Market Insights

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EDITION

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Content

METALS MARKET OVERVIEW

The global metals market is currently navigating a complex landscape shaped by post-pandemic recovery, geopolitical tensions, and industry-specific demands. In the transportation sector, the surge in electric vehicle production is driving demand for lightweight materials and battery metals such as lithium, cobalt, and nickel. However, supply chain disruptions and freight challenges are causing price volatility for staple metals like aluminum and steel. The aerospace and defense industry is experiencing a gradual recovery, with stable demand in the defense sector but a slower rebound in commercial aviation due to lingering effects of the pandemic and logistical hurdles.

The consumer industrial sector presents a mixed picture, with varied performance across subsectors and an increasing focus on sustainable and recyclable materials. This shift is tempered by price pressures stemming from raw material costs and supply chain issues. The renewables sector is enjoying robust growth, propelled by global clean energy initiatives, but faces potential supply constraints for critical minerals essential to solar panels, wind turbines, and energy storage solutions. In the technology industry, strong demand persists despite the ongoing chip shortage, with an increasing need for rare earth elements and specialized metals.

Challenges across these sectors include managing supply chain disruptions, adapting to rapidly changing regulatory environments, balancing increased demand with responsible sourcing practices, and navigating the impacts of geopolitical tensions on global trade and freight. The Russia-Ukraine conflict and tensions in the Red Sea have led to longer shipping routes, increased costs, and unpredictable delivery times, affecting the entire metals supply chain.

Looking to the near future, the metals market is poised for significant shifts. The EV market is expected to accelerate, potentially leading to supply shortages for critical battery metals. The aerospace sector anticipates a full recovery in commercial aviation, driving increased demand for specialized alloys. Consumer industrial sectors are projected to see gradual growth and increased adoption of circular economy principles. The renewables sector is set for sustained high growth as countries pursue ambitious clean energy targets, though supply constraints remain a concern. The technology sector is expected to continue its strong growth trajectory, particularly in 5G, IoT, and AI applications.

Success in this evolving landscape will require stakeholders to balance increased demand with sustainability concerns, develop new technologies for efficient extraction and recycling, navigate complex regulatory environments, and capitalize on the shift towards green technologies and electrification, all while adapting to a more unpredictable global trade environment.

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, has recovered for European & Asian Market but is still showing negative price pressure for North American market. [Exhibit 1]

Exhibit 1

METALS MARKET OVERVIEW

Flat Products:

- Cautious buyers at service centers are delaying mill orders, awaiting signs of price stabilization, leading to declining inventory levels. Cold rolled, hot rolled and hot dipped galvanized coil have all seen slight decrease in prices with further declines expected in the coming weeks.
- The American Iron and Steel Institute reported that steel import permit applications for May totaled 2.62 million short tons, a 5.4% decrease from April's 2.77 million tons and a 6.5% decrease from April's final total of 2.8 million tons.
- In Europe, Some coil suppliers paused sales offers after the European Commission proposed changes to EU import safeguard measures. Service centers in Belgium, Germany, France, and the UK are aggressively competing for orders ahead of the summer holidays, often offering prices lower than European mills, but buyers are making minimal purchases.
- In Asia, declining investment in the Chinese real estate sector, contracting domestic manufacturing activity, and falling iron ore prices led to a decrease in Chinese coil values this month. Real estate investment fell 11% year-on-year during the first five months of 2024, and the latest manufacturing PMI from the National Bureau of Statistics showed sector contraction in May after two months of expansion.

Long Products:

- Wire rod and rebar transaction values in the United States continued to decline due to persistent weakness in the construction sector, prompting steel producers to lower their offers. The North American supply of wire rod and rebar currently exceeds demand, resulting in excess material in the market. Steel producers are holding substantial inventories while service centers undertake a destocking campaign, raising concerns that this oversupply situation will worsen as demand further declines in the summer months.

Exhibit 2

Base Metal- Click on the links below for each index	% Change prior 3 Years, same period	% Chg. Avg. through prior 3 months	% Chg from prior month
Steel Coil Hot Rolled	-61.06%	-16.85%	-11.96%
Import - Steel HR Coil	-58.46%	-9.47%	-4.93%
Steel Coil Cold Rolled	-47.69%	-12.67%	-5.56%
Scrap-Midest Index #1 Heavymelt'	-35.01%	-9.74%	-6.65%
Scrap #1 Busheling	-37.70%	-13.48%	-9.52%
Steel wire rod (mesh)-China	-34.98%	-4.15%	-4.11%
Copper	2.19%	16.35%	-4.76%
Aluminum 6061	-6.27%	11.20%	5.97%
Import - Steel Medium Plate	-26.79%	-11.94%	-2.02%
Silver Engelhard United States	14.26%	23.96%	-6.47%
Steel Rod - High Carbon	-10.00%	-12.77%	-1.82%
Import LC Wire Rod	-28.32%	-2.80%	0.00%
Nickel	-8.09%	11.74%	-14.47%
Wire Rod, Cold Heading Quality	5.08%	-2.80%	0.00%
Cobalt	-34.48%	-4.89%	-0.32%
Aluminum	0.69%	15.06%	2.73%
316L Stainless Steel	23.09%	5.38%	4.92%
304 Stainless	7.28%	4.06%	4.03%
Ferromolybdenum	13.24%	4.95%	0.53%
Gold Engelhard United States	33.03%	10.91%	-0.72%
Chromium-AluminoThermic	56.39%	-1.65%	8.27%
Special Quality Steel Bar 4100 Series (Round Bar High Carbon)	-3.23%	-7.81%	0.37%
Nylon PA6/6	-30.89%	8.79%	1.80%
Molybdenum	28.11%	11.60%	-1.38%
Steel Reinforcing Bar	-29.96%	-4.09%	-2.22%
China Steel C1022	8.38%	0.00%	0.00%
Cotton N. America	-9.35%	-9.10%	-2.40%
Plastic products - PPI -WPU072	19.17%	0.36%	-0.15%
Steel bar cold-finished 1-inch round 4140 (alloy), fob mill US, $/cwt	-1.24%	-9.09%	1.02%
316 MEPS China Steel		0.43%	0.32%
Titanium	* Discontinued		

- Just like short products, long products in China are experiencing price increases due to rising material costs. However, this is likely to exert downward pressure on prices across the region in the short term. The rest of Asia continues to see subdued demand and elevated inventory levels.
- In Southern Europe, mills have cut output and reduced inventories, with many buyers purchasing material at the end of last month after mills failed to solidify their attempted price increases. Research shows that wire rod prices remained stable this month despite mills' efforts to raise them.

NEAR TERM FORECAST

[Exhibit 3] In the US demand has been higher than expected allowing foundries to either raise or at least hold their pricing. Globally, however, we are not seeing this same trend. In Europe demand is still weak and with high interest rates still in play foundries are having to push prices down to match import prices. Where they can't many buyers are looking overseas to buy their product, but it is believed that the new CBAM emissions reporting will help since it will limit the amount of import suppliers' buyers are allowed to source from.

[Exhibit 4] Regional variations are evident among the countries in this index. While China saw a slight downward correction, Japan, South Korea, and Taiwan experienced modest upward movements in US dollar terms during the same period. Analysts anticipate a gradual increase in hot rolled coil prices over the next one to two months, with potential seasonal adjustments by year’s end. Despite subdued overall domestic demand, sector-specific differences are notable. Particularly in China, where the construction sector, representing between 50% and 60% of total steel demand, is experiencing notably low demand.

Production cuts are planned by both US mills and manufacturers across the world to help with lowering the supply of steel in the market. This is expected to help apply upward pricing pressures in early 2024.

Exhibit 3

Foreseeable Price Change - World Average (from May'24 Baseline)

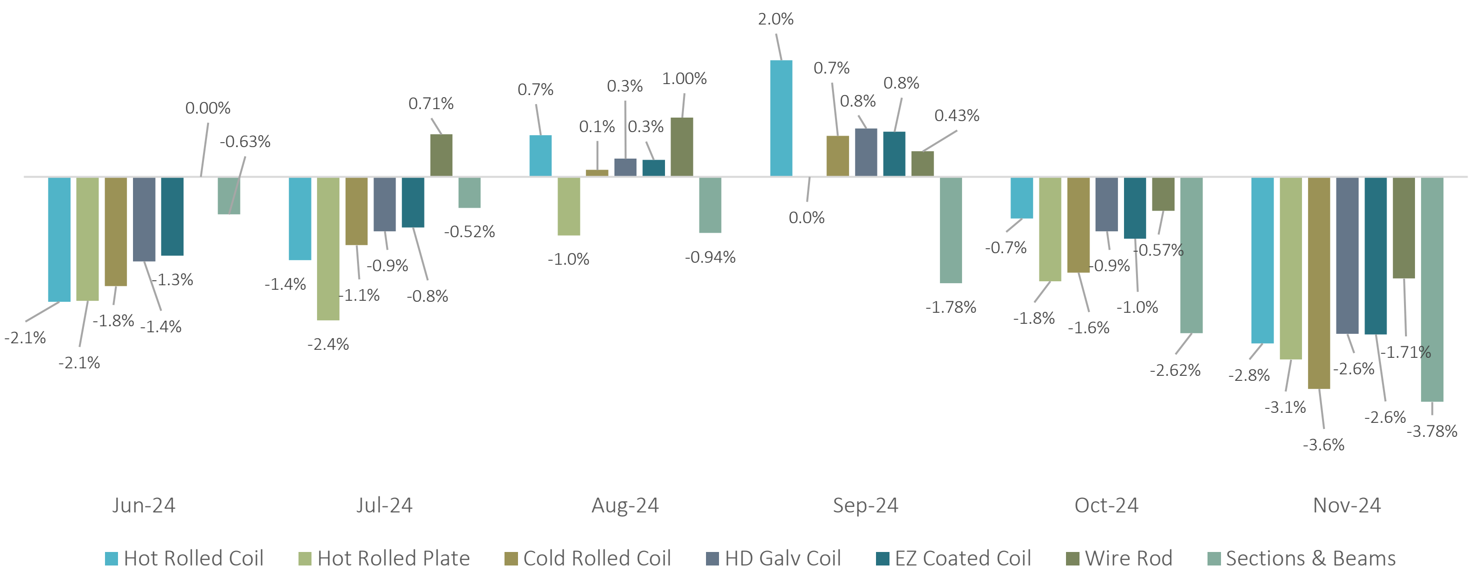
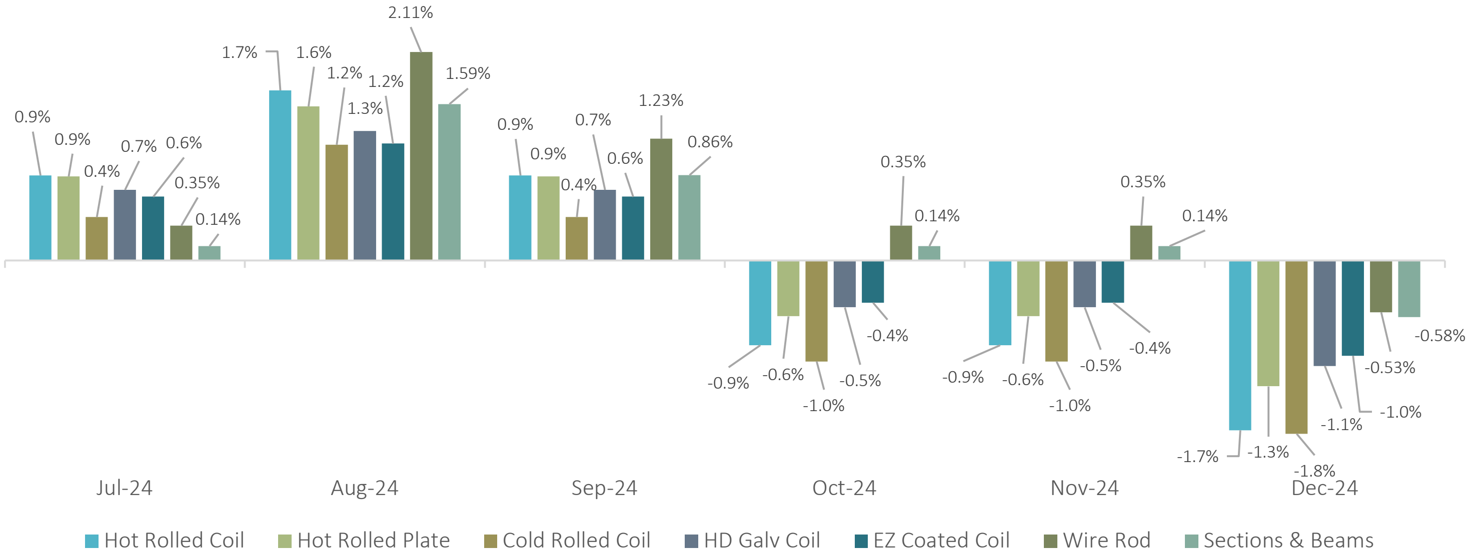


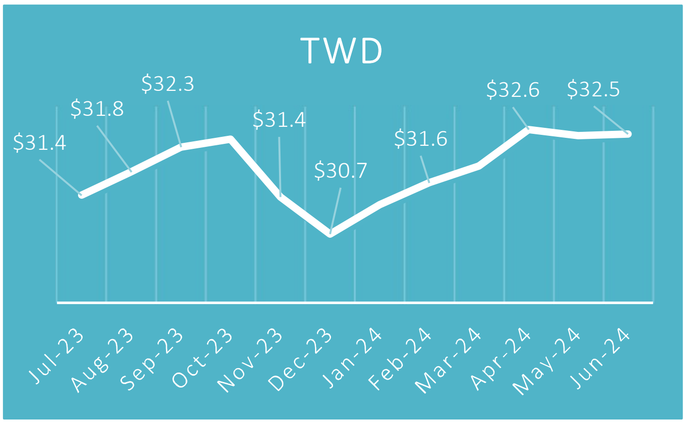
Exhibit 4

Foreseeable Price Change - Asia Average (from June'24 Baseline)



CURRENCY OVERVIEW

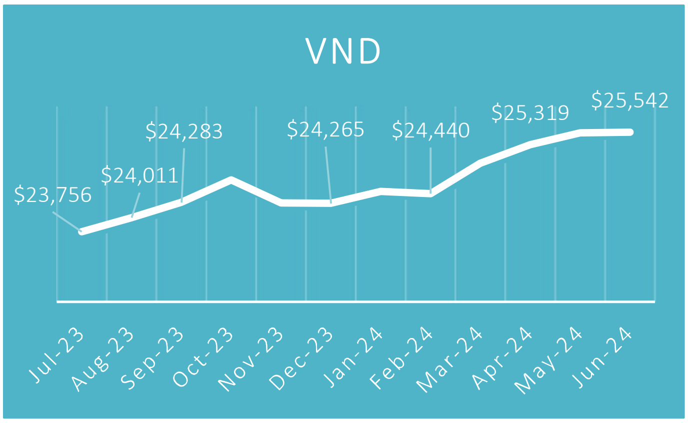
Most key currencies have stayed within +/-1% band in the last month showing a stabilization in greenback against other currencies, except for Mexican Peso which has weakened by 7.5% against dollar in last month. Additionally, Vietnamese Dong has weakened significantly over the past year depreciating by about 8.3%. Despite economic uncertainty, the dollar has remained strong due to persistent inflation, a resilient U.S. economy, and high yields. Demonstrating U.S. exceptionalism, the greenback has appreciated against nearly all major currencies in 2024.

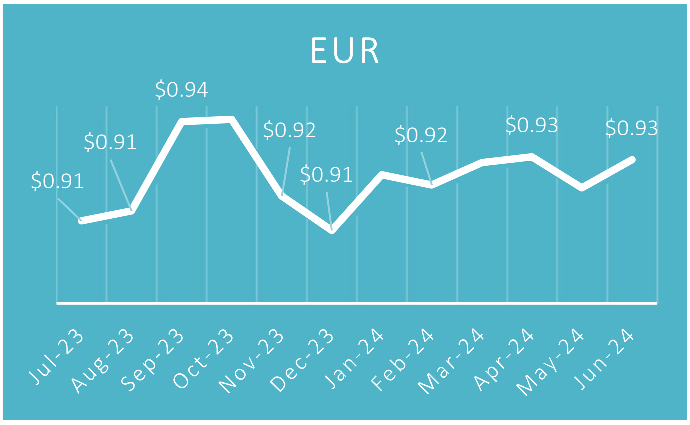


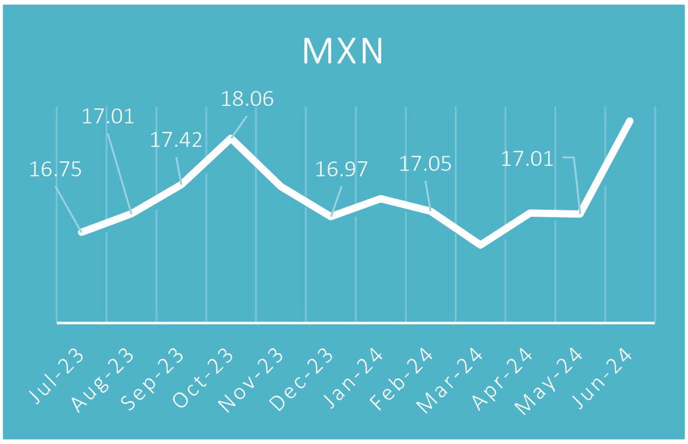
The trailing 12 months record show that the USD has strengthened by:

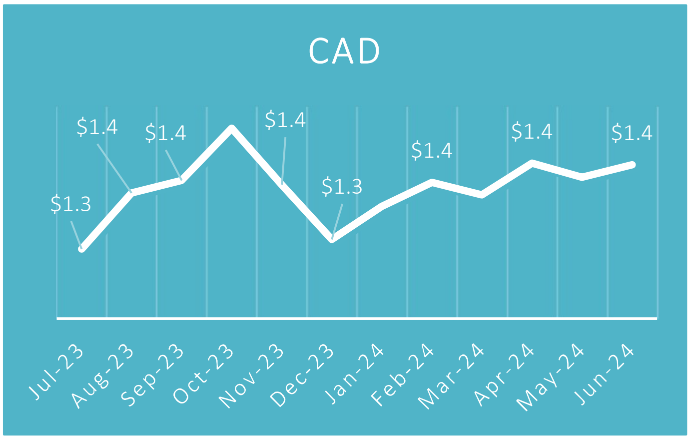
1. 3.2% against Canadian Dollar
2. 6.8% against Mexican Peso
3. 4.9% against South Korean Won
4. 5.2% against Thai Baht
5. 8.3% against Vietnamese Dong
6. 1.5% against Euro

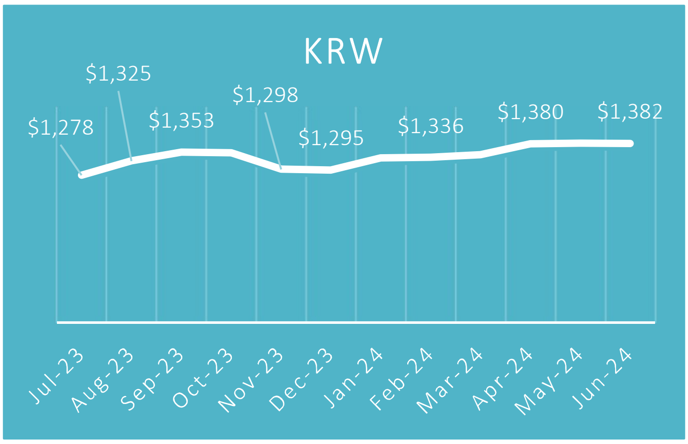
Exhibit 5

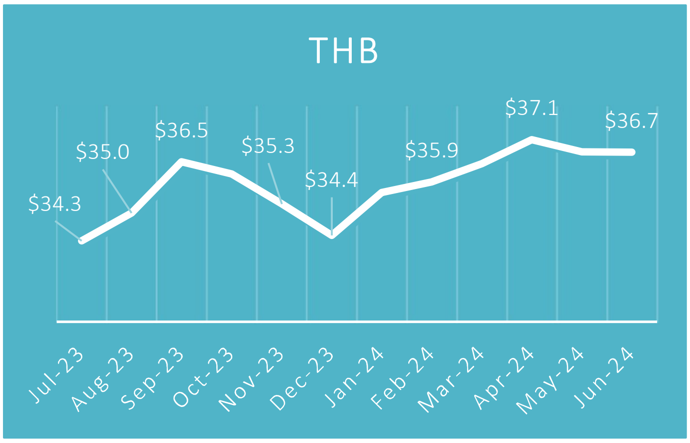












Freight Update

Platts Containers update

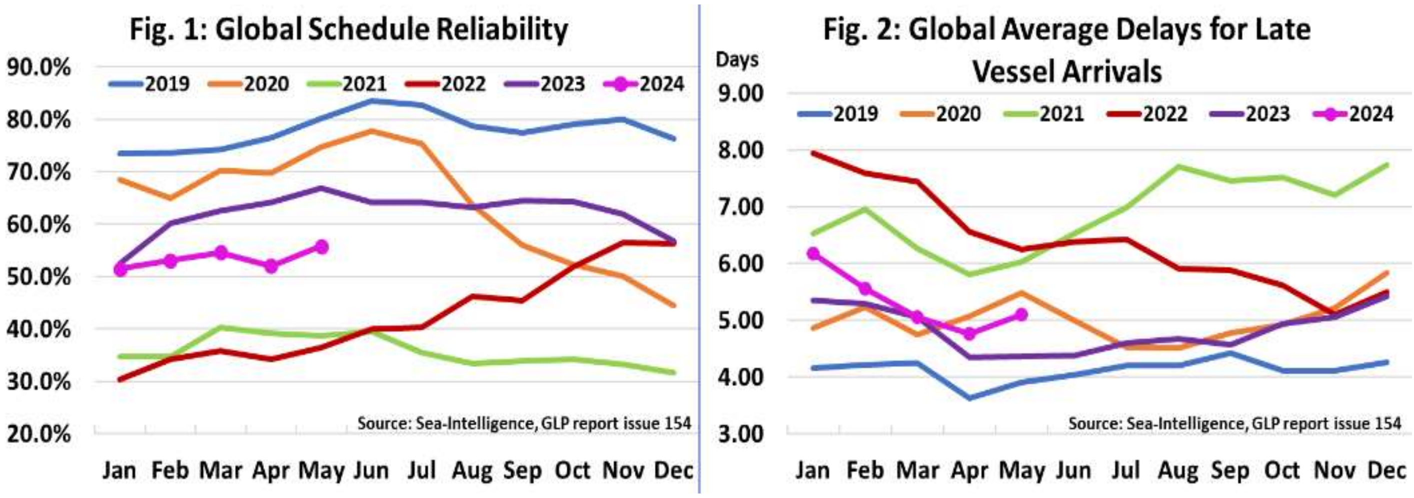
In June, global container freight markets soared, reaching levels comparable to the pandemic era. This surge was driven by increased demand from shippers restocking and exacerbated congestion at key Asian shipment hubs. Adverse weather in China in late April worsened congestion, and by May, it became clear that carriers couldn't provide sufficient capacity to meet the growing demand, particularly from North Asia. In the US, front-haul routes from North and Southeast Asia saw rates surpass early 2024 highs due to reduced space, compromised ship schedules, and increased volumes.

Exhibit 6

Ocean Freight Schedule Reliability Declines by 2.5

Sea-Intelligence's issue 154 of the Global Liner Performance (GLP) report reveals that global schedule reliability improved by 3.8 percentage points month-over-month (M/M) to 55.8% in May 2024, marking the highest figure for the year. However, this is 11.0 percentage points lower year-over-year (Y/Y). Despite the improvement, the average delay for late vessel arrivals increased by 0.34 days M/M to 5.10 days, nearing pandemic highs. On a Y/Y basis, the delay was 0.73 days longer.

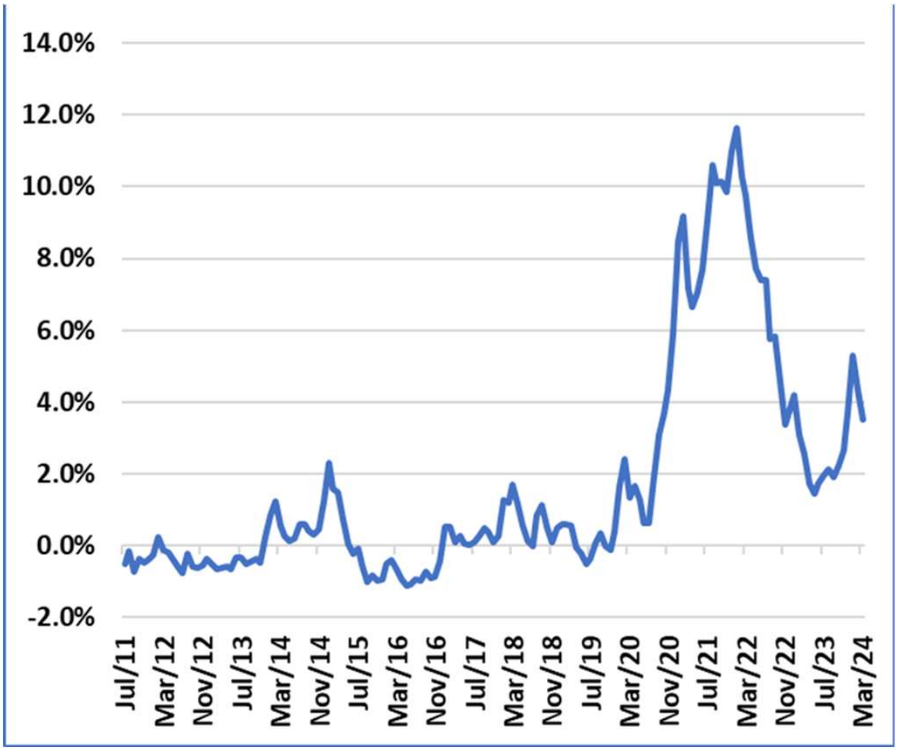
Exhibit 7



Source : https://www.sea-intelligence.com/

Freight Update

Impact of Vessel Delays on Global Fleet Capacity in 2024



Source : https://www.transportandlogisticsme.com/

Exhibit 8

When vessel delays occur, a percentage of the global vessel capacity is effectively absorbed and hence unavailable to the market. Historically, this percentage has tended to be within 1%-3%, with a few spikes in the 3%-5% range, on account of major disruptive events. When the pandemic hit, this figure nearly touched 14% at its peak.

In March 2024, the fleet absorption from vessel delays was 5.7% of the global fleet. This was an improvement from the recent peak in January 2024 of 7.5%. Putting it in context, the Red Sea crisis is almost a non-event, compared to the pandemic disruptions. It is important to note that this measures just the capacity absorbed from vessel delays and comes in addition to the capacity being absorbed by the longer route going around Africa.

Road Freight Update

East Coast: The Northeast market remains soft, even with shorter-than-average lead times. In the Southeast, produce season has started, and Miami is a key hub for Mother's Day floral shipments, driving holiday demand. This is drawing capacity into Southeast origin points, a trend expected to continue through May and into June.

Central U.S.: Capacity in the Mid-North and Mid-South regions remained soft throughout April. However, produce volumes from Texas may have a significant impact in May, particularly around Memorial Day.

West Coast: The Pacific Northwest outbound market remains soft, but inbound freight is experiencing tightness due to an imbalance, especially with freight originating from the Southwest. We are starting to see the seasonal market impact from California, particularly for long-haul freight, as increasing demand begins to strain available capacity.

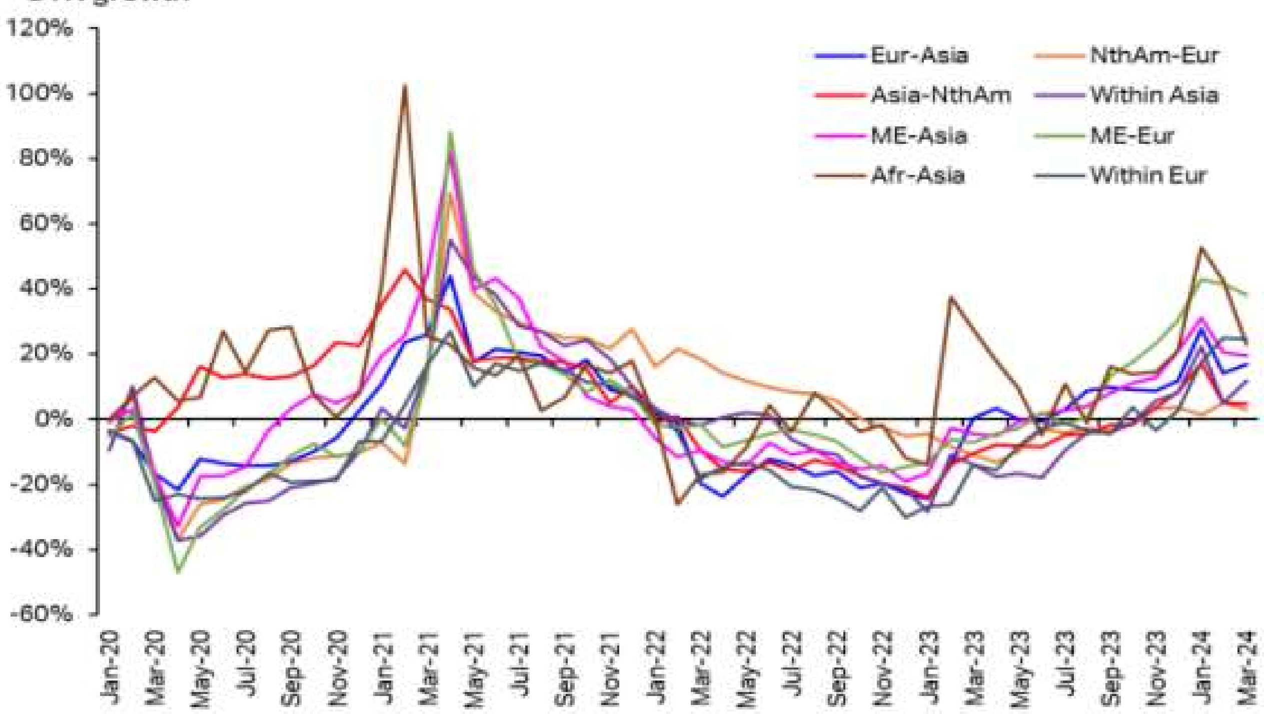
Source: https://ziplinelogistics.com/

Freight Update

Air Freight Update

International air cargo demand grew across all regions, with the Middle East leading the expansion on major route areas.

Exhibit 9



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

https://www.iata.org/

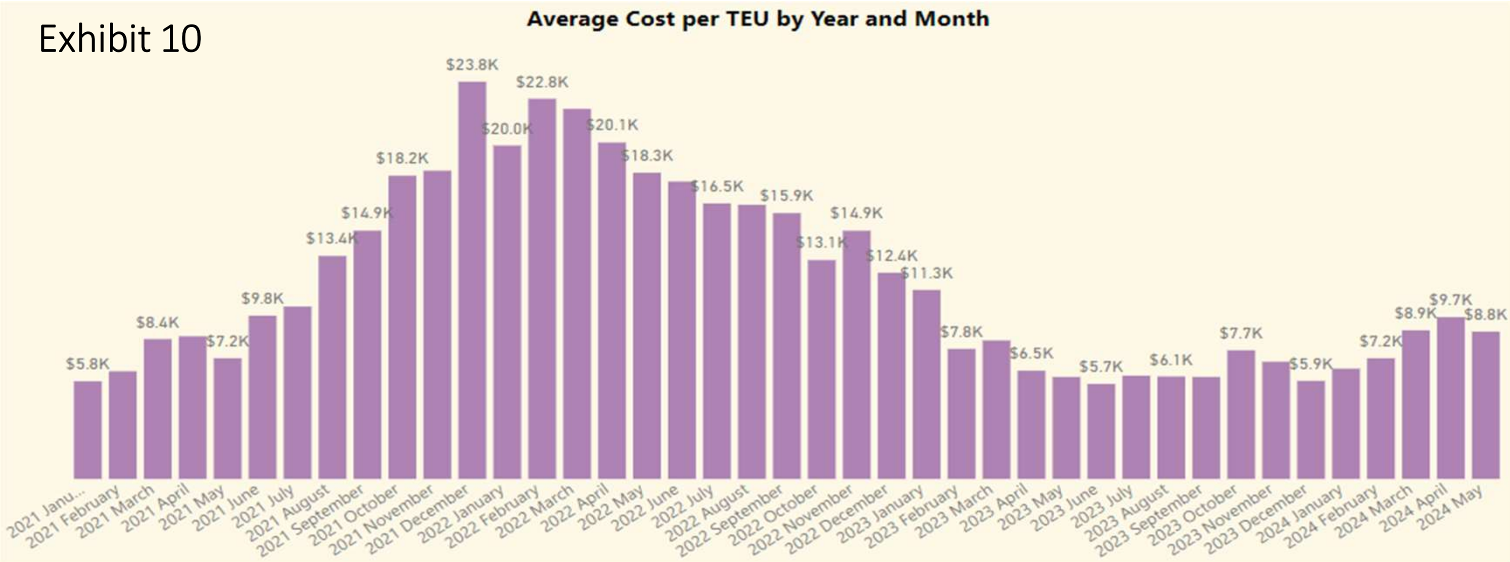
The above image provides an analysis of the global air cargo market Growth rates for Middle East-Asia and Europe-Asia routes were 19.6% and 17.0%, respectively, with the former decreasing by 1 percentage point from February and the latter increasing by 2.7 percentage points. The Within Asia route saw a significant increase, jumping 6.7 percentage points from February to an annual growth of 11.8%.

Notably, the routes Within Asia and Europe-Asia were the only ones that improved over February's growth figures. In contrast, Asia-North America and North America-Europe routes recorded more modest year-on-year growth of 4.7% and 2.9%, respectively. Overall, annual air cargo demand growth continued to outpace the trends in goods trade and industrial production.

Business Update

Exhibit 6 presents the Average Cost per TEU (Twenty-foot Equivalent) for FCL (Full-Container Load) and BCN (Buyers Consolidation) shipments for the business. **Freight increased by about 30% since the beginning of 2024, a steep increase in matter of 6 months. Whereas the increase in the cost per TEU is upwards of 35% YOY.**
(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 10



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

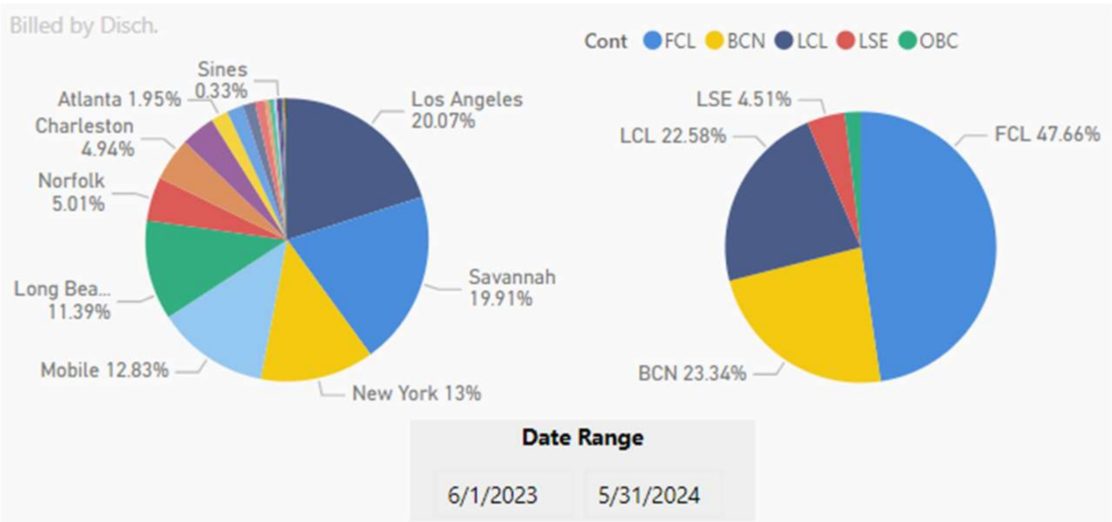


Exhibit 11

Shipment distribution by Shipment Type from November 2022 to October 20 23

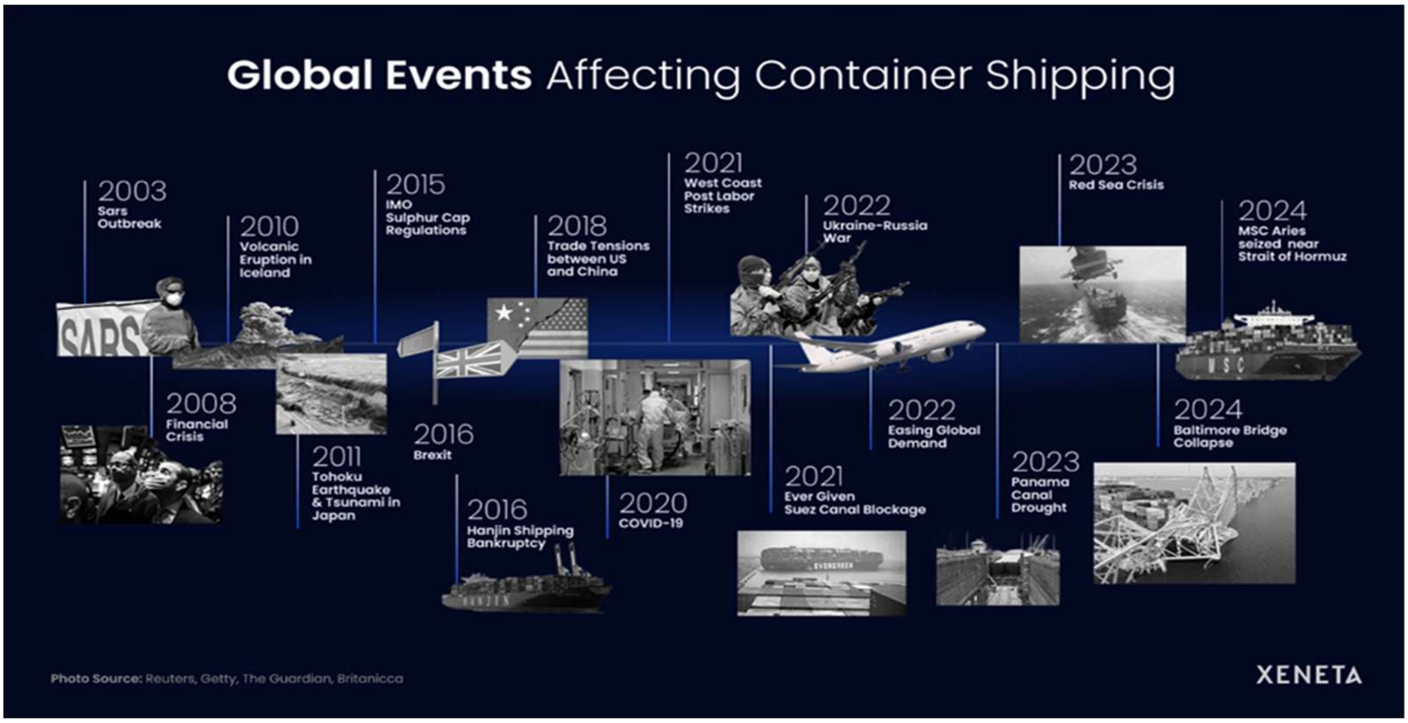
Average Cost/kg increased by about 35% from April24 to May24

Exhibit 12

FROM AROUND THE WORLD

Geopolitical Unrest Exacerbates Supply Chain Risks

Exhibit 13



Source : https://www.xeneta.com/

Geopolitical unrest has propelled supply chains into an era of heightened risk. The Red Sea crisis, the ongoing Russia-Ukraine war, Iran's seizure of an Israeli cargo ship, rising tensions over Taiwan, and US-imposed tariffs on Chinese imports each have caused, or have the potential to cause, significant and enduring impacts on freight rates, schedule reliability, production delays due to raw material shortages, and interruptions to global supply chains.

Furthermore, with the US Presidential election approaching, there is additional uncertainty about how the outcome may affect global trade-particularly with China-and the stability of global supply chains for the remainder of 2024 and beyond.

The impact of solar power equipment tariffs on global supply chains

The American Alliance for Solar Manufacturing Trade Committee (AASMTC) has petitioned the US International Trade Commission (US ITC) to impose anti-dumping and countervailing duties on solar panel imports from Cambodia, Vietnam, Malaysia, and Thailand. The AASMTC alleges that manufacturers from these countries are selling products below cost in the US market and receiving subsidies.

This case highlights the adaptive nature of supply chains and trade protections, as buyers seek cheaper sources after adjusting for tariffs, prompting governments to continually shift and expand tariff focus. Additional factors, such as operational risk, also influence company decisions to move production.

FROM AROUND THE WORLD

Key Challenges and Trends 2024 in the Shipping and Logistics Industry

Exhibit 14

The flowchart outlines key factors anticipated to influence the shipping and logistics industry in 2024. Ongoing geopolitical issues in the Red Sea are expected to cause disruptions, leading to delays and increased operational costs until the end of the year. Freight rates are projected to rise to borderline levels, with short-term spikes, impacting global product pricing and competitiveness.

Capacity shortages for container equipment, especially in key Asian ports, could exacerbate shipping delays and costs, straining the supply chain. Port congestion, particularly in regions like Singapore, may worsen, leading to significant loading and unloading delays. Despite these challenges, there is an expected uptick in demand for shipping services, pressuring existing logistics networks to innovate. The supply of shipping services is projected to grow by 7% year-on-year, but this may not fully offset other disruptive factors. An imbalance between supply and demand, especially with uncertainties in the Red Sea region, could result in unpredictable shipping schedules and potential goods shortages. Declining carrier schedule reliability will complicate logistics planning, causing disruptions and potential losses. In response to these challenges, a trend towards nearshoring is emerging, with production being relocated closer to end markets to reduce dependency on long-haul shipping routes and mitigate global shipping risks.

Source : https://www.xeneta.com/

Global Electric Vehicle Shift Slows; China Leads in Adoption

The global transition to electric vehicles (EVs) is losing momentum, with battery-electric vehicle (BEV) penetration now declining across all major regions. Over the past year the outlook for electrification has dropped, thus reducing 2030 global BEV market penetration forecast by 2.3 percentage points.

In China, BEVs are nearing price parity with internal combustion engine (ICE) vehicles, driven by favorable affordability. China leads Western markets in EV adoption.

Legacy automakers are grappling with reduced profitability from EV sales, viewing the extended electrification process as an opportunity for adaptation.

Battery manufacturers are reshaping the automotive supply chain, anticipating that automotive demand will dominate the battery market by the end of the decade. Western efforts to relocate production are challenging China's established dominance in battery supply.

Although battery prices are declining, concerns about supply constraints post-2024 persist. Additionally, ongoing debates about the optimal battery chemistries remain unresolved.

END