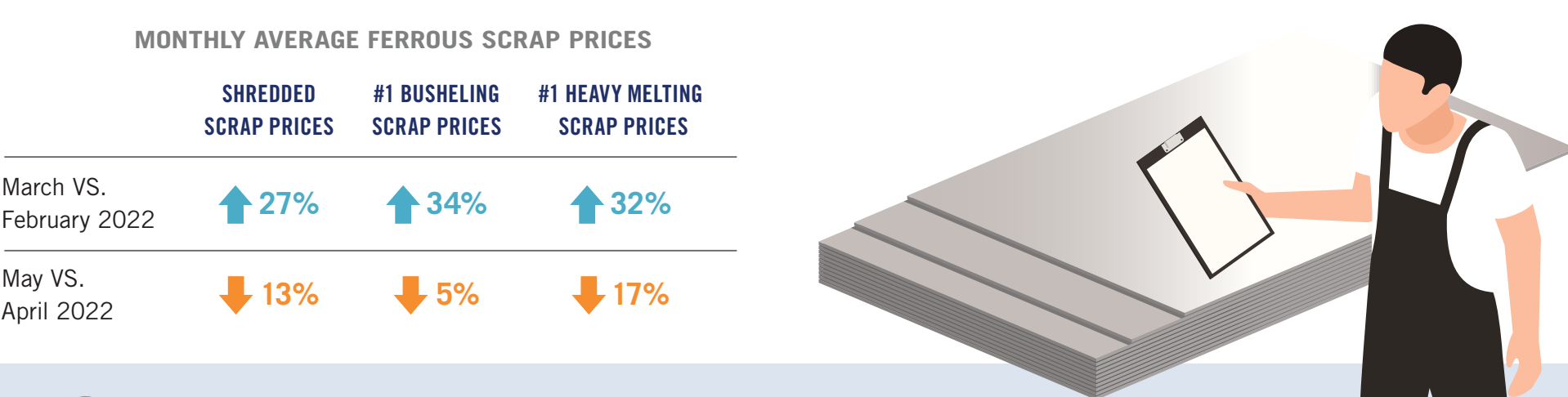
SOLID-AS-STEEL PRICES

Hot rolled coil prices are a bellwether for steel prices in general. Since peaking in the fall, hot rolled steel prices declined as the earlier supply bottleneck eased. However, Russia’s invasion of Ukraine spurred fears of tighter supplies of steelmaking raw materials, semi-finished steel, and finished steel, boosting domestic steel prices in March and April 2022 before prices moderated. Cold rolled coil and hot-dipped galvanized coil prices followed a similar trend to hot rolled coil, but remained stronger.



FAR-OUT FERROUS SCRAP PRICES

Ferrous scrap prices spiked in March 2022 to a 14-year high due to panic buying amid fears of war-related supply chain disruptions after Russia invaded Ukraine. Both countries are key sources of pig iron, a substitute for ferrous scrap in electric arc furnaces. Scrap prices have since moderated but remain elevated.



STEELY SUPPLY & DEMAND

Despite high U.S. steel production, domestic oversupply is not a material concern this year given steady demand and geopolitical tensions, which tightened global supplies of steelmaking inputs, semi-finished steel, and finished steel.

Steel capacity utilization rates exceeding **80%** denote optimal steel profitability.

After bottoming out in the **50%** range in June 2020, steel capacity utilization climbed as U.S. steel mills increased production, **peaking around 85%** in September 2021.

Rates remain strong, reaching **82.4%** for the week ended May 28, 2022.

Source: American Iron and Steel Institute

Steel demand also remains healthy as the U.S. economy and manufacturing sector continue to recover.

The Institute for Supply Management® (“ISM ®”) Manufacturing PMI® reached **56.1 in May 2022, ↑ 0.7%** from the prior month.

The May reading reflected expansion in the manufacturing sector and overall economy for the 24th consecutive month.

Source: The Institute for Supply Management

BASE METAL MANIA

Base metal prices surged earlier in 2022, peaking in March or April as part of the “commodity shock” driven by the energy crisis and supply chain issues stemming from the war in Ukraine. Most base metal prices have since declined as COVID-19 lockdowns slashed demand in China, though prices largely remain elevated versus last year.

LME Cash Official Average Monthly Prices	May 2022 vs. May 2021	May 2022 vs. April 2022	LME Three-month Closing Prices as of June 14, 2022
Copper	↓ 8%	↓ 8%	\$4.19/lb
Aluminum	↑ 16%	↓ 13%	\$1.17/lb
Zinc	↑ 27%	↓ 14%	\$1.63/lb
Nickel	↑ 57%	↓ 5%	\$11.46/lb

Down from last year since copper reached a former all-time high in May 2021 before reaching a new all-time high in March 2022.

Nickel pricing increased due to sanctions on Russia and spiked above \$45 per pound in early March due to short covering by a top producer.

FULL STEAM AHEAD

Moving into the midpoint of 2022, pricing for both ferrous and non-ferrous metals remain elevated over historic norms. The expected return of Chinese metal consumption as China eases COVID-19 shutdowns, coupled with ongoing energy shortages around the globe, are anticipated to keep prices elevated throughout 2022 and potentially beyond.