



Market Insights

JANUARY
2022 EDITION

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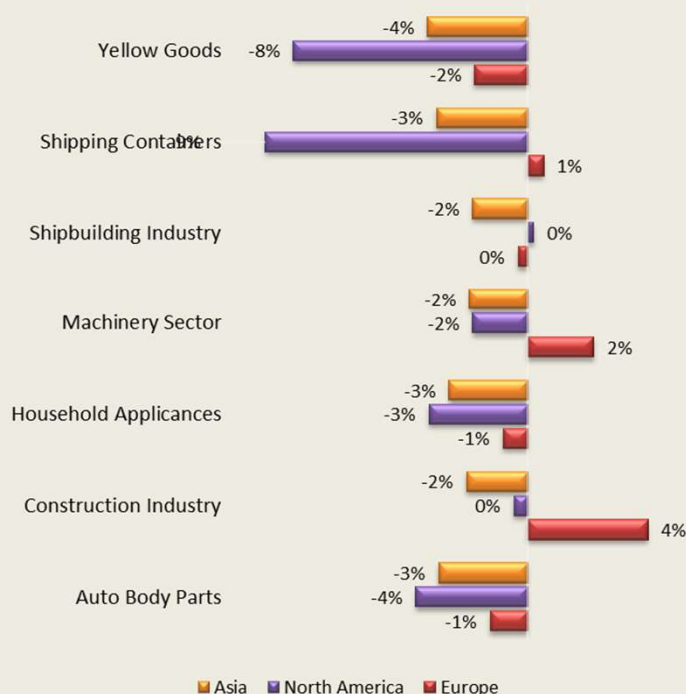
METALS MARKET OVERVIEW

The US steel market is continuing its downward price trend. Major indices are about 30% below their peak from September. Many buyers in the market are expecting a further drop in the coming months, as per MEPS. Ample supply and high inventory levels are key factors contributing in the downward trend. The Hot-Rolled steel has been hit harder in the price drop scale than Cold Rolled steel. It is anticipated that Cold Rolled steel will soon face the negative pressure currently witnessed by Hot Rolled steel. Distributors are trying to offload higher valued stocks, a reason we are not yet seeing price reductions from our suppliers. US mills may cut output to control the price decline in the coming months. Here is detailed report:

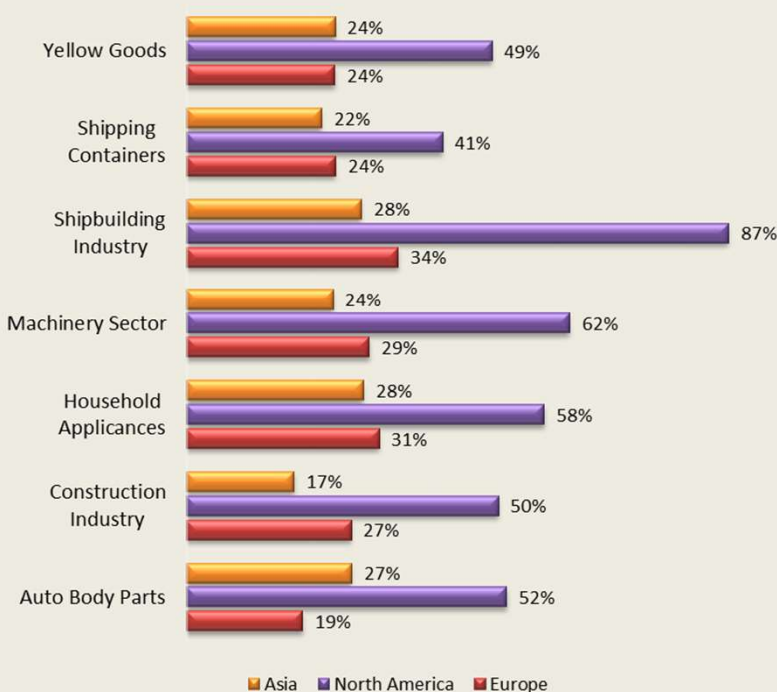
- At the time of writing this report the US HRC dropped to \$50/cwt, 49% down from the peak in September and a 14 month low spot. The index, however, remains 50% higher than pre-pandemic levels.
- **North America Region:** Prices continues to decline in the US market and are expected to continue the trend in the coming months. **Buyers are still refraining from placing forward orders on the mills in expectation of further drop in prices and due to elevated inventory levels.** Delivery lead times are quoted at 4 weeks. Canadian prices also reduced this month, following the US trend. [MEPS]
- **China:** Prices turned upward after dropping in late December. Controlled output at domestic mills, along with rising raw material costs are exerting upward pressure on the hot rolled transaction values. [MEPS]
- **Taiwan:** Transaction values dropped in Taiwan, in accordance with the rest of the world. Exporters are facing tough time finding spaces in container, forcing local mills to offer discounts to remain competitive in the international market.
- **Europe:** Prices in the Western European declined in January due to limited buying activity. In Poland and Czech, healthy inventory levels are observed.
- Steel Wire rod (mesh) China prices increased slightly from last month, creating an upward bump in the overall downward price trend. The index is 17% up from same time last year and 70% up from pre-pandemic levels. Export offers are receiving little interest .
- The US and Canadian wire-rod market demand remains strong, capacity remains tight at local producers. Delivery lead times is between 4 to 6 weeks. Price increases are implemented by wire rod producers across Western Europe to recoup growing production cost and ensure healthy margins impacted by decarbonization measures. [MEPS]
- Prices for Steel Medium Plate (Houston Port Import) remained stable since last month. The prices are still 53% higher than same time last year and 137% above pre-pandemic levels.
- **The Purchasing Price Index**, which is a measure of the average change in the prices paid by the consumers for a market basket of goods and services, **is showing signs of softening for the American market. However, inflation is still in its peak band for North American industrial steel sector.** [Exhibit 1]

Exhibit 1

Industrial Steel Purchasing Price Index Change from last month



Industrial Steel Purchasing Price Index Change from last year



METALS MARKET OVERVIEW

- While Chile is the world's largest copper producer, Peru's ton production of copper was down 5.47% in December compared to the year prior. The copper output of Peru did however rise by 6.94% from 2.15 million tons in 2020 to 2.30 million tons in 2021. Reports have calculated its copper concentrates TC index, cif Asia Pacific, at \$58.50 per ton on January 28, up by 2.45% from the week before and 1.39% higher a month earlier.[\[AMM\]](#)
- Ternium USA announced \$98million project to increase the output at its Shreveport facility with the installation of a second coating paint line. This will increase the annual production capacity by 120,000 short ton. The line is expected to be commissioned in 2024.
- To encourage recycling in 2022, the value-added tax rebate in China for nickel, cobalt and lithium battery scrap will increase to 50%. Recyclers will have to meet certain conditions to be applicable. The lead-acid battery scrap rebate remains at 30%.[\[AMM\]](#)
- Steel Dynamic Inc's new plant for hot rolled steel is up and operating after first coil production. This new facility will have a production capacity of 3 million tons per year. Target consumption of 2 million tons will be targeted in the United States' Southwest and West and the remaining 1 million will be exported to Mexico.[\[AMM\]](#)

Exhibit 2

The source of Gold Engelhard and Silver Engelhard pricings have been changed from AMM to BASF. The indices follow the same trajectory, however, the values are slightly lower than the ones provided by AMM. Hence, we updated the entire table for Gold and Silver Engelhard pricing.

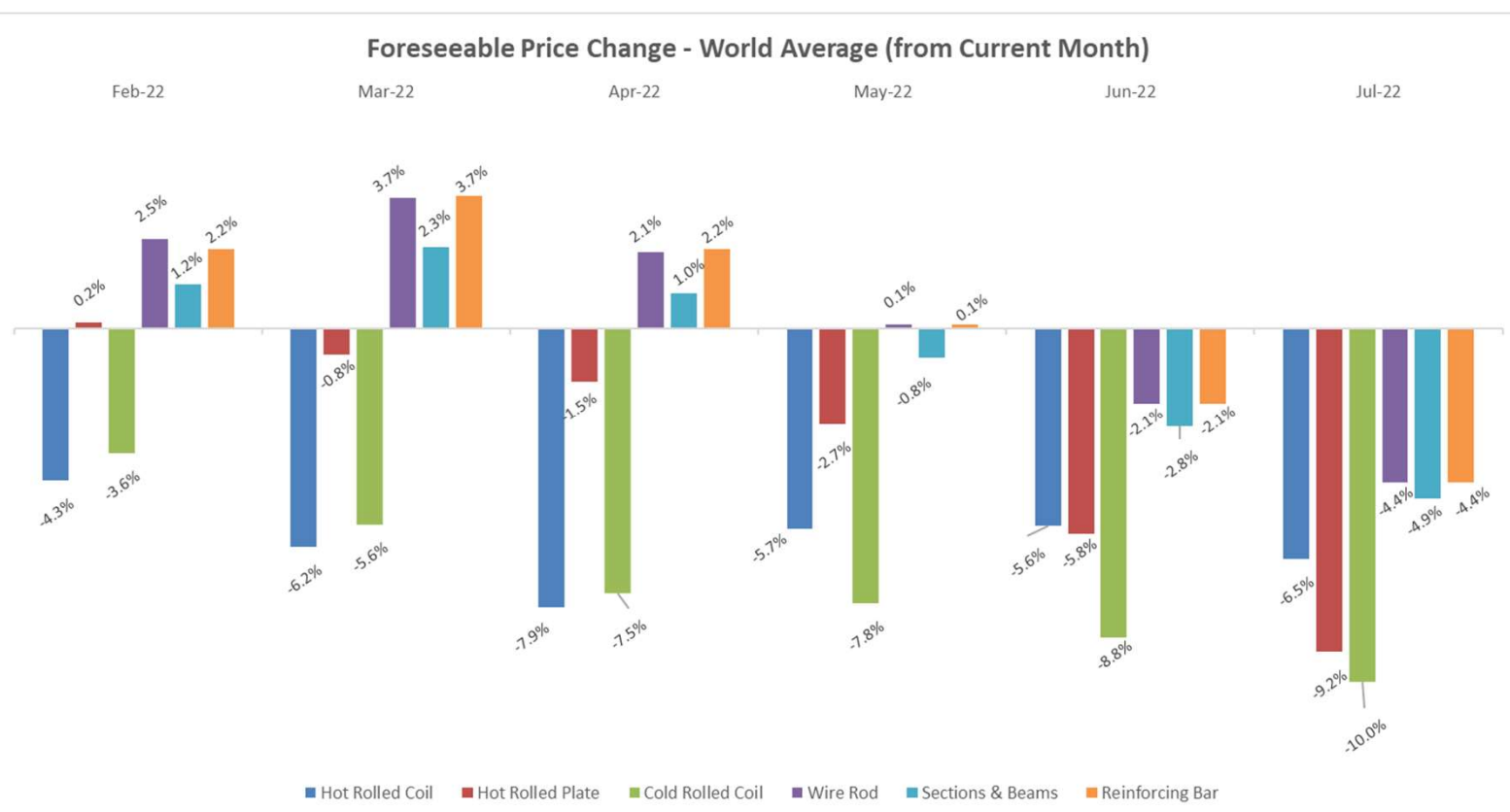
Base Metal- Clink on the links below for each index.	% Change prior 3 Years, same period	% Chg. V from last year, same period	% Chg from prior month
Steel Coil Hot Rolled	📈 56.45%	📈 11.45%	📉 -18.93%
Import - Steel HR Coil	📈 77.44%	📈 10.28%	📉 -6.35%
Steel Coil Cold Rolled	📈 124.69%	📈 35.82%	📉 -9.00%
Scrap-Midest Index #1 Heavymelt'	📈 44.32%	📉 -0.31%	📉 -11.70%
Scrap #1 Busheling	📈 38.67%	📈 8.33%	📉 -10.34%
Steel wire rod (mesh)-China	📈 58.14%	📈 17.49%	📈 3.34%
Copper	📈 54.28%	📈 20.09%	📉 -3.41%
Aluminum 6061	📈 49.39%	📈 56.24%	📈 3.21%
Import - Steel Medium Plate	📈 65.73%	📈 53.65%	📊 0.00%
Silver Engelhard United States	📈 39.32%	📉 -18.33%	📉 -3.43%
Steel Rod - High Carbon	📈 76.97%	📈 52.88%	📊 0.00%
Import LC Wire Rod	📈 55.38%	📈 36.05%	📉 -4.88%
Nickel	📈 83.70%	📈 28.74%	📈 8.73%
Wire Rod, Cold Heading Quality	📈 69.49%	📈 54.64%	📉 -4.88%
Cobalt	📈 77.08%	📈 77.53%	📈 2.22%
Aluminum	📈 32.43%	📈 28.19%	📈 16.08%
316L Stainless Steel	📈 75.16%	📈 52.43%	📈 1.44%
304 Stainless	📈 72.27%	📈 43.36%	📈 2.50%
Ferromolybdenum	📈 70.68%	📈 81.62%	📈 3.01%
Gold Engelhard United States	📈 35.43%	📉 -4.06%	📉 -1.64%
Chromium-AluminoThermic	📈 9.71%	📈 73.85%	📈 14.60%
Titanium	📈 2.08%	📊 0.00%	📊 0.00%
Special Quality Steel Bar 4100 Series (Round Bar High Carbon)	📈 49.52%	📈 62.69%	📉 -3.68%
Rubber	📉 -0.50%	📈 21.28%	📉 -3.36%
Fluorocarbon-PPI	📈 59.22%	📈 34.52%	📈 3.95%
Nylon	📈 5.86%	📈 31.09%	📊 0.00%
Molybdenum	📈 57.70%	📈 87.13%	📈 2.97%
Steel Reinforcing Bar	📈 61.41%	📈 15.79%	📈 4.58%
China Steel C1022		📈 19.00%	📈 7.30%
Steel Cold Rolled-India Domestic	📈 45.55%	📈 5.50%	📈 0.72%

NEAR TERM FORECAST

- According to MEPS, the world average transaction value for long product steel which includes Wire Rod, Section & Beams, Reinforcing Beams, and Merchant Bar, are forecasted to rise slightly before declining from April onwards. However, for North American steel market prices for long products are forecasted to drop immediately from February onwards, according to Fast Markets. The import pricing is predicted to fall more sharply than the Midwest. Flat products will continue the downward path for the rest of the year. The prices may still not drop to the pre-pandemic levels due to inflationary pressures, and decarbonization initiatives for steel industry. According to MEPS, the recovery in the steel consumption will be slow.
- North American Steel will see price decline throughout the year and in 2023 due to plentiful supply. Domestic production capacity is expected to increase significantly with Nucor, SDI and Northstar Bluescope commissioning new facilities and capacity enhancement projects in 2022, whereas more projects from several manufacturers are in pipeline for 2023 and 2024. Another key factor which will support the negative price pressure is the liberalization of the section 232 rules, paving way for imports and increasing competition for local producers.
- For the North American market plate prices are forecast to maintain their premium over HRC. This is due to the lag in its timeline against HRC as well as a tight domestic market and barriers to entry for import material. Plate prices reached their peak in January whereas HRC reached its peak in September.

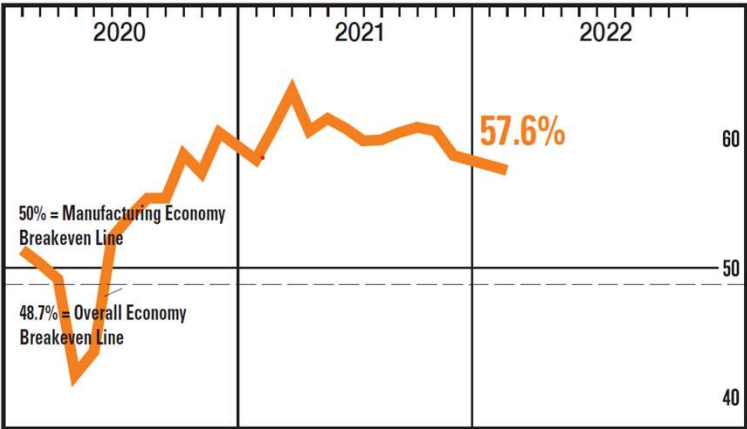
Nickel which is currently holding a spot above \$24K/MT, an 11 year high mark, is expected to trade at around \$22k/MT at the end of first quarter, and may slide further down over the course of 2022. **However, considering the tensions between Russia and the West over Ukraine, and the possibility of strict sanctions on Russia we might see some major disruptions in the Nickel Supply Chain. Russia being one of the leading producer of Nickel.**

Exhibit 3



Business Update

The January Manufacturing PMI® registered 57.6%, a decrease of 1.2% from the seasonally adjusted reading of 58.8% (see graph below). This figure indicates expansion in the overall economy for the 20th month in a row after a contraction in April 2020. All five subindexes that directly factor into the Manufacturing PMI® were in growth territory.



What respondents are saying.

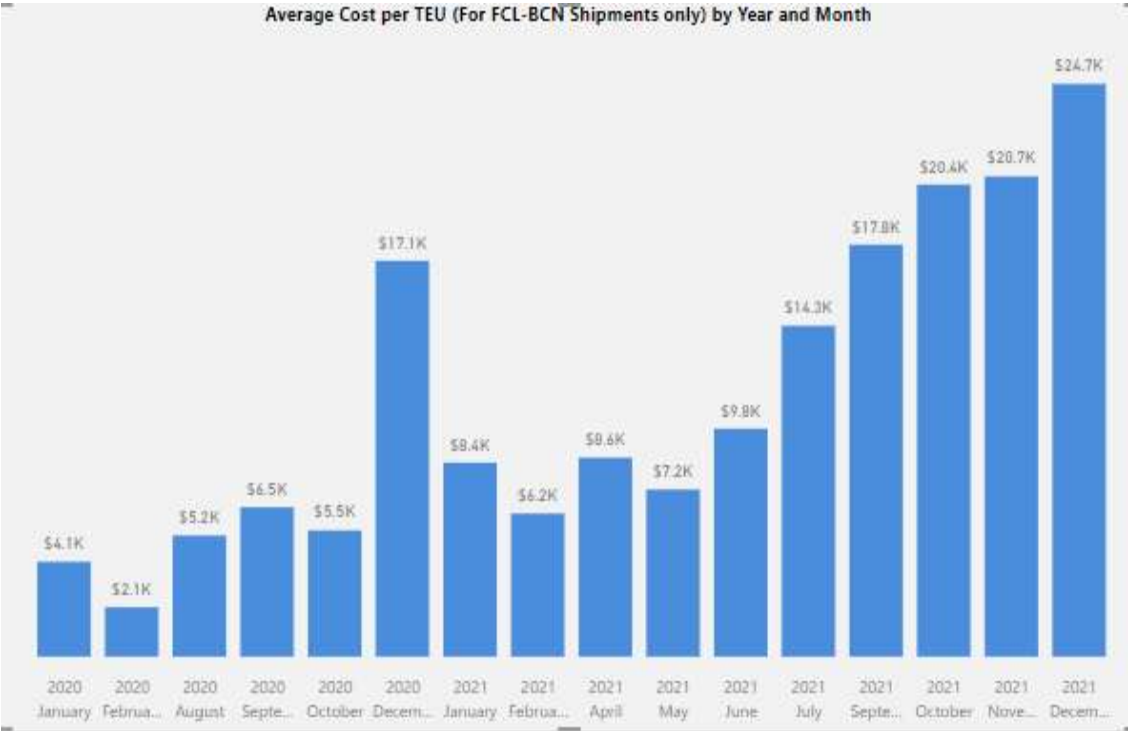
- “Strong backlog of orders coming into the new year. Potential to beat target revenue, depending on availability of purchased product.” [Electrical Equipment, Appliances & Components]
- “We are experiencing massive interruptions to our production due to supplier COVID-19 problems limiting their manufacturing of key raw (materials) like steel cans and chemicals.” [Chemical Products]
- “Transportation restrictions and a lack of supplier manpower continue to create significant shortages that limit our production. This, in turn, limits what we can supply to customers, as well as on-time delivery.” [Machinery]

Below are two lists of a selected of items that are in up in cost (in parentheses, is how many months the cost has been rising) and down in cost

UP	DOWN	Short Supply
Aluminum (20); Aluminum Products (7) Corrugated Product (15) Ocean Freight (14) Steel* (18); Steel — Hot Rolled*; Steel — Stainless (15); Steel Drums; Steel Products* (17)	Plastic Resins; Steel* (3) Steel — Carbon; Steel — Hot Rolled* (3); Steel — Scrap; and Steel Products*	Aluminum (3); Aluminum Products, Brass Electronic Components (14) Labor — Temporary (9) Ocean Freight; Paper Steel Products.

Exhibit 4

Exhibit 4 presents the Average Cost per TEU (Twenty foot Equivalent) for FCL (Full-Container Load) and BCN (Buyers Consolidation) shipments for the business. The Average Cost/TEU for December was \$24.7K which 6x from January 20 and 3x from January 21. Change in the methodology of Cost/TEU calculation: We are now considering 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.



CURRENCY OVERVIEW

USD remained relatively stable with deviation of less than 2% against major currencies in the past month.

The trailing 12 months record show that the USD has **strengthened** by:

1. **0.47%** against Taiwanese Dollar
2. **0.16%** against Chinese Yuan
3. **1.48%** against Korean Won
4. **0.21%** against Thai Baht
5. **1.14%** against Euro
6. **1.18%** against Mexican Peso
7. **0.79%** against Canadian Dollar

And weakened by:

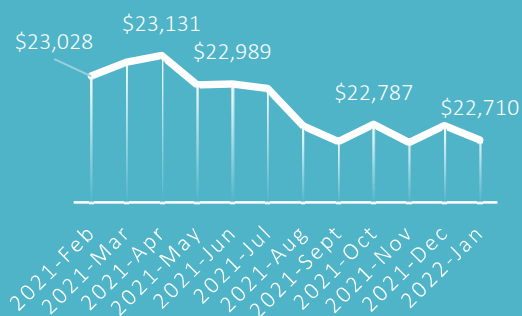
1. **0.32%** against Vietnamese Dong

Exhibit 5

TWD



VND



EUR



MXN



CAD



KRW



CNY



Freight Update

Companies are bracing for another round of potentially debilitating supply chain disruptions as China, home to about one-third of global manufacturing, imposes sweeping lockdowns in an attempt to keep the Omicron variant at bay.

The last 18 months have seen the freight market at its most turbulent in living memory. Rates and schedules, capacity, and conditions have all been changing on a seemingly daily basis, forcing shippers to become more flexible and agile.

- o Increased freight demand for PEPs
- o Congestion at European airports
- o Suppression of flights from Asia

BSA (Block Space Agreements): 2022 rates will remain as high as 2021's

US supply chains struggle under increasing pressure, with weather concerns and rail cargo looting exacerbating the situation. The West Coast's congestion woes are yet to subside resulting in East Coast ports, namely New York and New Jersey, seeing increased volumes of vessels at anchor awaiting berth slots. Labor numbers are still low in the road freight sector, whilst localized rail freight restrictions have been put in place and flights are grounded.

Air freight update

- Demand from the US to Asia decreased during the Chinese New Year while Europe and Latam will remain stable.
- LAX/ORD/JFK terminals have slightly reduced the inbound backlog cargo, which has a positive effect on the export side.
- Congestion at the European hubs keeps on improving which is slightly reducing the average dwell time at destination.
- There is also a 40% drop in flights because companies are encouraged to cancel their commercial flights in order to charter them to the highest bidder.

Exhibit 6

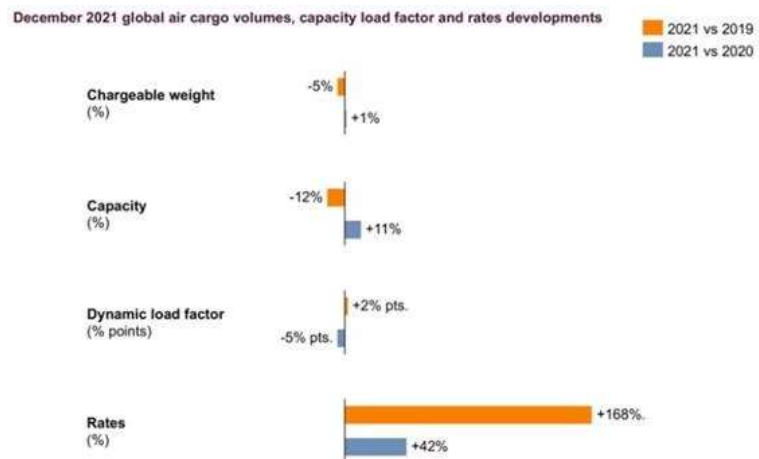


Exhibit 7

Capacity Demands

The demand for airfreight is still outgrowing capacity; some forecast the situation to continue through 2024 and beyond.

Forecasting

Space allocations are prioritized for shippers who can provide forecasts four or more weeks in advance of shipping.

Congestion | Labor Shortages

Airport congestion and labor shortages in the USA and Europe are causing excessive wait times for cargo pick-up and release.

Advance Planning

Plan for longer processing times at both origin and destination. Allow extra time to get cargo to hub | CFS operations well before cut-off times.

Trucking Update

The shortage of truck drivers is becoming a real issue in Europe because of the profession's lack of attractiveness. Added to an increase in the price of fuel, prices should increase significantly in the coming weeks, which breaks with the dynamics that have been observed for almost 40 years. According to an expert in the sector: 'The hypothesis that shippers will have to live in road transport what they have experienced in maritime transport for 18 months, namely a lower level of service at a higher cost. Similarly, the USA is lacking about 100 000 truck drivers.

Freight Update

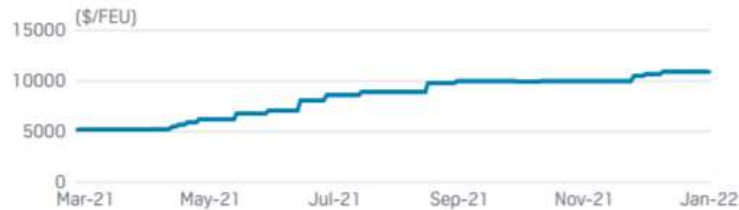
Ocean freight updates

Exhibit 8

PLATTS GLOBAL CONTAINER INDEX



PCR 5 NORTH ASIA-EAST COAST NORTH AMERICA



PCR 13 NORTH ASIA-WEST COAST NORTH AMERICA



COVID-19 flareups challenge Greater China supply chains. Recurrent COVID-19 flareups in the Greater China region are continuing to disrupt wider supply chains as the country tackles the virus. Even though container loading and discharge operations at ports and terminals have remained normal despite cases this month in Ningbo, Tianjin, Shenzhen, Dalian and Guangzhou, district-level lockdowns and mass testing have led to warehouse closures and trucker shortages.

PCR 5 – North Asia to East Coast North America – was similarly supported at its record high rate of \$10,900/FEU in January, while premium surcharges ballooned all-inclusive rates to \$17,000-21,000/FEU. “We are back to having the vast majority of our floating cargo under premium rates,” a trans-Pacific shipping line representative said.

PCR 13 – North Asia to West Coast North America – was assessed unchanged at an all-time high \$9,500/FEU in January, while premium all-inclusive rates surged back to the \$16,000-\$20,000/FEU range last witnessed in August before year-end holidays. At least one spot booking to the West Coast was fixed by a major US retailer with urgent requirements at \$25,000/FEU, sources said.

S&P Platts container update

Ocean freight summary

Asia → North America (TPEB)

- Destination delays and sliding departures at origin are continuing to bring on-time performance and schedule reliability to historical lows. Congestion and trucking capacity shortages remain severe. Shippers with urgent cargo, or those working to replenish depleted inventories, are still willing to pay premium rates for space. Covid-related labor shortages and uncertainties surrounding when production will resume at origin remain at play. Demand is expected to remain strong in the coming months on TPEB.

- Rates:** Rate levels remain elevated, and the premium market is strong.

- Space:** Critical

- Capacity/Equipment Critical/Severe:** Undercapacity

- Recommendation:** Book at least 2-4 weeks prior to CRD. Consider premium options and carrier IPIs through the PSW gateway. Be flexible in regard to equipment and routings.

Europe → North America (TAWB)

- Schedule reliability** No improvement so far with schedule reliability still hovering around 33-35% compared to around 60-65% 2 years ago.

- Congestion at USEC ports** is stable with no major issues announced. LA/LGB situation is still critical while yard congestion gets slightly better.

- Rates** Ocean levels continue to remain high with further increases expected as from February.

- Space** Critical, especially to the USWC

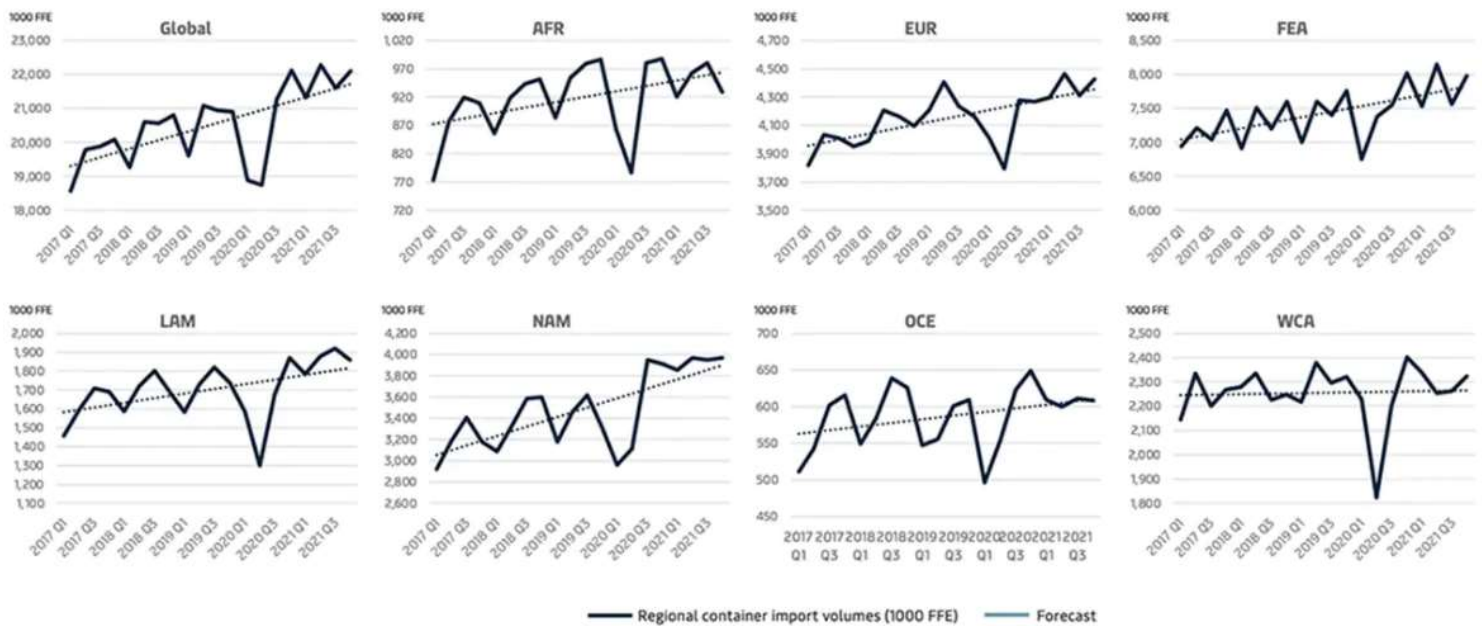
- Capacity/Equipment** Capacity remains tight for both North Europe and Mediterranean services. Better equipment availability at port. Shortages remain at inland depots.

- Recommendation** Book **5 or more weeks** prior to CRD. Request premium service for higher reliability and no-roll guarantees.

Freight Update

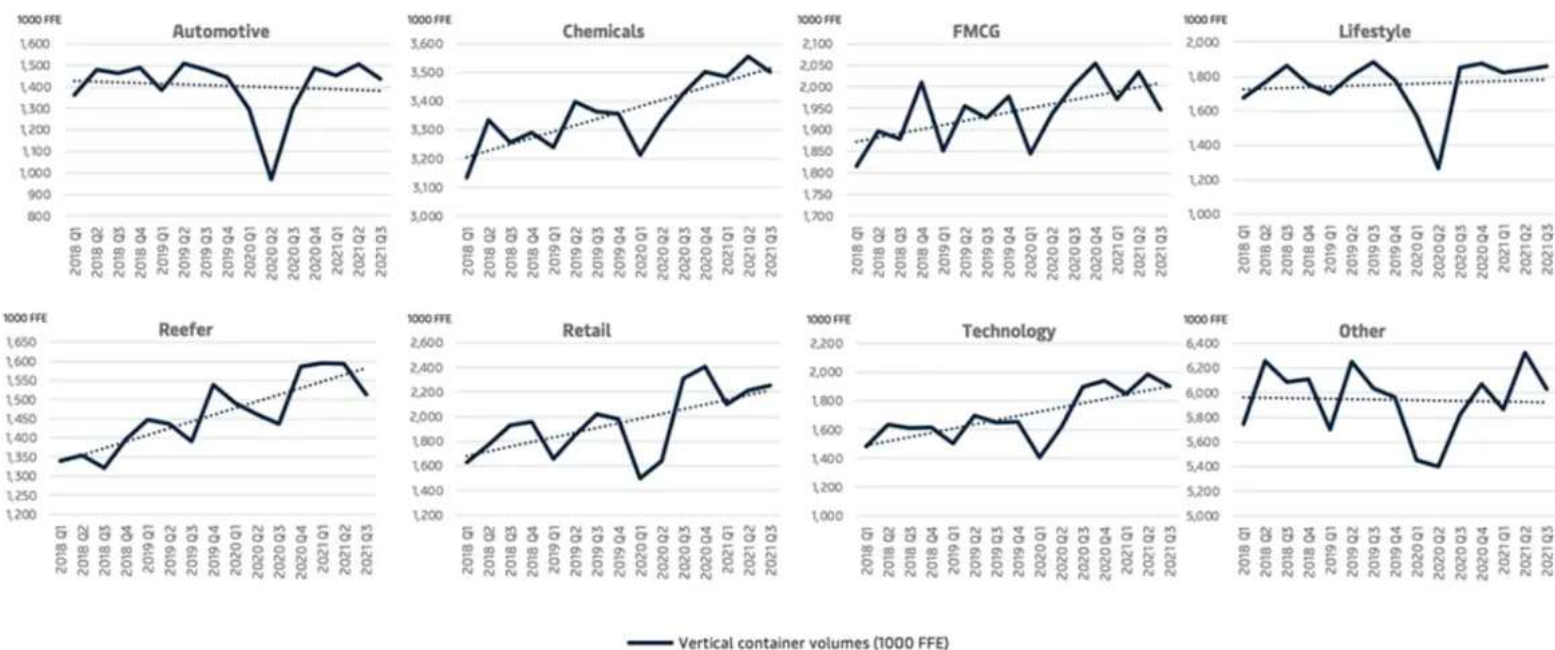
Exhibit 9

Global container volumes are now back to trend levels



While retail trade continued to grow significantly, other industries such as automotive, recorded a flat development in transported cargo

Exhibit 10



Vessel Waiting Time Indicator

Port	Waiting time
Savannah	8-10 days
Los Angeles and Long Beach	25-30 days
Seattle	15 days
Vancouver	8-10 days

This optimism is shown in forecasts for containerized cargo volumes this year which are projected to grow, despite risks to global trade including geopolitical tensions. In 2021, our estimated global container volume growth was 7.8%, and this reflects the ongoing growth in global GDP.

Freight Forecast

•**Equipment and space to remain under pressure:** We saw a tight supply of shipping space through Chinese New Year although this could ease during weeks 5-6-7 (February 1-20). Shippers will use some of the time during the holiday to reset some of our services and restore schedule reliability. Equipment will be tight in specific locations and we urge shippers to consider using 20ft containers and non-operating reefers (NOR) in place of 40ft boxes.

•**Quick recovery after Lunar New Year:** We anticipate a quick rebound after CNY on most trades as demand remains strong and capacity is tied up due to congestion delays at ports in North America and Europe.

The start of this Lunar New Year is 11 days earlier than 2021. This means the time to get products shipped in the window between Christmas and Lunar New Year is even shorter compared to 2021. Disruptions of freight operations will be significant during this time.

Here are some challenges:

- Insufficient staffing levels across all sectors
- Prolonged infrastructure closings
- Trucking shortages
- Shortages of empty containers
- Port & Airport closures
- Customs delays
- Heightened travel restrictions due to Covid-19
- Potential additional quarantine and testing requirements due to Covid-19.

As a result, for the first three weeks of February, communication, shipping, and production delays can be expected. Space and capacity for both air and ocean shipments are already very tight and will worsen the closer we get to the Lunar New Year.

Freight rates are already at all-time highs, but as demand continues to rise, they can be expected to increase again.

Medical factories in the Shanghai region have their order books full until March 2022. Therefore, the Peak Season is expected to last until the end of Q1 2022.

- Currently, major European and Chinese forwarding agents are in full negotiation for their BSA of 2022. For the moment, the negotiated rates are identical to those of 2021, which leads us to believe that the big players of the market expect such the complicated year 2022 than in 2021.

https://www.scmr.com/article/supply_chain_managers_to_confront_escalating_transport_rates_in_2022