Market Insights

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EDITION

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Content

METALS MARKET OVERVIEW

The metals market is currently experiencing mixed trends across different regions, influenced by a combination of production cuts, fluctuating demand, and broader economic challenges. In North America, steel prices have rebounded slightly due to expected mill outages in Q4. However, demand remains weak, particularly in the automotive sector, and inventory levels are being cautiously managed by service centers. In Asia, markets have remained relatively stable, though Japanese prices have dropped due to an influx of cheaper Chinese imports, and similar trends are impacting demand in South Korea and China. Globally, price stability is expected through the end of 2024, with a sharp increase anticipated in early 2025, especially in North America, due to maintenance outages and supply constraints

The global freight market, particularly in commercial sea freight, is facing significant disruptions due to multiple factors despite elevated demand. Key issues include port congestion, labor strikes, and ongoing supply chain delays. For instance, the U.S. East Coast port strike caused temporary capacity shortages and vessel backlogs, leading to delays in shipments from Asia and Europe. The strike ended, but the backlog is expected to impact shipping schedules for weeks, with Asian exports to the U.S. East Coast facing up to a 40% temporary capacity loss. Additionally, rising fuel prices and inflation have further complicated sea freight operations, with carriers struggling to absorb costs or pass them onto shippers. While demand for ocean freight remains strong—especially driven by restocking efforts and seasonal goods shipping—global container freight rates have soared to levels reminiscent of the pandemic era, particularly in key Asian hubs. Supply chain disruptions, such as port strikes, increased dwell times for rail shipments, and political instability in regions like the Red Sea, are also contributing to prolonged capacity challenges, likely to persist through the end of 2024.

Covered in this edition…

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, reflected inflationary trends over last couple of months for most regions, suggesting a recovery from the deflationary market. [Exhibit 1]

Exhibit 1

METALS MARKET OVERVIEW

Flat Products:

- North American coil prices slightly rebounded, but demand remains weak. The price gap between hot-rolled and cold-rolled coil is USD 200 per ton, with galvanized coil adding a USD 230-240 premium. The rise is due to expected mill outages in Q4, including Cleveland-Cliffs' shutdown, reducing daily production by 4,000 tons.
- US coil stockists are reducing inventory and taking a "wait-and-see" approach due to weak demand. The Federal Reserve's 0.5% rate cut may help some sectors, but automotive demand remains weak. The S&P Global US Manufacturing PMI fell to 47.9 in August, indicating ongoing contraction.
- European mills are under pressure from capacity concerns and low-cost imports in September, as post-holiday demand failed to pick up. Sales in key sectors like automotive, construction, and agriculture have dropped by up to 30%. In Germany, mills show little sign of cutting production, likely due to concerns over idling furnaces and reduced ETS carbon allowances for 2025.
- In Asia, Japanese coil prices dropped due to cheap Chinese imports and weak domestic demand, prompting steelmakers to offer discounts and call for trade defense measures. Stockholders are cutting inventory, anticipating prolonged weak market conditions. In South Korea, demand remained low after the Chuseok holidays, while Chinese coil prices fell, increasing pressure on local prices.
- Steel Dynamics (SDI) has petitioned for antidumping duties on corrosion-resistant steel.

Exhibit 2

Base Metal- Click on the links below for each index	% Change prior 3 Years, same perio	% Chg. Avg. through prior 3 months	% Chg from prior mon
Steel Coil Hot Rolled	-63.04%	-8.43%	4.62%
Import - Steel HR Coil	-55.00%	-5.81%	0.00%
Steel Coil Cold Rolled	-56.82%	-13.27%	1.06%
Scrap-Midest Index #1 Heavymelt'	-28.05%	-1.63%	-3.31%
Scrap # 1 Busheling	-34.48%	-6.56%	0.00%
Steel wire rod (mesh)-China	-45.66%	-11.61%	0.53%
Copper	9.93%	-3.39%	-0.99%
Aluminum 6061	-23.75%	0.25%	0.00%
Import - Steel Medium Plate	-49.85%	-9.15%	-11.83%
Silver Engelhard United States	44.83%	1.70%	6.78%
Steel Rod - High Carbon	-16.15%	-0.91%	0.93%
Import LC Wire Rod	-32.63%	-0.62%	-1.85%
Nickel	-10.57%	-11.05%	-0.97%
Wire Rod, Cold Heading Quality	-4.62%	-0.62%	0.00%
Cobalt	-41.47%	-4.24%	-0.98%
Aluminum	-15.22%	12.04%	-8.80%
316L Stainless Steel	-0.90%	-0.06%	-3.11%
304 Stainless	-10.28%	-2.52%	-2.21%
Ferromolybdenum	12.00%	0.49%	0.51%
Gold Engelhard United States	52.16%	8.61%	4.96%
Chromium-AluminoThermic	20.69%	8.52%	3.48%
Special Quality Steel Bar 4100 Series (Round Bar High Carbon)	-16.56%	-3.80%	1.16%
Nylon PA6/6	-32.81%	3.03%	0.00%
Molybdenum	13.65%	-1.87%	-0.14%
Steel Reinforcing Bar	-31.13%	-5.46%	0.00%
China Steel C1022	4.05%	-1.78%	0.00%
Cotton N. America	-29.16%	-17.33%	3.67%
Plastic products - PPI -WPU072	12.90%	0.09%	0.48%
Steel bar cold-finished 1-inch round 4140 (alloy), fob mill US, $/cwt	-11.31%	-0.34%	-1.51%
316 MEPS China Steel		0.59%	1.29%
Titanium	* Discontinued		

Long Products:

North American market is expected to continue downward pressure on wire rod and rebar prices, following a drop to their lowest levels since December 2020. Demand from the US residential and commercial construction sectors has declined, alongside a slowdown in the fastener segment. The Federal Reserve's recent 0.5 percentage point interest rate cut may spur a rebound in construction activity, particularly in residential developments, with another cut anticipated before year-end.

High steel inventories in China and Taiwan have put downward pressure on domestic prices over the past four weeks, with weak beam and bar consumption in construction sectors. Local steelmakers have offered discounts to boost sales, but with nominal impact.

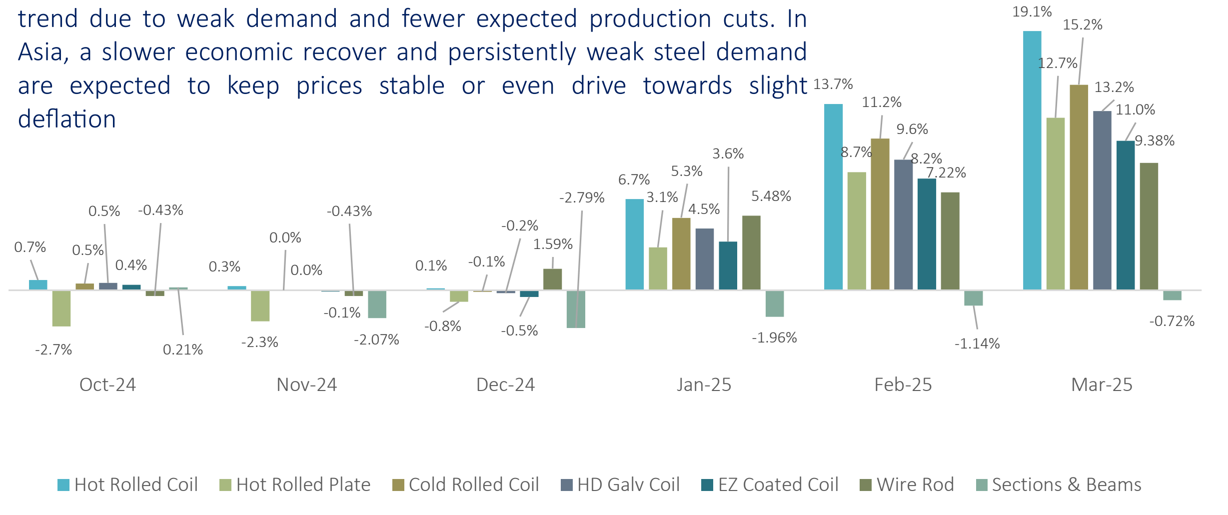
NEAR TERM FORECAST

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

[Exhibit 3] Overall steel prices are expected to remain stable in the last quarter of 2024 but will increase sharply in first Quarter of 2025.

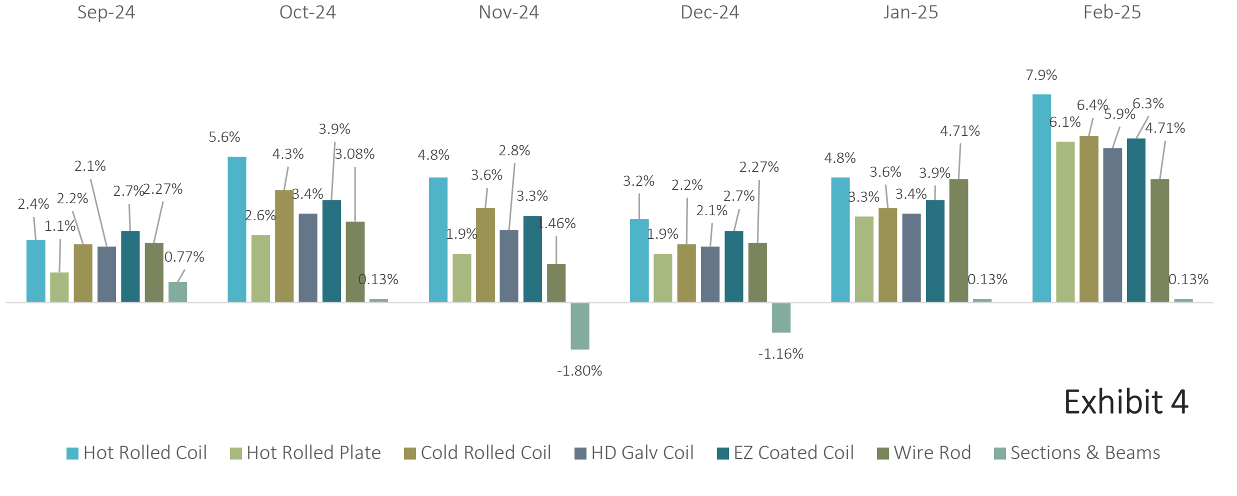
- Prices in North America are expected to remain elevated but will be counterbalanced by the decline in European prices, Asian markets are expected to remain relatively stable throughout this forecast period. In North American region scheduled maintenance outages is the key driving factor which will push the prices upward
- In European market prices are expected to continue their downward trend due to weak demand and fewer expected production cuts. In Asia, a slower economic recover and persistently weak steel demand are expected to keep prices stable or even drive towards slight deflation

Exhibit 3



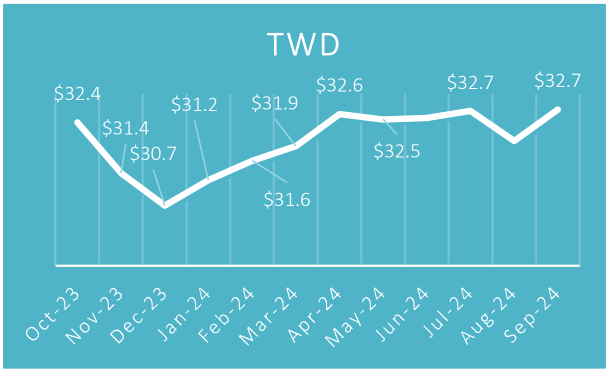
Foreseeable Price Change - Europe Average (from Aug'24 Baseline)

[Exhibit 4] European flat product prices, especially hot rolled coil, may receive temporary support from post-holiday order bookings and trade protection measures like the EU's antidumping investigation and a new 15% import cap. However, this support is expected to weaken as the market slows later in the year. Long product prices may see a slight rise in September but remain under downward pressure due to weak scrap prices, with rising EU energy costs posing potential upside risks.



CURRENCY OVERVIEW

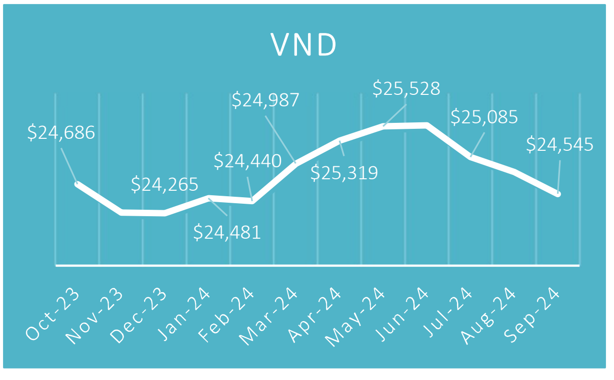
Most key currencies have stayed within +/-2% band in the last month showing a stable greenback. However, looking at the longer horizon in the past 12 months, USD has weakened about 3.6% against Chinese Yuan, 4.9% against Euro, and 11.17 against Thai Baht, while strengthening 11.1 % against Mexican Peso. Strong CNY reflects China's efforts to stabilize its economy post-pandemic, along with possible interventions in the foreign exchange market, have strengthened the yuan.

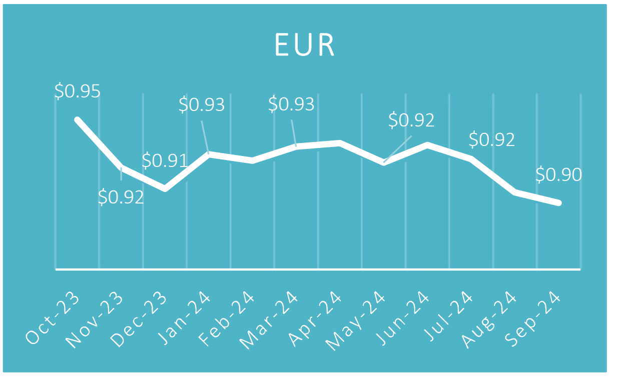


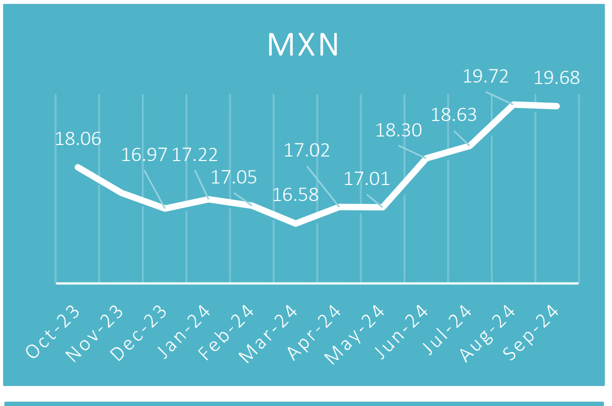
The trailing 12 months record show that the USD has strengthened/weakened by:

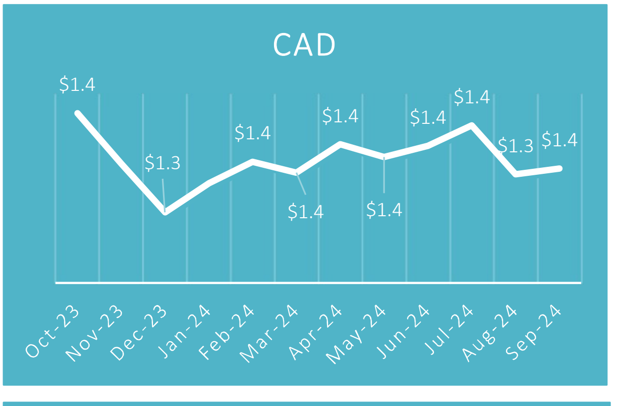
1. -13% against Mexican Peso
2. -2.8% against South Korean Won
3. 1.25% against Taiwan dollar
4. 11.17% against Thai Baht
5. -3.61% against Chinese Yuan
6. -4.94% against Euro

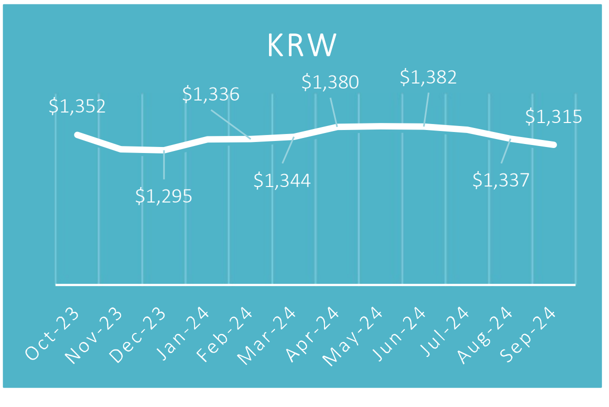
Exhibit 5

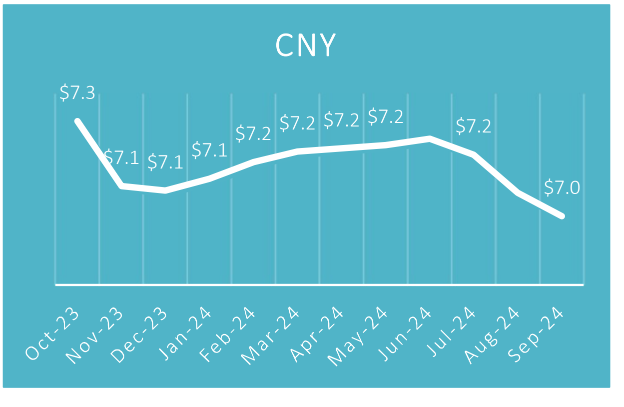












Freight Update

Exhibit 6

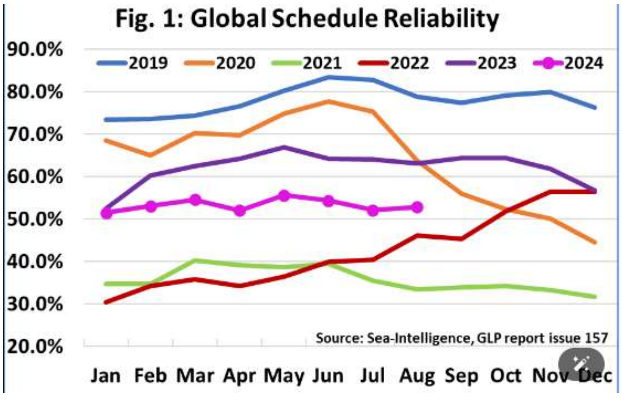
Platts Containers update

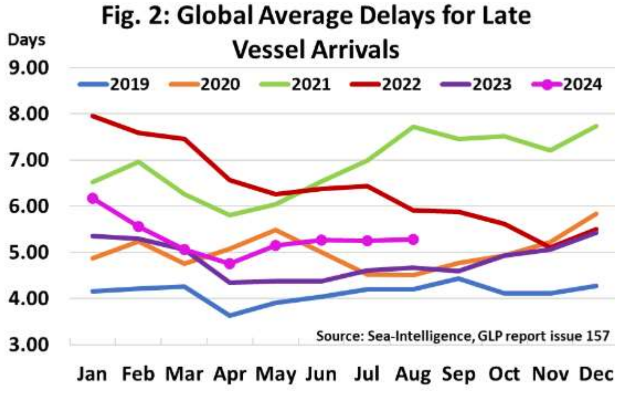
- In July, global container freight markets soared, reaching levels comparable to the pandemic era. This surge was driven by increased demand from shippers restocking and exacerbated congestion at key Asian shipment hubs.
- Supply chain disruptions remained a key focus for the containers market in August, driven by potential port strikes in the US and Canada, increasing dwell times for rail, political instability in Asia and an explosion at the Ningbo port in China.
- The current situation will persist at-least till the end of the year. As per a latest report from Platts, the demand growth will rise up to 6% from earlier projected 4.5% for the rest of the year putting additional pressure on already stretched supply chains, with no sights of resolution on the existing at Red Sea problem. Most of the transatlantic shipments bound to NA region continues to sail around Africa due to Houthi attacks.

Ocean Freight Schedule Reliability

Sea-Intelligence's Global Liner Performance (GLP) report, issue 157, highlights global schedule reliability through August 2024. Reliability improved slightly by 0.7 percentage points month-on-month, reaching 52.8%, but remains within the 50%-55% range for 2024. Though low, the stability offers shippers predictability. Year-on-year, reliability dropped by 10.2 percentage points. The average delay for late vessel arrivals increased by 0.03 days month-on-month to 5.28 days, close to pandemic highs, and 0.62 days higher than the same period last year.

Exhibit 7





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

Freight Update

The US East Coast port strike ended after three days, with International Longshoremen's Association members returning to work on October 4th. A tentative agreement was reached, with a final deal deadline set for January 15th.

The 3-day strike caused vessel queues, impacting capacity availability in origin regions. While the optimistic view limits the effect to the strike duration, clearing the backlog will likely result in around a week of capacity loss.

Exhibit 8 illustrates the projected capacity loss for Asian exporters, comparing the impact of a 3-day delay and a 1-week delay against a baseline scenario with no strike. The data shows a 17% reduction in available capacity from Asia to the US East Coast in week 46 if vessels are delayed by just 3 days. However, if it takes a full week to clear the backlog, the capacity loss could spike to nearly 40% for a brief period. Similarly, exports from North Europe to the US East Coast may face a 14% reduction in capacity in week 44, increasing to 30% if congestion lasts a week. For shipments from the Mediterranean to the US East Coast, a 3-day delay results in a 10% capacity drop in week 43, which rises to 25% for a week-long disruption.

USEC port strike: 10-17% capacity decline to come

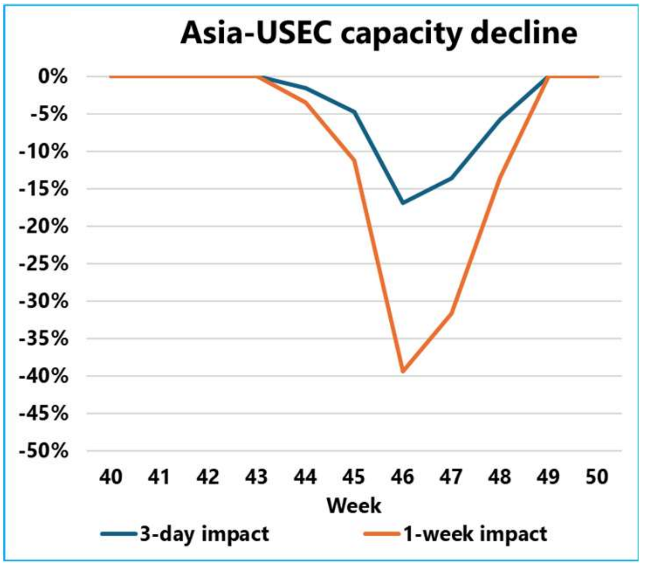


Exhibit 8

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

Will shipping lines take measures to offset this shortfall? It appears unlikely. Addressing the issue would require significantly increasing vessel speed, particularly on shorter Transatlantic routes, at a time when the strike's resolution would probably continue the recent trend of rate declines. Exporters, particularly those in Asia, North Europe, and the Mediterranean, should brace for a temporary, short-term capacity crunch.

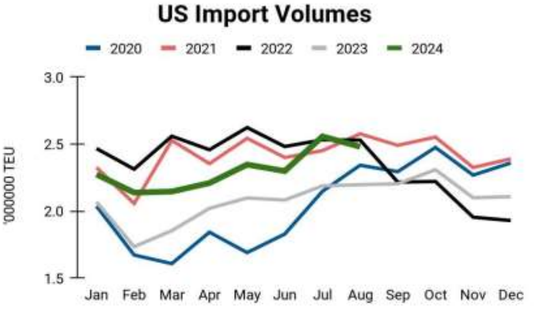
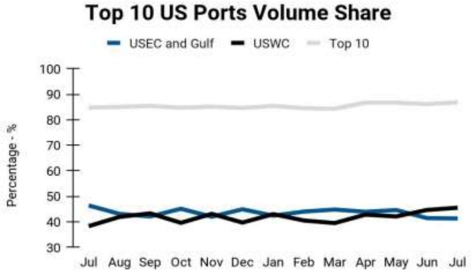


Exhibit 9

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



Demand and Capacity

In August, U.S. container import volumes dropped by 3% from July's exceptional levels, though they remained strong, showing a 13% increase compared to the same month last year and a 16% rise from pre-pandemic August 2019. The leading imported commodities were consumer goods, specifically HS-94 (Furniture, Bedding, etc.) and HS-95 (Toys, Games, and Sports Equipment, etc.). A comparison of the top five ports on each coast showed that the East and Gulf Coast's share of total import volume slightly declined to 40.5%, while the West Coast's share increased to 45.5%. Despite high-capacity utilization, relief is expected soon, with more capacity anticipated to become available as early as October.

Freight Update

Road Freight Update

According to the Market Trends these could impact freight in Q4

Inflation affects the costs of fuel, equipment, labor, insurance, and inventory storage, with the Federal Reserve aiming for a 2% rate to ensure price stability and maximum employment. As of August 2024, inflation has steadily declined to 2.5%, a significant improvement from its peak of 9.1% in June 2022, and the lowest level since February 2021.

Fuel price increases often compel carriers to either raise rates or absorb losses. In April 2024, the average diesel price was $3.517 per gallon, rising to $3.813 in July before falling again to $3.544 by October 1.

Demand for Trucks Logistics experts are calling the current market "the longest freight recession we've seen," with uncertainty about when demand will rebound. Although no CVSA road checks are planned for Q4, upcoming holidays like Halloween, Thanksgiving, and Christmas are expected to bring peak volumes, increasing the risk of supply chain disruptions.

Air Freight Update

International Air Freight Market Update, Delays, Cost Increases, and Forecast for 2024

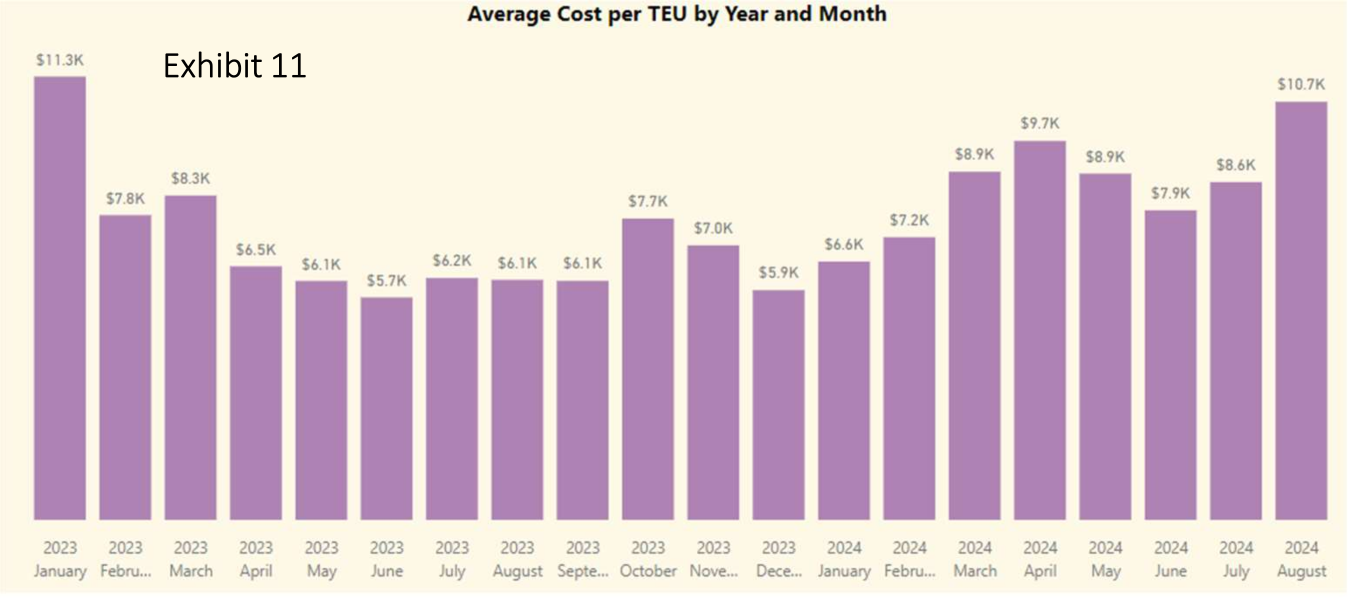
Ocean Rates: Strong demand and ongoing congestion have led to significant increases in ocean rates to mid-month Peak Season Surcharges. Capacity Shifts: High spot rates are prompting long-haul carriers to expand transpacific and Asia-Europe services, while regional carriers are entering the transpacific trade for the first time since the pandemic, potentially increasing rate pressure on lower-volume lanes. Demand Drivers: Recent demand spikes stem from early shipments of seasonal goods and efforts to circumvent upcoming tariffs, along with concerns over potential labor strikes at East Coast and Gulf ports. Peak Season Dynamics: US ocean imports are expected to peak in August, with congestion and rates likely highest in July and August. Air Cargo Trends: Despite ocean delays, air cargo rates have remained stable, with rates from China to Northern Europe rebounding to May levels, indicating a shift toward air freight and ongoing strength in e-commerce.

Exhibit 10

Source : https://www.freightos.com/

Business Update

Exhibit 11 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 62% since the beginning of 2024, a steep increase in matter of 6 months. Whereas the increase in the cost per TEU is upwards of 75% 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)



Shipment distribution for Sept 2023 to Aug 2024 showing the most billed shipments are discharged at Los Angeles displacing Savannah from the top position. These includes LCL, FCL, BCN, OBC shipment counts

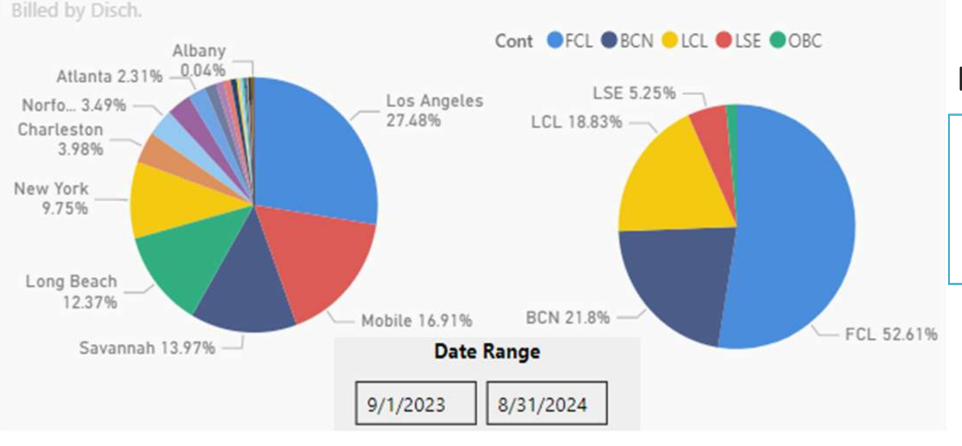
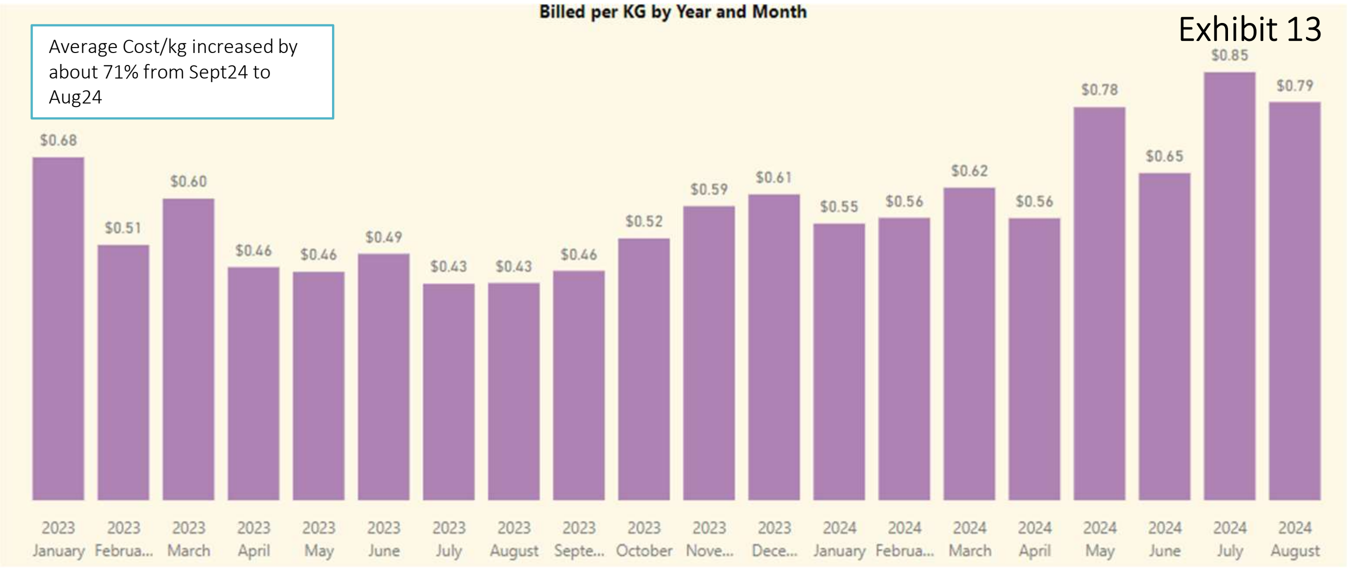


Exhibit 12

Shipment distribution by Shipment Type from Sept 2023 to Aug 2024

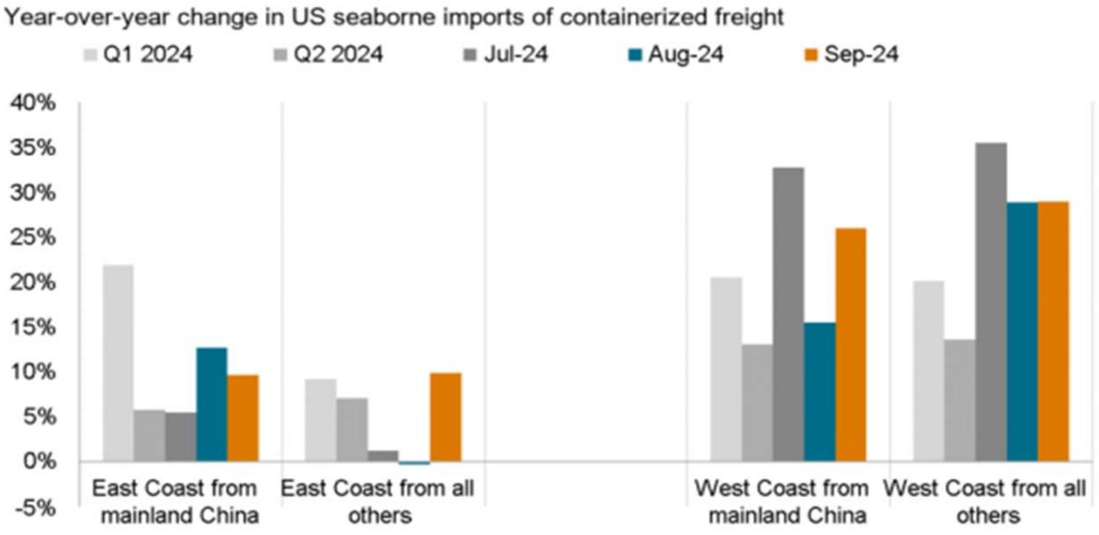
Average Cost/kg increased by about 71% from Sept24 to Aug24



FROM AROUND THE WORLD

US Import Boom Unbalanced by Origin and Destination Ports

Exhibit 14



Data for September covers first 19 days of the month in both 2023 and 2024.
Data compiled Sept. 24, 2024.
Source: S&P Global Market Intelligence.

Source : https://www.spglobal.com

According to the latest data from S&P Global Market Intelligence, the US seaborne imports of containerized freight have exhibited a significant imbalance between different origin and destination ports throughout 2024.

The year-over-year change in imports reveals notable trends across the first three quarters of 2024. On the East Coast, imports from mainland China fluctuated, increasing in July, declining in August, and slightly recovering in September. In contrast, imports from other regions remained stable, peaking in July and staying elevated through September. The West Coast mirrored this trend, with imports from mainland China spiking in July but showing variability afterward, while imports from other origins maintained a consistent upward trajectory, especially in August and September.

Data covering the first 19 days of September in 2023 and 2024 highlights the complexities of the logistics and supply chain landscape, underscoring the need for carriers and logistics providers to adapt to shifting import patterns. This imbalance reveals that while some trade routes thrive, others remain vulnerable, emphasizing the importance of strategic planning and adaptability in a changing market.

Q4 container demand to remain strong

Maersk, the world's second-largest ocean freight carrier, expects strong global demand for container shipping through Q4, driven by robust imports to North and Latin America, and solid exports from the Far East. Despite disruptions in the Red Sea and the looming U.S. East Coast port strike, Maersk anticipates a more balanced supply and demand market.

The company warns of ongoing congestion at high-traffic areas, particularly U.S. East Coast ports and key transshipment hubs. In Q2 2024, global container volumes grew 6.6% year over year, with North American and Latin American imports rising 10.5% and 15.6%, respectively. Intra-Asia trade increased 9.6%, and Far East exports were up 8.6%.

The ocean carrier industry is seeing increased vessel deliveries despite a shrinking orderbook, with Maersk's newbuilding orders accounting for 9% of its fleet, compared to 20% for MSC and 40% for Evergreen. Meanwhile, bunker fuel prices rose 4.4% in July due to geopolitical tensions, strong demand, and production cuts.

FROM AROUND THE WORLD

Disruption in the Semiconductor Supply Chain: Analyzing the US-China Trade Conflict

Semiconductors have become a key topic in the automotive industry over the past decade, moving beyond their status as mere commodities. However, increasing dependence on chip technology has intensified the trade war between the US and mainland China. The US aims to restrict China's access to advanced semiconductor manufacturing technology, particularly for chips of 7nm and below, while strengthening its own domestic industry.

Despite these restrictions, China is expected to produce 5nm chips for smartphones as early as this year and continues to lead in advanced automotive technologies, particularly in autonomous driving and central computer systems, closely following Tesla. These geopolitical actions will significantly impact the global semiconductor landscape, prompting companies to adopt diversification and supply chain resilience strategies to navigate the evolving political environment.

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

Automotive supply chains can benefit from sourcing alliances

In September, Hyundai and General Motors signed an agreement to collaborate on supply chains and production, aiming to achieve cost efficiencies and operational synergies. The partnership includes joint sourcing to reduce raw material costs, such as steel and EV battery components. While automaker partnerships in supply chains are common, collaborative purchasing alliances are rarer, noted Doug Mehl, a partner at Kearney.

Collaborations often combine research and development resources to advance technology and bring programs to market, while also reducing costs and strengthening suppliers, according to Mehl. He noted that partnerships are most effective when focused on advancing specific technologies, with procurement being a secondary element. Alexandre Marian, partner at AlixPartners, emphasized the importance of partnerships in the electric vehicle supply chain, noting that over two-thirds of collaborations are EV-related due to the complexities of developing electric motors and battery systems.

Automakers are increasingly forming partnerships, especially in EV supply chains, though the benefits can vary. Mehl noted that while OEMs must reduce EV costs, most still lose money. Joint procurement helps but is less impactful for larger companies due to complexities. However, collaborations like those between Renault, Nissan, and Mitsubishi pool resources, with Hyundai and GM's partnership allowing them to "place bigger bets with suppliers."

Source : https://www.supplychaindive.com/

Battery Metals Top of Mind at LME Week

The energy transition relies heavily on metals like lithium, nickel, and copper. As the initial excitement around battery metals subsides, discussions at last week's LME Week, attended by S&P Global Commodity Insights, shifted to the challenges of securing strategic metals through mining and refining at economically viable prices.

Lithium, often central to these discussions, remains dominated by China. However, Brazil is emerging as a key player, with three operational lithium plants and eight more in development. Brazil’s production costs, between $400 and $500 per metric ton, are notably lower than other countries, where costs often exceed $700. Though Brazil's current output is small compared to Australia, China, Argentina, and Chile, it is projected to grow fivefold in the next five years, positioning the country among the top global producers.

In North America, the push for a stable supply of critical materials has spurred the development of a battery hub. By the decade's end, around $10 billion is expected to be invested in lithium and nickel projects, with 75% of the lithium and nickel for U.S. electric batteries anticipated to come from foreign sources. Approximately 125 lithium extraction projects are currently underway in the Western U.S. to capitalize on supply chain security, government support, and sustainable practices. The U.S. Energy Department has also committed up to $1.2 billion for a loan to Entek, a company developing a lithium-ion battery separator facility in Indiana.

Market analysts suggest that North America may need fewer imports of battery metals as recycling becomes commercially viable, though there is currently limited willingness among customers to pay the premium for recycled lithium.

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