O'NEAL STEEL
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MARKETINFORMER

June 2021

Monthly Market Intelligence for Customers of O'Neal Steel

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U.S. ECONOMIC NEWS

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May Jobs Report: Economy Adds Back 559,000 Jobs, Unemployment Rate Fell To 5.8%—The U.S. economy added back another more than half a million jobs in May, with employment accelerating from April but still missing estimates even as the jobless rate slid to a new pandemic-era low.

- Change in non-farm payrolls:
- +559,000 vs. +675,000 expected and a revised +278,000 in April
- Unemployment rate: 5.8% vs. 5.9% expected and 6.1% in April
- Average hourly earnings, month-over-month: 0.5% vs. 0.2% expected and 0.7% in April
- Average hourly earnings, year-over-year: 2.0% vs. 1.6% expected and a revised 0.4% in April

Altogether, the U.S. economy is still about 7.6 million jobs short of its pre-pandemic levels from February 2020, and would require more than a year to recoup this deficit at the current pace of job gains. Full Story ***Source: Yahoo!Finance, 06.04.2020***

Amid Hiring Troubles, Rising Prices, U.S. Growth Gains Speed—The U.S. economic recovery accelerated in recent weeks even as a long list of supply chain troubles, hiring difficulties, and rising prices cascaded through the country, Federal Reserve officials said in their latest review of economic conditions. The economy grew at a "somewhat faster rate" from early to late May, the Fed reported in its Beige Book summary of anecdotal reports about the economy on June 2, with officials noting "the positive effects...of increased vaccination rates and relaxed social distancing measures." But getting a $20 trillion economy back to speed posed challenges of its own, Fed officials reported based on contacts in their 12 regions.

Homebuilders could not keep up with demand, manufacturers faced delivery delays of the material needed to finish goods, and "it remained difficult for many firms to hire new workers, especially low-wage hourly workers, truck drivers, and skilled tradespeople." Prices were rising, and for now were likely to continue to do so, the Fed reported. "Looking forward, contacts anticipate facing cost increases and charging higher prices in coming months," the Fed said.

The Beige Book will help frame the Fed's upcoming June meeting as officials edge towards a debate about how and when to pull back on the $120 billion in monthly bond purchases and raise the near-zero interest rates put in place to battle the economic fallout from the pandemic. Fed officials say they will likely struggle for several months to get a clear read on an economy snapping back to life but hitting some speed bumps along the way.

The U.S. this year is expected to register the strongest annual growth in gross domestic product since the early 1980s, yet hiring in April was tepid, a May jobs report to be released on June 4 may not be much better, and there are concerns inflation may be on the horizon. Businesses on the whole seemed stretched thin by surging demand for their goods and services, while consumers appeared ready to splurge.

"Grocery store sales remained healthy and there were again reports of consumers trading up for more expensive items, such as premium meat cuts, finer wines, and seafood," the Chicago Fed reported. The Boston Fed's summary of activity in its New England district captured the dynamic playing out across the country. Full Story ***Source: Reuters, 06.02.2021***

The Fed Hinted It Could Reconsider Easy Policies If Economy Continues Rapid Improvement

Federal Reserve officials at their April meeting said a strong pickup in economic activity would warrant discussions about tightening monetary policy, according to minutes from the session released May 19. "A number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases," the meeting summary said.

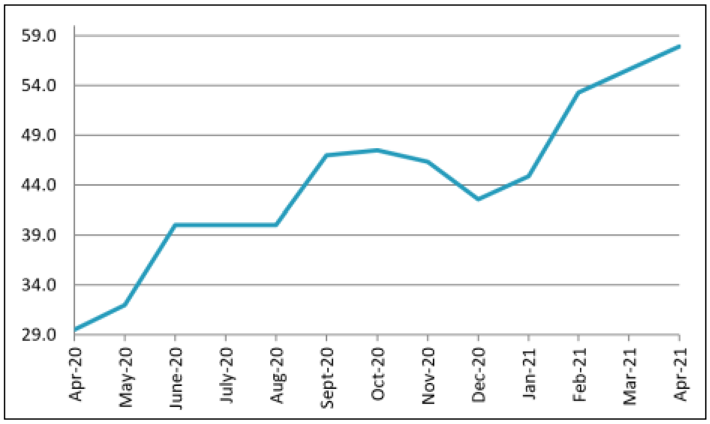
Markets have been watching closely for clues about when the central bank might start tapering its bond purchases, which currently are at least $120 billion a month. The Fed balance sheet is just shy of $7.9 trillion, nearly double its level before the Covid-19 pandemic.

Fed officials have been steadfast that they won't change policy until their economic goals, particularly regarding employment and inflation, have been hit. The discussion revealed in the minutes is the first time that central bankers have indicated that a reduction in purchases could happen ahead, though there was no timetable.

Chairman Jerome Powell said after the meeting that the recovery remains "uneven and far from complete" and the economy was still not showing the "substantial further progress" standard the committee has set before it will change policy. However, since then the consumer price index showed inflation rising at a 4.2% year over year pace, GDP is expected to show growth approaching 10% in the second quarter, and indicators in manufacturing and spending are showing strong upward momentum. Full Story ***Source: CNBC, 05.19.2021***

KEY ECONOMIC INDICATORS

Architecture Billings Index (ABI)

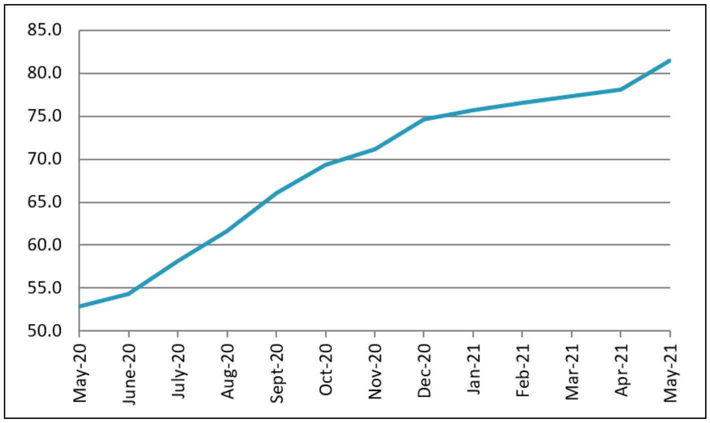


Continuing its meteoric rebound, the Architecture Billings Index (ABI) recorded its third consecutive month of positive billings, according to a new report today from The American Institute of Architects (AIA).

AIA's ABI score for April rose to 57.9 compared to 55.6 in March (any score above 50 indicates an increase in billings). Neither score has been achieved since before the Great Recession. During April, new project inquiries and new design contracts reached record highs with scores of 70.8 and 61.7 respectively.

The **Architecture Billings Index (ABI)** is a diffusion index derived from the monthly Work-on-the-Boards survey, conducted by the AIA Economics & Market Research Group. The ABI serves as a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months. An index score of 50 represents no change in firm billings from the previous month, a score above 50 indicates an increase in firm billings from the previous month, and a score below 50 indicates a decline in firm billings from the previous month.
Source: American Institute for Architects, 05.19.2021

Steel Capability Utilization

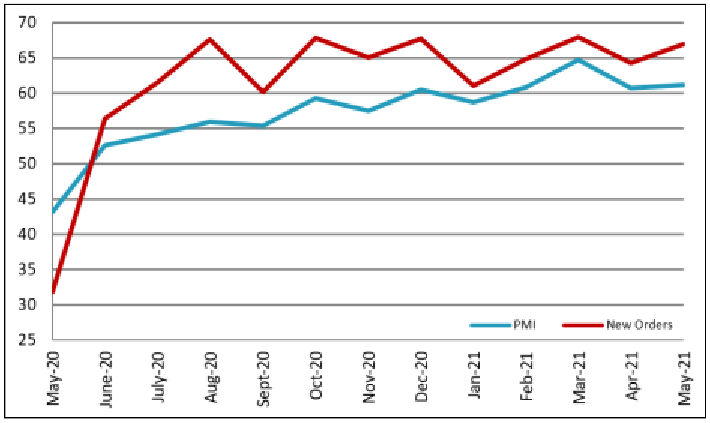


In the week ending on May 29, 2021, domestic raw steel production was 1,836,000 net tons while the capability utilization rate was 81.5%. Production was 1,223,000 net tons in the week ending May 29, 2020 while the capability utilization then was 54.6%. The current week production represents a 50.1% increase from the same period in the previous year. Production for the week ending May 29, 2021 is up 2.4% from the previous week ending May 22, 2021 when production was 1,793,000 net tons and the rate of capability utilization was 79.0%.

Adjusted year-to-date production through May 29, 2021 was 35,913,000 net tons, at a capability utilization rate of 78.1%. That is up 9.5% from the 32,811,000 net tons during the same period last year, when the capability utilization rate was 69.9%.

Steel Capability Utilization is a domestic report based on estimates from companies representing approximately 90% of the Industry's Raw Steel Capability as compiled by the American Iron and Steel Institute.
Source: AISI, 05.29.2021

Purchasing Managers Index (PMI)®



The May Manufacturing PMI® registered 61.2%, an increase of 0.5 percentage point from the April reading of 60.7%. This figure indicates expansion in the overall economy for the 12th month in a row after contraction in April 2020. The New Orders Index registered 67%, increasing 2.7 percentage points from the April reading of 64.3%. The Production Index registered 58.5%, a decrease of 4 percentage points compared to the April reading of 62.5%. The Backlog of Orders Index registered 70.6%, 2.4 percentage points higher compared to the April reading of 68.2%. The Employment Index registered 50.9%; 4.2 percentage points lower than the April reading of 55.1%. The Supplier Deliveries Index registered 78.8%, up 3.8 percentage points from the April figure of 75%. The Inventories Index registered 50.8%, 4.3 percentage points higher than the April reading of 46.5%. The Prices Index registered 88%, down 1.6 percentage points compared to the April reading of 89.6%. The New Export Orders Index registered 55.4%, an increase of 0.5 percentage point compared to the April reading of 54.9%. The Imports Index registered 54%, a 1.8-percentage point increase from the April reading of 52.2%.

Sixteen of eighteen manufacturing industries reported growth in May, in the following order: Furniture & Related Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Textile Mills; Primary Metals; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; Chemical Products; Miscellaneous Manufacturing; Transportation Equipment; Wood Products; Paper Products; and Petroleum & Coal Products. The only industry reporting contraction in May is Printing & Related Support Activities. *Source: Institute for Supply Management, 06.01.2021*

Biden And Key Republican Capito Agree To Talk Again Friday (June 4) After Oval Office Infrastructure Meeting

President Joe Biden and Republican Sen. Shelley Moore Capito wrapped up a meeting on a possible infrastructure compromise June 2 and agreed to speak again in two days. The president and lead GOP negotiator had a "constructive and frank conversation" about a massive proposal to invest in U.S. infrastructure, a White House official said. Biden and the senator from West Virginia entered the day with divergent views both on what should go into a bill and how the government should pay for the plan. During the meeting, Capito stressed "her desire to work together to reach an infrastructure agreement that can pass Congress in a bipartisan way," Capito spokeswoman Kelley Moore said. The senator is "encouraged that negotiations have continued" and will brief other Republicans before the next discussion with Biden, she added.

The June 4 discussion could mark a final effort to move closer to an infrastructure deal before Democrats decide whether to try to pass legislation on their own. The Biden administration has signaled it wants to see progress in the talks with Republicans by next week.

"There is a time limit on this ... you're not going to play this back and forth much longer," Energy Secretary Jennifer Granholm told CNBC's "Squawk Box" on June 2. She said that "there is definitely a deal to be had."

The talks continue a back-and-forth between the White House and GOP as the parties try to find a path forward on a plan to revamp U.S. transportation, broadband and utilities. Republicans have not backed Biden's proposals to invest in schools, housing, dependent care and green energy as part of a bill, contending it should focus on infrastructure as defined in the past.

The GOP sent Biden a $928 billion counteroffer last week. The president previously trimmed his proposal to $1.7 trillion from $2.3 trillion.

The parties also need to resolve a dispute over how to offset the spending. Biden wants to raise the corporate tax rate to at least 25% from the 21% set as part of the 2017 Republican tax law. He also aims to reduce underpayments by both individuals and companies. Republicans have said they will not revisit their tax legislation. They have instead called to repurpose coronavirus relief money approved earlier this year. The White House has signaled it opposes redirecting funds and has questioned how much of the aid will be left over.

If they cannot reach an agreement with Republicans, Democrats can try to pass an infrastructure bill on their own through budget reconciliation. It would require support from every member of the Senate Democratic caucus in an evenly split chamber. ***Source: CNBC, 06.02.2021***

America's Worker Shortage Is Real And Getting Worse By The Day, U.S. Chamber CEO Says

The U.S. Chamber of Commerce on May 31 announced a nationwide initiative to address the worker shortage in the U.S., calling the crisis the most critical and widespread challenge facing businesses.

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The initiative, called "America Works," aims to mobilize industry and government to "swiftly address America's deepening worker shortage crisis."

"The worker shortage is real — and it's getting worse by the day," U.S. Chamber of Commerce President and CEO Suzanne Clark said.

The Chamber's notes that the lack of workers to fill open jobs is not a new problem, but "keeping our economy going requires we fill these jobs." The report also suggests removing barriers that prevent people from entering the workforce, getting individuals the skills they need for the open positions, and enacting sensible immigration policy. The organization shows there were a record 8.1 million job openings in the U.S. in March 2021 and about half as many available workers for every open job across the country as there have been over the past 20 years.
Source: CNN, 06.01.2021

Manufacturing In May Grows, Still Troubled By Supply Difficulties

Optimism is up among surveyed manufacturers after 12 solid months of growth. According to the latest data from the Institute for Supply Management, expansion in manufacturing is still on the rise despite record-long lead times and wide-scale shortages of critical basic materials. The manufacturing sector as a whole has consistently grown each month since April 2020, a full year of expansion.

The ISM Purchasing Manager's Index rose half a percentage point to 61.2% in May, growing at a faster rate last month than in April. The production index fell four points to 58.5%, indicating continued growth at a slower rate: like the main index, production has grown consistently since April of last year.

"Record-long lead times, wide-scale shortages of critical basic materials, rising commodities prices and difficulties in transporting products are continuing to affect all segments of the manufacturing economy," said Timothy Fiore, who chairs the ISM's Manufacturing Business Survey Committee. At the same time, he said, optimism among survey respondents increased compared to April.

The index for new orders, which has also grown for the past 12 months, grew at a faster rate in May, advancing 2.7 points to 67.0%. At the same time, highlighting manufacturers' difficulties with having those orders filled, the index for supplier deliveries rose 3.8 points to 78.8%. (While an index above 50% in most categories indicates growth, an index above 50% in supplier deliveries indicates that deliveries are slowing down.) The supplier deliveries index has been above 50% for the past 63 months, more than five years.

Executives surveyed by the ISM mostly noted difficulty with supply of both labor and materials. "Business is good, but labor and raw materials are becoming very problematic, driving increases in costs," said a member of the furniture industry.

An executive in food and beverages said the shortage of workers "is not only impacting our production, but suppliers' as well: Spot shortages and delays are common due to an inability to staff lines."

Manufacturing employment grew at a slightly slower rate than previously, according to the ISM report: their employment index fell 4.2 points to 50.9%, keeping it in growth territory for a sixth month running.

The ISM's abnormally long lists of commodities up in price and in short supply corroborated comments on supply difficulties. Notable commodities include aluminum, which has been up in price for a year and in short supply for 2 months; copper, up in price for 12 months; lumber, up in price for 11 months and in short supply for three; and steel, up in price for 10 months and in short supply for six.

Commodities that are both up in price and in short supply as of last month are aluminum, aluminum products, coatings, corrugated boxes, electrical and electronic components, foam products, temporary labor, lumber, ocean freight, plastic containers and some plastic products, semiconductors, steel (including cold-rolled, hot-rolled, galvanized, stainless, bars, and products) and wooden pallets. On inventory, manufacturer inventories have begun to grow, while customer inventories are still listed by the ISM as "too low," where they have been for almost five years.

New export orders and imports both grew at a faster rate in May at a faster rate than previously. Both have grown each month for the past 11 months now.
Source: IndustryWeek, 06.01.2021

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U.S. And Europe Seek To End Trump-Era Dispute Over Steel And Aluminum

The U.S. and the European Union said May 17 they had begun discussions to resolve a conflict over steel and aluminum imports that was a major front in the Trump administration's trade wars and a serious burden on trans-Atlantic relations. The talks are part of an effort by the Biden administration to rebuild relations between the U.S. and Europe after the Trump administration treated the bloc like an adversary, sometimes threatening to leave NATO and citing national security as a justification for charging 25% tariffs on imports of European steel and 10% on aluminum. That action prompted the European Union to charge similar duties on U.S. products like bourbon, orange juice and motorcycles.

The thaw announced May 17, which will prevent steeper tariffs from taking effect, will also make it easier for the U.S. and Europe to work together to rein in China. The talks will focus on ways to reduce a global steel glut, top U.S. and European trade officials said in a joint statement, which mentioned tariffs only in passing, a sign that the goal is not simply to return to the pre-Trump status quo.

The Biden administration is moving deliberately and not simply unwinding all of the Trump sanctions. The tariffs are unpopular with automakers and other steel consumers because they raise prices. But in steel-making regions like Pennsylvania, the tariffs were seen as a justified response to unfair competition from abroad.

"It would have been politically difficult" for the Biden administration to simply lift the steel and aluminum tariffs, said Peter Chase, a former U.S. diplomat who is a senior fellow at the German Marshall Fund of the U.S. in Brussels. "But everyone is trying to find a way to move away from these things that are a drag on the U.S. and European economies."

The partial truce was praised May 17 by some of the sectors that were caught in the crossfire, like U.S. whiskey distillers. Full Story ***Source: NYTimes, 05.17.2021***

China Says Trade Envoy Talks With Yellen, But No Hint To End Of Tariff War

China's chief trade envoy talked with Treasury Secretary Janet Yellen on May 26, the Chinese government said, but gave no indication when negotiations on ending their tariff war might resume. Talking by video link, Vice Premier Liu He and Yellen discussed the economic situation, bilateral cooperation and other "issues of mutual concern," according to a Commerce Ministry statement. It gave no details.

President Joe Biden, who took office in January, has yet to say what approach he will take to the conflict launched by his predecessor, Donald Trump, who raised tariffs on Chinese imports over complaints about Beijing's industrial policy and trade surplus. China retaliated by suspending purchases of U.S. soybeans and raising tariffs on other goods.

Liu talked by phone last week with Trade Representative Katherine Tai, the head of the U.S. delegation to the tariff talks. Tai's office said she discussed her "ongoing review" of the trade relationship.

Negotiators haven't met in person since before the coronavirus pandemic began in early 2020. Lower-level officials hold monthly meetings by phone on the status of carrying out the "Phase 1" agreement from early 2019 aimed at ending the conflict.

The two sides agreed in the "Phase 1" deal to suspend further tariff hikes on each other's goods and to roll some back. China promised to buy more American soybeans and other exports. Beijing fell behind on meeting that commitment after the pandemic disrupted global trade.
Source: MarketWatch, 06.01.2021

World Trade in Goods Rebounding Rapidly In 2021

The global recession due to COVID-19 may be still with us, but trade is picking up quickly. That's according to the United Nations Conference on Trade and Development, which released data May 19 on global trade, which it found has already returned to pre-pandemic levels.

The UNCTD report found that global trade increased by 10% on a year-over-year basis and 4% from the last quarter of 2020, mainly driven by exports from East Asian economies. Trade in goods has already surpassed pre-pandemic levels, though trade in services still has a ways to go to catch up.

The trade recovery has been broad, covering most sectors, but minerals, office equipment, and communication equipment notably each saw trade increase by more than 35% each relative to 2020. An outlier compared to other sectors, international trade in transportation equipment declined by almost 20%; the only other sector to see a trade decrease was in energy, which saw trade fall 5%.

Trade growth in 2021 will be driven by China and the U.S., the report predicted, and the data presented bears that perspective out. The data shows the U.S. exported 16% more goods and imported 14% more in the first quarter of 2021 than its 2020 average, while Chinese goods exports rose 20% while its imports climbed 22%. Services imports and exports grew for both countries: Services imports rose 10% in the U.S. and 3% in China, while services exports were up 3% in the U.S. and 27% in China, also relative to the respective countries' 2020 averages.
Full Story ***Source: IndustryWeek, 05.21.2021***

EEOC Issues New Guidance For Employers On Vaccine. But Gray Areas Remain.

The Equal Employment Opportunity Commission has issued new guidance on the COVID-19 vaccine for employers attempting to grapple with the sensitive, high-stakes issue. But experts say the new guidance once again has gray areas that leave employers wanting more certainty around vaccine mandates, incentives and confidentiality requirements.

Martha Boyd, a shareholder at Baker Donelson Bearman Caldwell & Berkowitz PC, said the new guidance doesn't break much new ground — outside of providing some clarity on vaccine incentives.

Vaccine incentives—While much of the new guidance clarified and confirmed past language, experts say it did provide employers with clear answers around the many questions on vaccine incentives. "That was something we all needed clarity on, and we had not seen that specific guidance before," Boyd said. The EEOC's guidance said employers may offer incentives to employees to show proof of vaccination or to receive a vaccine from the employer or its agents without running afoul of the Americans with Disabilities Act or the Genetic Information Nondiscrimination Act.

If the employer or its agent is administering the vaccine, the EEOC said the incentive should not be "so substantial as to be coercive" because it could pressure employees into receiving the vaccine—a distinction experts previously have emphasized. "This incentive limitation does not apply if an employer offers an incentive to employees to voluntarily provide documentation or other confirmation that they received a COVID-19 vaccination on their own from a third-party provider that is not their employer or an agent of their employer," the EEOC guidance stated.

Another wrinkle involves family members of employees. The EEOC said companies can offer an incentive to employees who provide documentation that a family member received the COVID-19 vaccine from a health-care provider in the community. They cannot, however, offer an incentive for a family member to receive the vaccine from the employer or its agents, such as at a vaccine clinic at the employer's headquarters or manufacturing facility. Employers can provide opportunities for employees' family members to be vaccinated at those types of clinics as long as they do not provide an incentive or require employees' family members to get vaccinated and comply with GINA.

"Employers must also ensure that all medical information obtained from family members during the screening process is only used for the purpose of providing the vaccination, is kept confidential, and is not provided to any managers, supervisors, or others who make employment decisions for the employees," the guidance states. They would also need to obtain written authorization from the family member before the family member is asked any questions about his or her medical conditions.

Confidentiality and vaccine status—One of the many sensitive topics around the COVID-19 vaccine is privacy, and the latest guidance still leaves considerable gray areas on that front. Federal law doesn't preclude employers from asking about an employee's vaccination status, although employers should tread carefully with follow-up questions. The EEOC confirmed information about an employee's COVID-19 vaccination is confidential medical information under the ADA. That means the information must be kept confidential and stored separately from the employee's personnel files. Boyd said many employers were already operating under that assumption, so more guidance around the topic would be helpful. "What is really lacking for me is, 'What does that mean in terms of the employer?'" Boyd said. "Employers are still stuck with, 'OK, exactly how much can I disseminate this information?'"

For companies with large operations and multiple levels of management, Boyd said the new guidance doesn't shed enough light on the scenarios they will face, such as situations when managers need to be empowered to enforce mask guidelines based on the Centers for Disease Control and Prevention's latest guidance. "Who needs to inform an employee's supervisors whether that employee may go maskless or not?" Boyd said. Boyd said her general guidance has been to keep the information as close to the vest as possible while still enabling supervisors to manage the mask situation. But, like with many aspects of vaccines and masks, much uncertainty remains around confidentiality requirements. "I wish they had expanded on that a little bit and just said, from a practical standpoint, what is that confidentiality," Boyd said.

Vaccine mandates—As we've previously noted, there's nothing in federal law that precludes businesses from mandating the COVID-19 vaccine, even under its current emergency-use authorization status. Early on in the process, most employers weren't taking that route and were opting to encourage or incentivize the vaccine.

Boyd said more employers are now showing interest in vaccine mandates, and the new EEOC guidance confirms those mandates are allowed—as long as employers follow EEOC and ADA regulations for medical and religious exemptions, including compliance with Title VII of the Civil Rights Act.

Those regulations require individual assessments that could lead to some difficult situations for employers, such as when trying to determine if a worker has a legitimate religious belief or exemption or simply doesn't want to be vaccinated. There are also practical questions to consider, such as what the impact of a mandate would mean for a company's labor pool in a tight market for talent and whether a company will actually be able to consistently enforce the mandate. Boyd said there is an urban versus rural divide emerging, with some rural employers concerned about the impact of a vaccine mandate on retaining or attracting talent. "One employer said 'I know from talking to my employees that if I mandate this, I'm not going to have enough employees,'" Boyd said. ***Source: Bizjournals, 06.02.2021***

CELEBRATING OUR PAST

1921 100 O'NEAL 2021

FORGING OUR FUTURE

The O'Neal Family of Companies is celebrating an important milestone in 2021 - 100 years in the metals industry, guided by three generations of O'Neal leadership.

With roots tracing back to 1921 with the founding of O'Neal Steel, we have become the nation's largest family-owned network of metals service centers and component manufacturers. Today, we are composed of a parent company, O'Neal Industries, and eight affiliate companies: G&L Tube, Leeco Steel, Locate Supplies, O'Neal Manufacturing Services, O'Neal Steel, Stainless Tubular Products, TW Metals, and United Performance Metals.

To honor and commemorate this achievement, we would like to recognize and thank those whose contributions have made O'Neal's success possible. We thank our employees who have dedicated years of service and carried out our founding principles of integrity and commitment to excellence. We also thank our customers who we are fortunate to serve each and every day.

Our centennial is not only a celebration of the past, but a celebration of what the future holds, as our family of companies, employees, and customers continues to grow for years to come.

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