



Market Insights

NOV 2022
EDITION

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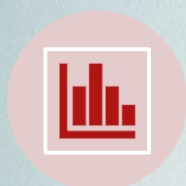
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METALS MARKET OVERVIEW

The US announced another interest hike, the seventh one to be precise, on Wednesday, Dec 14th. The Fed efforts are certainly helpful in bringing down the inflation levels, which currently stands at 7.11%, lower than the peak of 9.1% from June 2022 but still way above the Fed target level of 2%. This may be the last hike for 2022 but there are certainly more to come in 2023 to tame inflation. US might dodge recession from close margin but the close encounter effects of recession will certainly be experienced and may linger on, the economic growth is expected to remain almost flat with economy growing only about 0.5% in 2023. The unemployment rate is also expected to increase in 2023.

We conducted supplier survey to capture the nerve of the market through our suppliers. The results are published in this report.

➤According to the data from the Metal Service Center Institute, the US distributors on average hold 4.1 months of stainless-steel inventories on hand, down from 4.3 months in September, but still much more than the desired value.

➤Both production and consumption of stainless steel dropped in Europe from last month. Production dropped in North American steel industry as well.

➤US HRC dropped to \$33.5/cwt, 62.5% down from same time last year and a 24- month low spot. **The index, however, remains 20% higher than pre-pandemic levels.** Demand in North American region is softening across major steel consuming sectors. Inventory levels are dropping from the high band. The prices are, however, expected to go up as several producers, including Nucor and Cleveland Cliffs, have announced price increase by about 10%. European producers have become unlucrative because of the high energy cost, while increased presence of Japanese suppliers are seen in American market.

➤Price increase were also observed from Leading Taiwanese producers on the stainless-steel products, due to increase in the raw material costs and depreciating Taiwanese dollar.

➤Steel Wire rod (mesh) China prices dropped 2.6% from last month's level. The prices are 24% lower than same time last year but still 20% higher than pre-pandemic levels.

➤Prices for Steel Medium Plate (Houston Port Import) are 14% lower from same time last year. The prices are, however, still about 93% above pre-pandemic levels.

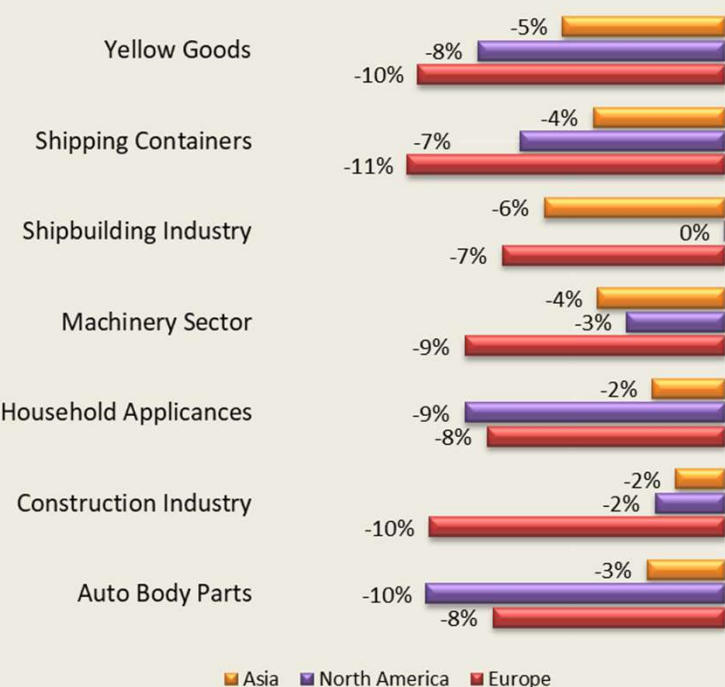
➤Nylon PA6/6 is 9% down from last month and 21% down from same time last year.

➤Nickel increased 21% from last month and is currently trading at \$26.5K/MT. Nickel prices jumped following ban on Russian nickel import in UK.

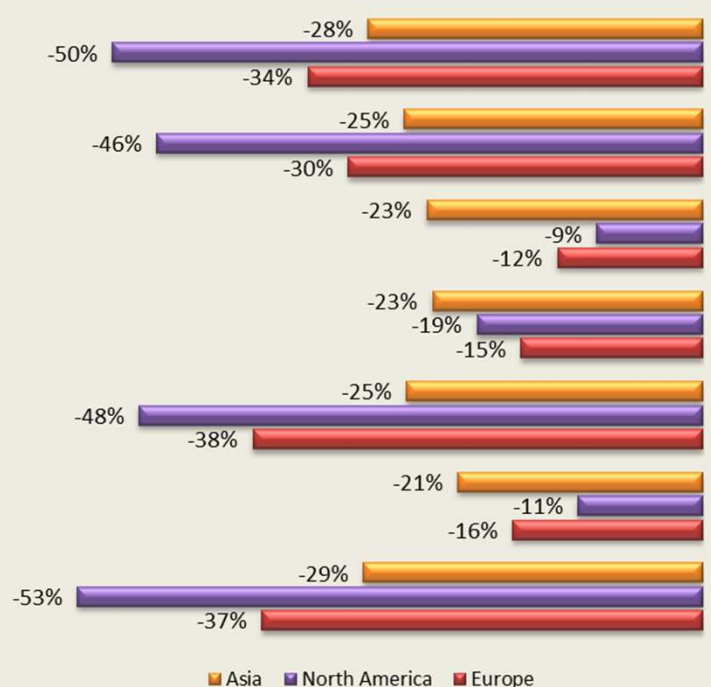
➤Aluminum and Copper increased by 16% and 9% from last month, respectively. Aluminum prices remain near pre-pandemic levels, while copper prices are 41% above pre-pandemic levels.

Exhibit 1

Industrial Steel Purchasing Price Index Change from last month



Industrial Steel Purchasing Price Index Change from last year



METALS MARKET OVERVIEW

Exhibit 2

Majority of the indices remained in +/-10% band. The metals market is stabilizing after a series of disruptions. The market is still away from pre-pandemic level due to the global fuel shortage and inflation. A sharp increase in Nickel is observed. Prices for Aluminum, Silver and Gold have also increased over the last month.

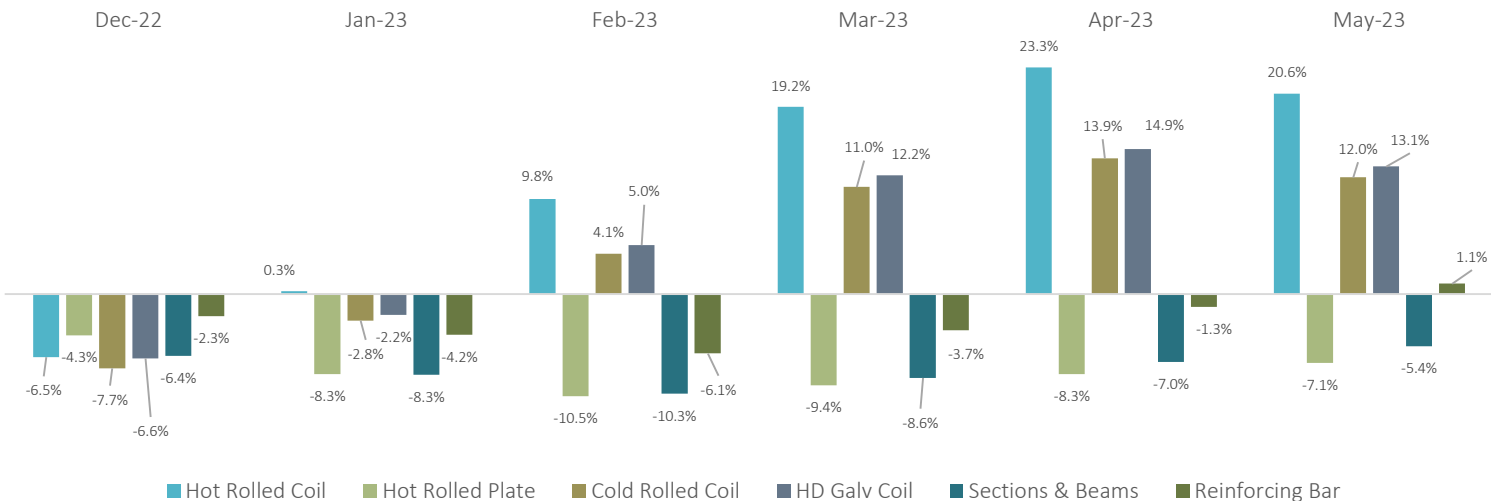
NEAR TERM FORECAST

The chart below provides the North American Steel forecast for the next 5 months. We are expecting an increase in the Hot Rolled and Cold Rolled Steel Prices starting from Feb 23 to the end of Q2. This is due to the destocking phase currently going on a distributor level. Distributors are getting rid of excess inventory which they bought in spring at elevated prices. Once the destocking ends, the normal purchasing pattern will resume which will support prices in Q1 and forward. We will then see correction and increase the prices of Hot Rolled and Cold Rolled products.

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	📈 20.55%	📉 -62.57%	📉 -3.26%
Import - Steel HR Coil	📈 27.45%	📉 -53.57%	📉 -5.80%
Steel Coil Cold Rolled	📈 17.33%	📉 -57.69%	📉 -10.20%
Scrap-Midest Index #1 Heavymelt'	📈 45.68%	📉 -40.14%	📉 -6.32%
Scrap # 1 Busheling	📈 35.42%	📉 -43.97%	📉 -8.45%
Steel wire rod (mesh)-China	📈 20.11%	📉 -24.83%	📉 -2.64%
Copper	📈 41.16%	📉 -12.82%	📈 9.26%
Aluminum 6061	📈 41.80%	📉 -27.17%	📉 -2.19%
Import - Steel Medium Plate	📈 99.27%	📉 -14.15%	👉 0.00%
Silver Engelhard United States	📈 29.12%	📉 -4.36%	📈 14.62%
Steel Rod - High Carbon	📈 89.55%	📉 -9.29%	📉 -1.55%
Import LC Wire Rod	📈 58.97%	📉 -25.00%	📉 -8.82%
Nickel	📈 57.29%	📈 31.16%	📈 21.84%
Wire Rod, Cold Heading Quality	📈 60.27%	📉 -17.02%	📉 -6.40%
Cobalt	📈 41.58%	📉 -24.36%	📉 -9.52%
Aluminum	📈 3.91%	📉 -26.07%	📈 16.30%
316L Stainless Steel	📈 49.19%	📈 2.99%	📉 -1.78%
304 Stainless	📈 39.57%	📈 1.04%	📉 -5.37%
Ferromolybdenum	📈 106.51%	📈 2.07%	📈 1.46%
Gold Engelhard United States	📈 20.89%	📉 -2.01%	📈 7.58%
Chromium-AluminoThermic	📈 70.61%	📈 14.31%	📉 -11.76%
Titanium	📈 16.33%	📈 16.33%	👉 0.00%
Special Quality Steel Bar 4100 Series (Round Bar High Carbon)	📈 71.43%	📉 -12.20%	📉 -1.37%
Nylon	📉 -6.10%	📉 -20.95%	📉 -9.09%
Molybdenum	📈 125.14%	📈 8.28%	📈 5.33%
Steel Reinforcing Bar	📈 31.21%	📉 -23.47%	📈 0.89%
China Steel C1022		📈 8.96%	👉 0.00%
Cotton N. America	📈 15.73%	📉 -34.86%	📉 -16.23%
Plastic products - PPI -WPU072	#DIV/0!	📈 11.39%	📉 -0.57%
Steel bar cold-finished 1-inch round 4140 (alloy), fob mill US, \$/cwt	📈 45.07%	📉 -7.62%	📉 -1.90%

Exhibit 3

Foreseeable Price Change - North America Average (from Current Month)



Supplier Survey

Exhibit 4 shows that 23.68% of our Supply Base expects a supply shortage in the near future (next 6 months). 72% of the suppliers from the US and 75% of the suppliers from China think there will not be a supply shortage. Both Taiwanese and South Korean suppliers do not see a supply shortage while Canadian suppliers do see a supply shortage.

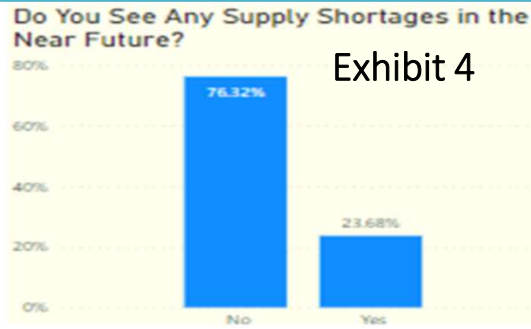
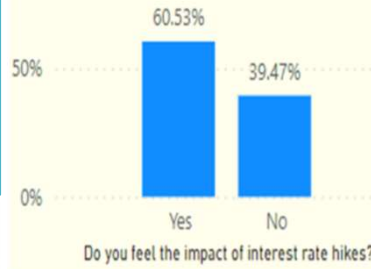


Exhibit 4

Impact of Interest rates



39.4% of the supply base have not been impacted by interest rate hikes. Whereas 60% do feel the impact by interest rate increase.

Primary Areas Impacted by Interest Rate Hikes by Country

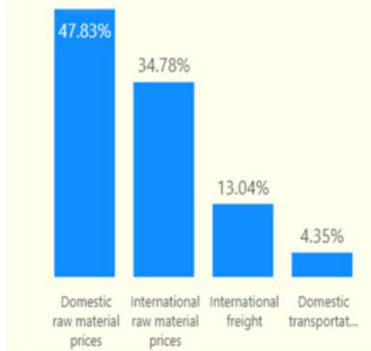


Exhibit 5 shows that 28.95% of our Suppliers are dealing with high inventory issues. 24% of US suppliers and 57% of Taiwanese suppliers are facing high inventory issues. Both Canadian and Chinese suppliers are not facing any high inventory issues, while South Korean suppliers are.

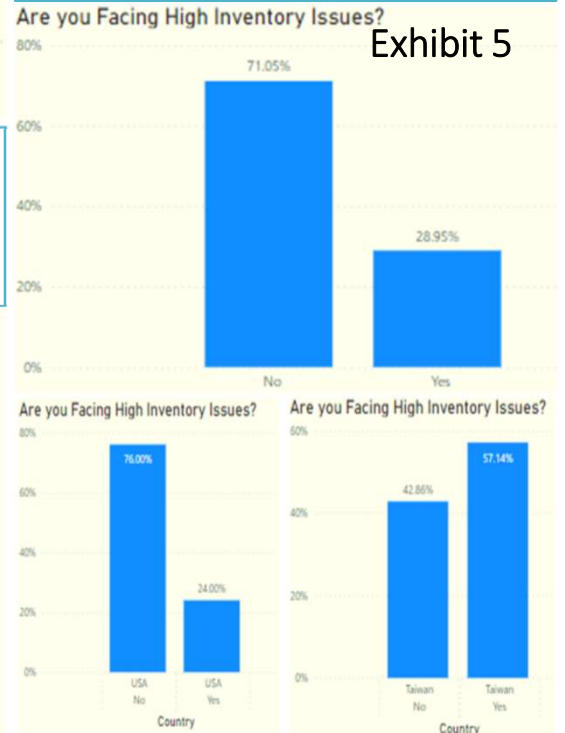


Exhibit 5

Will the USD Continue to Strengthen Against Other Currencies?



Exhibit 6

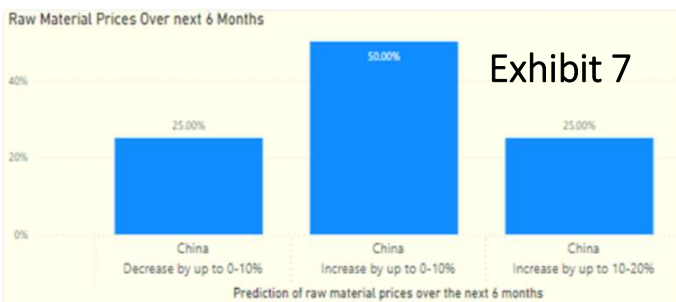


Exhibit 7



- 64% of our Supply Base believe that the USD will strengthen against other currencies (over the next 6 months).
- 36% of our Supply Base believe that the USD will weaken against other currencies (over the next 6 months).

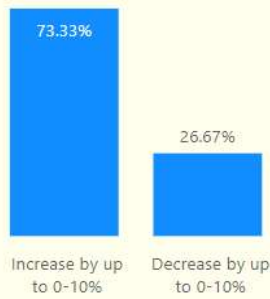
- **Exhibit 7** shows what suppliers think when it comes to the raw material prices in the next 6 months.
- 50% of Chinese suppliers think that the prices will increase up to 10% in the next 6 months. 68% of US suppliers, 71% of Taiwanese suppliers, and all Canadian suppliers also believe prices will increase up to 10%. South Korean suppliers think prices will decrease down to 10%.
- It will be interesting to see how the prices will fluctuate in the next 6 months.



Supplier Survey Cont.

Prediction of International Freight Rates 6 Months From Now

Exhibit 8

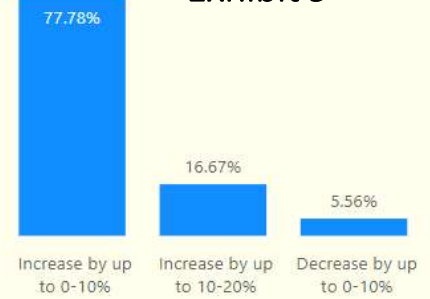


> **Exhibit 8** shows that 73% of our respondents expect that international freight rates will increase by up to 10% over the course of next 6 months.

> **Exhibit 9** shows that 77% of the respondents expect that domestic freight rates will increase by 10% over the course of the next 6 months.

Prediction of Domestic Freight Rates 6 Months From Now

Exhibit 9



Have costs been impacted by the fuel shortage and the rising price of fuel?

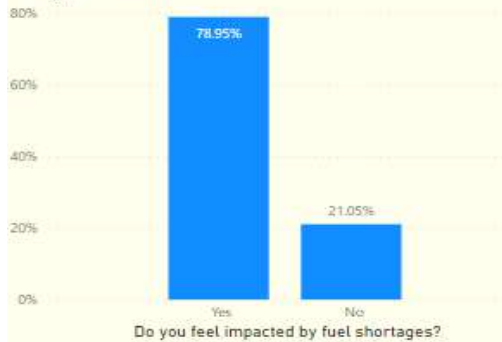


Exhibit 10:

> 79% of our respondents have felt the impact of the fuel shortage and the rising price of fuel.

> As a result of the fuel increase, the graph below shows the supplier country and the rate of increase in their production costs. The US has seen a variety of increased cost production, while Taiwan has not yet seen their costs go up in the range 15-20%. China is split evenly, with some suppliers facing a 5-10% increase and others facing a 15-20% increase. Both Canada and South Korea are in one level of the increase rates, where Canada is facing an increase of 10-15% and South Korea is experiencing rates higher than 20%.

How much has the cost of product risen over the last 12 months due to fuel prices rising?

Cost production increase rate: 0-5% 10-15% 15-20% 5-10% Higher

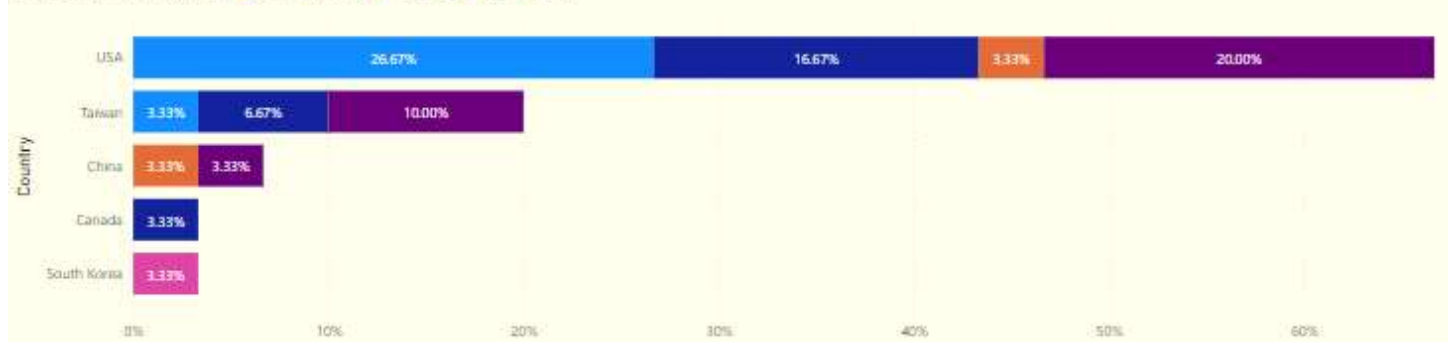
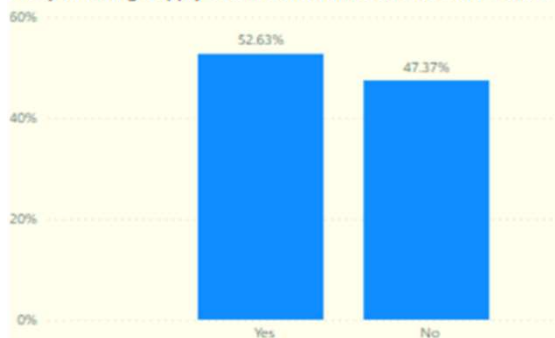


Exhibit 10

Are you facing Supply Chain Constraints due to Labor rates?



If No, Are Your Lead Times at Pre-Pandemic Levels?

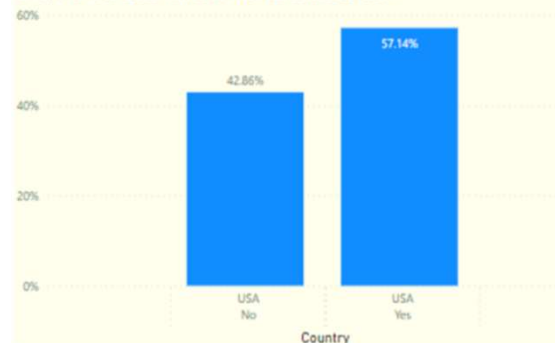


Exhibit 11

53% of our Supply Base is experiencing supply chain constraints due to labor rates.

47% of our Supply Base is not experiencing supply chain constraints due to labor rates.

If Yes, by How Much Has Your Lead Time Increased?

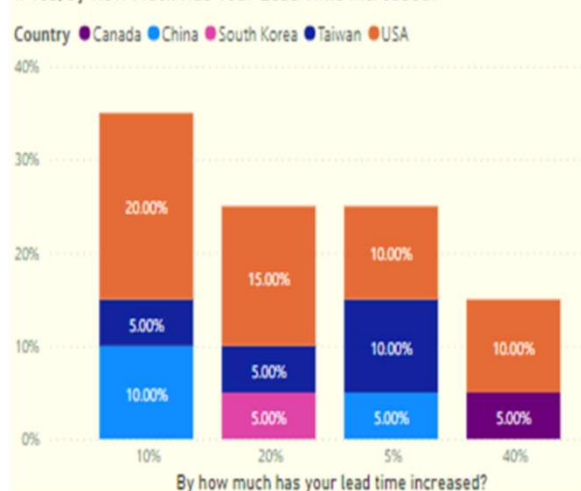


Exhibit 12

All the countries that were a part of this survey have seen an increase in lead time. Most suppliers have seen a 10% increase.

Whereas, only 57% of US suppliers have not seen an increase in lead time and are back at pre-pandemic levels.

US Economic Growth

Real GDP, change from previous quarter*

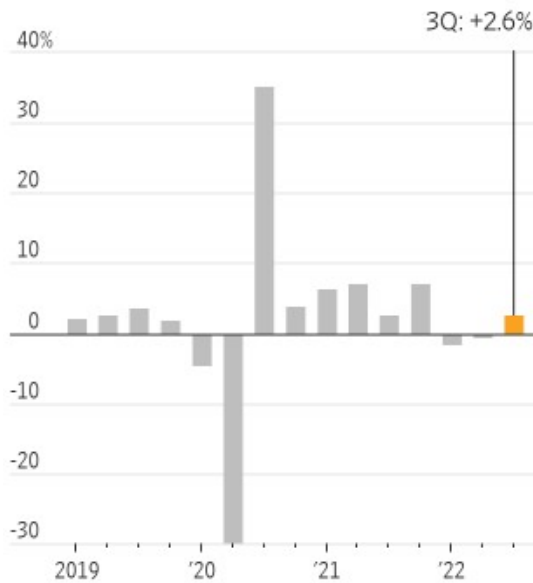


Exhibit 13

Recently, despite high levels of inflation the US economy has shown signs of **growth**. But that growth has seen a slowdown as a result of consumer and business spending falling due to high inflation and high interest rates. [Exhibit 13 shows the change of Gross Domestic Product \(GDP\)](#), which is a measure of goods and services produced across the nation, recorded throughout the quarters. As shown in the graph, compared to the previous quarter of this year, the US GDP has grown in the 3rd quarter, with the annual rate growing by **2.6%**. [\[Wall Street Journal\]](#)

[Exhibit 14 shows the breakdown of various factors that lead to the increase.](#) From the previous quarter to the 3rd quarter, there was a drastic change in **net exports** and **other** where they both seemed to have doubled. Although, **consumer spending** showed no signs of considerable growth and decreased compared to the previous quarters. [\[Wall Street Journal\]](#)

Contributions to Growth

Net exports and a shrinking trade deficit drove third-quarter growth, while consumers contributed less than they did the previous quarter.

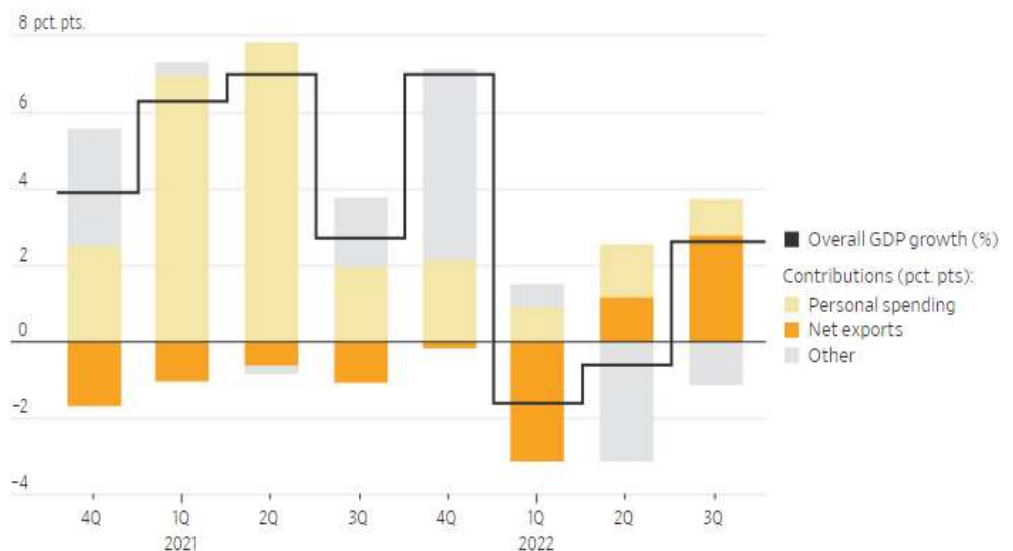


Exhibit 14

Probability the U.S. is in a recession in next 12 months including today



Exhibit 15

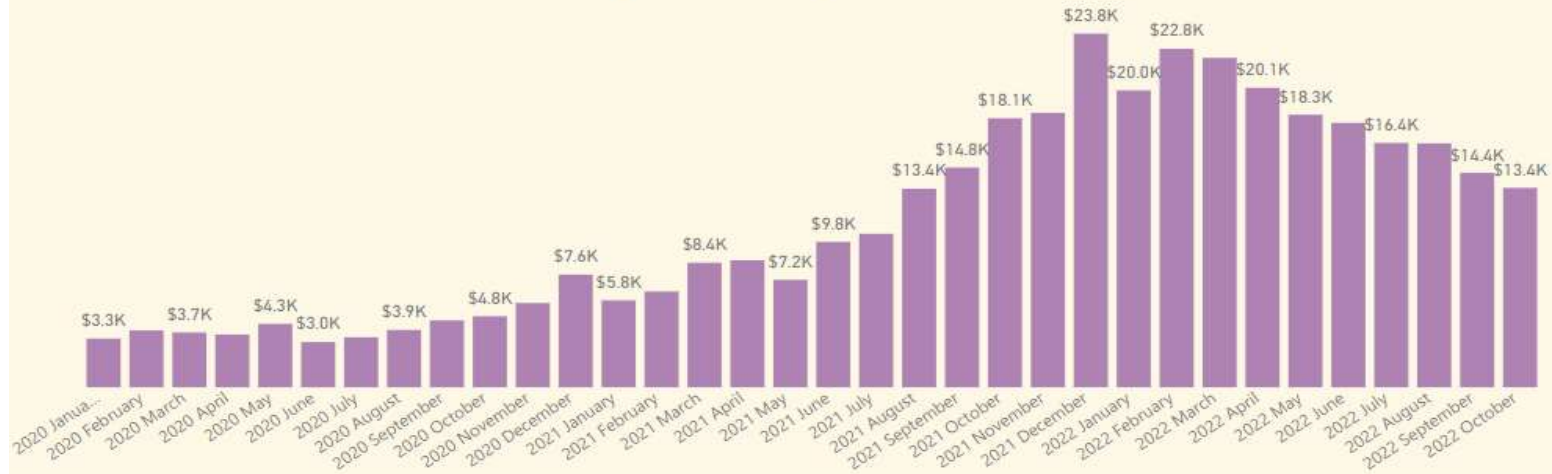
Every nation is using various methods to try and decrease the inflation rate. The European Central Bank has **increased its key interest rate from 0.75% to 1.5%** in an effort to tame inflation in a region that is close to recession. The Us may also be facing a recession. [Exhibit 15 shows that the likelihood of the US going into a recession in the next 12 months is at 60%.](#) The Wall Street Journey attained these numbers by surveying numerous economist and the gaps in the graph indicate a question not being asked or data that is not available. Some of the economic slowdown this **year reflects a return to a more normal rate of growth**, but the trajectory of the economy largely depends on how consumers fare in the coming months. [\[Wall Street Journal\]](#)

Business Update

Exhibit 16 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 remained almost the same as the previous month at about \$13.4k/TEU but 10% lower than same time last year. The Average Cost/TEU is still 300% 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)

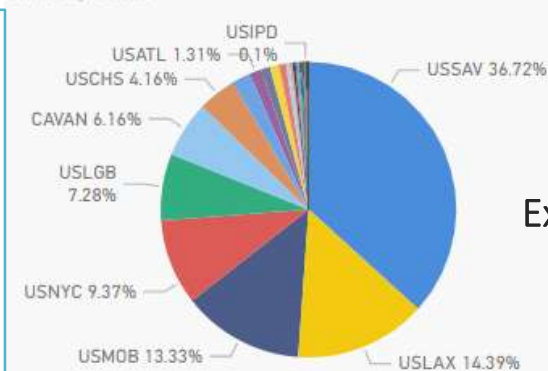
Exhibit 16

Average Cost per TEU by Year and Month

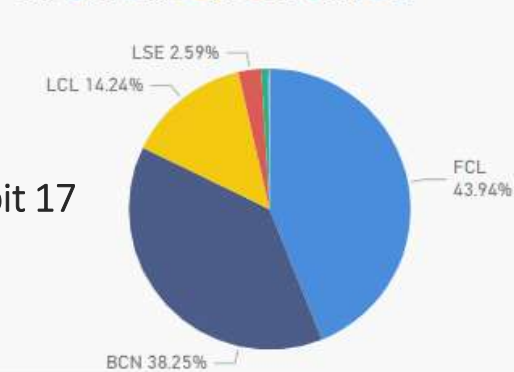


Shipment distribution for Nov 2021 to Oct 2022 showing the most billed shipments are discharged at Savannah Port. These includes LCL, FCL, BCN, OBC shipment counts

Billed by Disch.



Cont ● FCL ● BCN ● LCL ● LSE ● OBC ● LTL



Shipment distribution by Shipment Type from Nov 2021 to Oct 2022

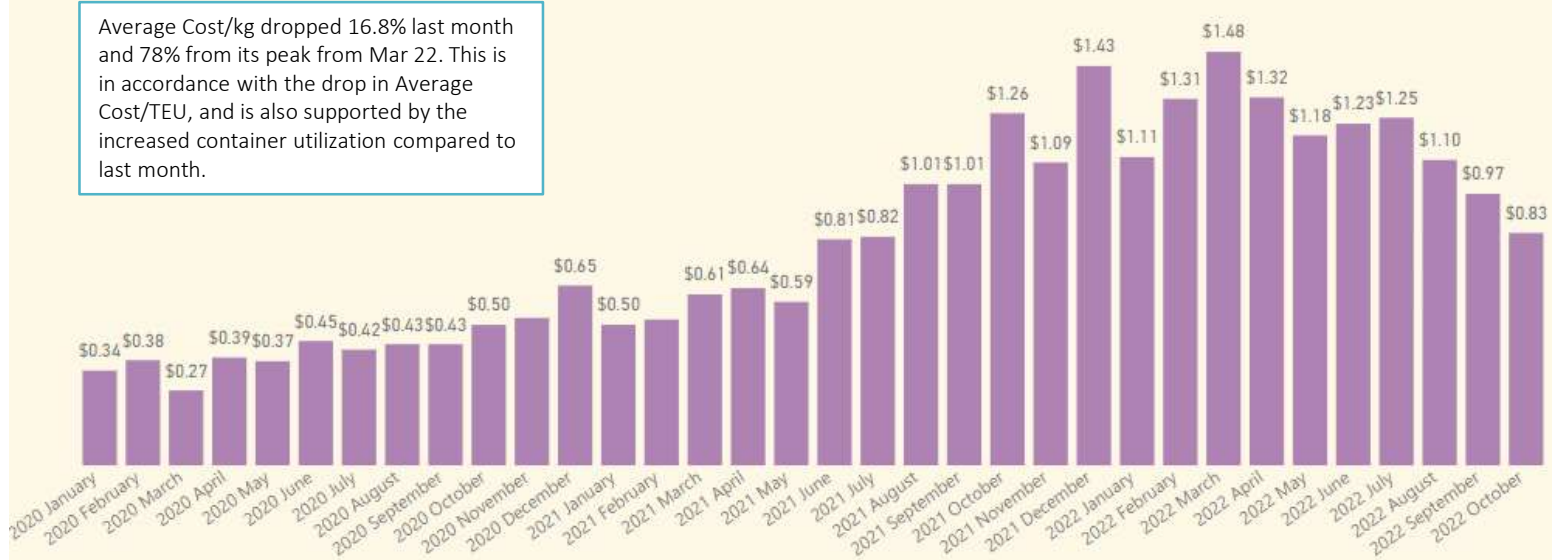
Exhibit 17

11/1/2021 10/31/2022

Exhibit 18

Billed per KG by Year and Month

Average Cost/kg dropped 16.8% last month and 78% 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 19

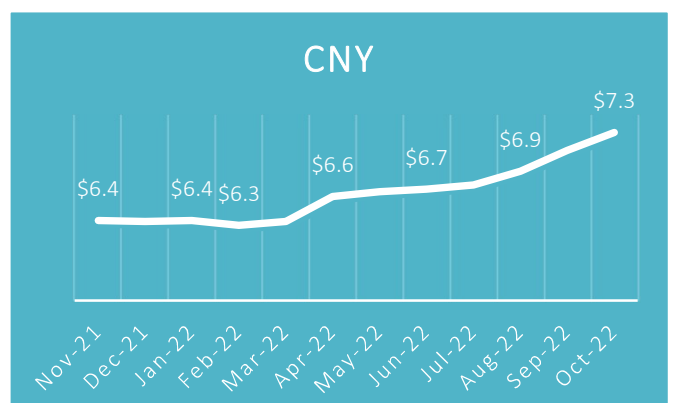
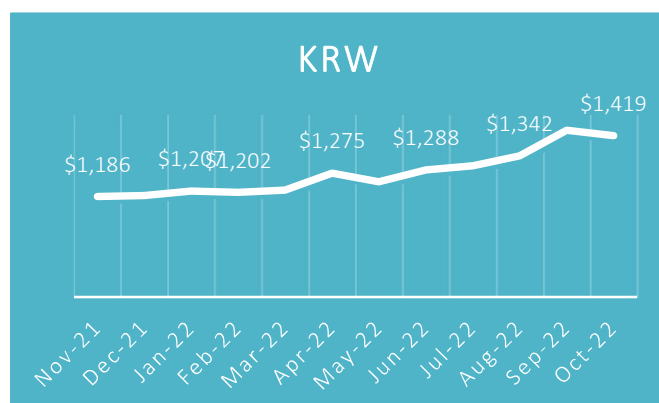
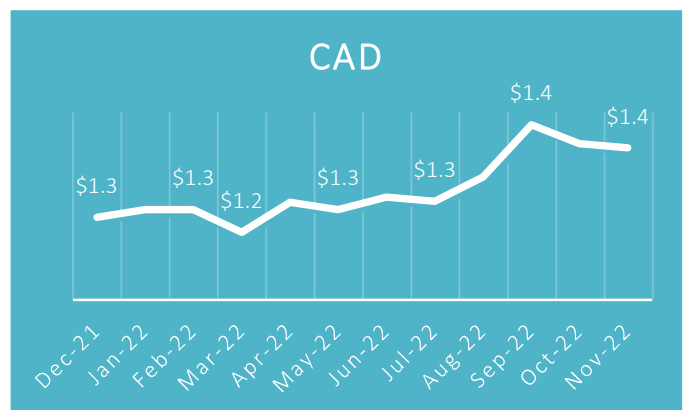
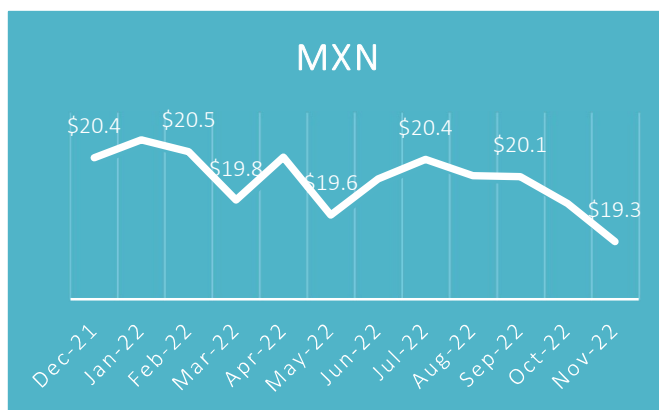
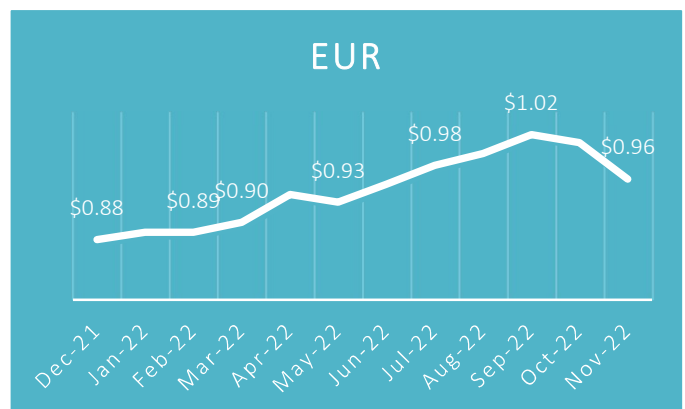
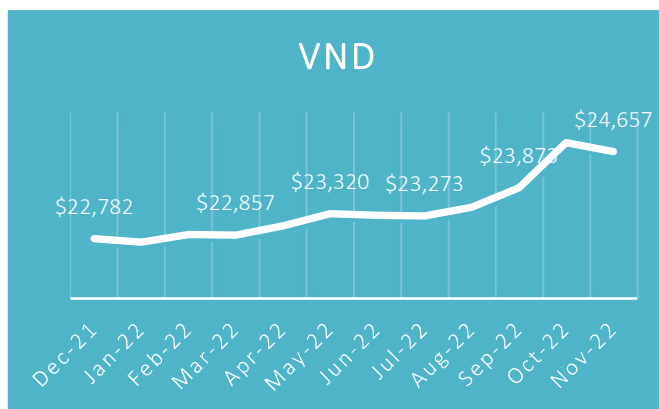


The trailing 12 months record show that the USD has **strengthened** by:

1. **11.19%** against Taiwanese Dollar
2. **11.42%** against Yuan
3. **10.03 %** against Korean Won
4. **3.94%** against Thai Baht
5. **7.94%** against Euro
6. **5.67%** against Canadian Dollar
7. **8.63%** against Vietnamese Dong

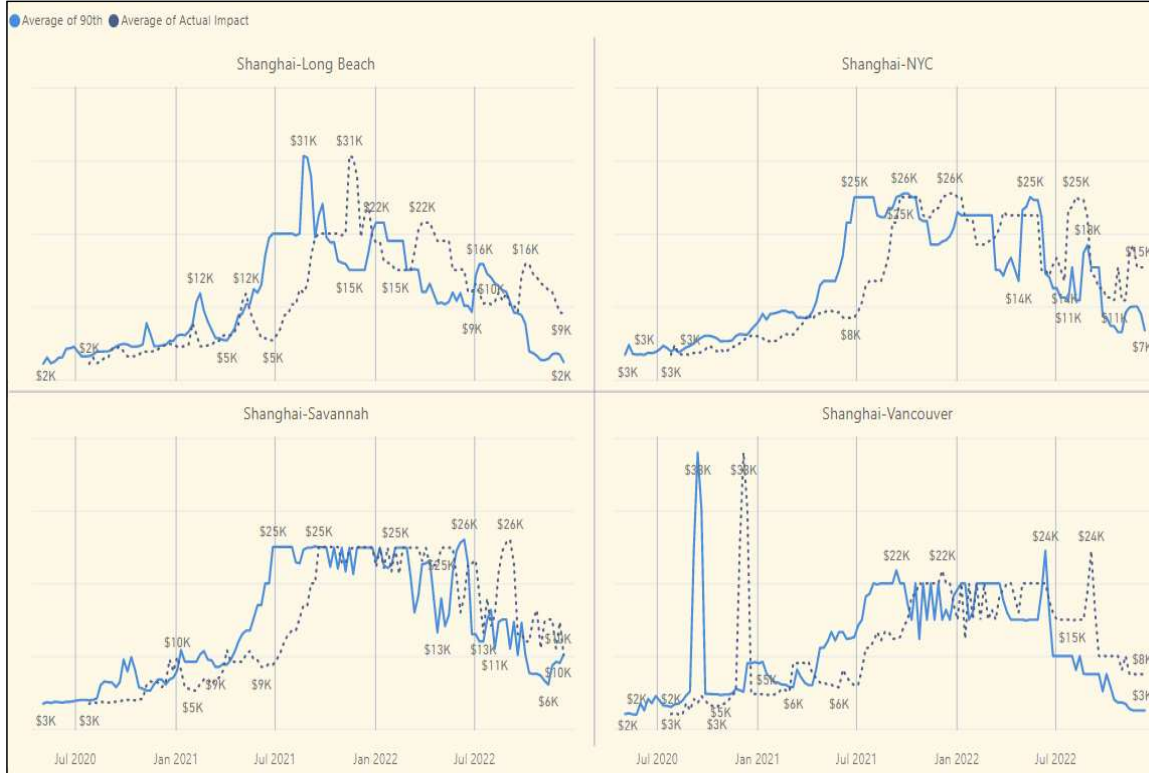
Over the last 1 month the USD has **Weakened** by:

1. **4.44%** against Taiwanese Dollar
2. **3.05%** against Yuan
3. **8.04%** against Won
4. **7.51%** against Thai Baht
5. **4.83%** against Euro
6. **2.57%** against Peso
7. **0.40%** against Canadian Dollar
8. **0.77%** against Dong



Freight Trend from Specific Routes

Exhibit 20



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

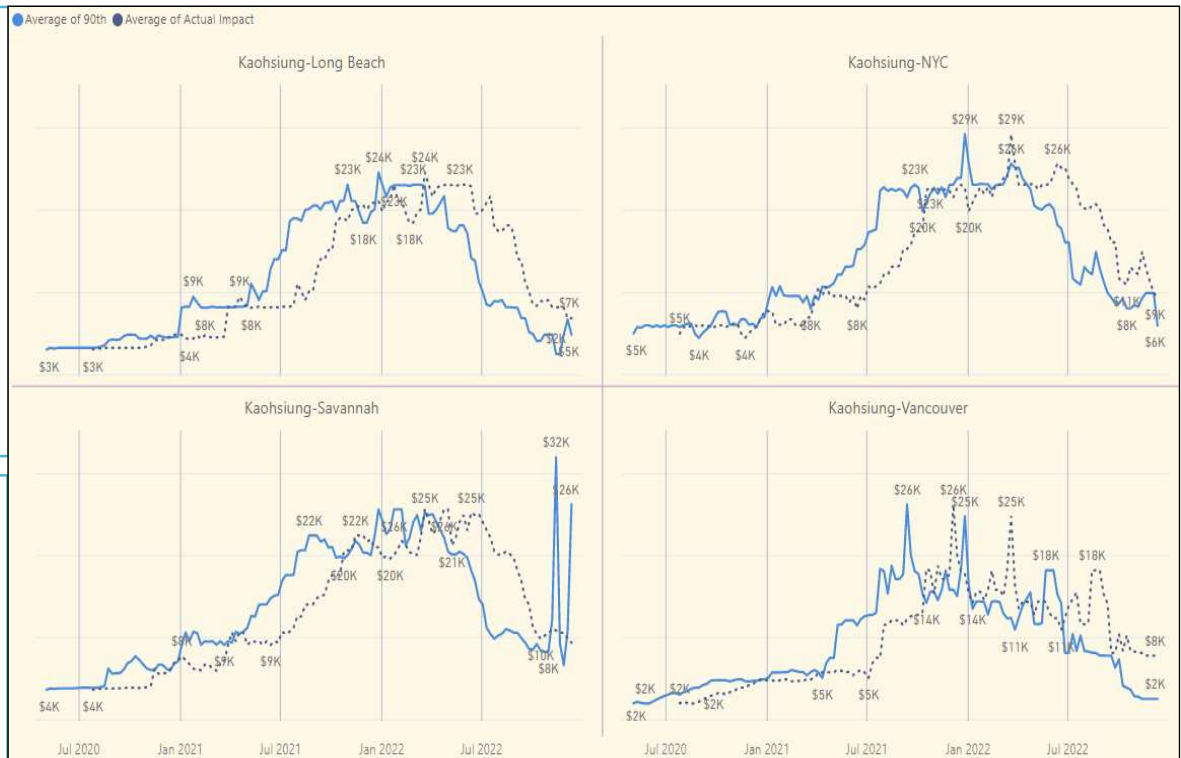
The Solid Blue line represents the current freight index value whereas the dotted line represent the 3-month shifted index value, this is because for most of the Asian shipments we are billed after 12 weeks and hence the actual impact is felt after 3 months.

Freight indices from most Asian routes to North American ports have shown a steady decline over last few months. Port of Savannah has remained highly congested over the last few weeks, pushing the rates higher.

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.

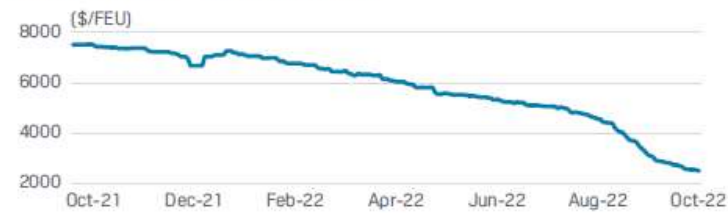
Freight from India to US has also started dropping since last two months.



Freight Update

PLATTS CONTAINER BOX RATES – HISTORICAL

PLATTS GLOBAL CONTAINER INDEX



PCR 5 NORTH ASIA-EAST COAST NORTH AMERICA



PCR 13 NORTH ASIA-WEST COAST NORTH AMERICA



Unconvincing demand during what is usually the tail end of North America's peak import season continued to threaten rates into October. According to Sea Intelligence, utilization on the trans-Pacific route has been at less than 90% for most of the year, when the route requires a utilization of at least 92%-93% to maintain high spot rate levels.

From Southeast Asia, weak demand stumped spot rates for West Coast US disports by nearly 24% over the course of October, while Atlantic Coast deliveries witnessed a 9% decline even though both trade lanes saw their freight rates drop by an equivalent amount. The spread between the two coasts now sits at \$3,900, contracting from the high of \$4,200 observed in September.

Platts October Monthly update

The Port of Los Angeles reported its worst September for imports since 2009. The import figure for September 2022 is 345,575 TEU, a drop of 14.8% compared to the previous month.

<https://www.zencargo.com/resources/zencargo-market-update-31st-october/>

The world's first hydrogen-powered tugboat has arrived in Belgium



- The goal is to have the Hydrotug 1 fully operational at the Port of Antwerp during Q1 of 2023.
- Port officials have reported that the tugboat can store 415kg of compressed hydrogen and eliminates emissions equivalent to 350 cars.
- This investment contributes to the port's aim of becoming a sustainable, CO2 neutral port.

The Hydrotug 1 is outfitted with two BeHydro V12 dual-fuel medium-speed engines that can run on both hydrogen and traditional fuel. The tugboat is the only one of its kind and the first in the world to be powered by combustion engines that burn hydrogen in combination with diesel. She has a power of 5,500 hp.

<https://maritime-executive.com/article/world-s-first-hydrogen-powered-tug-arrives-in-belgium-for-final-tests>

Freight Update

Volumes remain relatively unchanged since September. The U.S. East and Gulf Coasts continue to outpace the West Coast in terms of overall year-over-year import container volume growth in part due to shipper concerns over potential disruptions resulting from the still unresolved ILWU / PMA contract negotiations.

Congestion on the West Coast has eased significantly, and we are seeing the lowest year-to-date volume of 14+ day longstanding import cargo units on the terminals. Maersk continues to optimize its shipping network to match customer needs while maximizing efficiency and improving transit times and schedule reliability wherever possible.

Air Capacity on the Rise

Capacity in the air freight market has continued to rise over the last several months. The uptick is due to increasing numbers of East Asian-based long-haul passenger flights with below deck, belly cargo capacity paired with lower consumer demand and reduced manufacturing productivity coming out of China.

Vessel Wait Times

Exhibit 21



<https://www.maersk.com/news/articles/2022/10/25/north-america-update-october>

US Domestic Trucking Market Trends

- ❖ Tender rejections have fallen to a new cycle low of 5.05% which was last seen in March 2020.
- ❖ Trucking carriers are only rejecting 3% of contract loads outbound from Los Angeles and 4.5% of loads outbound from Chicago.
- ❖ Spot rates fell hard in the first half of 2022, but national averages have been somewhat range-bound since mid-August.
- ❖ Contract rates are currently at \$2.70, which is down about 25 cents from its mid-June peak.
- ❖ Load-to-Truck ratios are down ~20% QoQ, which is the key barometer for supply/demand in the marketplace.
- ❖ Tender volumes from customers are down 40% QoQ.

Freight Update

Import/Export Market Trends

- Congestion continues at Canadian ports and rail ramps. Yard utilization at Vancouver remains high at >90%.
- Chassis shortages continue in Memphis and Dallas where we are seeing >29 and >10 days terminal dwells respectively—most inland markets are constrained.
- Savannah, Houston, and Oakland are seeing increased congestion and 10+ day vessel waiting times due to volume, labor, and congestion.
- Highway Diesel fuel prices have increased again MoM in most markets, with Canada seeing the largest increases—West Coast continuing to drop but all markets are over \$1.40 YoY.
 - East Coast (\$5.40/gallon), Midwest (\$5.33/gallon), and Gulf coast (\$4.97/gallon)
 - West Coast (\$5.81/gallon), California (\$6.626/gallon) and Rocky Mountain (\$3.30/gallon)
 - British Columbia, Quebec and Ontario \$6.33/gallon (~\$8.61 CAD/gallon)

Interesting changes in the World

- China Manufacturing Continues to Slow. As Beijing's zero-Covid policy causes more supply chain disruption, the country's manufacturing sector has shrunk for the third month in a row. According to The Loadstar, this is exacerbated by the softening in overseas demand and has resulted in a decline in both output and new orders.
- US Diesel Prices Soar and Not Expected to Slow Down. According to CNBC, diesel prices have increased by 33% for November deliveries, and are expected to continue increasing. This is prompted by the declining diesel reserves, which are the lowest since 1951, a drought on the Mississippi River prompting more rail and trucking, and a potential rail trike leading to a surge in prices.

Customs and Compliance News

Customs Delays New Regional Data Element, Then Delays Again

- In an October 27 CSMS [message](#), CBP announced updates to the October ACE Development and Deployment Schedule. Changes included a delayed launch date for the new UFLPA Region Alert, initially slated for this month, to December 15, 2022. Deployment of the Region Alert will make the postal code a mandatory data element for all customs entries with a country of origin of China and for MID creation or updates. Following concerns from the trade, CBP released another update of the ACE Development and Deployment Schedule on November 1. The target date for the UFLPA Region Alert deployment is now listed as "TBD."

Trusted Trader Programs to be Recognized b/w EU & Canada

- On October 28, Canada announced the signing of a Mutual Recognition Agreement with the European Union (EU) to recognize each other's trusted trader programs. Members of Canada's Partners in Protection (PIP) and the EU's Authorized Economic Operator program (AEO) will enjoy the benefits of having their goods treated as low risk and cleared by Customs authorities faster at both EU and Canadian borders.