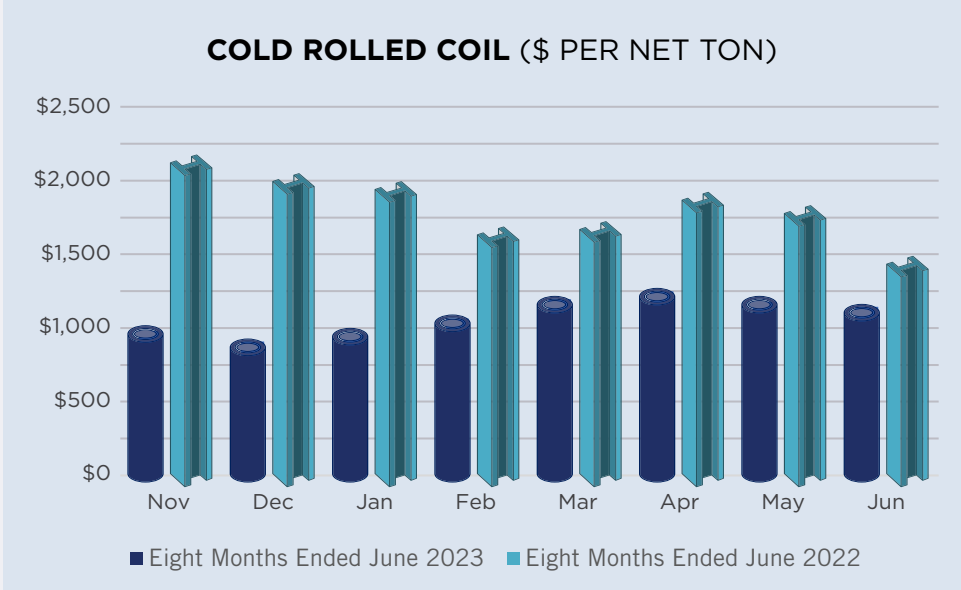
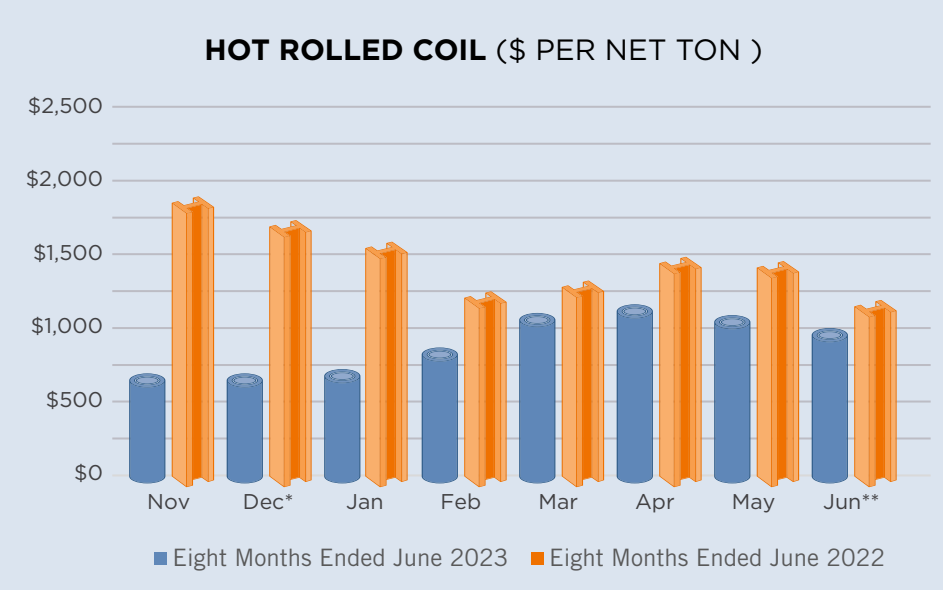
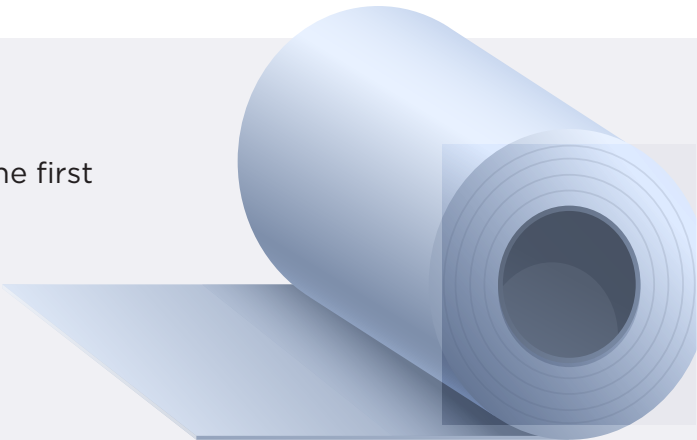


Hot rolled coil prices climbed in the first quarter of 2023 before sliding back. Though non-ferrous metal prices felt a boost earlier in the year as China eased pandemic-related restrictions, prices have largely declined in recent months due to economic uncertainty in the U.S. and China’s slower-than-expected economic recovery.

COIL ROLLER COASTER

After bottoming out at the end of 2022, hot and cold rolled steel prices increased in the first quarter of 2023 due to less competition from lower-priced imports, rising scrap costs, and tighter flat rolled steel supplies. However, prices softened in recent months as demand slowed and availability increased.

Recent prices also remained below elevated year-ago levels, when commodity prices spiked due to supply concerns stoked by Russia’s invasion of Ukraine.



*December 2022 represents price floor per SteelBenchmarker
**June 2023 represents partial month
Source: SteelBenchmarker (monthly average prices)

SCRAPYARD SLOWDOWN

Pricing for ferrous scrap increased over the first quarter of 2023 due to restocking by mills, robust export demand, and tight supplies. However, pricing felt downward pressure in recent months due to seasonally higher supplies of inbound scrap material, slower domestic demand, and lower hot rolled coil prices.



Shredded scrap prices
DOWN 6% May vs. April 2023
DOWN 10% YOY

1 busheling scrap prices
DOWN 5% May vs. April 2023
DOWN 22% YOY

#1 heavy melting scrap prices
DOWN 3% May vs. April 2023
DOWN 14% YOY

Note: Busheling prices were elevated in spring 2022 due to a demand spike after Russia's invasion of Ukraine, with supply chain disruptions for pig iron, a substitute for prime busheling scrap

Source: SteelBenchmarker

STEEL CAPACITY UTILIZATION RATES FOR THE WEEK ENDED

December 31, 2022	71.8%
March 25, 2023	75.1%
May 27, 2023	77.2%
June 17, 2023	77.5%

Source: American Iron and Steel Institute

U.S. STEEL IMPORTS JUMPED IN MARCH

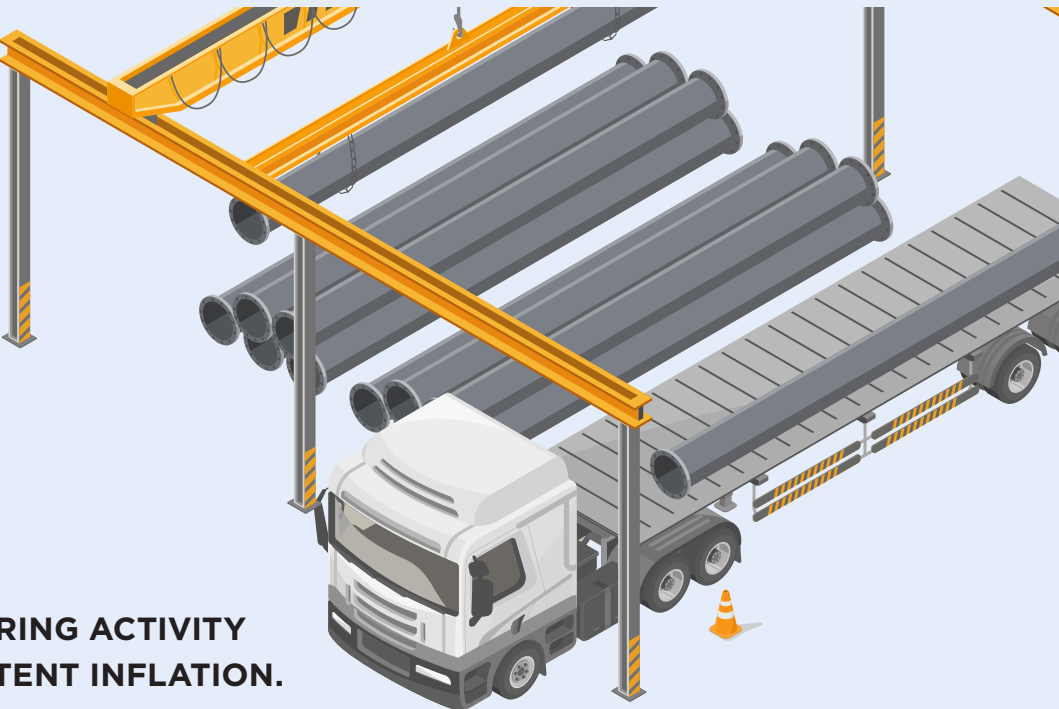
Certain steel import categories continued to rise more recently, contributing to mounting supplies and softening pricing.

	Total Steel Imports (Month-Over-Month Change)	Finished Steel Imports (Month-Over-Month Change)
March 2023	14.2%	9.0%
April 2023	(9.4%)	1.4%
May 2023*	0.6%	(3.0%)

*Represents change for import permit applications (not actual final data) in May versus final imports in April
Source: U.S. Census Bureau and Commerce Department

IRONING OUT STEEL SUPPLY & DEMAND

Since mid-2022, U.S. steel capacity utilization rates fell below the optimal levels of at least 80%, tightening steel supplies and boosting prices by the end of 2022 and the first quarter of 2023. However, in response to supply shortages and increased demand, mills increased production in 2023, inching utilization rates upward. With new production coming online this year, along with a predicted resolution to Mexico’s supply disruption, steel supply increases are on the horizon, potentially placing further downward pressure on steel prices.



STEEL DEMAND BEGAN SOFTENING AS MANUFACTURING ACTIVITY DECLINED AMID HIGHER INTEREST RATES AND PERSISTENT INFLATION.

“ISM®” MANUFACTURING PMI® REACHED 46.9 IN MAY 2023
▼ 0.2% FROM THE PRIOR MONTH
reflecting contraction in the manufacturing sector for the **seventh consecutive month** after 30 straight months of expansion.



The quarter-point **interest rate** increase in May 2023 marked the **10TH HIKE IN 14 MONTHS**, bringing interest rates to the **HIGHEST LEVEL IN 16 YEARS** before holding steady in June.

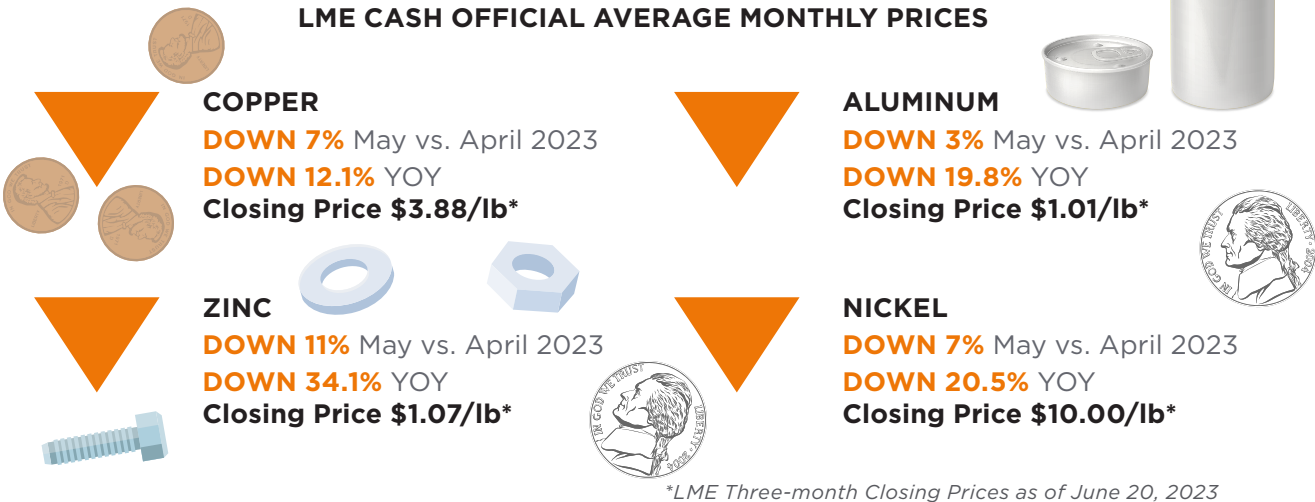


Inflation rates moderated to **4.0% IN MAY 2023**, easing from the high of 9.1% in June 2022, but remaining above the Federal Reserve’s **TARGET LEVEL OF 2%.**

Source: The Institute for Supply Management® (“ISM®”), The Federal Reserve, U.S. Bureau of Labor Statistics

BASE METALS BACKSLIDING

Base metal prices largely fell in recent months, remaining well below the elevated levels during the same period in 2022 related to the Russia-Ukraine war. Base metal pricing has also felt downward pressure on a month-over-month basis recently due to U.S. economic uncertainty, including a banking collapse and rising interest rates, in addition to a slower-than-expected post-lockdown economic recovery in China.



PRICING METAL-MORPHOSIS

Moving into the second half of 2023, normalizing supply chains and restrained demand amid global economic concerns are expected to dampen metal prices. The steel market will likely experience a seasonal decline in the summer months, with lower prices projected in the remainder of the year. However, the global green energy transition could provide upward price momentum for key metals such as copper and nickel, while a stronger-than-expected recovery of China’s currently sluggish real estate sector could also buoy demand for aluminum, copper, and zinc.