



Market Insights

FEB 2023
EDITION

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Powerful Supply Chain Solutions

Content



**1. METALS MARKET
OVERVIEW**



**2. NEAR TERM
FORECAST**



3. BUSINESS UPDATE



**4. CURRENCY
OVERVIEW**



**5. FREIGHT
UPDATE**

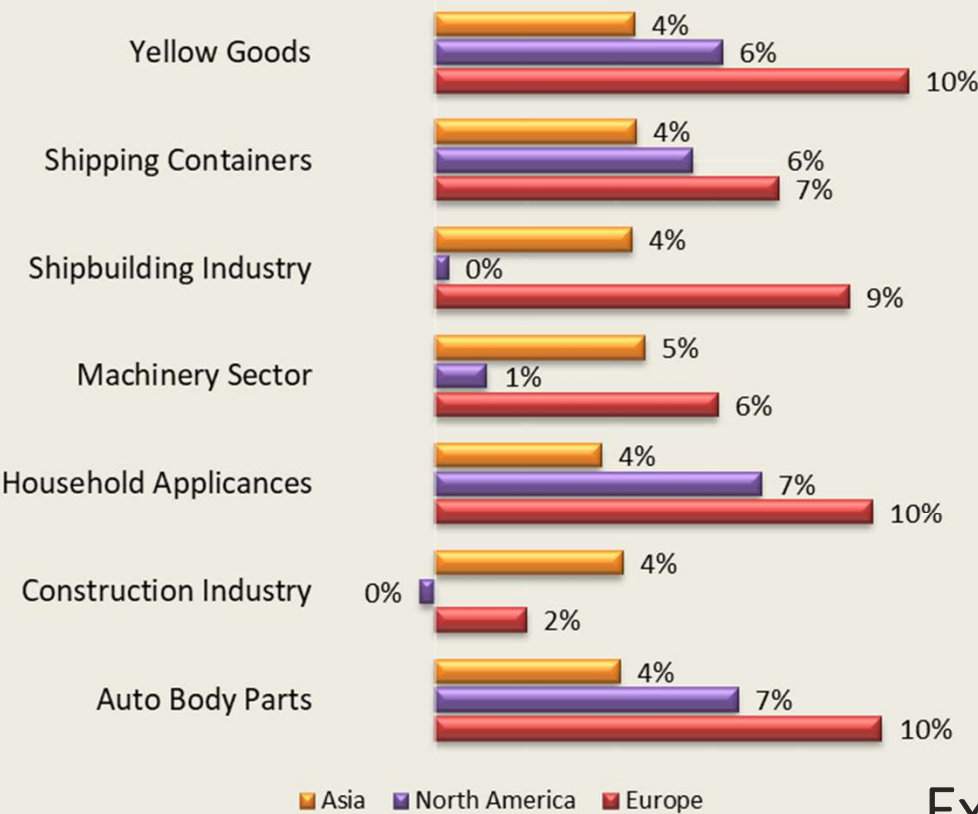
METALS MARKET OVERVIEW

In the US, private spending will face the highest interest rates since 2007, a weak macroeconomic environment, and most likely a recession or at the very least stagnation in the first half of the year. Tech sector is going through a slowdown worldwide but especially in the North American region. Renewable energy industry is also showing similar sentiments, but growth is forecasted by next year.

On the other hand, international freight industry seems to be cooling-off at a rapid rate, especially the Asia to North America lanes. During the pandemic we saw consumer demand skyrocket to levels never seen before, compared to now. Global shipping executives are in a battle with plunging exports, falling freight rates, and mounting suspense over whether the industry is headed for a price war. Some trade lanes from China to US dropped by more than 90% from their peak. [WSJ]

- Inventory levels in North America for metals has gone down, now at 3.8 months of supply on hand in January. While this is better than 4.9 months in December, inventories are still higher than desired.
- Both production and consumption of stainless steel dropped in Europe from last month. Production dropped in North American steel industry as well.
- US HRC prices are expected to lower in the coming months, due to demand not being sufficient to support current market levels. Even though HRC prices reached \$825 per ton in the week through February 10, the opposite is expected to happen before next year. **The index, increased by 29% from last month and it is 73% higher than pre-pandemic levels.** In North American region several price increases were observed in the past month. North American producers are also enjoying limited competition from foreign exporter due to barriers to entry in the American Market. Nucor, Cleveland Cliff, US Steel and all other major US steel producers have enjoyed hefty profits in 2022 due to these benefits.
- Europe's stainless steel market continues to trade flat-rolled grade 304 around the same level since August 2022. Although, surcharges on 304 are expected to fall by €80-100/tonne in March.
- US sheet prices jumped in January, while plate prices lowered during the month, and the long steel market was more mixed with various metals going up, down, and staying the same.
- Prices for Steel Medium Plate (Houston Port Import) remained same from last 3 months. The prices are, however, still about 104% above pre-pandemic levels.
- Nylon PA6/6 is 2% down from last month and 31% down from same time last year.
- Nickel decreased 15% from last month and is currently trading at \$24.8K/MT. But it is still 95% higher than pre-pandemic level.
- Stainless Steel 316 and 304 have also shown increases since last month. Both the indices stand at significantly high positions compared to pre-pandemic levels.

Industrial Steel Purchasing Price Index
Change from last month



Industrial Steel Purchasing Price Index
Change from last year

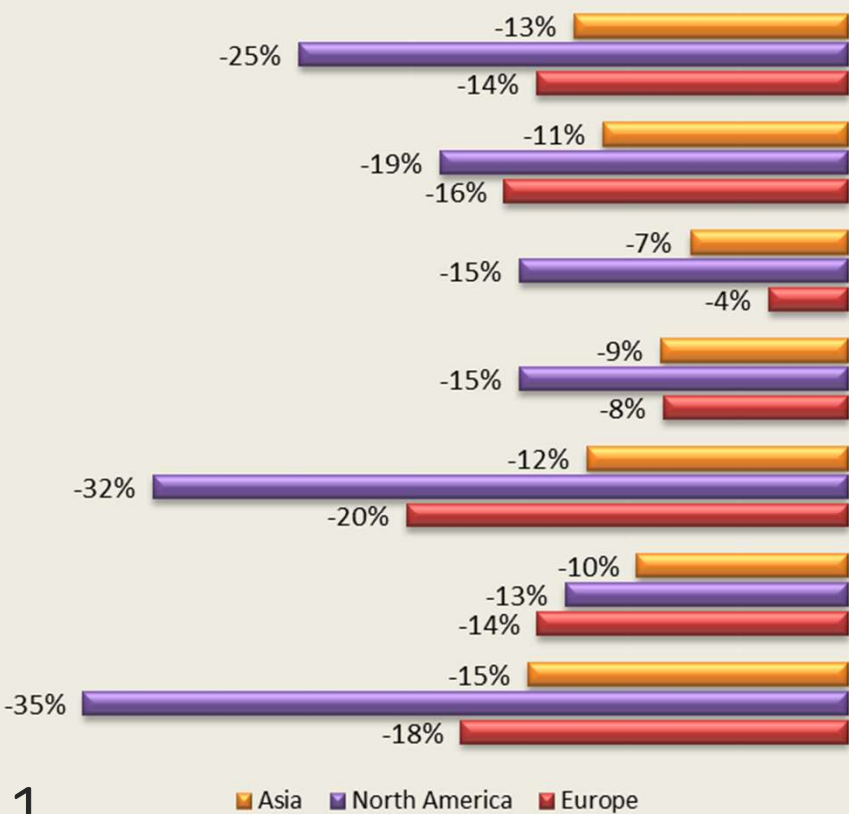


Exhibit 1

METALS MARKET OVERVIEW

Exhibit 2

Many key steel indices increased since last month a major reason was the devastating Earthquake at Turkey which disrupted the Steel and Scarp industry. Increase in demand and shortage of steel raw materials in the Asian countries also contributed to the increases. A sharp drop in the Nickel prices is observed since last month.

NEAR TERM FORECAST

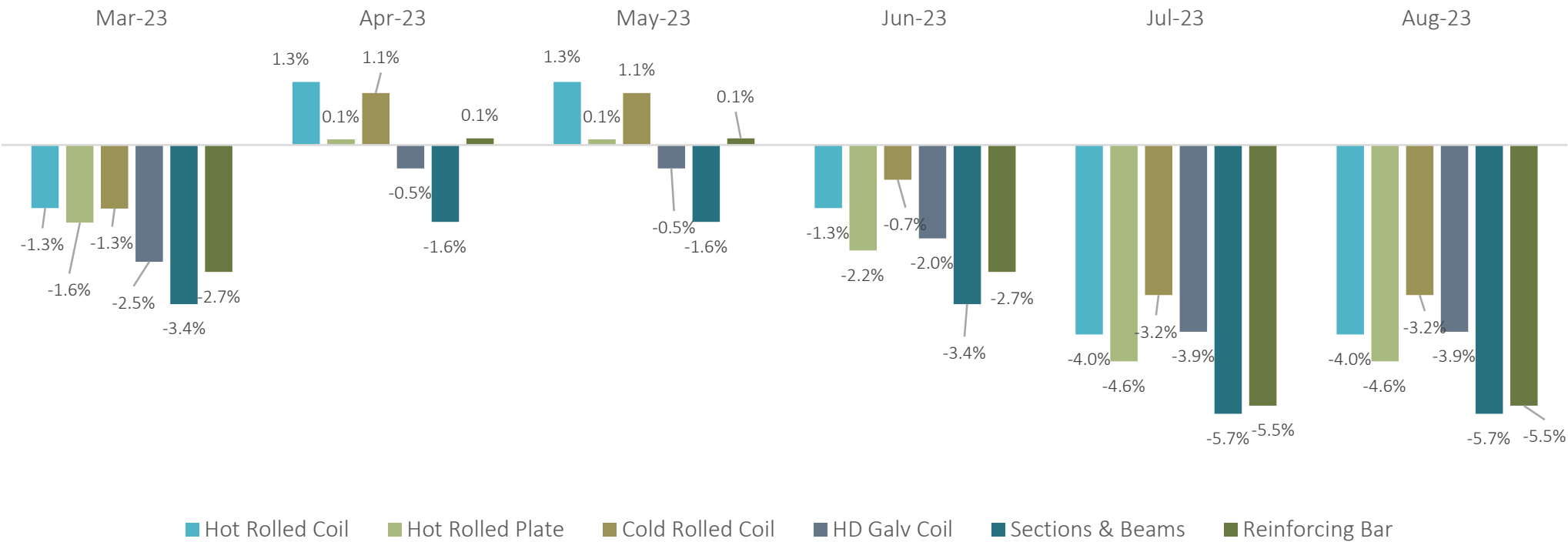
The chart below provides the Asian Steel forecast for the next 5 months. We are expecting a slight increase in the Hot Rolled and Cold Rolled Steel Prices starting in April and May 23 due to improved demand and rising steel making costs.

The prices are expected to fall further into the third quarter.

Base Metal- Clink on the links below for each index.	% Change prior 3 Years, same period	% Chg. V from last year, same period	% Chg. Avg. through prior 3 months	% Chg from prior month
Steel Coil Hot Rolled	73.24%	0.10%	17.27%	29.93%
Import - Steel HR Coil	39.50%	-19.42%	4.25%	13.70%
Steel Coil Cold Rolled	41.33%	-30.26%	-1.02%	11.58%
Scrap-Midest Index #1 Heavymelt'	52.04%	-13.30%	11.87%	3.82%
Scrap # 1 Busheling	53.45%	-10.10%	14.08%	7.23%
Steel wire rod (mesh)-China	42.71%	-15.41%	15.19%	1.13%
Copper	60.94%	-7.81%	14.61%	-3.10%
Aluminum 6061	61.50%	-21.76%	0.47%	8.63%
Import - Steel Medium Plate	104.84%	-13.90%	-8.19%	0.00%
Silver Engelhard United States	20.70%	-15.68%	13.56%	-12.10%
Steel Rod - High Carbon	82.86%	-12.33%	0.00%	0.00%
Import LC Wire Rod	47.54%	-21.74%	-14.63%	1.12%
Nickel	95.82%	-1.66%	20.05%	-15.52%
Wire Rod, Cold Heading Quality	70.67%	-14.67%	-14.63%	1.59%
Cobalt	-4.29%	-52.01%	-25.04%	-6.53%
Aluminum	25.51%	-22.62%	20.90%	-0.05%
316L Stainless Steel	108.59%	18.47%	12.46%	8.28%
304 Stainless	82.64%	6.25%	5.46%	2.31%
Ferromolybdenum	316.28%	115.66%	71.49%	23.45%
Gold Engelhard United States	11.55%	-5.22%	9.82%	-5.47%
Chromium-AluminoThermic	83.21%	4.35%	-3.40%	0.00%
Titanium	16.33%	16.33%	3.01%	0.00%
Special Quality Steel Bar 4100 Series (Round Bar High Carbon)	83.67%	-1.88%	2.61%	5.37%
Nylon	-11.28%	-31.62%	-17.69%	-2.26%
Molybdenum	262.01%	84.49%	67.45%	6.98%
Steel Reinforcing Bar	51.45%	-16.29%	10.16%	1.95%
China Steel C1022		-100.00%	-3.98%	-100.00%
Cotton N. America	9.29%	-32.06%	-7.44%	0.70%
Plastic products - PPI -WPU072	33.86%	5.93%	-1.05%	-0.61%
Steel bar cold-finished 1-inch round 4140 (alloy), fob mill US, \$/cwt	61.11%	3.80%	2.69%	9.43%

Exhibit 3

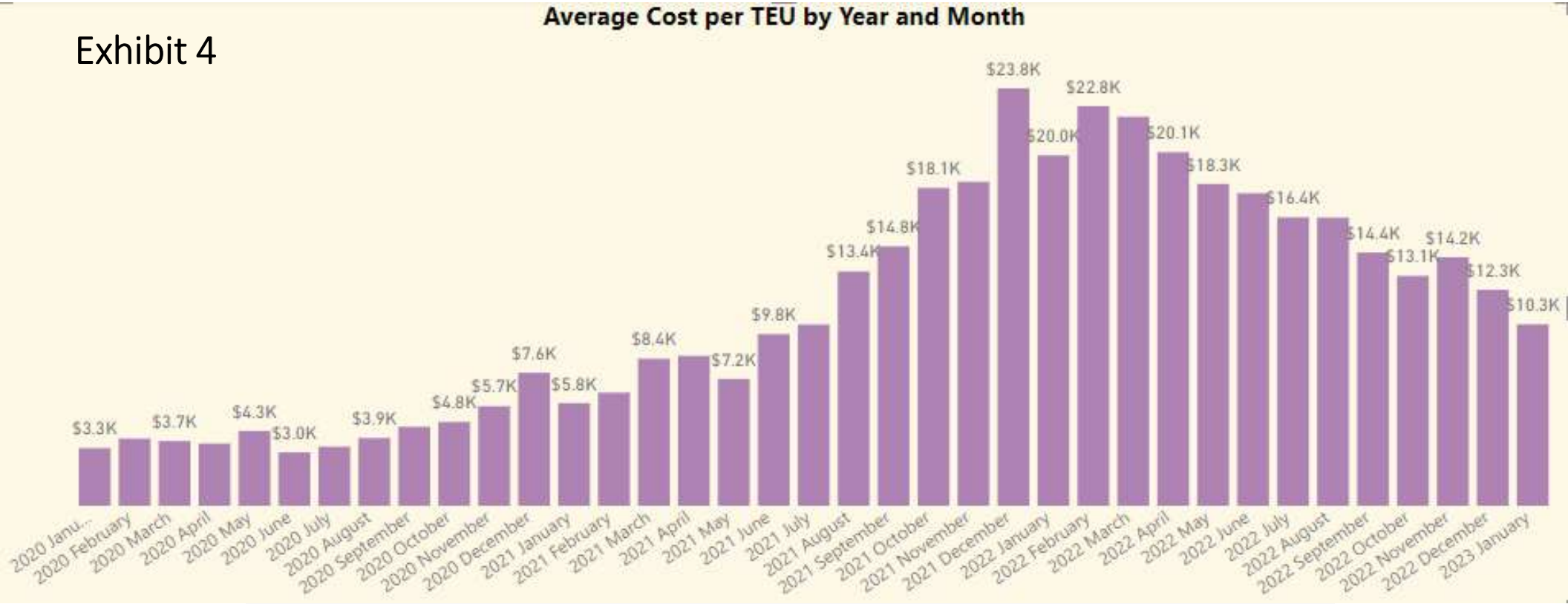
Foreseeable Price Change - Asia Average (from Current Month)



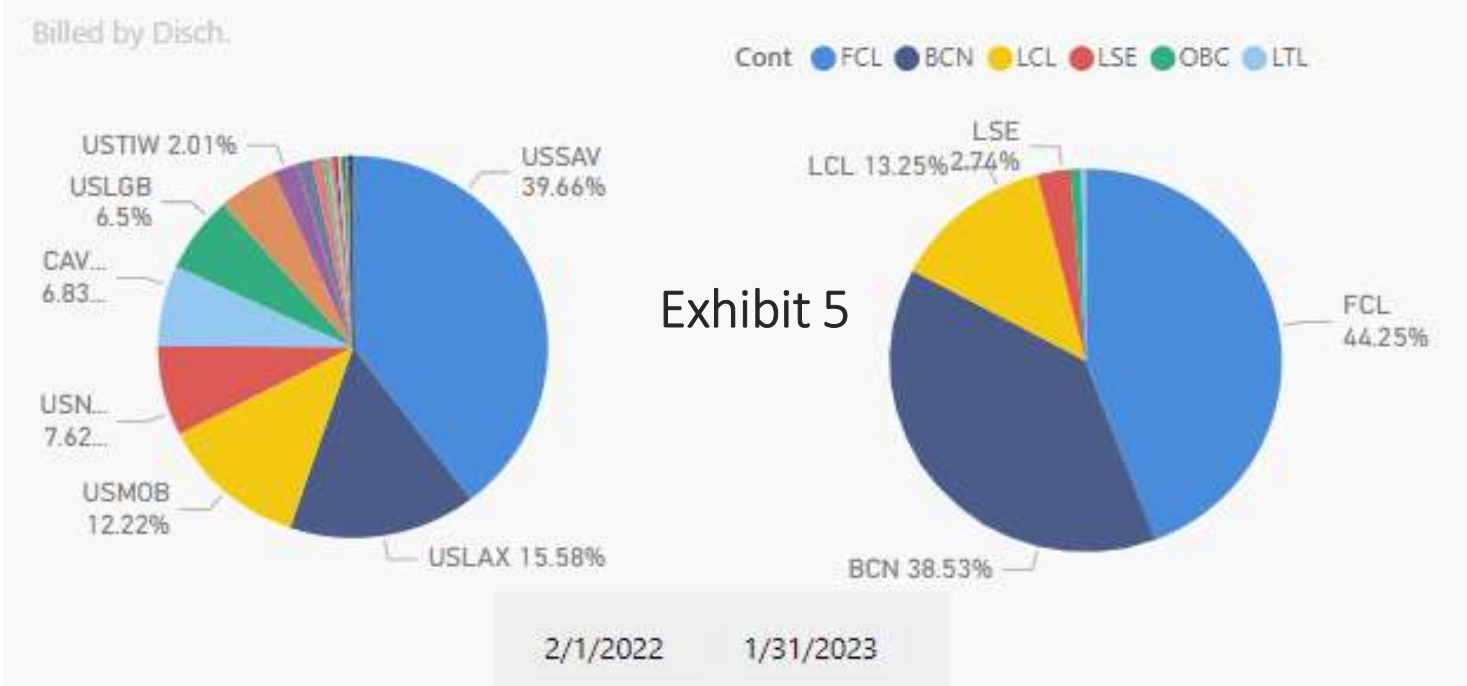
Business Update

Exhibit 4 presents the Average Cost per TEU (Twenty foot Equivalent) for FCL (Full-Container Load) and BCN (Buyers Consolidation) shipments for the business. A general downward trend is observed for the business wide freight. The average TEU Cost for the business dropped 15% from Dec-22 currently at \$10.3k/TEU but 50% lower than same time last year. The Average Cost/TEU is still 200% higher compared to Oct20. (Note: Both 40’ & 20’ Container as 1 TEU unit. Previously 40’ Container was considered equivalent to 2 TEUs and 20’ Container as 1 TEU for calculating Average Cost/TEU)

Exhibit 4



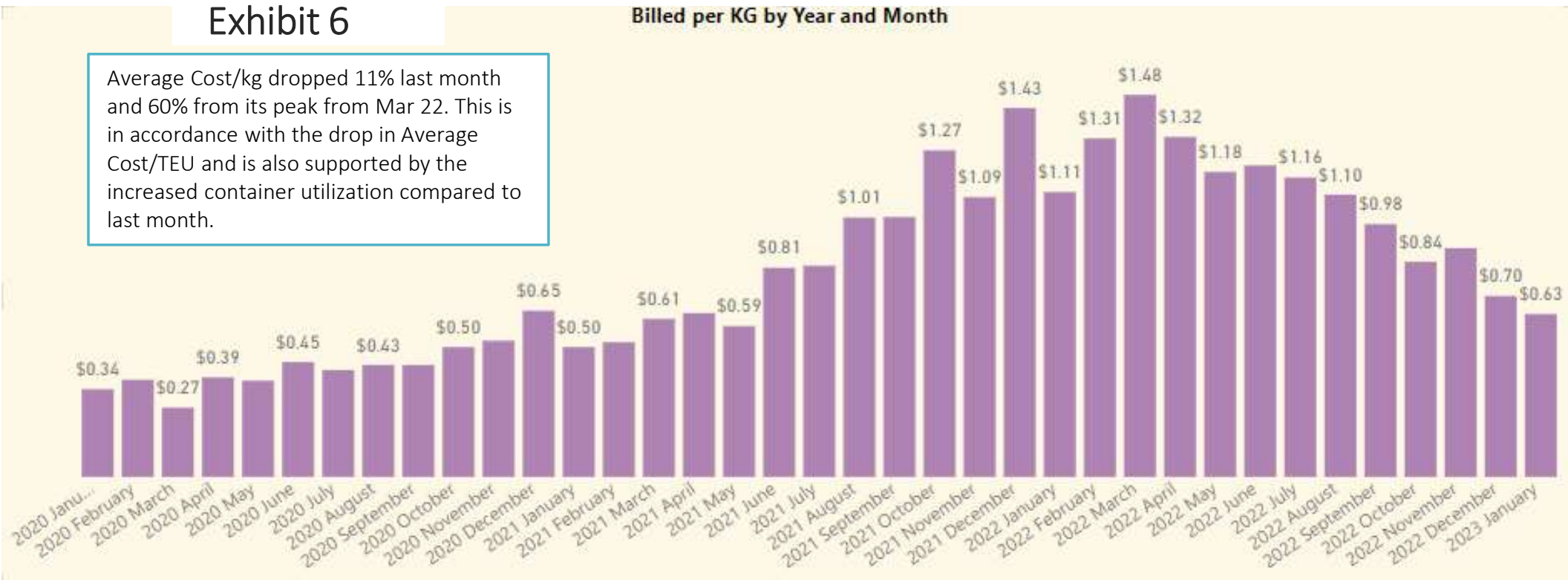
Shipment distribution for Feb 2022 to Jan 2023 showing the most billed shipments are discharged at Savannah Port. These includes LCL, FCL, BCN, OBC shipment counts



Shipment distribution by Shipment Type from Feb 2022 to Jan 2023

Exhibit 6

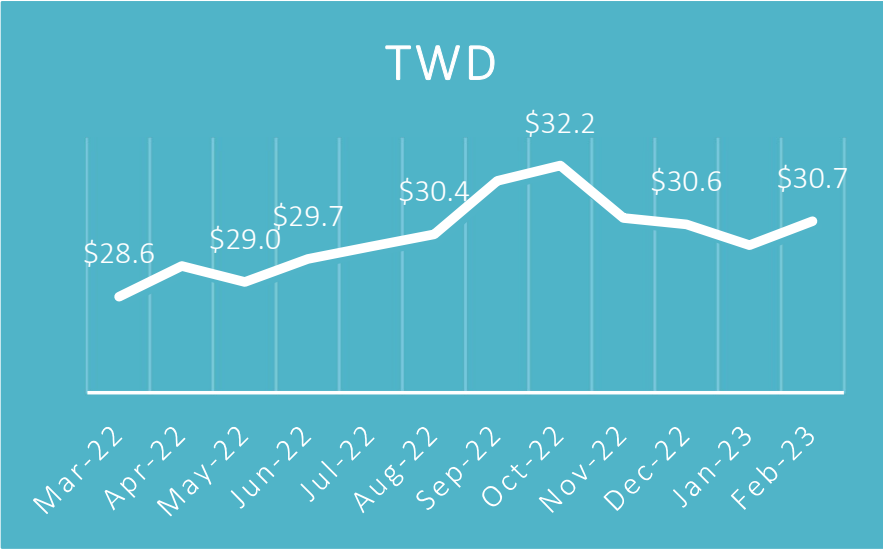
Average Cost/kg dropped 11% last month and 60% from its peak from Mar 22. This is in accordance with the drop in Average Cost/TEU and is also supported by the increased container utilization compared to last month.



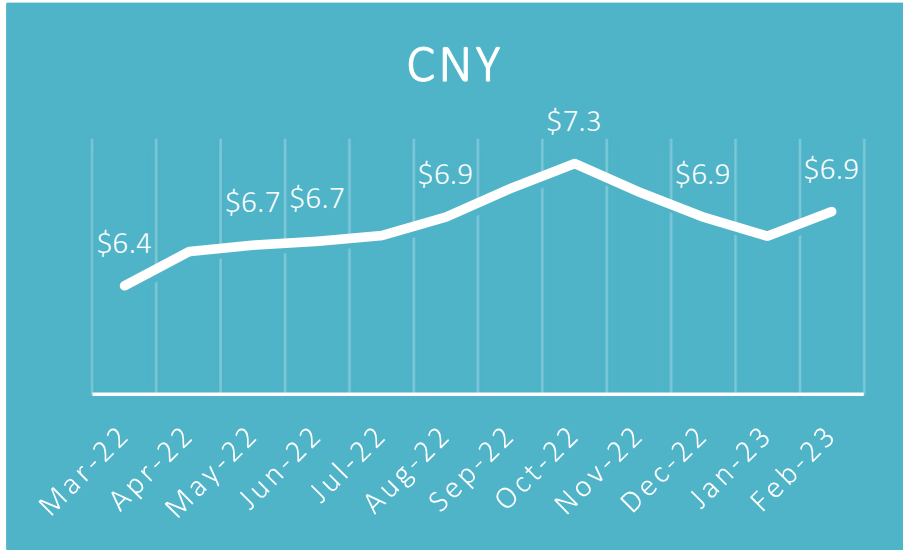
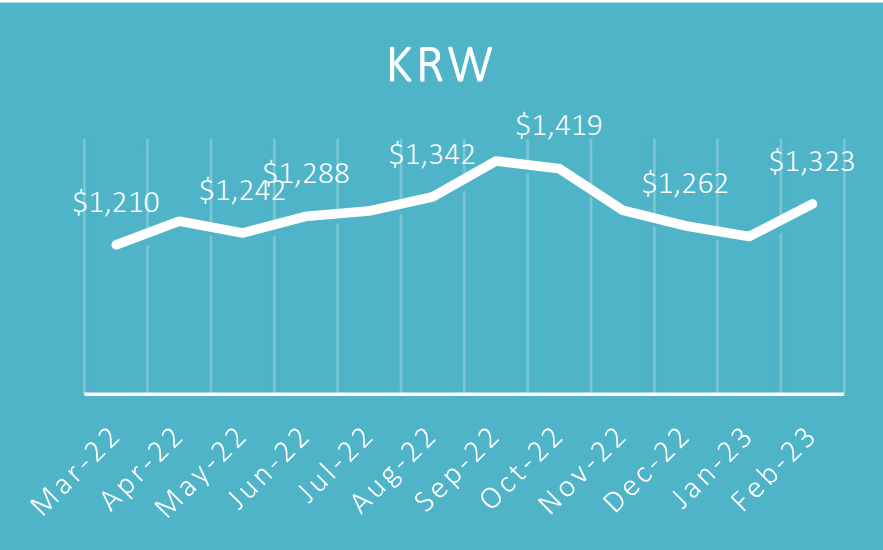
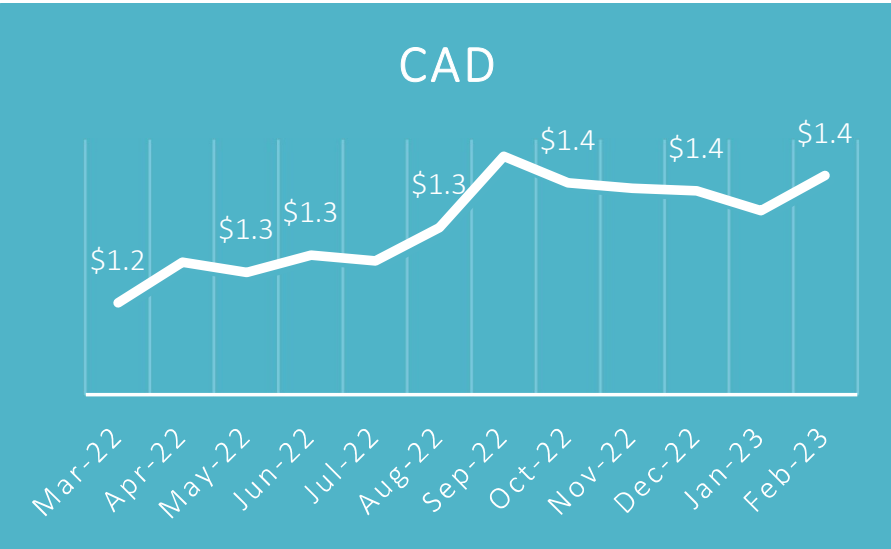
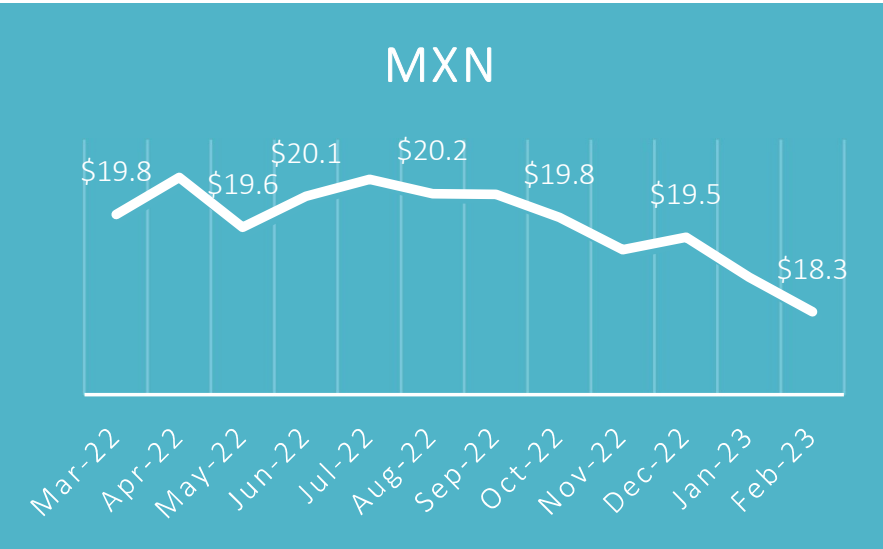
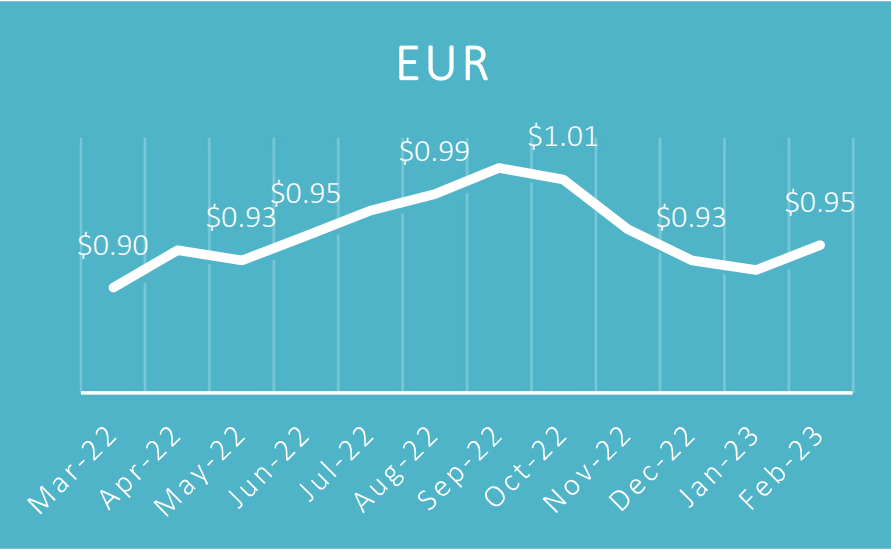
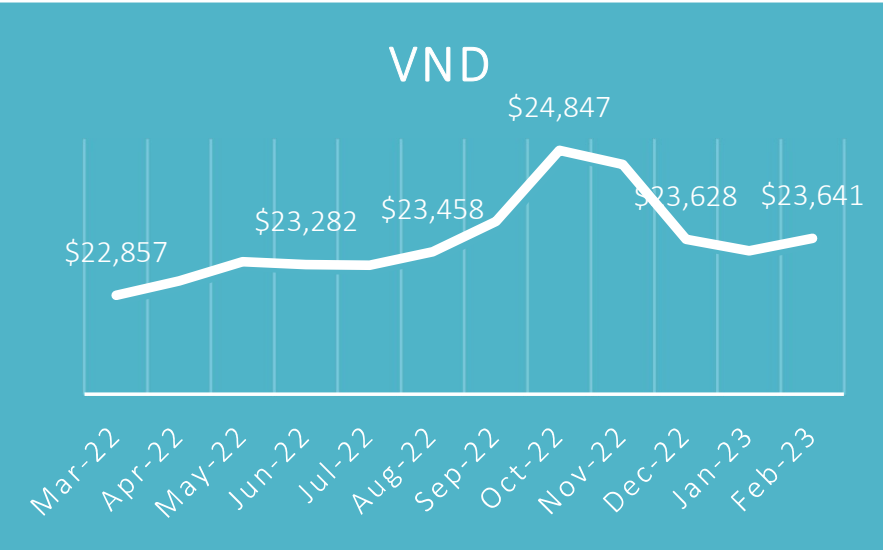
CURRENCY OVERVIEW

After an almost 12 months long rally, the USD has finally cooled down against major currencies of our interest. US Dollar is expected to remain in the same band +/-5% over the next 3 months as further interest hikes are planned for the next year, which will keep USD from dropping down too much.

Exhibit 7

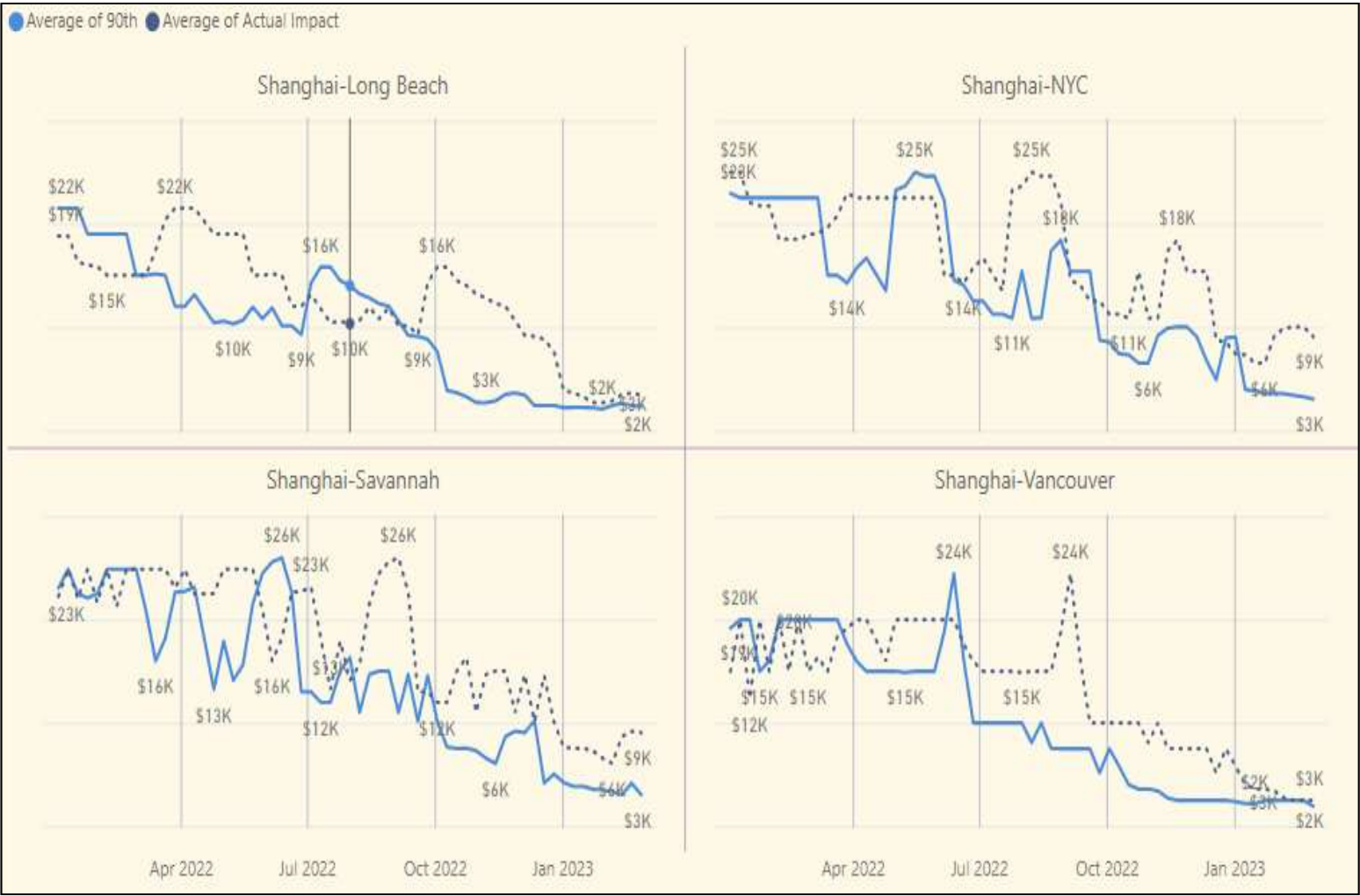


<p>The trailing 12 months record show that the USD has strengthened by:</p> <ol style="list-style-type: none">9.44% against Taiwanese Dollar9.87% against Yuan10.05 % against Korean Won7.87% against Thai Baht6.18% against Euro7.48% against Canadian Dollar3.38% against Vietnamese Dong	<p>Over the last 1 month the USD has Strengthened by:</p> <ol style="list-style-type: none">2.20% against Taiwanese Dollar2.86% against Yuan7.31% against Won7.18% against Thai Baht2.65% against Euro2.58% against Canadian Dollar0.73% against Dong
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Freight Trend from Specific Routes

Exhibit 8



The freight indices for major routes have dropped since last 12 months, consecutively the freight cost has also dropped. Gexpro is seeing a 12-week delay in the drop due to procedural lag in the invoicing.

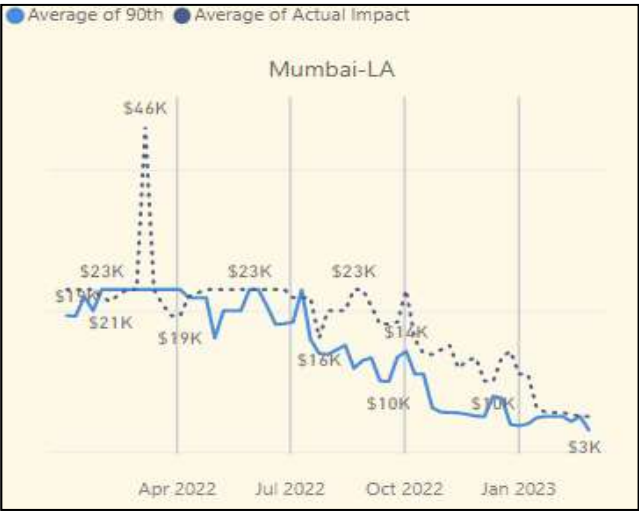
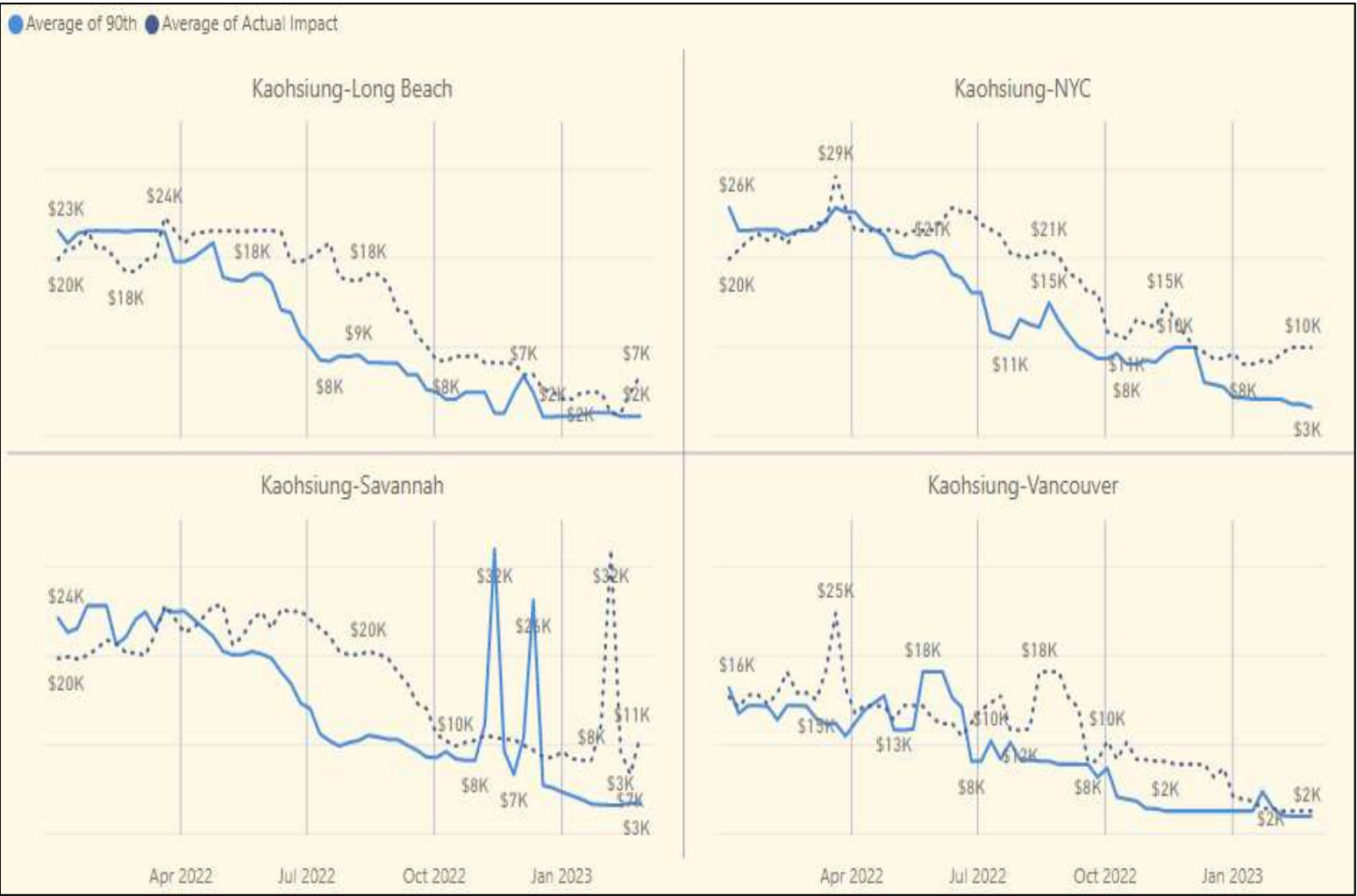
The Solid Blue line represents the current freight index value whereas the dotted line represent the 3-month shifted index value, this is because for most of the Asian shipments we are billed after 12 weeks and hence the actual impact is felt after 3 months.

Freight indices from most Asian routes to North American ports have shown a steady decline in last 12 months, reaching at or below pre-pandemic levels.

Taiwan to North American spot freight rates are also dropping.

Freight rates from European region has not cooled down compared to other routes due to the ongoing energy crisis, and they are still almost twice as pre-pandemic levels.

Freight from India to US has also started dropping since last two months, and they are almost at pre-pandemic levels.



Freight Update

New CBP Regulations for Customs in North America

US Customs and Border Protection (CBP) has come out with new broker regulations effective December 19, 2022. The new rules are the Modernization of the Customs Broker Regulations (87 FR 63267) and the Elimination of the Customs Broker District Permit Fee (87 FR 63262).

Codifying the “customs business” in an impactful way

Updating and modernizing the customs broker regulations, the new compliances are directed to optimize the resources for both the shipping industry and CBP. It aims to align the CBP with contemporary business practices in this digital age while strengthening its knowledge about importers and protecting the state’s revenue.

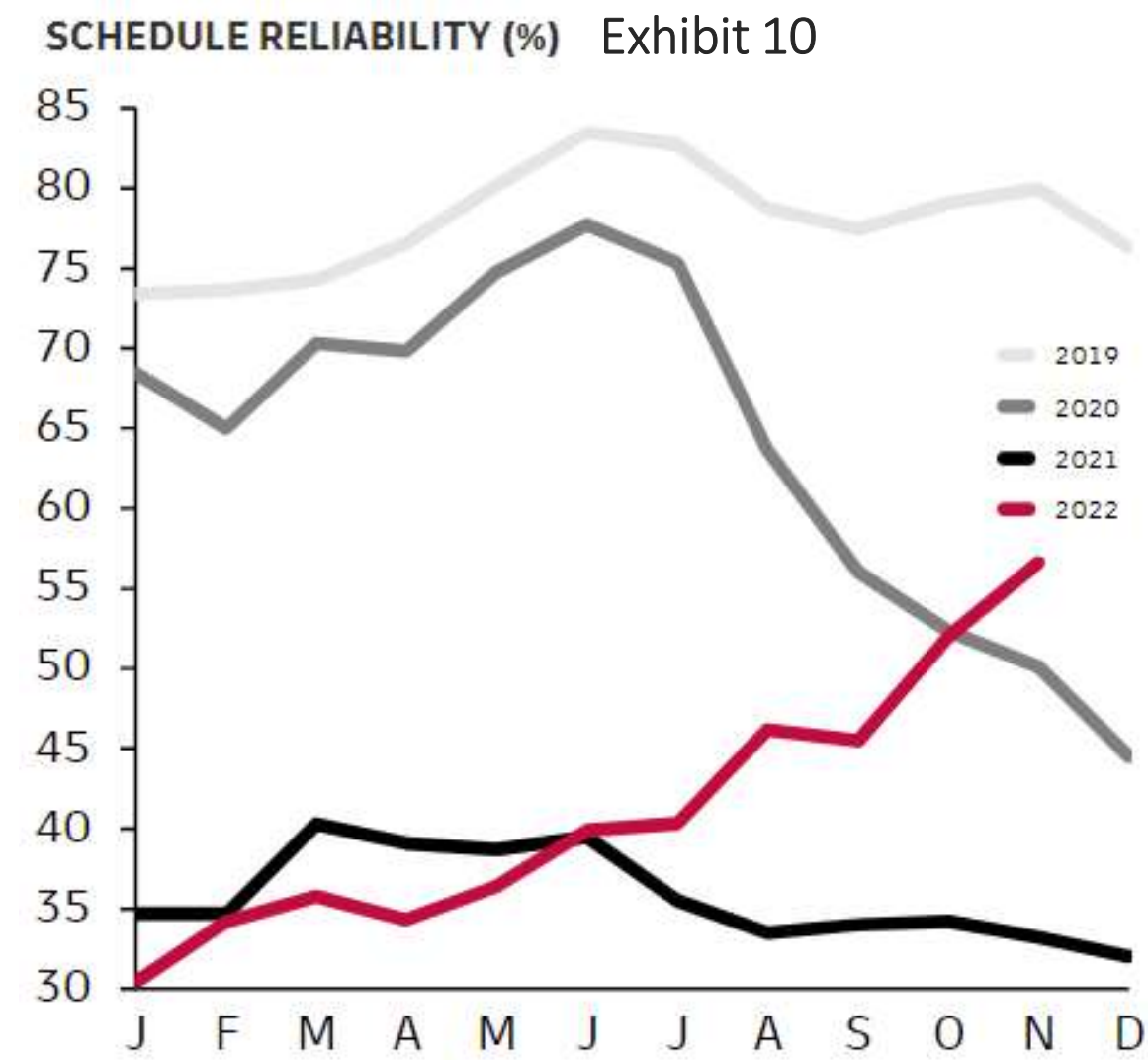
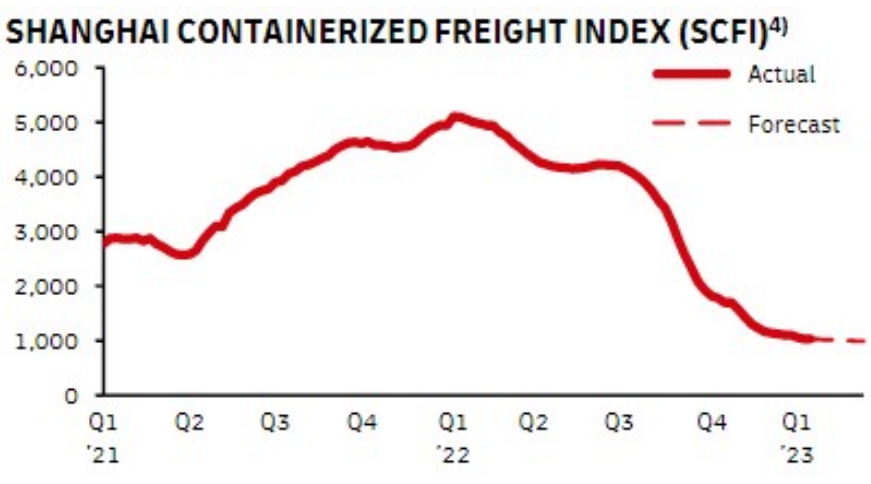
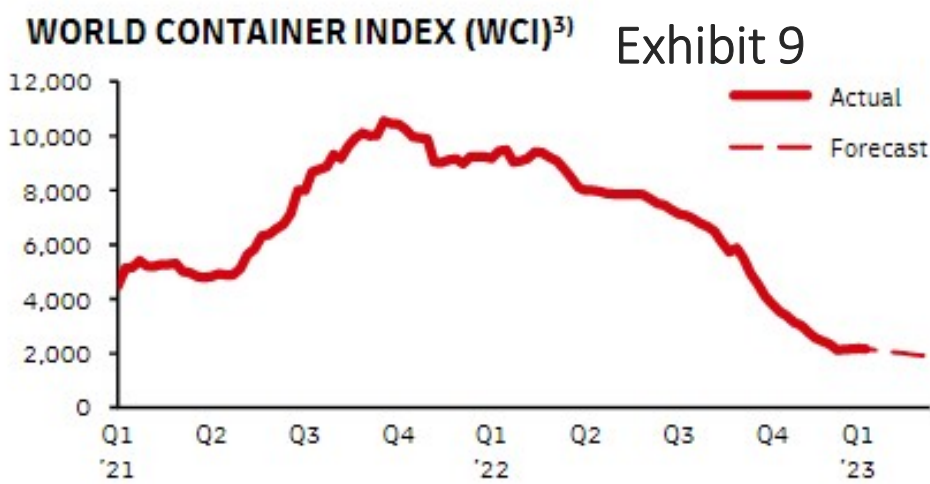
The new regulations codify the customs clearance process — by restricting the classification of imported goods beyond six digits by freight forwarders or other intermediaries. **From now on, an authorized customs broker inside the United States is required for customs clearance unless done by the importer of record themselves.**

Other significant changes include:

- Set firm standards for security breaches
- Transition of local trade permits to national permits
- Need for direct power of attorney and communication with the importers
- Create new measures for “Responsible Supervision” and “Control Requirements”

<https://www.twill.net/knowledge-hub/logistic-news/freight-market-updates-north-america-feb-2023>

Ocean Freight Update



- Coming in at 56.6% Schedule reliability surpassed the 2021 and 2020 November levels.
- Asia-Oceania is still the trade with the lowest reliability (31.8%) while South America-Med continues to register the best performance (80.2%).
- Furthermore, the **Transpacific Eastbound** reliability continues its upward trajectory reaching 40.6% to the West Coast and 35.5% to the East Coast.
- Performance on the **Asia-North Europe** trade is improving at a slower pace than on the Transpacific and now stands at 47.8%. Also, the **Transatlantic** went up slightly to 37.8% on the west bound leg and to 49.0% on the east bound leg.
- The **Asia-South America** trades improved rapidly to 51.6% on Asia-ECSA and 52.8% on Asia-WCSA.

Freight Update

Decrease in cargo transit time with higher inventory levels in China
As per the General Administration of Customs in China,

“Exports from China dropped significantly in the last quarter [2022 Q4] as compared to the previous year due to fluctuating global demands, shifting consumer sentiments, and covid disruptions.”

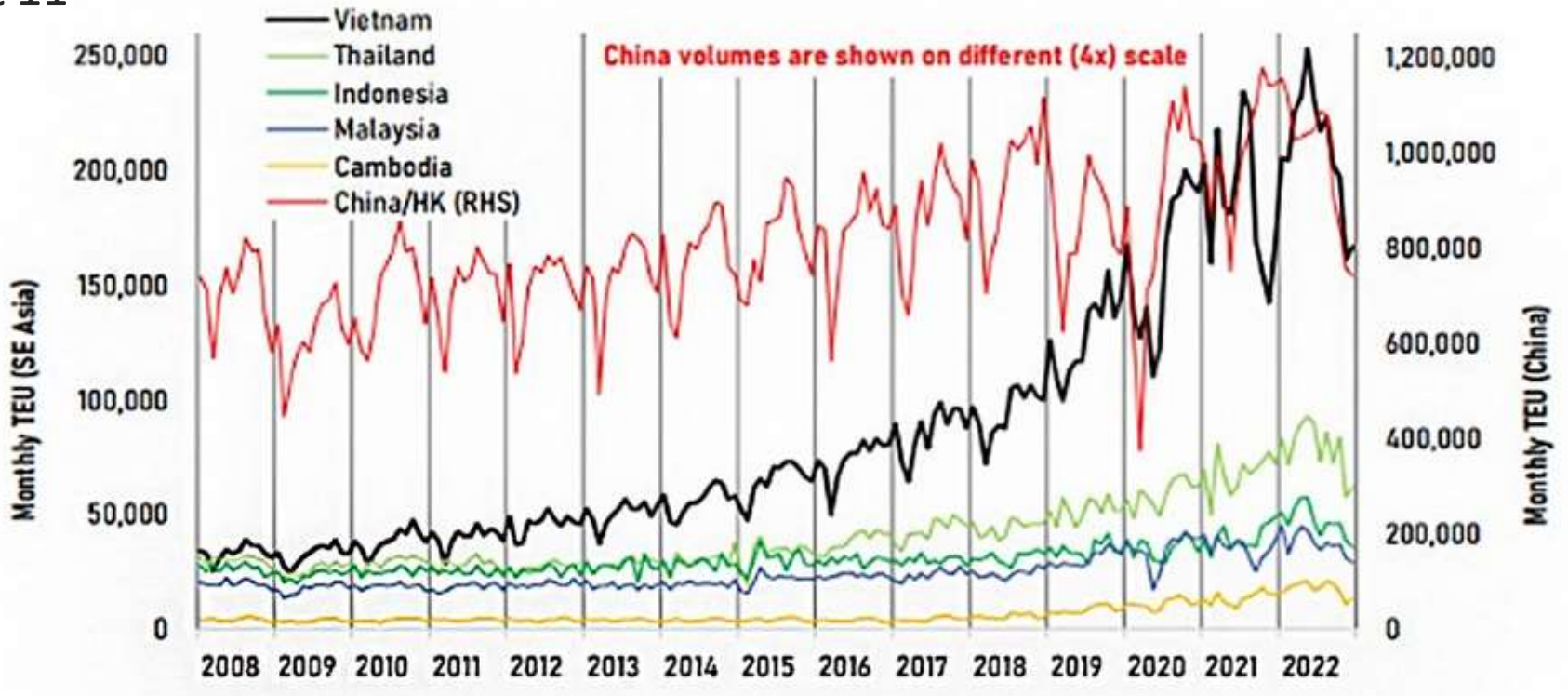
This decrease in cargo transit times led to higher inventory levels, and thus, shorter supply chain planning periods. We expect this pattern to reduce costs, increase supply chain productivity, and improve consumer satisfaction — because the right product is moving at a faster pace in the final mile delivery.

Cargo volumes continue to decline at the US ports

As a domino effect from China, the US ports handled just under 2 million inbound 20-foot containers in December 2022 (down 1.3% from November), as per Descartes Datamyne.
Year-on-year volume for December was down by 19.3%, matching the December 2019 levels when early COVID lockdowns had just begun. During the pandemic, peak activity periods limited our supply chain planner’s abilities to adjust network schedules due to overextended capacity. Until now.

U.S. Container Imports from Main Southeast Asia Origins vs. China (2008–2022)

Exhibit 11



Air Freight Update

Global air freight volumes remain low, with flat growth, as worldwide high inflation is likely to continue well into 2023, with any expectation of a recovery likely to be in the 3rd and 4th quarters.

Reduced ocean freight costs are encouraging a shift in transport mode from air to sea and rates from China have continued to slip, but despite being a third lower than a year ago, they are still far higher than pre-COVID levels.

Demand ex-South-east Asia remains low, with capacity widely available except for Hanoi, which is experiencing a pre-holiday rush and will require as much advance notice as possible.

In Europe, demand is soft, and rates are looking like “normal Q1 levels”. On the upside, ground operations are working well, without the pressure of congestion.

Overall scheduled capacity is 9% up on last year and is more than sufficient to support comparatively lower volumes.

Freight Update

Import/Export Market Trends - curiosities

9 Ocean Carriers Commit to 100% Electronic Bill of Lading by 2030

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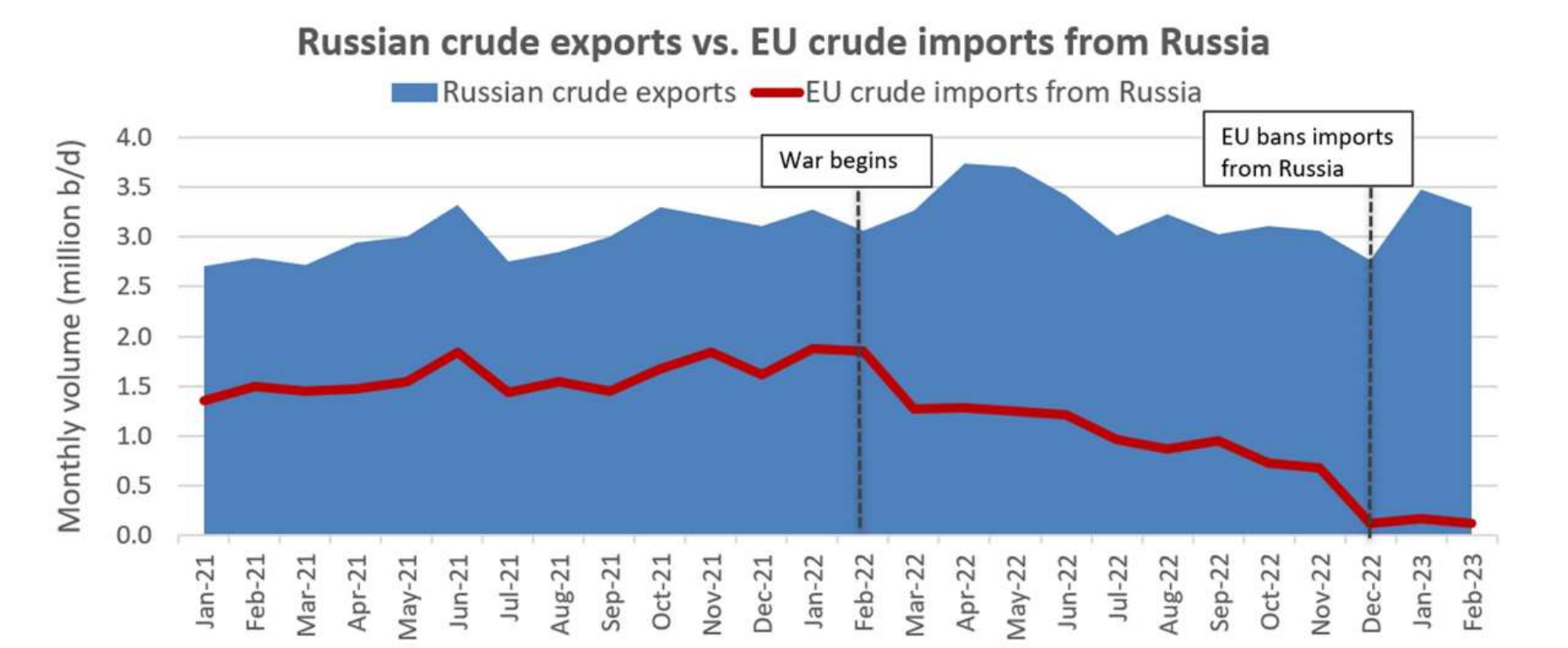
The digital transformation of global trade got a boost with an announcement from the Digital Container Shipping Association, which counts among its members major carriers like A.P. Moller-Maersk and MSC. The group committed to having 50% of original Bills of Lading converted to eBL within five years and transitioning fully to eBL by 2030.

Supply-Chain Headaches Ease for Many Companies

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After years of ups, downs, congestion, factory closures, and labor shortages—the supply chain pressure is easing for many retail brands. Does that mean everything can go back to business as usual? Not really, say the executives quoted in this Wall Street Journal article who cite everything from dropping consumer spending to stockpiled goods remaining from last year as reasons it may take a bit for things to truly level out.

After ceasing operations in Ukraine, Maersk announced a return to service via freshwater ports along the Danube estuary in the northern part of the country. The shallow-draft terminals have operated relatively smoothly throughout the year, so Maersk has implemented container-on-barge services via the Constanta/Danube Channel and the Black Sea with a transit time of approximately a day and a half.



U.S. Freight Movements Fall Amid Excess Inventories

- U.S. manufacturers and distributors are still struggling to digest excess stocks of raw materials and finished products ordered before an abrupt slowdown in merchandise spending in the second half of 2022.
- Total inventories of raw materials, work-in-progress and finished items held by manufacturers, wholesalers and retailers were equivalent to 1.37 months of sales at the end of 2022, up from 1.29 months at the end of 2021.
- U.S. manufacturers reported a fall in new orders every month between September 2022 and February 2023, according to the monthly purchasing managers’ survey conducted by the Institute for Supply Management.