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# MARKETINFORMER

June 2022

Monthly Market Intelligence for Customers of O'Neal Steel

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## U.S. ECONOMIC NEWS

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Economy Adds 390,000 Jobs In May Amid Inflation, Worker Shortages—U.S. employers added 390,000 jobs in May as hiring slowed modestly after a record string of gains amid high inflation, persistent worker shortages and rising interest rates. The unemployment rate was unchanged at 3.6%, just above a 50-year low, stated by the Labor Department June 3.

Economists surveyed by Bloomberg had estimated that 325,000 jobs were added in April. ***Source: USAToday, 06.03.2022***

Fed Governor Christopher Waller Says He's Prepared To Take Rates Past 'Neutral' To Fight Inflation—Federal Reserve Governor Christopher Waller said May 31 he sees interest rate increases continuing through the rest of the year as part of an effort to bring inflation under control. Specifically, the central bank official said he would support hikes that exceed the "neutral" level considered neither supportive nor restrictive for growth. Estimates Fed officials provided in March point to a 2.5% neutral level, so that means Waller sees rates increasing at least another 2 percentage points from here.

"Over a longer period, we will learn more about how monetary policy is affecting demand and how supply constraints are evolving," Waller said in remarks delivered in Frankfurt, Germany. "If the data suggest that inflation is stubbornly high, I am prepared to do more."

The statements support sentiment reflected in minutes from the rate-setting Federal Open Market Committee meeting held in early May. The meeting summary said officials believe "a restrictive stance of policy may well become appropriate depending on the evolving economic outlook and the risks to the outlook."

Markets currently are expecting the Fed to raise benchmark borrowing rates to a range between 2.5%-2.75%, in line with a neutral rate. However, if inflation continues to rise, the Fed likely will go even further. The fed funds rate currently is set between 0.75% and 1%. Minutes also indicated that policymakers see rates rising by 50 basis points at the next several meetings. Waller said he is on board with that position, as the Fed seeks to tame inflation running close to its highest level in more than 40 years.

"In particular, I am not taking 50 basis-point hikes off the table until I see inflation coming down closer to our 2% target," Waller said. "And, by the end of this year, I support having the policy rate at a level above neutral so that it is reducing demand for products and labor, bringing it more in line with supply and thus helping rein in inflation."
Full Story ***Source: CNBC, 06.01.2022***

## Rising U.S. Wages Support Spending In April As Inflation Slows: Govt

American wages continued to rise in April, supporting an ongoing increase in consumption in the face of an inflation wave that nonetheless shows signs of waning, according to government data released May 27. U.S. personal income rose 0.4% compared to March, while personal consumption expenditures (PCE) gained 0.9%, slowing from the gain in the prior month, according to the Commerce Department report.

But in a bit of good news for shoppers, the PCE price index slowed sharply, increasing just 0.2% after several months of accelerating at more than twice that pace and 0.9% in March. The world's largest economy has been battered for months by a cresting inflation wave, made more painful by the surge in energy prices caused by the fallout from the Russian invasion of Ukraine. Over the last 12 months, the key inflation measure slowed to 6.3% from 6.6% in the prior month, according to the data.

Excluding volatile food and energy goods, the increase in the "core" PCE price index was a more modest 4.9%. PCE is the Federal Reserve's preferred price gauge, and the central bank has launched a counter-offensive against inflation with a series of aggressive interest rate hikes to cool the economy. The process began in March and was followed early this month by a half-point increase, the biggest since 2000.

Policymakers argue that the U.S. economy is strong enough to withstand the increased borrowing costs, and though the hot housing market has cooled, consumers show no signs of reducing spending.

The data show "consumers are resilient, for now," said Rubeela Farooqi of High Frequency Economics. "With inflation still uncomfortably high, the labor market strong and household spending maintaining positive momentum, the Fed will stick with its plan" to raise rates by a half point at the next two meetings, she said.

Personal income increased $89.3 billion in April, while disposable personal income rose $48.3 billion and expenditures increased $152.3 billion, the report said.

Outlays on services were the biggest element, led by food services, but also hotels, housing and utilities.
*Source: Industryweek, 05.27.2022*

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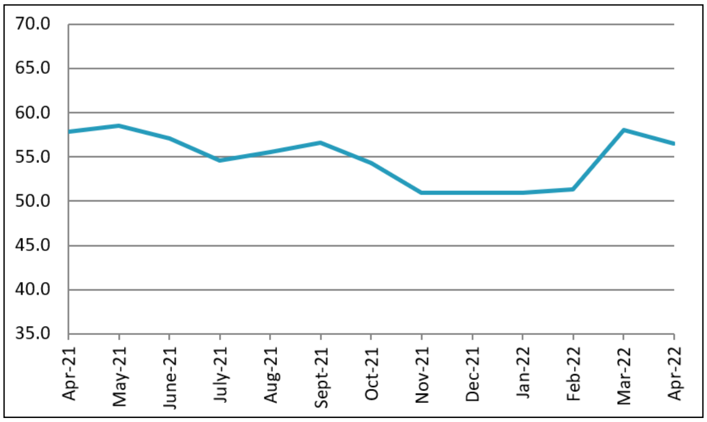
## KEY ECONOMIC INDICATORS

### Architecture Billings Index (ABI)

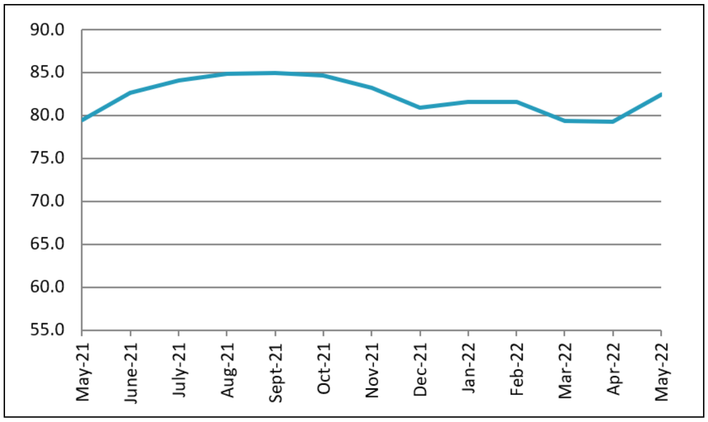


For the fifteenth consecutive month architecture firms reported increasing demand for design services in April, according to a new report today from The American Institute of Architects (AIA).

AIA's Architecture Billings Index score for April was 56.5 compared to 58.0 in March. Any score above 50 indicates an increase in billings. During April, scores for both new project inquiries and design contracts moderated slightly, but remained strong, posting scores of 62.3 and 55.4, 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, 05.18.2022*

### Steel Capability Utilization

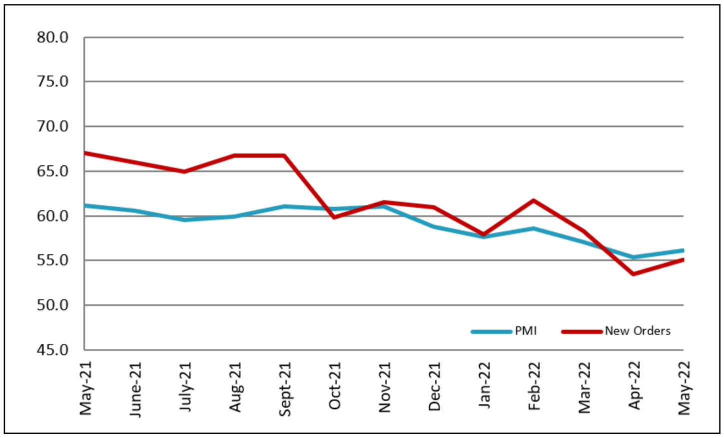


In the week ending on May 28, 2022, domestic raw steel production was 1,798,000 net tons while the capability utilization rate was 82.4%. Production was 1,834,000 net tons in the week ending May 28, 2021 while the capability utilization then was 81.0%. The current week production represents a 2.0% decrease from the same period in the previous year. Production for the week ending May 28, 2022 is up 0.5% from the previous week ending May 21, 2022 when production was 1,789,000 net tons and the rate of capability utilization was 82.1%.

Adjusted year-to-date production through May 28, 2022 was 37,093,000 net tons, at a capability utilization rate of 80.6%. That is down 1.5% from the 37,677,000 net tons during the same period last year, when the capability utilization rate was 78.7%.

**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, 05.28.2022*

### Purchasing Managers Index (PMI)®




The May Manufacturing PMI® registered 56.1%, an increase of 0.7 percentage point from the reading of 55.4% in April. This figure indicates expansion in the overall economy for the 24th month in a row after a contraction in April and May 2020. This is the second-lowest Manufacturing PMI® reading since September 2020, when it registered 55.4%. The New Orders Index reading of 55.1% is 1.6 percentage points higher than the 53.5% recorded in April. The Production Index reading of 54.2% is a 0.6 percentage point increase compared to April's figure of 53.6%. The Prices Index registered 82.2%, down 2.4 percentage points compared to the April figure of 84.6%. The Backlog of Orders Index registered 58.7%, 2.7 percentage points higher than the April reading of 56%. The Employment Index went into contraction territory at 49.6%, 1.3 percentage points lower than the 50.9% recorded in April. The Supplier Deliveries Index reading of 65.7% is 1.5 percentage points lower than the April figure of 67.2%. The Inventories Index registered 55.9%, 4.3 percentage points higher than the April reading of 51.6%. The New Export Orders Index reading of 52.9% is up 0.2 percentage point compared to April's figure of 52.7%. The Imports Index fell into contraction territory, decreasing 2.7 percentage points to 48.7% from 51.4% in April.

Fifteen manufacturing industries reported growth in May, in the following order: Apparel, Leather & Allied Products; Printing & Related Support Activities; Machinery; Nonmetallic Mineral Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Transportation Equipment; Paper Products; Petroleum & Coal Products; Plastics & Rubber Products; Fabricated Metal Products; Chemical Products; Miscellaneous Manufacturing; Primary Metals; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in May compared to April is Furniture & Related Products. . *Source: Institute for Supply Management, 06.01.2022*

## Biden Administration Plan Would Speed Up Infrastructure Permitting

To ensure the timely and sound delivery of federal funding to rebuild U.S. infrastructure, last week the Biden administration released a plan to strengthen and accelerate permitting and environmental reviews for federal projects. The plan contains five key elements to reform this process. These are:

- Accelerating permitting through early cross-agency coordination to appropriately scope reviews, reduce bottlenecks, and use the expertise of sector-specific teams;
- Establishing clear timeline goals and tracking key project information to improve transparency and accountability, providing increased certainty for project sponsors and the public;
- Engaging in early and meaningful outreach and communication with Tribal Nations, States, territories, and local communities;
- Improving agency responsiveness, technical assistance, and support to navigate the environmental review and permitting process effectively and efficiently; and
- Adequately resourcing agencies and using the environmental review process to improve environmental and community outcomes.

White House officials said, "Long overdue improvements to our nation's ports, airports, rail, and roads will help ease inflationary pressures, create conditions for businesses to thrive, and strengthen supply chains–which will ultimately lower costs for families."

Read the White House's fact sheet here. Read the full plan here.
***Source: MSCI, 05.16.2022***

## U.S. Manufacturing Sector Regains Speed In May—ISM

U.S. manufacturing activity picked up in May as demand for goods remains strong, which could further allay fears of an imminent recession, but a measure of factory employment contracted for the first time in nearly a year. The Institute for Supply Management (ISM) said on June 1 that its index of national factory activity rebounded to a reading of 56.1 last month from 55.4 in April. A reading above 50 indicates expansion in manufacturing, which accounts for 12% of the U.S. economy.

Economists polled by Reuters had forecast the index falling to 54.5. The survey followed a report last Friday showing consumer spending increasing strongly in April. The nation has been gripped by fears of a recession as the Federal Reserve aggressively raises interest rates to tame inflation. The U.S. central bank has increased its policy interest rate by 75 basis points since March. The Fed is expected to hike the overnight rate by half a percentage point at each of its next meetings this month and in July.

Demand for goods remains resilient even as spending is shifting back to services like travel, dining out and recreation. Goods spending surged as the COVID-19 pandemic restricted movement.
The ISM survey's forward-looking new orders sub-index increased to 55.1 from 53.5 in April. Manufacturing has been constrained by snarled supply chains, which have been further entangled by Russia's unprovoked war against Ukraine and new shutdowns in China as part of Beijing's zero COVID-19 policy. The ISM's measure of supplier deliveries slipped to 65.7 last month from 67.2 in April. A reading above 50% indicates slower deliveries to factories. The survey's gauge of order backlogs rose to a reading of 58.7 from 56.0 in April.

News on the inflation front was encouraging. A measure of prices paid by manufacturers dropped to a reading of 82.2 from 84.6 in April, supporting views that inflation has probably peaked.

But manufacturers are struggling to find workers, with the survey's measure of factory employment falling to 49.6 from 50.9 in April. Amid tighter financial conditions, the first decline below 50 since last August could also be a potential red flag. With a record 11.5 million unfilled jobs across the economy at the end of March, however, worker shortages appear to be the culprit for the pullback in factory employment." ***Source: Reuters, 06.01.2022***

## Ruffner Page Tapped As President and COO Of O'Neal Industries

O'Neal Industries (ONI) has appointed Ruffner Page as President and Chief Operating Officer effective June 1, 2022. "Ruffner's knowledge, experience, and passion for our company will be a tremendous asset to an already strong leadership team, propelling us in becoming an even more successful organization as we move into our second century of industry leadership," says Craft O'Neal, Chairman and CEO of O'Neal Industries.
Full Press Release

# Biggest U.S. Ports Rank As World's Least Efficient For Containers

The supply-chain crisis that has clogged the U.S. logistics network has made the country's two largest ports of Los Angeles and Long Beach the least efficient trade hubs for handling containers worldwide, a new report showed. Responsible for about 42% of all U.S. containerized trade with East Asia, the southern Californian twin hubs ranked in the final two positions of the World Bank and S&P Global Market Intelligence's 370-member Container Port Performance Index for 2021, the companies said in a report released Wednesday. A majority of the busiest U.S. sea gateways -- including Georgia's Savannah, New York and New Jersey and California's Oakland -- ranked in the bottom half of the list.

Port Performance—Middle Eastern, Chinese ports dominate top 10; U.S., African hubs lag.

Maritime transport moves more than 80% of global merchandise by volume; even before the Covid-19 outbreak, ports were already handling more cargo, which pushed those with weaker infrastructure to "the limits of their capacity," said S&P Global Market Intelligence Associate Director Turloch Mooney, one of the authors of the report.

In the U.S., demand for goods exploded as homebound consumers turned to e-commerce, with American ports struggling to cope with record volumes of imports. "The pandemic ballooned that trend," Mooney said in an interview.

The analysis considers how many hours a ship spends at a port during each call, defined as the elapsed time between when a vessel reaches a port to its departure from the berth having completed its cargo exchange. It includes ports that had a minimum of 20 valid port calls within the 12-month period of the study. The report produces two indexes—one that ranks operations administratively, and the other using a statistical approach. Discrepancies between the two methods were markedly reduced in the 2021 report compared with the prior year's study, it said.

Smaller U.S. ports made it to the top 50 of the ranking for the first time this year, driven in part by the enhanced performance of East Coast gateways. Some of these hubs have invested billions of dollars in infrastructure as the 2016 expansion of the Panama Canal allowed the world's largest ships to reach the Atlantic Coast more easily.

The Port of Virginia, which announced this week it has secured funds to become the deepest gateway on the East Coast, was ranked the most efficient port in North America in the 23rd spot—up more than 60 positions from last year. Led by the Port of Miami in 29th position, at least three Florida ports made it to the top 100. Hubs in North Carolina, Pennsylvania and Maryland were also among the most efficient.

Once more, Asian and Middle Eastern ports dominated the ranking. Saudi Arabia's King Abdullah Port is now the most efficient gateway in the world, followed by counterparts in Oman and Qatar respectively. Meanwhile, China has three hubs in the top 10—Yangshan, Ningbo and Guangzhou—the most of any country.

Compared with U.S. ports, those in Asia and parts of Europe tend to be more modern and have the capacity to handle more cargo, which gives them an edge to operate more efficiently around the clock, Mooney said. That also means that when ships reach the other side of the Pacific Ocean, U.S. gateways can't keep up with the that level of efficiency, he added.

"You have 24/7 operations at the loading ports in China," Mooney said. "If you're loading 24/7 there, and you're not offloading 24/7 at the destination ports, you're going to have some choke points and some backlogs."

*Source: Bloomberg, 05.24.2022*

| | Top... | | ... and bottom |
|---|---|---|---|
| 1 | King Abdullah Port (Saudi Arabia) | 361 | Dar es Salaam (Tanzania) |
| 2 | Salalah (Oman) | 362 | Point-Noire (Republic of Congo) |
| 3 | Hamad Port (Qatar) | 363 | Ngqura (South Africa) |
| 4 | Yangshan (China) | 364 | Durban (South Africa) |
| 5 | Khalifa Port (Abu Dhabi) | 365 | Cape Town (South Africa) |
| 6 | Tanger-Mediterranean (Morocco) | 366 | Luanda (Angola) |
| 7 | Ningbo (China) | 367 | Savannah (US) |
| 8 | Jeddah (Saudi Arabia) | 368 | Vancouver (Canada) |
| 9 | Guangzhou (China) | 369 | Long Beach (US) |
| 10 | Yokohama (Japan) | 370 | Los Angeles (US) |

Source: World Bank and S&P Global Market Intelligence's Container Port Performance Index 2021
Note: Ranking displayed uses administrative approach

## Steel Imports Down 11.7% in April Vs. March

Based on preliminary Census Bureau data, the American Iron and Steel Institute (AISI) reported that the U.S. imported a total of 2,729,000 net tons (NT) of steel in April 2022, including 2,264,000 net tons (NT) of finished steel (down 11.7% and 9.4%, respectively, vs. March 2022). Total and finished steel imports are up 21.0% and 45.1%, respectively, year-to-date vs. 2021. Over the 12-month period May 2021 to April 2022, total and finished steel imports are up 51.3% and 55.3%, respectively, vs. the prior 12-month period. Finished steel import market share was an estimated 27% in April and is estimated at 25% over the first four months of 2022.

Key steel products with a significant import increase in April compared to March are tin plate (up 28.9%) and cut lengths plates (up 22.5%). Products with a significant increase in imports over the 12-month period May 2021 to April 2022 compared to the previous 12-month period include oil country goods (up 118%), wire rods (up 117%), plates in coils (up 81%), hot rolled sheets (up 78%) and cold rolled sheets (up 76%).

In April, the largest suppliers were Canada (613,000 NT, down 6% vs. March), Mexico (395,000 NT, down 27%), South Korea (250,000 NT, down 22%), Brazil (241,000 NT, down 31%) and Vietnam (121,000 NT, down 28%). Over the 12-month period May 2021 to April 2022, the largest suppliers were Canada (6,970,000 NT, up 25% vs. compared to the previous 12-months), Mexico (5,342,000 NT, up 58%), Brazil (3,690,000 NT, up 8%), South Korea (2,828,000 NT, up 30%) and Russia (1,637,000 NT, up 290%). Below are charts on steel imports by country and estimated finished steel import market share in recent months.
*Source: AISI, 05.24.2022*

## Domestic Aluminum Market Remains Strong As U.S. Industry Investment Hits Highest Level In Decades And 2021 Demand Growth Revised Upward

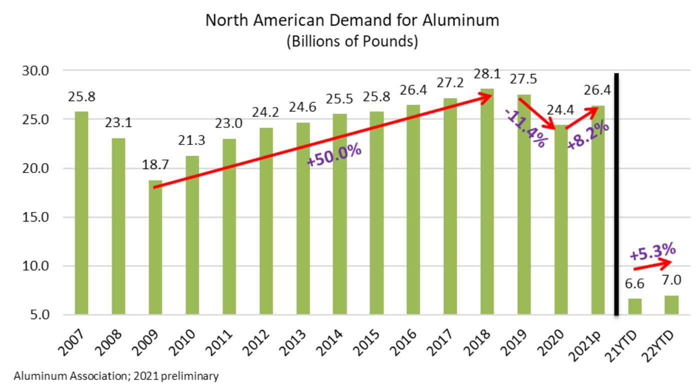
The Aluminum Association released preliminary estimates as part of its monthly Aluminum Situation report showing 5.3% demand growth for the aluminum industry in North America (U.S. and Canada) through the first quarter of 2022. This follows estimated 8.2% demand growth through the end of 2021 (revised upward from previously reported 7.7% demand growth) and comes during a period of significant investment by U.S. aluminum producers, fabricators and recyclers.

"The picture for the U.S. aluminum industry remains very strong," said Charles Johnson, president & CEO of the Aluminum Association. "Economic recovery, demand for recyclable and sustainable materials and robust trade enforcement are all making America a very attractive place to make aluminum—as evidenced by the fastest pace of investment for the industry in decades."

Among key takeaways from the report:

- Aluminum demand in the United States and Canada (shipments by domestic producers plus imports) totaled an estimated 7.0 million pounds in the first quarter compared to 6.6 million in the first quarter of 2021.
- All major semi-fabricated–or "mill"– product categories saw increased year-over-year demand growth in the first quarter, led by sheet and plate products (15.2%) and extruded products (7.3%). In total, mill product demand grew 11.0% year-over-year through the first quarter.
- Aluminum exports (excluding scrap) to foreign countries declined 29.8% in the quarter.
- At 116.88, the Association's Index of Net New Orders of Aluminum Mill Products (baseline index of 100) has shown an increase of 1.8% year-to-date.
- Imported aluminum and aluminum products into the North America (US and Canada) grew by 37.4% year-over-year in the quarter after growing 21.3% in 2021. While growing, these import levels remain below record volumes last seen in 2017.

Over the past year, the aluminum industry has collectively committed or invested nearly $3.5 billion in U.S. manufacturing over the past year–and more than $6.5 billion over the past decade. This included a $2.5 billion investment by member company Novelis to build a greenfield low carbon aluminum rolling mill and recycling facility in Bay Minette, AL, which is the single largest domestic aluminum investment in decades. Meanwhile, the Aluminum Association recently released a report highlighting how targeted trade enforcement in the common alloy sheet market has helped support significant investment. U.S. common alloy sheet producers– hose product is included in everything from road signs to buildings to boats–has faced significant challenges in recent years thanks to unfair trade.
*Source: Aluminum Association, 05.24.2022*



## U.S. To Investigate How Section 232 Tariffs Affected U.S. Industries

The U.S. International Trade Commission (ITC) will undertake an investigation to determine the affect the United States' Section 232 and Section 301 tariffs, including the 25% steel and 10% aluminum tariffs put in place by the Trump administration, had on U.S. industries. The commission's goal is to provide detailed information on U.S. trade, production, and prices in the industries directly affected by these penalties.

ITC will hold a public hearing regarding the investigation on July 21, 2022. Information about the hearing, including how to participate or observe, will be posted here no later than June 21, 2022. Requests to appear at the hearing should be filed no later than 5:15 p.m. on July 6, 2022.

The USITC also welcomes written submissions, which should be submitted no later than 5:15 p.m. on August 24, 2022. All written submissions, except for confidential business information, will be available for public inspection.

All filings to appear at the hearing and written submissions must be made through the Commission's Electronic Document Information System at https://edis.usitc.gov. Stakeholders with questions regarding electronic filing should contact EDIS3Help@USITC.gov or consult the Commission's Handbook on Filing Procedures. More information about how to participate is here.

This investigation was mandated by Congress as part of legislation signed into law this past March. The ITC will issue a public report after its investigation, which will provide:

- Background information on the Section 232 and 301 tariffs and an overview of the tariffs that were in effect as of March 15, 2022; and
- An economic analysis of the impact of these tariffs on U.S. trade, production, and prices in the industries most affected by these tariffs.

The USITC expects to submit its report to Congress by March 15, 2023.
*Source: MSCI, 05.16.2022*

## U.S. Unveils Asia-Pacific Trade Framework, But Questions Remain

U.S. President Joe Biden launched a new Asia-Pacific trade initiative Monday in Tokyo, with 13 countries including India and Japan signed up, although questions about the pact's effectiveness remain. Biden formally unveiled the Indo-Pacific Economic Framework for Prosperity, or IPEF, on his second day in Japan, where he held talks with Prime Minister Fumio Kishida ahead of a regional Quad summit on Tuesday.

"I believe we'll win the competition of the 21st century together," he said at the launch, attended in person by Kishida and Indian Prime Minister Narendra Modi, and virtually by representatives from the other countries.

Unlike traditional trade blocs, there is no plan for IPEF members to negotiate tariffs and ease market access—a tool that has become increasingly unpalatable to U.S. voters fearful of seeing homegrown manufacturing undermined. Instead, the program foresees integrating partners through agreed standards in four main areas: the digital economy, supply chains, clean energy infrastructure and anti-corruption measures.

The starting list of members in addition to the U.S. is Australia, Brunei, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand and Vietnam. The countries touted IPEF as a framework for what will ultimately become a tight-knit group of trading nations.

"We share a commitment to a free, open, fair, inclusive, interconnected, resilient, secure, and prosperous Indo-Pacific region," they said in a joint statement. "Deepening economic engagement among partners is crucial for continued growth, peace, and prosperity."

Together, the participants account for about 40% of global GDP and "there are other countries that could conceivably join us," Biden's national security adviser, Jake Sullivan, told reporters.

Biden has pushed to rapidly rebuild strategic military and trade alliances weakened under his predecessor Donald Trump since taking office in 2021. IPEF is intended to offer U.S. allies an alternative to China's growing commercial presence across the Asia-Pacific. However, there is no political will in Washington for returning to a tariffs-based Asia trade deal following Trump's 2017 withdrawal from the Trans-Pacific Partnership -- a huge trading bloc that was revived under a new name in 2018, without U.S. membership.

While the TPP reduces trade barriers for members, U.S. Secretary of Commerce Gina Raimondo emphasized to reporters that IPEF was not designed to go down the same route. The "framework is intentionally designed not to be a same old, same old traditional trade agreement," she said.

Even so, Japan's Kishida said there is a desire for U.S. involvement in the larger pact abandoned by Trump. The country welcomes the new framework and will "participate and cooperate," he said, but "from a strategic standpoint, Japan hopes that the U.S. will return to the TPP." Full Story
*Source: Agence France-Presse, 05.23.2020*