



Market Insights

MAY 2022
EDITION

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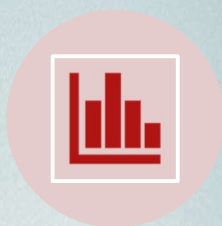
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METALS MARKET OVERVIEW

Amongst all the bad things, one good thing that happened to us during these disruptive times, is our vocabulary of “-flation” suffix words has increased to a great extent. After ‘inflation’, ‘hyperinflation’ – severe inflation, ‘crossflation’ – inflation & deflation happening concurrently in mixed currents, and ‘stagflation’ – prolonged damped growth, there is a new word to add ‘Shrinkflation’ (pun intended!). You’ve probably noticed that groceries and other products are getting pricier. But you may not be aware that package sizes are shrinking, too. To shave costs and avoid price hikes that could hurt sales, companies are turning to “shrinkflation.” Cereal, chocolate bars, soap—anything in a package can be downsized. Many of these size changes are subtle, like making candy bars sold in multipacks smaller than ones being sold individually, or changing the shape of their products so you can barely notice the difference in weight. Some companies say that consumers favor buying cheaper goods, even when sizes are smaller. [\[Bloomberg\]](#). The US Department of Agriculture forecasts a 5%–6% increase in retail food prices this year. Some good examples: [24 of the Most Extreme Shrinkflation Examples \(businessinsider\)](#)

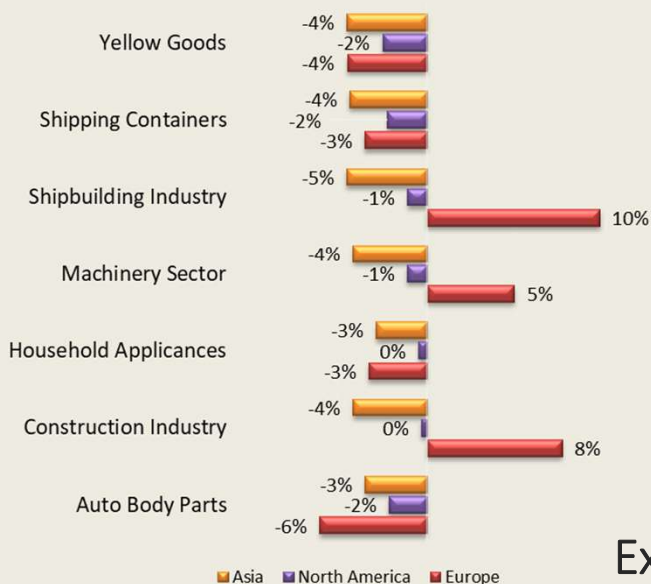
Coming to back to our topic of Metals Market. Due to rising inflation levels and rising interest rates, consumer spending may have slowed, which could have a negative impact on steel demand for the remainder of the year. Global growth is forecast to slowdown to 4.2% in 2022, due to weaker performance in Western Europe, North America, China and Japan. For the U.S., real GDP growth is forecast to slow from 5.7% in 2021 to 4.1% in 2022, in Europe, the real GDP is forecast to increase by 3.7% after a 6.4% decline in 2020 and an estimated 5.2% recovery in 2021.

Automotive production remains below pre-pandemic levels. Demand is beginning to slow but remains stable, high transportation costs and delivery times from Asian suppliers are causing many U.S. buyers to seek new alternatives. Major European and American producers have increased their stainless-steel shipments, but demand has exceeded supply due to strong end-user consumption, so local customers are sourcing their needs from Asian suppliers. Manufacturing companies continue to face delays due to COVID-related shutdowns in China, which coupled with inflationary pressures presents high downside risks to the market outlook. The real GDP growth of China is expected to slow from 8.1% in 2021 to 5.4% in 2022. [\[S&P Global\]](#)

Meanwhile, price increases are still not uncommon. We are seeing regular price increases on account of inflation, fuel and labor cost increases. The increases are in the range of 6-16% for non metallic items(polymers) and 8-25% for metal products (Steel, Brass etc.).

➤ **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 started colling down for American & Asian Market but is still trending up in certain sectors in Europe due to the ongoing war and other global supply chain disruptions in Europe.** [Exhibit 1]

**Industrial Steel Purchasing Price Index
Change from last month**



**Industrial Steel Purchasing Price Index
Change from last year**

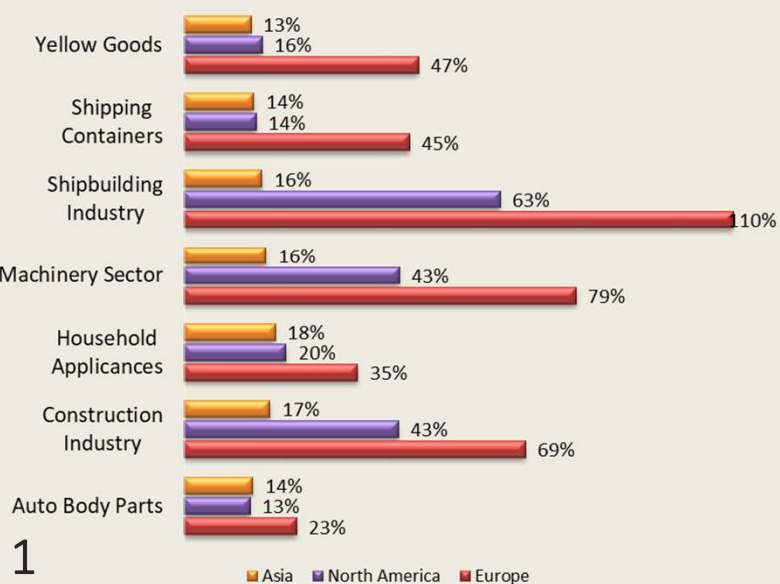


Exhibit 1

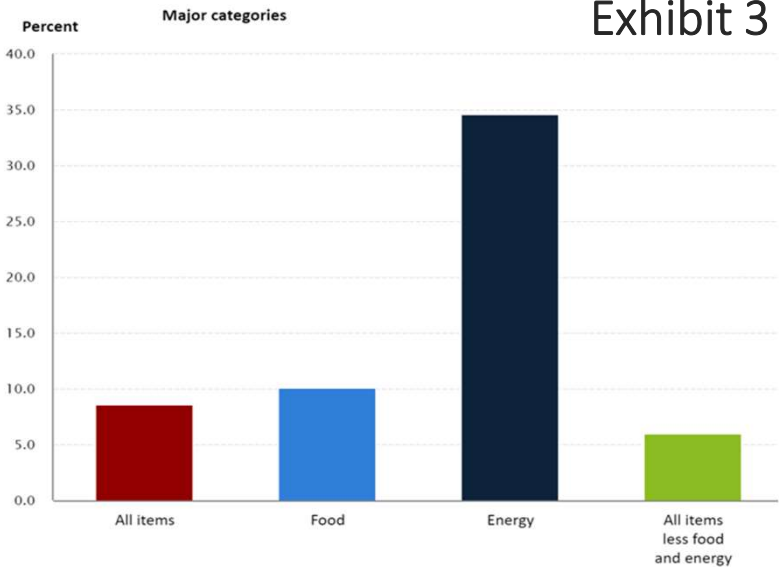
METALS MARKET OVERVIEW

Exhibit 2

Annual inflation rate in the US is at its highest since Dec 1981. Energy prices rose 34.6%, the most since September of 2005, due to gasoline (48.7%), fuel oil (106.7%, the largest increase on record), electricity (12%, the largest 12-month increase since August 2006), and natural gas (30.2%, the most since July 2008). Food costs surged 10.1%, the first increase of 10% or more since March 1981. [[U.S. Bureau of Labor Statistics](#)]



12-month percentage change, Consumer Price Index, selected categories, May 2022, not seasonally adjusted



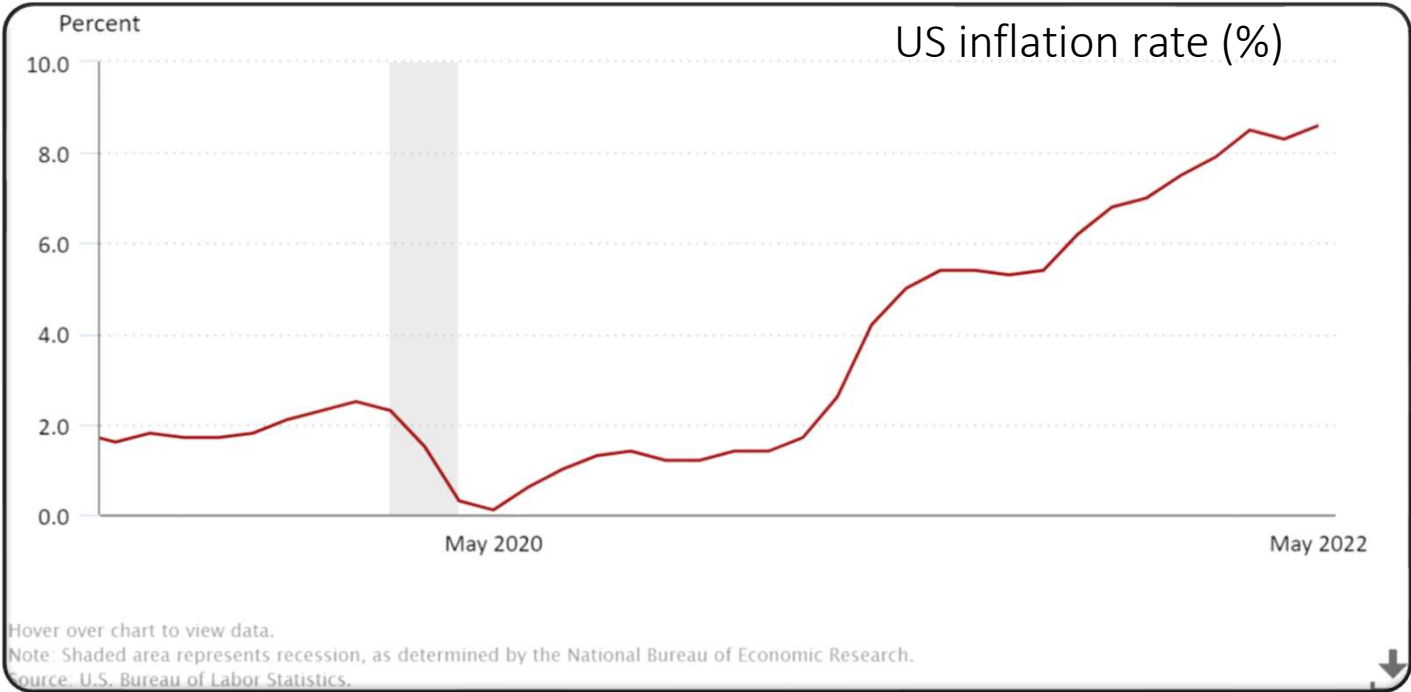
Source: U.S. Bureau of Labor Statistics.

Exhibit 3

Big increases were seen in prices of meats, poultry, fish, and eggs (14.2%). Other increases were also seen in cost of shelter (5.5%, the most since February 1991), household furnishings and operations (8.9%), used cars and trucks (16.1%) and airline fares (37.8%) while cost of new vehicles eased slightly (12.6% vs 13.2%). Meanwhile, core inflation rate slowed for a second month to 6%, compared to expectations of 5.9%. [source: [U.S. Bureau of Labor Statistics](#), [Tradingeconomics](#)]

Exhibit 4

US inflation rate (%)



METALS MARKET OVERVIEW

- POSCO has started construction of a new steel plant in Gwangyang, South Korea. This plant will produce non-oriented electric steel, is investing US\$800 million in the project and will have an annual production of 300,000 tons when it starts operations in 2025. [MEPS]
- ArcelorMittal acquires an 80% shareholding in voestalpine's world-class Hot Briquetted Iron ('HBI') plant located in Corpus Christi, Texas. The transaction values the Corpus Christi operations at \$1 billion and closing is subject to customary regulatory approval [Globalnewswire]
- BlueScop has negotiated an agreement to acquire the Coil Coatings business of Cornerstone Building Brands for US\$500 million, once the transaction is completed, annual coating and painting capacity is estimated to increase to 1.3 million tons per year. [MEPS]

Majority of the indices trended downwards, as projected in previous reports. The metals market is stabilizing after series of disruptions. The market is still far from normal major impacted by the global fuel shortage and inflation.

Exhibit 5

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- Click 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	↑ 107.16%	↓ -24.47%	↓ -15.66%
Import - Steel HR Coil	↑ 86.67%	↓ -25.33%	↓ -14.50%
Steel Coil Cold Rolled	↑ 135.14%	↓ -4.40%	↓ -6.95%
Scrap-Midest Index #1 Heavymelt'	↑ 67.73%	↑ 4.12%	↓ -15.25%
Scrap # 1 Busheling	↑ 117.46%	↑ 24.55%	↓ -9.87%
Steel wire rod (mesh)-China	↑ 39.91%	↓ -17.22%	↓ -10.78%
Copper	↑ 62.32%	↓ -8.28%	↓ -2.28%
Aluminum 6061	↑ 102.83%	↑ 48.79%	↓ -5.29%
Import - Steel Medium Plate	↑ 115.00%	↑ 38.71%	↑ 1.78%
Silver Engelhard United States	↑ 50.65%	↓ -20.76%	↓ -5.18%
Steel Rod - High Carbon	↑ 102.60%	↑ 41.82%	↓ -1.27%
Import LC Wire Rod	↑ 85.66%	↑ 21.78%	↓ -13.99%
Nickel	↑ 138.21%	↑ 65.14%	↓ -11.57%
Wire Rod, Cold Heading Quality	↑ 86.21%	↑ 50.00%	↓ -13.99%
Cobalt	↑ 133.86%	↑ 92.31%	↓ -3.13%
Aluminum	↑ 11.03%	↓ -7.96%	↓ -10.32%
316L Stainless Steel	↑ 116.67%	↑ 77.13%	↑ 11.66%
304 Stainless	↑ 114.06%	↑ 71.25%	↑ 12.30%
Ferromolybdenum	↑ 61.65%	↑ 34.59%	↓ -5.70%
Gold Engelhard United States	↑ 42.44%	↓ -2.27%	↓ -2.93%
Chromium-AluminoThermic	↑ 93.53%	↑ 136.06%	↓ -5.63%
Titanium	↑ 13.54%	↑ 11.22%	↑ 11.22%
Special Quality Steel Bar 4100 Series (Round Bar High Carbon)	↑ 85.63%	↑ 31.90%	→ 0.00%
Rubber	↑ 39.09%	↑ 23.13%	↑ 4.50%
Fluorocarbon-PPI	↑ 25.77%	↑ 35.72%	→ 0.00%
Nylon	↑ 11.89%	↑ 20.80%	↑ 3.80%
Molybdenum	↑ 52.32%	↑ 37.89%	↓ -5.89%
Steel Reinforcing Bar	↑ 46.46%	↓ -3.46%	↓ -12.91%
China Steel C1022		↑ 16.18%	→ 0.00%

METALS MARKET OVERVIEW – REGIONAL HIGHLIGHTS

Flat Products.

- China: Hot rolled coil, due to the current restrictions related to Covid, prices trended downward, and demand weakened. Buyers anticipate a decrease in costs in the short term. In the case of hot rolled plate, cheap Russian slabs are entering the supply chain which is helping to reduce production costs. Taiwan: Hot rolled coil, Taiwanese steel service centers have sufficient stocks for their current needs. Hot rolled plate buyers expect a cost increase from local fabricators. Galvanized coil mills kept their prices unchanged. [\[MEPS\]](#)
- Europe: Hot rolled coil buyers are concerned about the devaluation of their inventories, manufacturers are reducing their prices and shortening delivery times due to pressure on import bids. Additional import costs due to war shortages may contribute to slowing down the price decline in the short term. Cold-rolled coil prices declined substantially as hot-rolled coil prices declined. The limited consumption of galvanized steel is leading to a reduction in orders and an increase in available capacity offered by local fabricators. [\[MEPS\]](#)

Long Products

- China: prices are trending down as mills continue to limit production due to lack of profitability. Profiles and median beams, mills cut sales due to falling raw material costs. Demand for rebar and commercial rebar is doing affected by the ongoing covid-related closures and delays at local ports causing reduced orders from foreign countries. Taiwan: Taiwanese wire rod prices are at their lowest level since April 2021. Profiles and medium beams, local manufacturers-maintained prices due to lower raw material costs and well-supplied hubs. Reinforcing and commercial bars, local suppliers held prices this month as they face increased competition from Chinese exports. [\[MEPS\]](#)
- Europe: Wire rod, higher volumes of Russian material are being supplied at competitive prices, making demand more positive for the construction industry than manufacturing. Profiles and medium beams, prices remained stable after increase in purchases last months. Reinforcing & commercial bars, prices remained stable, although commercial bars decreased this month and demand weakens. [\[MEPS\]](#)

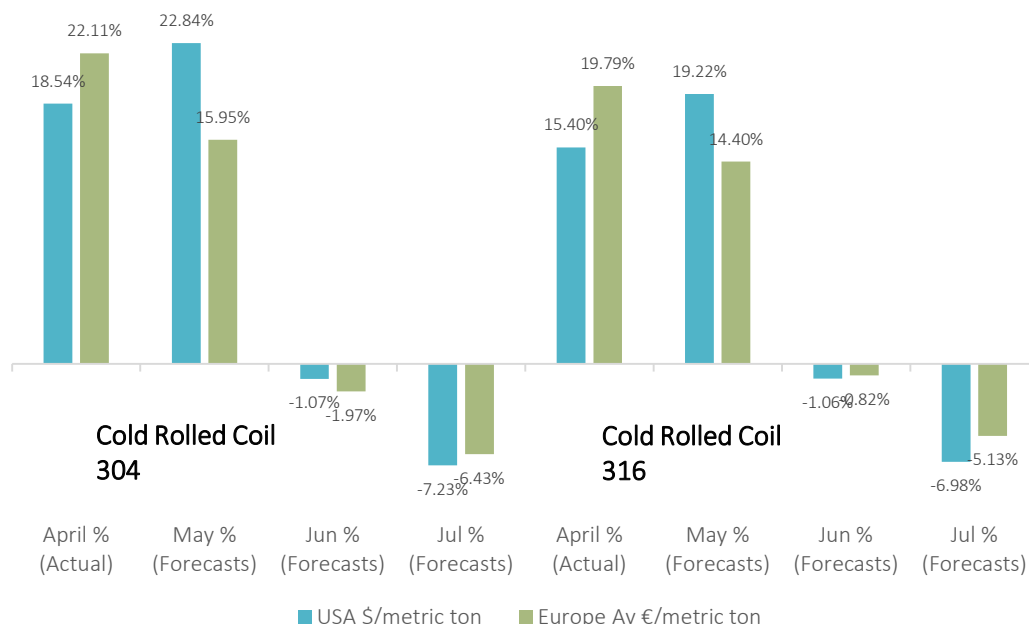
Mexico and Canada

- The Mexican economy is having an important growth during this 2022 where its PIB is expected to grow by 3.3%, additionally the production of finished steel during the month of March was 1,696 million tons being the highest since 2018 and imports of finished steel also grew by 13%.
- Another important point is the recovery of the automotive sector that during the month of March reached a production of 322,000 vehicles being this the highest since November 2020, however in the short term we could see a decline in vehicle manufacturing due to the latest shutdowns in China and the shortage of semiconductors that have been a bottleneck for the manufacturing of automobiles worldwide during the last time.
- However, with Nissan Motor's announcement to invest more than \$700 million over the next three years in upgrading its facilities in the Mexican state of Aguascalientes and other projects, the long-term production of automobiles will receive a boost allowing it to continue its growth.

Exhibit 6

Stainless Steel Alloy Surcharges - Flat Products

Stainless steel transaction values continued to increase in April. Europe and North America saw double-digit percentage month-over-month price increases for austenitic coil and plate. Rises in Asia were tempered by Covid-related closures in China and changes in exchange rates. Prices are expected to increase in May, as alloy manufacturing costs are expected to rise again, although prices are expected to decrease in June and July.



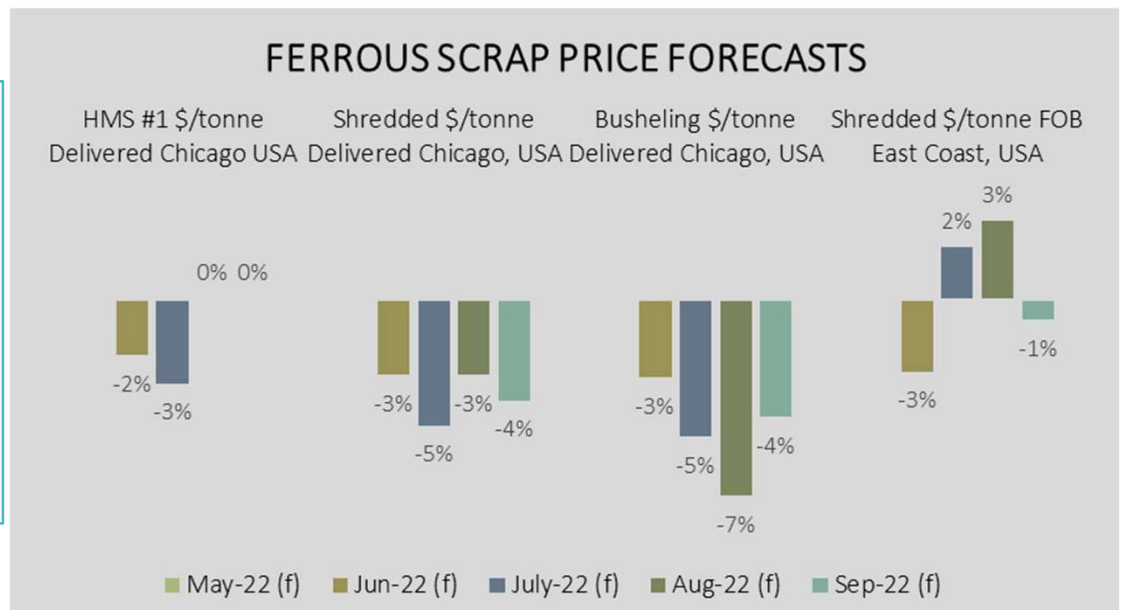
NEAR TERM FORECAST

Nickel is currently trading at \$28K/MT, a historical high and rare top quartile band. Considering the present state of war causing closure of most production facilities and the sanctions put on place on Russia, nickel prices are not expected to dropdown anytime in the near future (next several weeks). Russia is one of the leading producer of nickel with 11.2% share of global nickel production.

- Global scrap prices are expected to continue to fall due to this being the best generation and collection season and the lack of need for mills due to low demand for steel, mainly due to falling demand from the construction sector. Premium scrap prices are also expected to continue to fall driven by growth in automotive production, which is the main source, an example of which is the 75.4% price drop in May versus September 2021. [AMM]

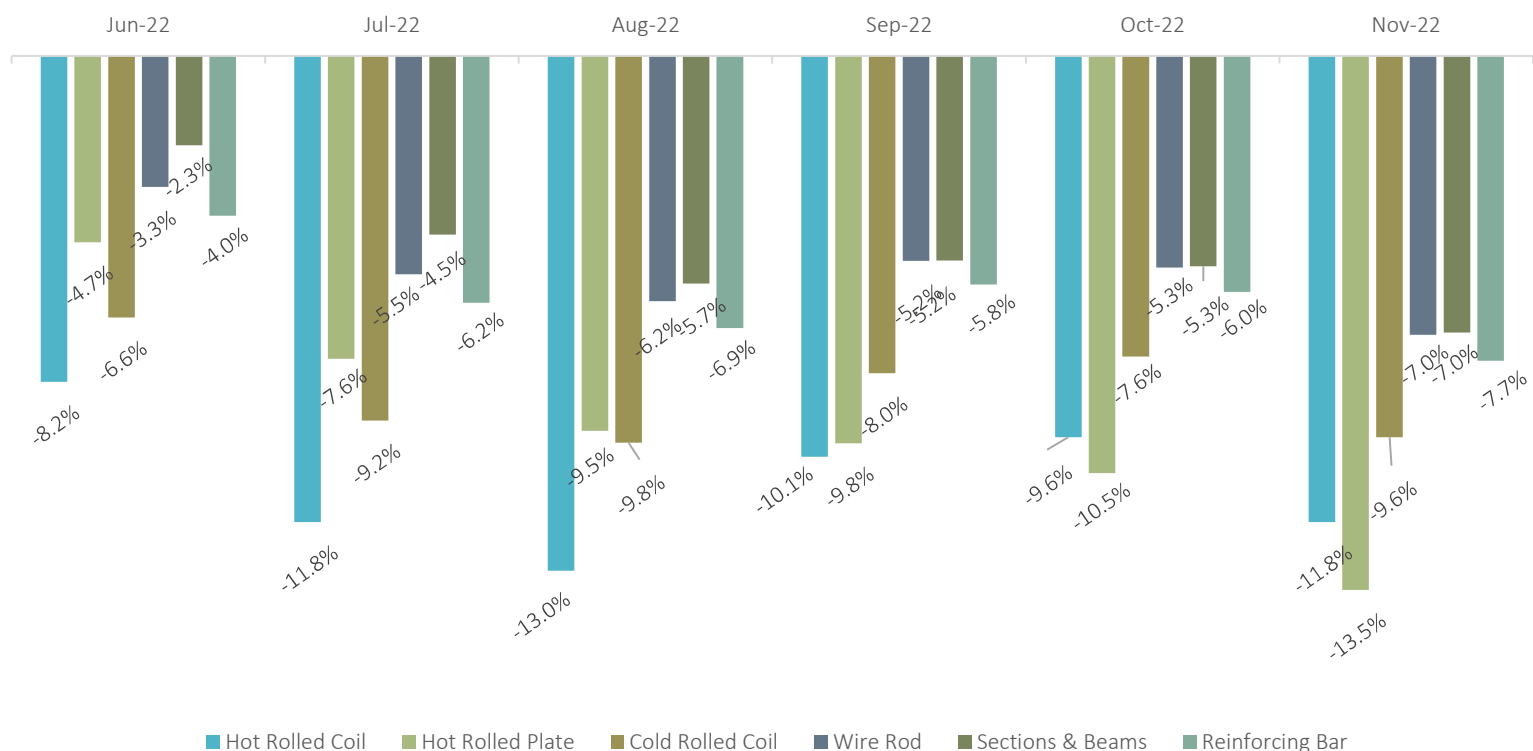
Exhibit 7

The price forecast for ferrous scrap for the coming months shows a downward trend compared to May 2022, however, prices are still higher than those experienced in January and February 2022.



- Exhibit 8** The chart below provides the forecast for the next 5 months showing a downward trend for the both flat and long steel products compared to the month of April 2022. World Average for HRC prices are expected to drop by up to 13% by August [MEPS]

Foreseeable Price Change - World Average (from Current Month)



NEAR TERM FORECAST

US flat steel products rose in April, however in May prices started sliding again. US HRC domestic prices fell more than 10%, and the expectation is that prices will continue downward trend for the rest of the year ahead due to efficiency improvements in the supply chain, the growth of the US economy and an improvement in the automotive sector. During April 428K jobs were created in US and 390K in May, which will further support the demand and supply.

Average U.S. HRC prices during 2022 are expected to remain 22% below those observed in 2021 and continue to fall another 25% on average during 2023, however, they will remain 66.6% higher than those

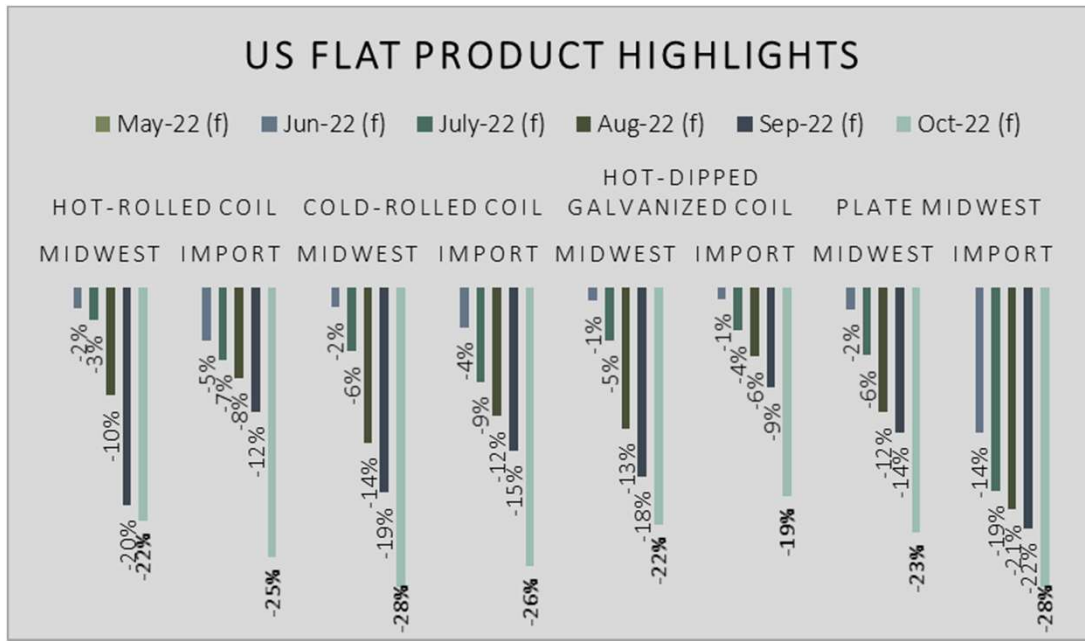


Exhibit 9 shows US Flat products prices depicting a clear downward trend compared with the may 2022 and the forecast for the rest of 2022 is to maintain this trend

Exhibit 9

Long product prices in the U.S. market have held their prices during this first quarter and are expected to continue at least through the summer. However, prices are expected to decline in the face of a rebound in construction and the federal infrastructure bill.

An important aspect is that the prices of imported long products are higher than domestic ones, regardless of the fact that the delivery time for domestic products is more than 4 weeks.

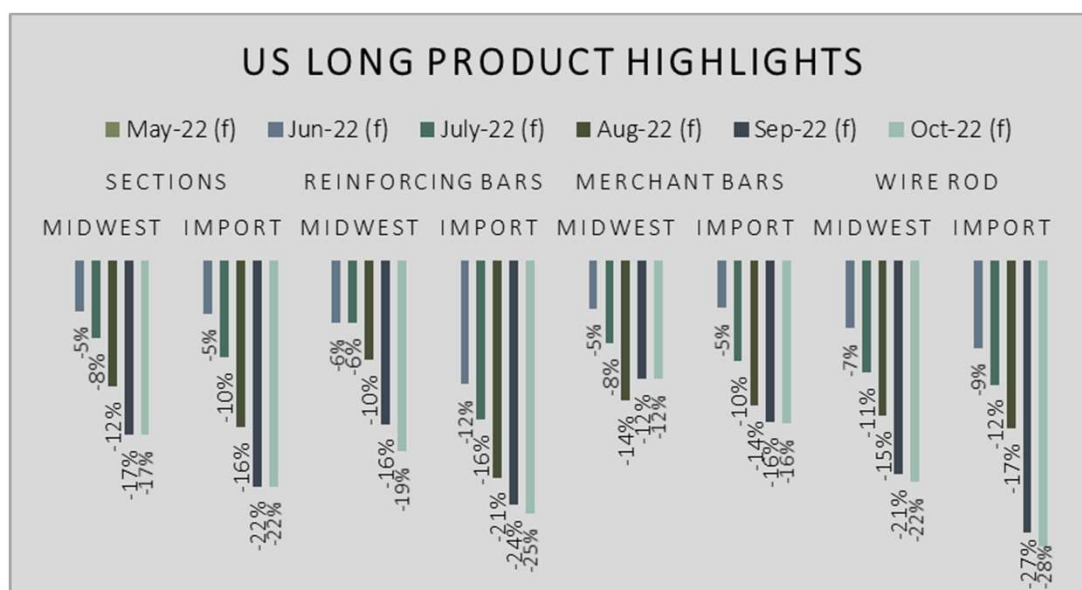


Exhibit 10

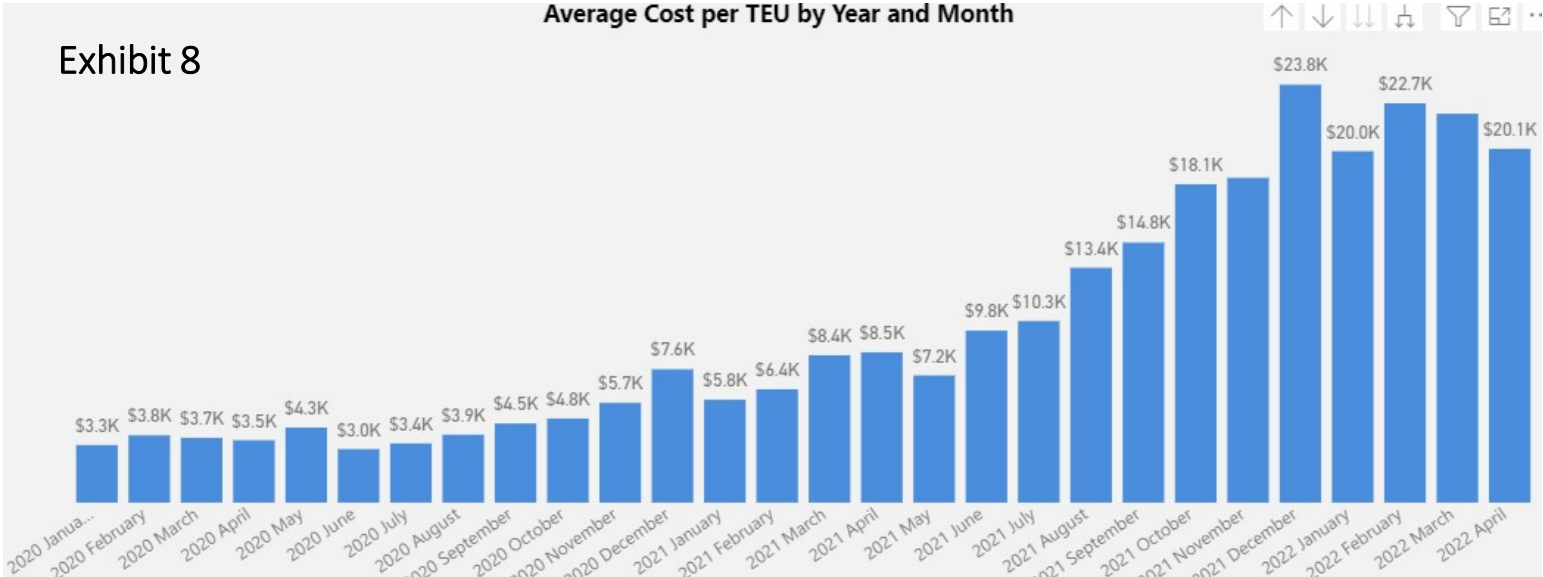
The forecast for US long products shows a downward trend during the rest of 2022

Business Update

Exhibit 8 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 drop shows signs of normalcy but is nowhere close to normal levels.. The Average Cost/TEU for April was \$20K which is 6x from April 20 and 2.3x from April21.

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.

Exhibit 8



Shipment distribution for Jan 2022 to Apr 2022 showing Duluth receiving the most shipments (by counts). These includes LCL, FCL, BCN, OBC shipment counts

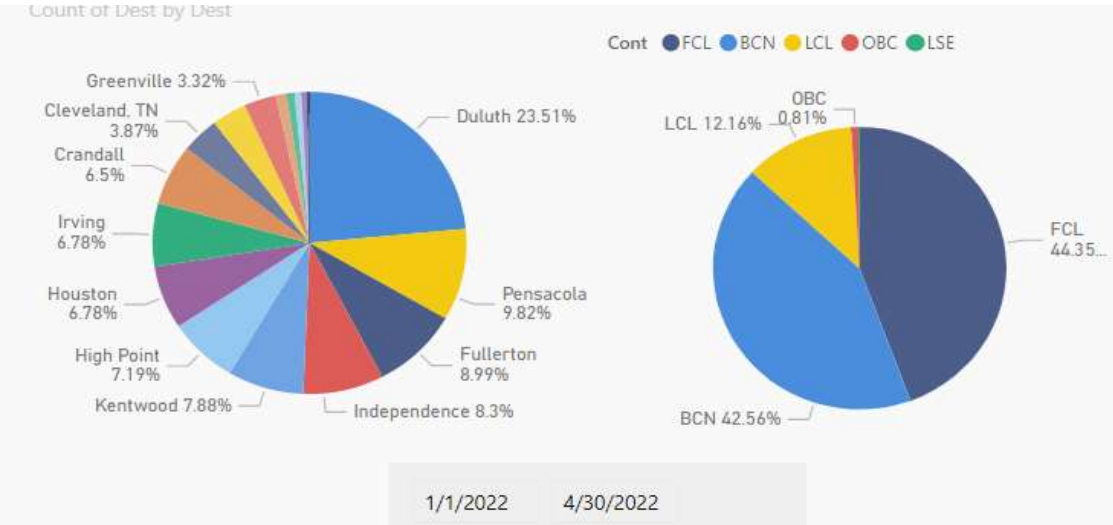
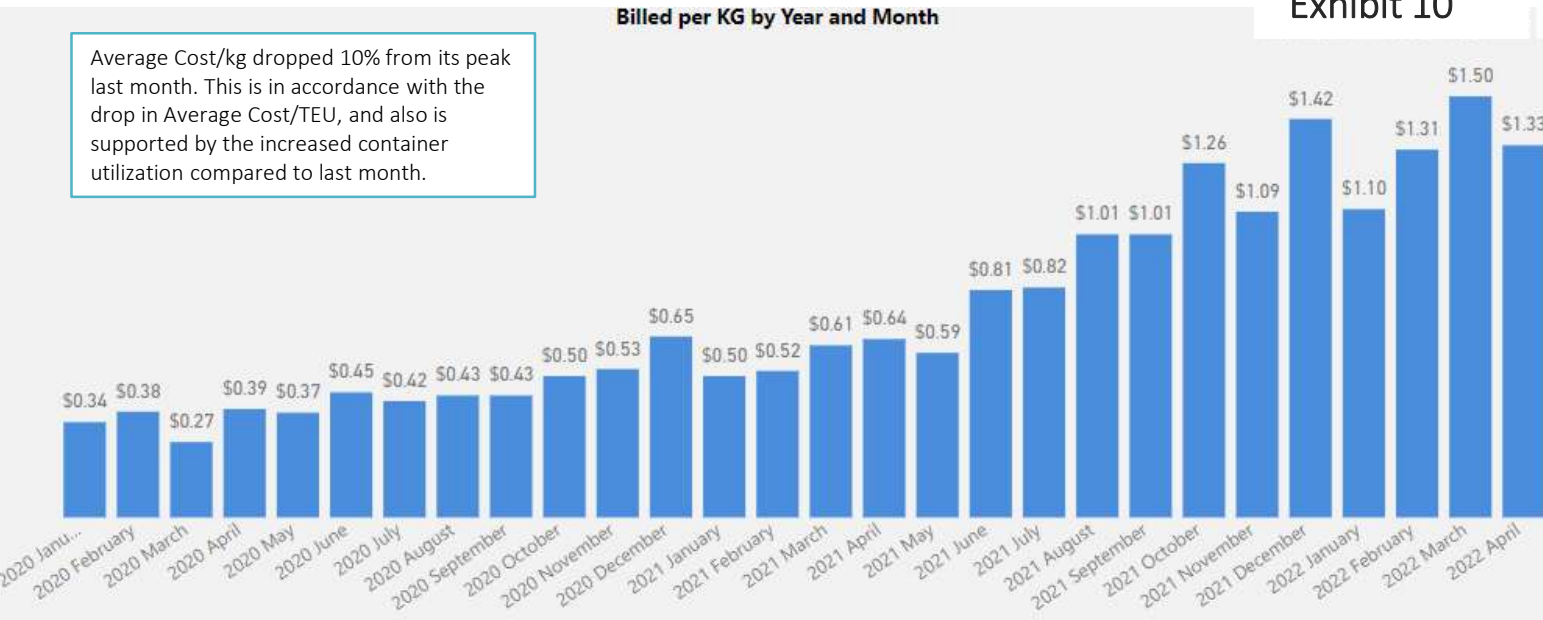


Exhibit 9

Shipment distribution by shipment type from Jan 2022 to Apr 2022

Exhibit 10

Average Cost/kg dropped 10% from its peak last month. This is in accordance with the drop in Average Cost/TEU, and also is supported by the increased container utilization compared to last month.



CURRENCY OVERVIEW

We saw a slight drop in USD against major currencies compared to last month. The USD value is still higher than same time last year against most currencies. Last month Feds increased the interest rates putting an end to the months long speculation of the impact of hiking interest rates and the upward rally of the USD against other currencies.

Exhibit 11

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

1. **4.95%** against Taiwanese Dollar
2. **4.87%** against Yuan
3. **11.48 %** against Korean Won
4. **9.82%** against Thai Baht
5. **13.46%** against Euro
6. **4.96%** against Canadian Dollar

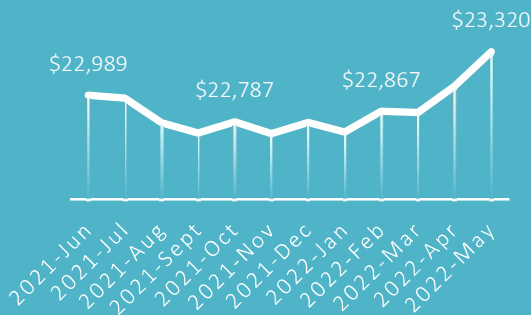
Over the last 1 month the USD has **dropped** by:

1. **1.49%** against Taiwanese Dollar
2. **2.59%** against Korean Won
3. **1.06%** against Euro
4. **3.82%** against Mexican Peso

TWD



VND



EUR



MXN



CAD



KRW



THB



Freight Trend from Specific Routes – Freightos

Exhibit 12

An increase has been noted in the shipping rates for China to NYC since April and slight drop compared to last month. Increase has been observed for China to Vancouver & China to Savannah shipping rates as well from last month

Shipping rates for China(Shanghai) to LA have been dropping since January.



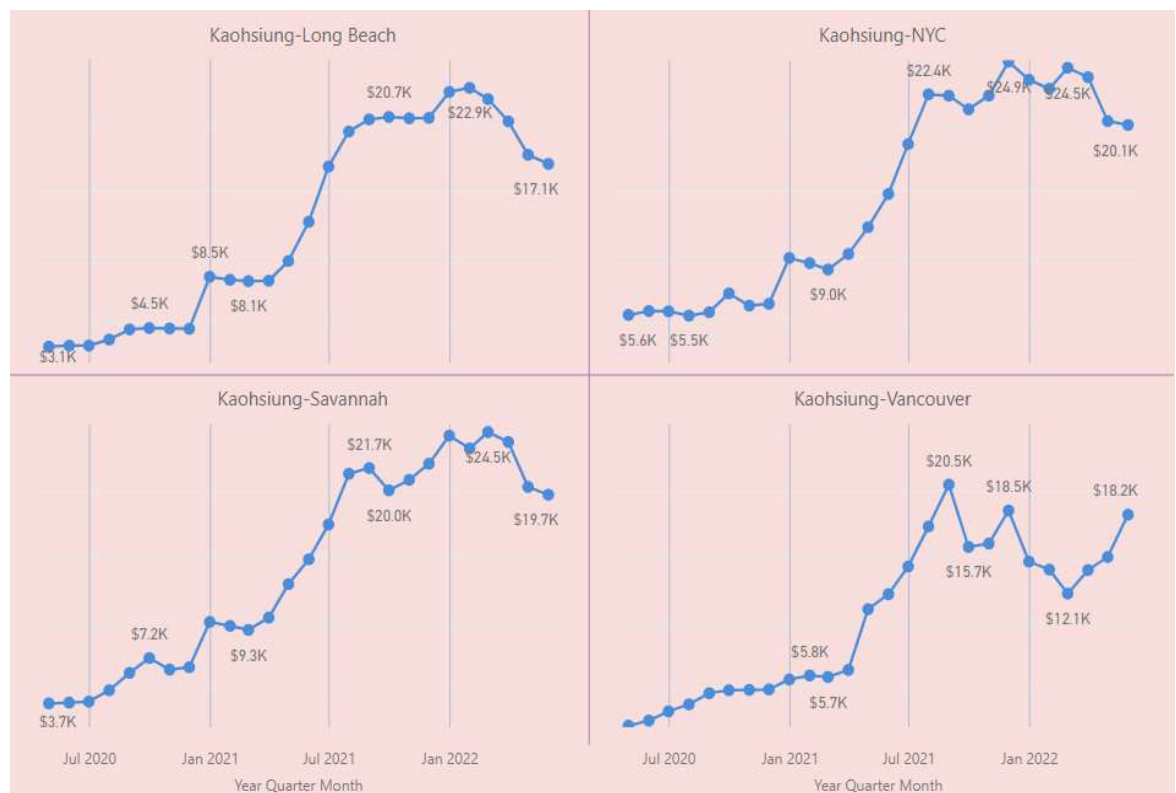
A drop in freight from Taiwan to US has been observed for all major US ports. The rates are still several times higher than pre-Covid era.

Taiwan to Vancouver rates have been increasing, however, for last 4 months

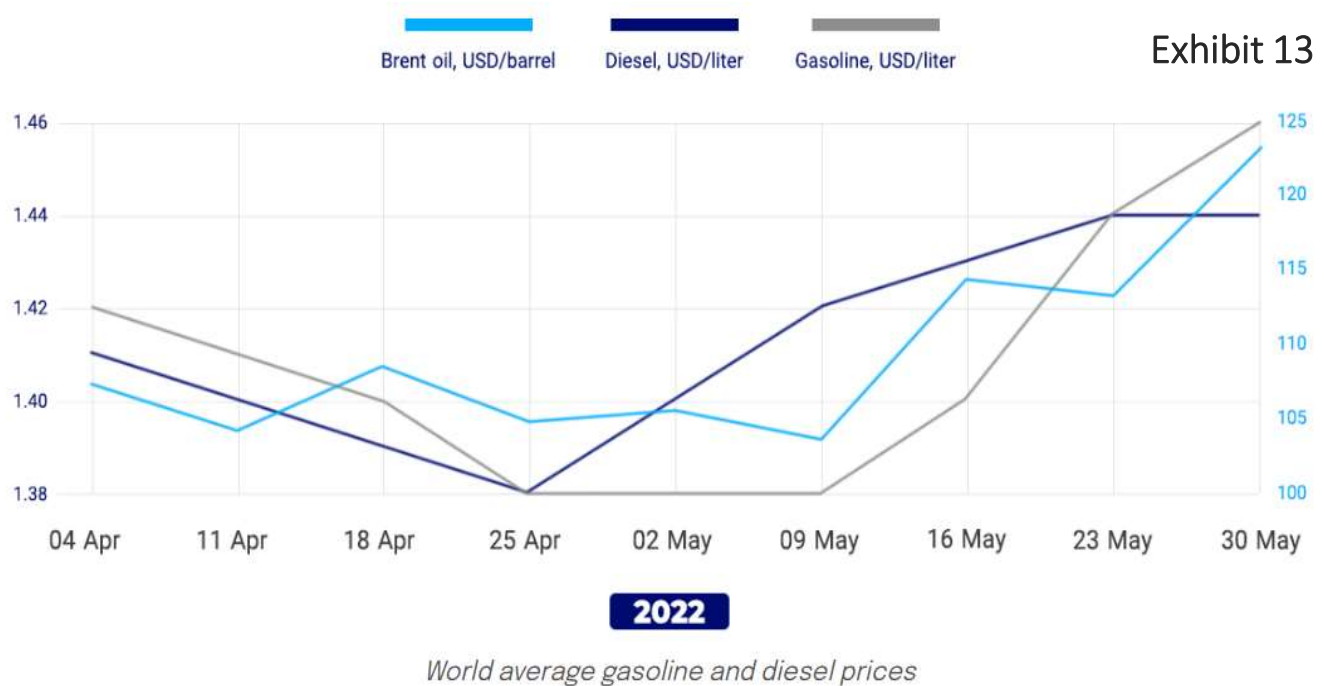
Freight rates from China to Brazil stayed constant on the downward path.

Freight rates from Mumbai to NYC have remained constant over last 9 months at the peak.

Freight rates from Europe(Germany) to US has been increasing majorly because of supply chain disruptions caused by war.



Freight Update



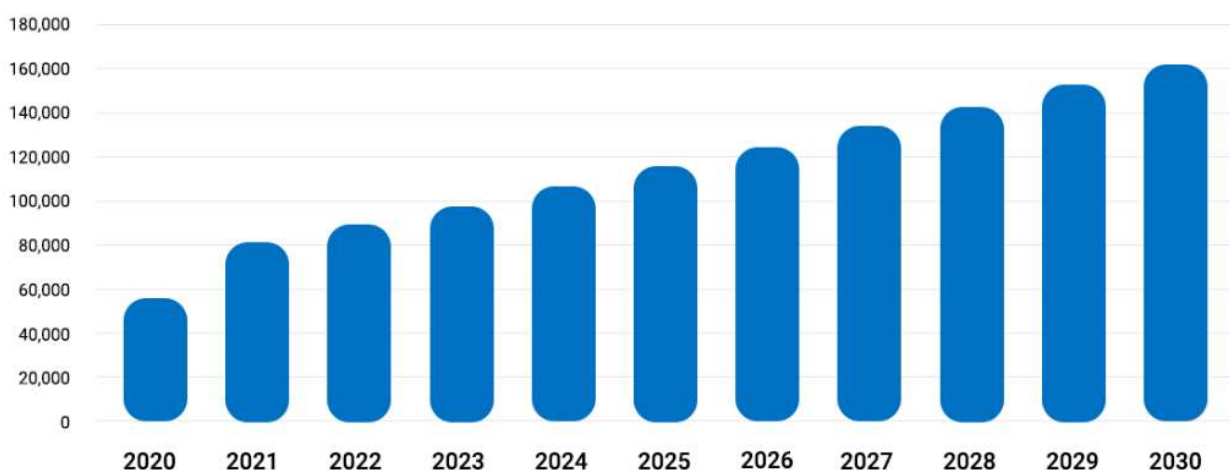
The effect of fuel prices on the freight market is both direct and indirect. The direct effect is the most obvious, as fuel prices directly impact the cost of operating a truck. The indirect effect is less obvious, but just as important. Fuel prices impact the cost of shipping goods, which in turn affects the demand for freight services. When fuel prices are high, the cost of shipping goods increases, which can lead to a decrease in demand for freight services. The figure below shows the variations in global fuel costs over a two-month period.

Shortage of drivers: The rising demand for commodities has resulted in a driver scarcity. As the demand for commodities grows, so does the number of drivers required to convey those goods. Businesses are raising their rates and putting additional pressure on their drivers as a result of the driver shortage. This is not a scenario that can be sustained. At current trends, the shortage could surpass 160,000 in 2030. This forecast is based on driver demographic trends, including gender and age, as well as expected freight growth ([American Trucking Associations](#))

If no solution is found, the process of this crisis until 2030, can be seen in the graph below:

Exhibit 14

Truck driver shortage



The trend of reducing the number of truck drivers

Freight Update



Exhibit 15

The Flexport Ocean Timeliness Indicator (OTI)

Transpacific Eastbound (TPEB)

- March 2021: 90 days
 - March 2022: 108 days
 - May 2022: 103 days
- #### Far East Westbound (FEWB)
- March 2021: 98 days
 - March 2022: 110 days
 - May 2022: 105 days

The shipping industry still suffers from considerable wait times, congestion and delays for ships headed into the main ports across the world, and the transit times are still significantly high compared to 2021.

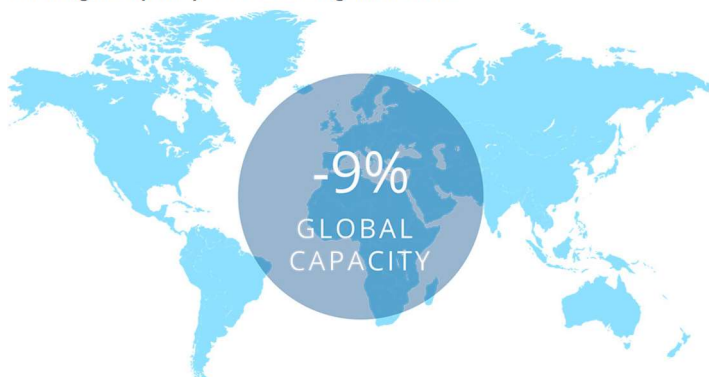
COVID-19 restrictions have dealt a major setback to mainland China's economy. After 4.8% y/y growth in real GDP in the first quarter, economic performance turned dismal in April. Industrial production and service sector output shifted from expansion to contraction as lockdowns curbed consumer spending. Retail sales fell 11.1% y/y in April, while residential floor space sold plummeted 42% y/y. The lockdowns—centered in Shanghai—also disrupted port activity, causing a slowdown in previously robust export growth. While new cases of COVID-19 appear to be declining and industrial activity is resuming, the government's dynamic zero- COVID policy will remain in place through 2022, preventing a return to normalcy and limiting the effectiveness of new fiscal and monetary stimulus measures. The slowdown in mainland China will have modest spillover effects among its regional trading partners.

2022 Russian-Ukraine Crisis: The airspace over Russia and Ukraine is not currently closed, but flights in the area are being redirected, as a result, it causes congestion on other air routes

<https://splash247.com/no-end-in-sight-for-shanghais-lockdown/>

Air freight capacity YTD 2022 against 2019

Exhibit 16



Main drivers:

- Passenger demand is increasing
- Local travel restrictions will play a key role in capacity growth
- China COVID-19 restrictions
- Markets with stricter policies are unlikely to increase capacity

Freight Forecast

- Currently, we assume container freight rates will also face correction and decline by 20-30% to average about \$6,000-7,000 per box (FEU) in the second half of 2022 from an average of about \$9,000-10,000 per box (FEU) over the same period last year. The softening of container trade growth in response to high inflation rate, endemic consumer pattern, and supply side pressure with heavy investment in new buildings, as well as reduced congestion with the easing of COVID-19 restrictions will be major downside risks in the second half of the year, specifically after the third-quarter peak season is over..
- Another lockdown in mainland China, slower than expected economic growth with continued high inflation, and a lack of stimulus would be a major downside risk, while continued strength in container freight with high congestion and limited infrastructure, as well as lower-than-expected domestic coal production in mainland China and earlier-than-expected reopening of Ukrainian sea ports would be a major upside risk in our forecast.

It's More Important than Ever to Plan Ahead

Forwarders remind us of the basics that become even more crucial during these uncertain times:

- Make sure your goods are packed and ready before you book your shipment
- Be careful with your measurements so you don't end up with costly extra fees
- Plan ahead as much as possible so last minute issues don't catch you off guard
- There's no denying that shipping is more challenging than it used to be. Staying aware of the trends, planning ahead, and being flexible can help you manage.

- Some shipping rates will increase. FedEx announced their 2022 general rate increases — this year marks the highest GRI average rate increase since 2013, with the average rate increase for FedEx in 2022 at 5.9%. This rate spike is a substantial increase from previous years. USPS is decreasing some of its rates. For example, Parcel Select Ground will fall across the board and is becoming very competitive, with up to 58% decreases compared to the current rates.