



Market Insights

SEPT 2022
EDITION

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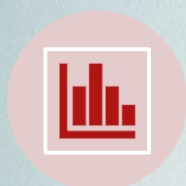
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METALS MARKET OVERVIEW

According to the latest [projections from Bloomberg Economics model](#), the US recession is a 100% certainty within the next 12 months. What is a recession? Technically, if the growth of the economy drops for 2 consecutive quarters, then we call that economy under recession. Other signs (as well as effects) of recessions include drop in the purchasing power, higher unemployment rates, lower productivity, and loss in investor confidence, all driving low economic activity. Currently the economy is severely impacted by inflation and the measures taken to curb it. The interest rates hike being one of the major driver. The model also predicts with 75% probability that the inflation might hit earlier in Sep- 23 than Oct-23. Similar sentiments for global recession are shared by other financial bodies like IMF, World Bank, Nomura, and Moody's amongst others. According to a survey from KPMG, 86% of respondent CEOs globally believe that recession is inevitable.

Lastly, recessions are unavoidable part of the economic cycle, which can be dealt with strategic planning and reducing debt. The silver lining in this case is that recession do not last longer, even the Great Depression eventually ended. And arguably the period followed by recession accounts for strong economic growth.

In this edition of the Market Insight report we have tried to capture the global market sentiments for the coming months.

➤Both production and consumption of stainless steel dropped in Europe from last month. Production dropped in North American steel industry as well. Prices have stabilized, broadly, in the global market.

➤US HRC dropped to \$38.9/cwt, 60% down from same time last year and a 22- month low spot. **The index, however, remains 44% higher than pre-pandemic levels.** Demand in North American region remains strong, inventory levels are dropping from the high band. In Asia, production continues to improve, except for South Korea which underwent significant damage from the Typhoon Hinnamnor.

➤Steel Wire rod (mesh) China prices dropped 4.5% from last month's level. The prices are 33% lower than same time last year but still 20% higher than pre-pandemic levels.

➤Prices for Steel Medium Plate (Houston Port Import) dropped 13% lower from same time last year. The prices are, however, still about 93% above pre-pandemic levels.

➤Plastic Resin prices are down about 35% to 45% over the past 12 months.

➤Nickel rose by 5% from last month and is currently trading at \$22K/MT. Nickel prices jumped following ban on Russian nickel import in UK.

Exhibit 1

This year alone has brought about record-breaking levels of inflation worldwide. GDP projections for large economies have been revised to much lower numbers. The graph below shows a snippet of the economy for the US, India, China, and the Eurozone.

| Country/ Region | Note | Current Interest Rate | Current Inflation | Un- employment | GDP growth projections 2023 |
|--------------------|---------------------------------------------------------------------------------------------------|--------------------------|----------------------|-------------------|--------------------------------|
| United States | The Fed intends to bring inflation down even if it causes a recession. | 3%-3.25% | 8.3% | 3.7% | 1% |
| India | While battling various increasing costs, India is still growing their manufacturing and services. | 5.9% | 7% | 6.4% | 6.1% |
| China | Despite covid-19, heat waves, and droughts, China's economy slightly recovered. | 4.2% | 2.3% | 5.3% | 4.4% |
| Eurozone | Energy price inflation is 40.8% due to bans on Russian fuel. | 0.75%-1.5% | 10% | 6.6% | 0.3% |

METALS MARKET OVERVIEW

Exhibit 2

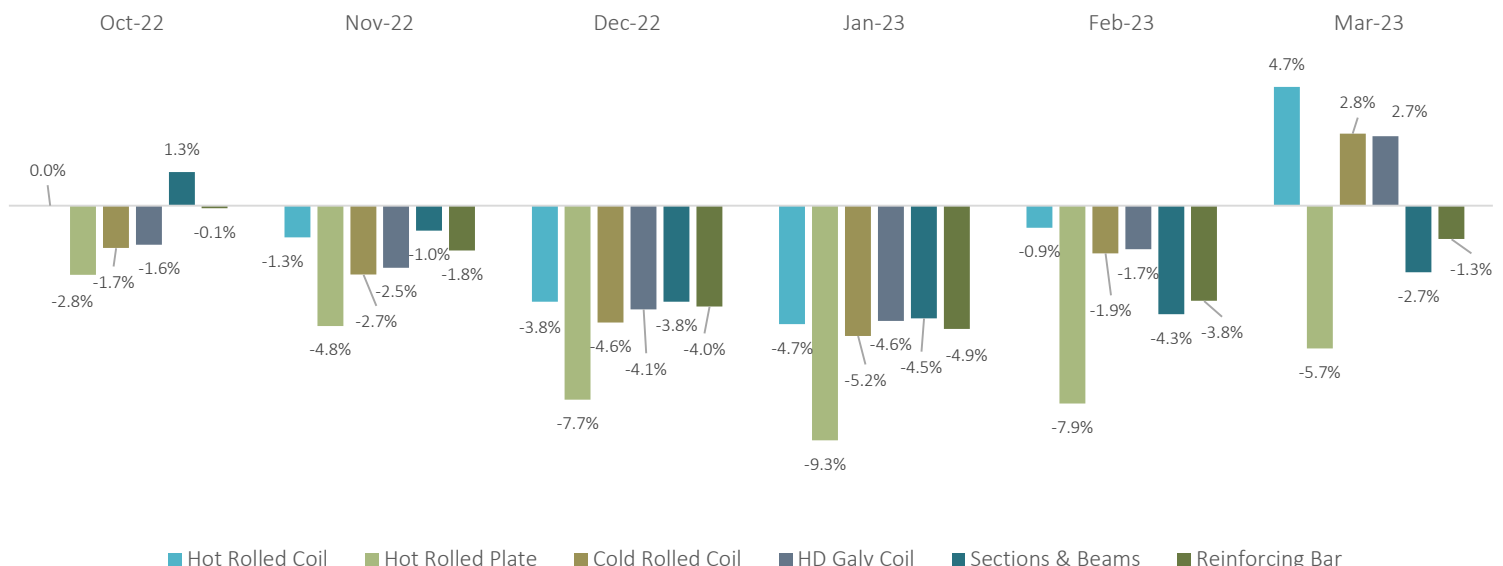
Majority of the indices remained in +/-5% band. The metals market is stabilizing after a series of disruptions. The market is still away from pre-pandemic level due to the global fuel shortage and inflation. Ferromolybdenum, Nickel, and Molybdenum, few raw materials of stainless steel have shown decent increase from last month.

NEAR TERM FORECAST

The chart below provides the World Steel forecast for the next 5 months. The steel prices will continue the downward trend for the next 5 months, followed by correction just prior to Q2-2023. Ample stock and cheap supply from Asia and Russia are bringing negative price pressure on steel prices despite high energy cost.

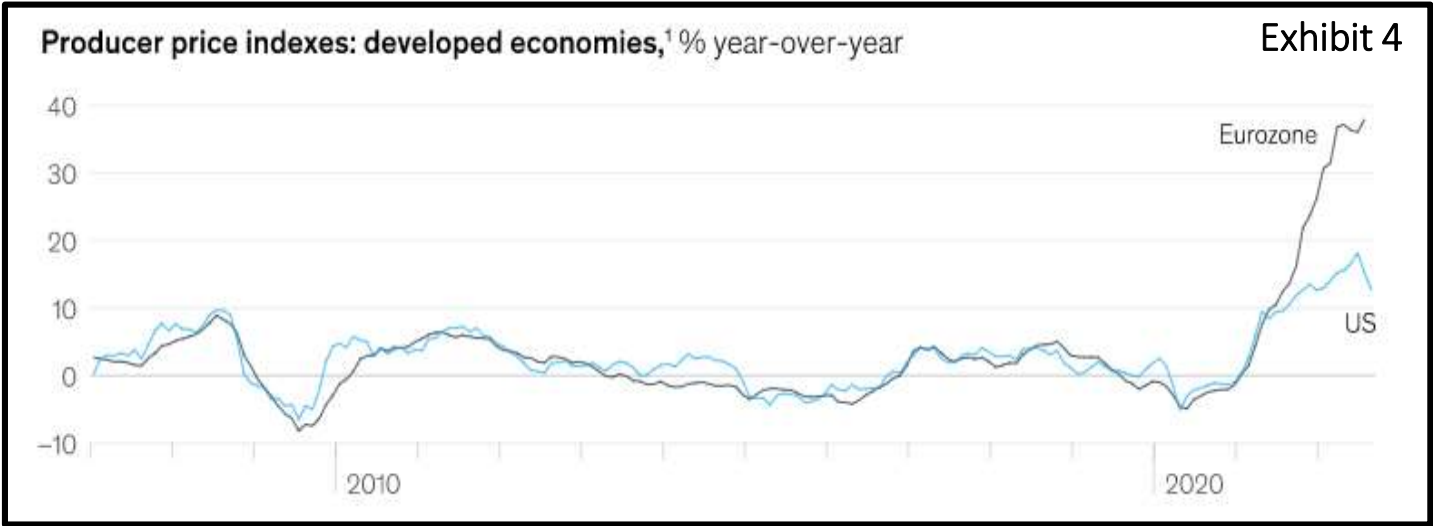
| Base Metal- Clink on the links below for each index. | % Change prior 3 Years, same period | % Chg. V from last year, same period | % Chg from prior month |
|------------------------------------------------------------------------|-------------------------------------|--------------------------------------|------------------------|
| Steel Coil Hot Rolled | ↑ 44.95% | ↓ -60.32% | ↓ -2.04% |
| Import - Steel HR Coil | ↑ 39.29% | ↓ -48.00% | ↑ 2.63% |
| Steel Coil Cold Rolled | ↑ 47.95% | ↓ -50.91% | ↓ -5.26% |
| Scrap-Midest Index #1 Heavymelt' | ↑ 50.43% | ↓ -26.66% | ↓ -5.70% |
| Scrap # 1 Busheling | ↑ 48.08% | ↓ -33.62% | ↓ -4.94% |
| Steel wire rod (mesh)-China | ↑ 20.58% | ↓ -33.53% | ↓ -4.56% |
| Copper | ↑ 34.22% | ↓ -15.84% | ↓ -2.17% |
| Aluminum 6061 | ↑ 57.14% | ↓ -9.68% | ↓ -1.28% |
| Import - Steel Medium Plate | ↑ 93.20% | ↓ -13.15% | ↓ -1.39% |
| Silver Engelhard United States | ↑ 10.59% | ↓ -12.64% | ↑ 4.11% |
| Steel Rod - High Carbon | ↑ 78.87% | ↓ -2.31% | ↓ -2.31% |
| Import LC Wire Rod | ↑ 88.19% | ↑ 1.27% | ↑ 11.68% |
| Nickel | ↑ 24.71% | ↑ 19.59% | ↑ 4.78% |
| Wire Rod, Cold Heading Quality | ↑ 74.03% | ↑ 3.08% | ↓ -1.47% |
| Cobalt | ↑ 47.44% | ↑ 2.52% | ↑ 3.12% |
| Aluminum | ↑ 3.04% | ↓ -30.63% | → 0.00% |
| 316L Stainless Steel | ↑ 59.77% | ↑ 10.65% | ↓ -1.42% |
| 304 Stainless | ↑ 56.49% | ↑ 10.96% | ↓ -1.44% |
| Ferromolybdenum | ↑ 63.35% | ↓ -3.53% | ↑ 15.49% |
| Gold Engelhard United States | ↑ 12.47% | ↓ -3.97% | ↓ -2.91% |
| Chromium-AluminoThermic | ↑ 76.63% | ↑ 31.98% | ↓ -13.33% |
| Titanium | ↑ 18.75% | ↑ 16.33% | ↑ 4.59% |
| Special Quality Steel Bar 4100 Series (Round Bar High Carbon) | ↑ 67.41% | ↓ -4.46% | ↓ -3.23% |
| Nylon | ↑ 6.98% | ↓ -9.09% | ↓ -4.17% |
| Molybdenum | ↑ 53.59% | ↓ -4.46% | ↑ 12.35% |
| Steel Reinforcing Bar | ↑ 36.99% | ↓ -18.39% | ↑ 1.72% |
| China Steel C1022 | | ↑ 8.96% | ↓ -6.22% |
| Cotton N. America | ↑ 112.09% | ↑ 31.29% | ↑ 7.94% |
| Plastic products - PPI -WPU072 | ↑ 35.33% | ↑ 16.57% | ↑ 0.57% |
| Steel bar cold-finished 1-inch round 4140 (alloy), fob mill US, \$/cwt | ↑ 48.63% | ↓ -1.81% | ↓ -1.36% |

Exhibit 3 Foreseeable Price Change - World Average (from Current Month)



Economic Conditions

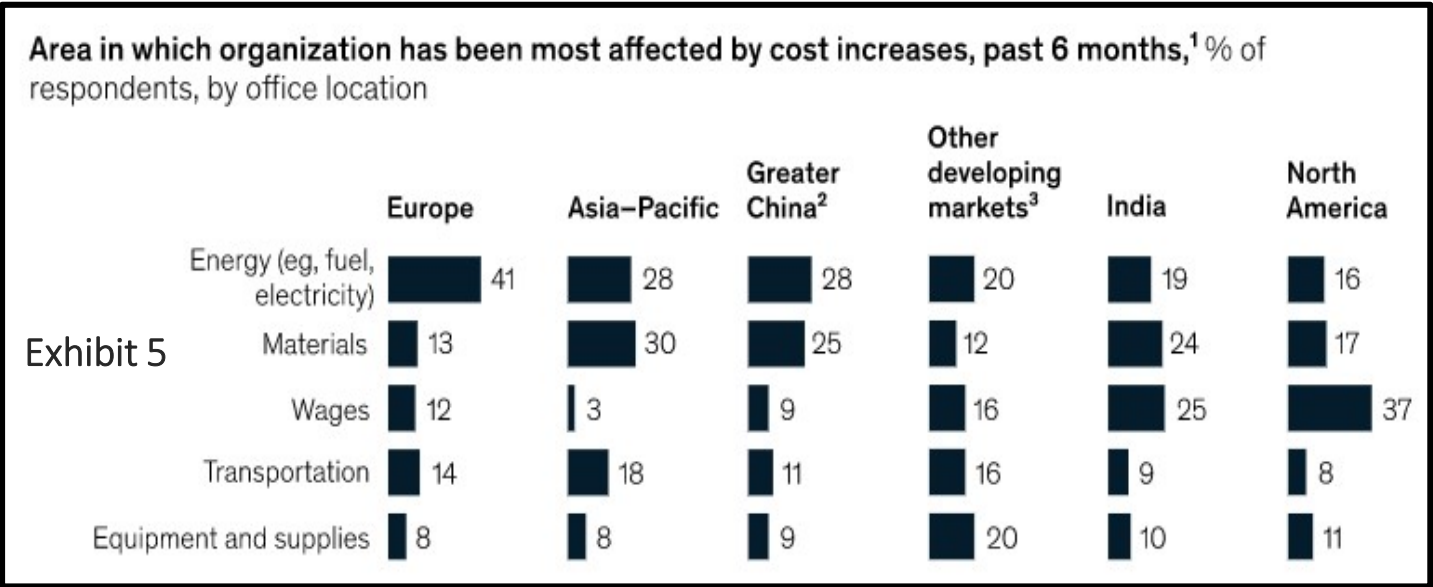
Exhibit 4 shows the [producer price index and how inflation has hiked this past year](#). For 2022 prices remain relatively high, but there has been a small decline for the US. As of right now, the inflation is at **12% for the US** with the possibility of a continued decline. Compared to the **Eurozone** which has inflation rates that has continued to increase this year, then decrease, and is back on the rise again with inflation at **39%**. [\[McKinsey\]](#)



Due to the rising costs, companies have increased the prices of their products or services in the past 6 months. While also expecting operating expenses to greatly increase next year, far greater than last year.

Exhibit 5 below shows [areas affected by cost increases in the past 6 months by surveyed companies by region](#). For **India** and **North America**, significant Wage increase was observed. Particularly for the US, wages has increased the most compared to the other areas. Meanwhile India has seen the most increase in Wages with Materials and Energy following close behind. For **Europe** they have seen the most increase in Energy, which is due to the ongoing war between Russia and Ukraine. Russia supplies most of Europe’s energy resources, so having certain sectors be banned has affected European Energy greatly. **Asia-Pacific** and **Greater China** have both experienced significant cost increases in Materials, Energy, and Transportation. The **Other Developing Markets** have experienced price increases almost evenly for each area except for Materials.

[\[McKinsey\]](#)



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. 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 \$16.4k/TEU. The Average Cost/TEU is still 300% higher as compared to Sept 20 and 10% higher than Sept 21 value. (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 6

Average Cost per TEU by Year and Month



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

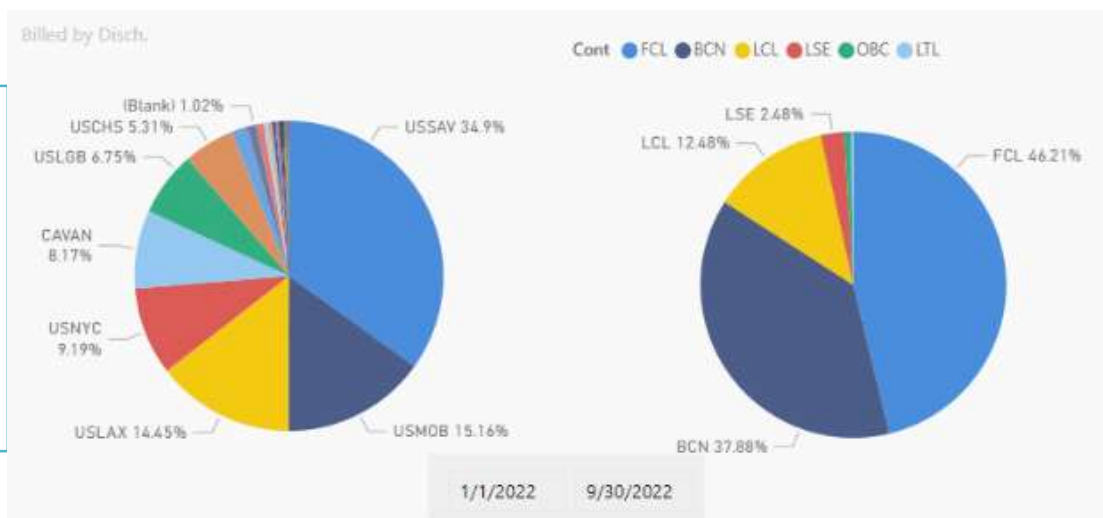


Exhibit 7

Shipment distribution by Shipment Type from Jan 2022 to Sept 2022

Billed per KG by Year and Month

Exhibit 8

Average Cost/kg dropped 12.6% last month and 33% 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

A major impact of the interest rate hike is the USD rally against other currencies, impacting economies of other countries and perpetuating the inflation cycle globally. An average 13% increase in USD has been observed over the last 12 months against other major currencies of our interest, with max increase of 21.8% against Korean Won, & min 5.16% against Vietnamese Dong. Mexican Peso is the only currency not influenced by the USD rise. Industry experts hint furthermore interest hikes up to 1.25% by the end of year, keeping the dollar going up.

Exhibit 9

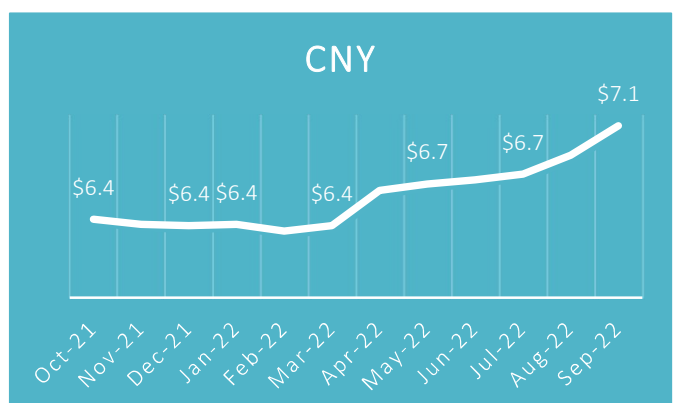
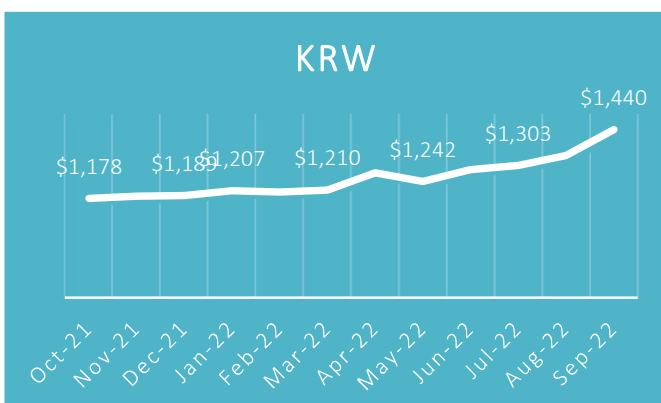
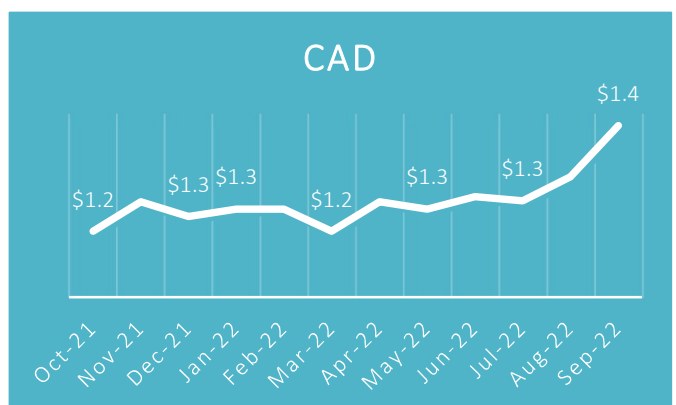
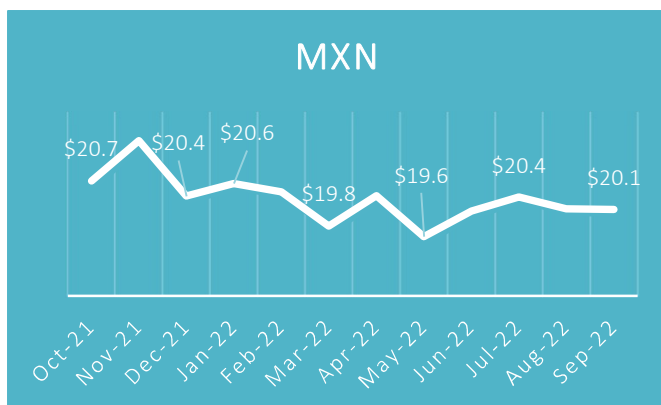
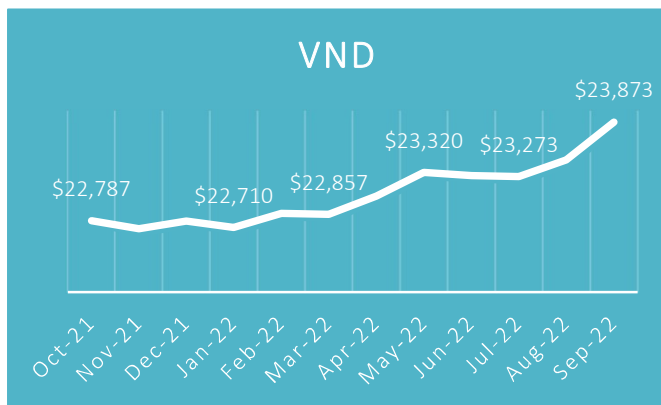


The trailing 12 months record show that the USD has **strengthened** by:

1. **14.34%** against Taiwanese Dollar
2. **10.31%** against Yuan
3. **21.82 %** against Korean Won
4. **12.65%** against Thai Baht
5. **18.37%** against Euro
6. **9.18%** against Canadian Dollar
7. **5.16%** against Vietnamese Dong

Over the last 1 month the USD has strengthened by:

1. **4.82%** against Taiwanese Dollar
2. **3.26%** against Yuan
3. **7.32%** against Korean Won
4. **3.72%** against Thai Baht
5. **2.55%** against Euro
6. **5.31%** against Canadian Dollar
7. **1.77%** against Vietnamese Dong

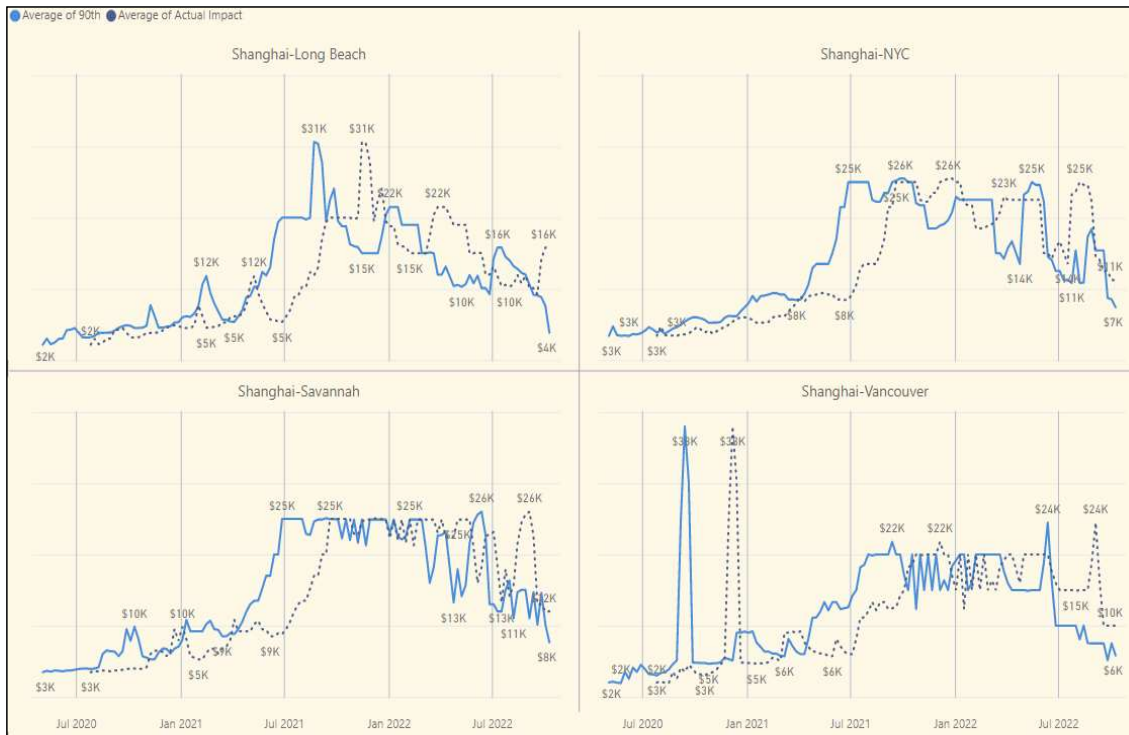


Freight Trend from Specific Routes

Exhibit 10

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.

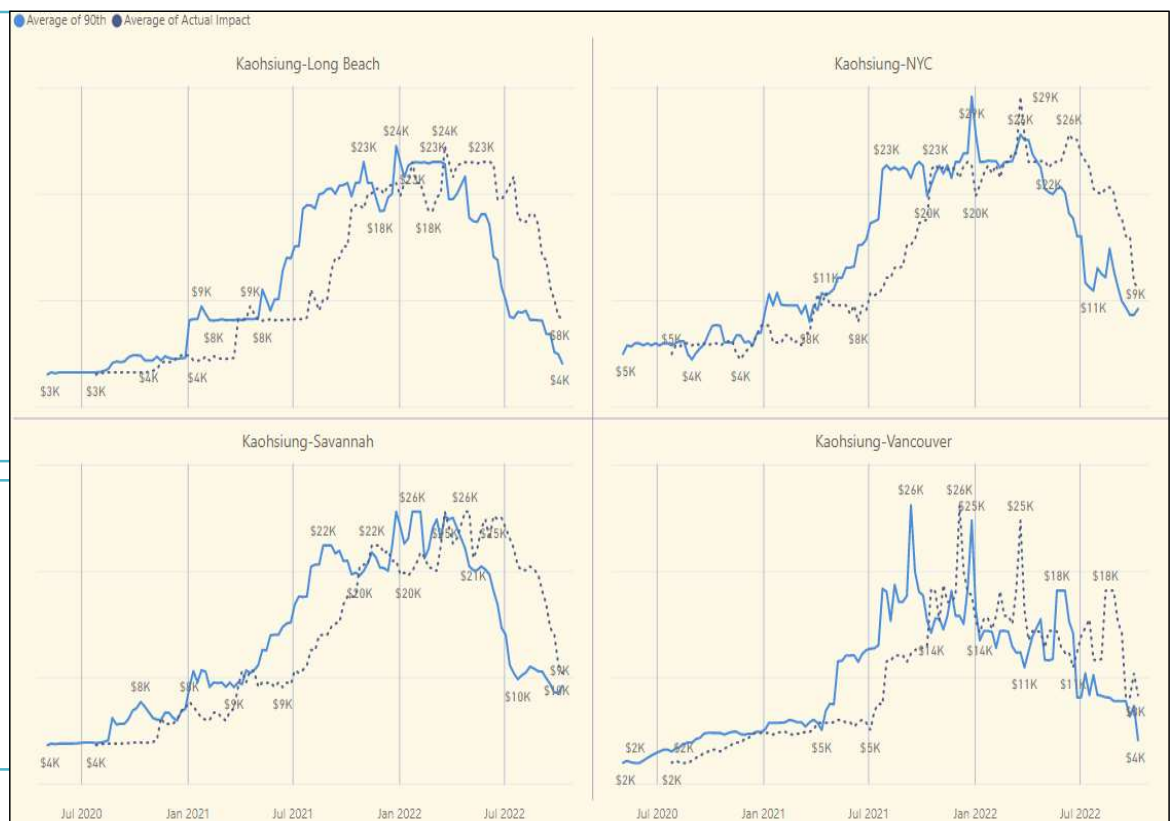


Freight indices from most Asian routes to North American ports have shown a steady decline over last few months. Port of Savannah has remained highly congested over the last few weeks, pushing the rates higher.

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

A worsening economic outlook is weighing on the container shipping markets as economic data points to a sharp slowdown in the US and Europe. The global manufacturing orders-to-inventory ratio fell further in August while manufacturing orders also fell back slightly. At the same time, US and Europe inflation levels are at a record high of 8.3% and 7.4% respectively excluding food and energy costs. Regional container trade growth declined further between May-July and most major regions are seeing negative growth with export volumes from Asia falling by 1.1% and import volumes dropping by 8.3%. Import volumes to North America fell 2.3% and containerized imports to Europe 4.5%. Africa and intra-Asia were among the few regions where container volumes grew, with inbound to Africa rising 8.1% and intra-Asia climbing 3.7%. Ocean spot rates are in steep decline with the Shanghai Containerized Freight Index (SCFI) dropping significantly since June to around \$3,000 per TEU in September, back to the same level as December 2020.

<https://www.maersk.com/news/articles/2022/09/27/asia-pacific-market-update-september>

The port of Houston has reached a new record in August 2022, handling 382,842 TEUs, a 20% increase year over year. Due to the significant volumes that the port is handling, there are problems with chassis shortages and three to five day vessel dwells. Port officials are exploring the idea of implementing an “Excessive Dwell Fee”.



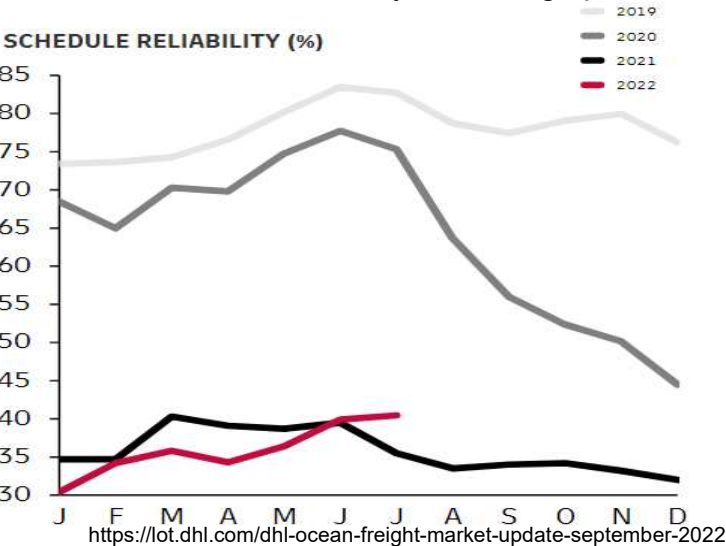
Suffern, NY, September 14, 2022 – [SHIFEX](#), the only forwarder-driven container spot freight rate index, recorded the lowest freight rate in 24 months between Shanghai and Los Angeles. The index shows a rate of \$3,500/40’, which is a drop of 80% Y-O-Y.

PLATTS CONTAINER BOX RATES – HISTORICAL



Exhibit 11

Ocean Schedule Reliability – trending upwards



Platts Container Rate 13 – North Asia-to-West Coast North America – was assessed Sept. 22 at \$2,500/FEU, down 53% from the start of the month, and 65% from the start of the third quarter. Some market participants pointed to weak import volumes at the Port of Los Angeles, where imports slipped by nearly 17% on the year in August, as proof that large importers were successful in their efforts to load cargoes promptly, in the first half of the year, to avoid a congested peak season. This would account, in some measure, for the weak peak season and pressure on rates, although macroeconomic headwinds are also likely playing a part as consumers face high inflation and fuel prices.

Freight Update

Transit time – 2021-2022 – China to US LA/Long Beach & New York

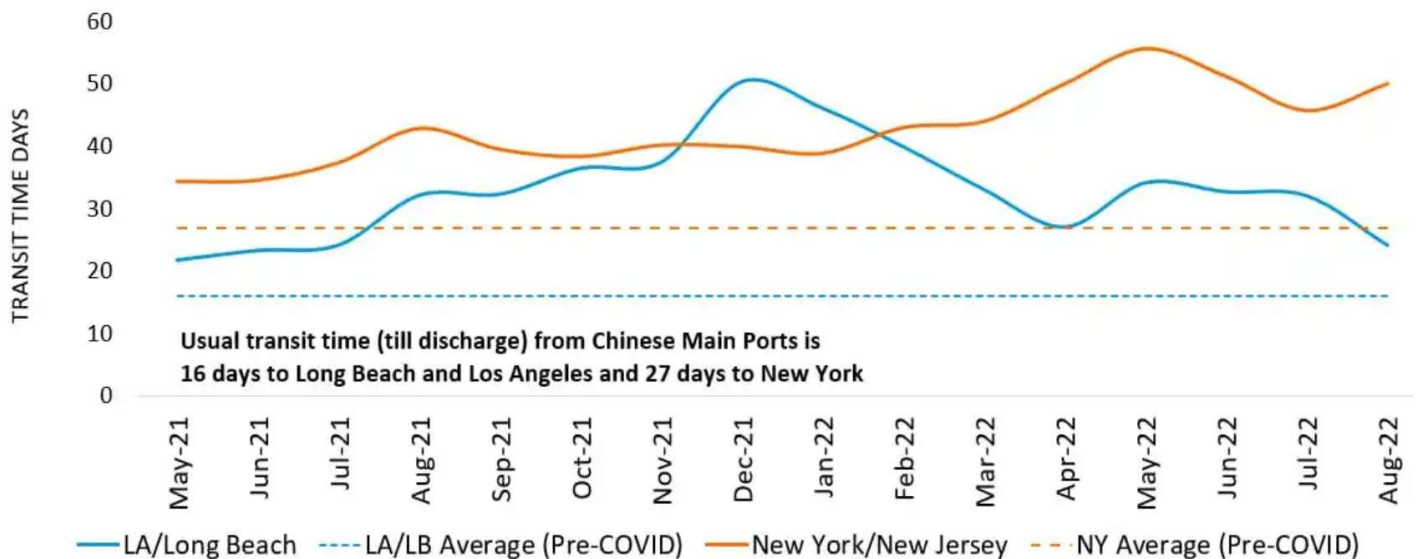


Exhibit 12

Benefits of Consolidated Shipping

- Cost-Efficiency:** For companies, the main benefit is cost savings. Frequently, shippers will only utilize half or two-thirds of a trailer but will still be required to pay for the whole space. Consolidation services combine many Less-Than-Truckload (LTL) shipments going in the same general direction into a full truckload, and you simply pay for the amount of space your freight occupies.
- Improved Customer Service:** Consolidated shipping can help to improve your customer service by reducing the number of tracking numbers and customer service calls. When you ship items separately, each shipment requires its tracking number. This can be confusing for customers, and it can also lead to more customer service calls. However, when consolidating your shipments, you'll only need to provide one tracking number to your customers. This can simplify the shipping process and reduce the number of customer service calls.
- More Sustainability:** From an environmental standpoint, consolidated shipping can also have a positive impact. Fewer shipments overall mean fewer trucks on the road, reducing emissions and less congestion. In addition, consolidating shipments can also lead to more efficient use of resources, as multiple shipments can be shipped using the same cargo packaging and materials.
- Increased Safety and Security:** One of the critical benefits of consolidated shipping is the reduced chance of damages. When shipments are consolidated, they are typically packed together in a way that protects the individual items from damage. This is in contrast to when shipments are sent individually, where each item is more likely to be damaged in transit. In addition, consolidation typically results in fewer overall shipments, which reduces the chances that something will get lost in transit.
- Enhanced Quality Control:** Consolidation allows you to gain possession of your goods earlier. You would typically have to wait for the supplier to send a replacement if quality control alerts you to an issue with your shipment after it has already been dispatched. This would indicate that you are no longer in control of when the goods will be delivered. Consolidation makes it possible to undertake quality control checks as soon as the product enters the warehouse, which lowers the likelihood that you will lose time and control because of unanticipated issues with your order.

<https://dfreight.org/blog/consolidated-shipping-benefits-challenges/>

<https://www.chrobinson.com/en/resources/insights-and-advisories/global-forwarding-insights/>

Freight Update

Air freight market update

- The global air cargo market is facing a mixed outlook with high fuel prices helping to support freight rates which remain significantly above pre-COVID-19 levels, but demand growth is likely to flatten, according to a second quarter report by consultant Seabury. That comes as air cargo capacity is continuing to recover to pre-COVID-19 levels globally. Return of capacity between Asia and Europe is comparatively slow due to various impacts such as Russia-Ukraine conflict and Covid-19 control in China. Seabury said several freighter operators service Asia-Europe via the Middle East due to airspace closures over Russia and Ukraine.

Interesting changes in the World

- The Pittsburgh International Airport expands its cargo handling capabilities by starting construction of a new 77,000 square foot cargo facility. The new facility is scheduled to open in 2024 and is positioned to relieve the air cargo market in North America.
- The Suez Canal Authority will raise transit tolls for all types of ships by 15% in 2023, starting with a 10% increase for cruise and dry bulk ships in January, amid firming freight rates and operational costs from inflation, the port authority said.
- According to Supply Chain Dive, the Port of New York and New Jersey's updated container dwell fee went into effect by end of September, which mandates carriers to balance their inbound and outbound container volumes. Previously, ocean carriers were required to remove 10% more empty containers than their import quarterly total.

Customs and Compliance News

- CBP's latest Monthly Operational Update included statistics showing a significant increase in forced labor enforcement. In August 2022, CBP targeted 838 entries valued at more than \$266.5 million for suspected use of forced labor in the production of imported goods, including goods subject to the Uyghur Forced Labor Prevention Act and Withhold Release Orders.
- A preferential zero tariff has been introduced in China from September 1 on more than 8,000 products originating from 16 developing countries including Togo, Djibouti, Guinea, Cambodia, Laos, Rwanda, Bangladesh, Mozambique, Nepal, Sudan, Chad and Central Africa Republic.
- CBP Ruling Finds No First Sale Despite Incoterms In HQ H316892, published September 23, CBP responded to a request for internal advice regarding the acceptability of the "first sale" valuation method. The ruling held that despite FOB terms of sale between the importer and the middleman, the middleman did not pay the freight charges or the marine cargo insurance, and thus did not take title to the goods. Accordingly, in the absence of a passage of title and risk of loss to the middleman, there was no bona fide "first sale" and the merchandise must be appraised based on the transaction value between the U.S. importer and unrelated foreign manufacturer.

<https://www.flexport.com/market-updates/freight-market-update-September-27-2022/>