ONI INSIGHT

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<u>August Jobs Report: Economy added disappointing 142,000 jobs in August as unemployment fell to 4.2%</u>—Employment gains for June and July were revised down sharply, portraying an even weaker picture of the labor market in early summer. The report, along with the downward revisions, may prompt the Federal Reserve to lower its key interest rate more sharply at a meeting later this month, some economists said.

The unemployment rate, which is calculated from a separate survey of households, fell from 4.3% to 4.2%, as reported by the Labor Department.

Economists surveyed by Bloomberg previously estimated 163,000 jobs were added last month. Full Story
Source: USAToday, 09.06.2024

<u>U.S. Fed Chair Says 'The Time Has Come' to Start Cutting Rates</u>—Federal Reserve Chair Jerome Powell said August 23 that the "time has come" for the U.S. to start cutting interest rates, adding that his "confidence has grown" that the battle against inflation is on track. "The time has come for policy to adjust," he said in a keynote speech at the Jackson Hole Economic Symposium in the western U.S. state of Wyoming, in unusually direct remarks about the likely path of monetary policy.

"The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook and the balance of risks," he added. The annual economic symposium in Wyoming gives Powell a global platform to share the Fed's thinking with financial markets. He had said a few weeks ago that policymakers could cut rates "as soon as" September if the labor market remained solid and inflation continued to ease.

The Fed's benchmark lending rate currently sits at a 23-year high of between 5.25 and 5.50%, cooling demand in the world's largest economy ahead of November's presidential elections, in which inflation and the cost of living have taken a central role. Powell said the Fed's restrictive monetary policy had "helped restore balance between aggregate supply and demand, easing inflationary pressures and ensuring that inflation expectations remained well anchored." "My confidence has grown that inflation is on a sustainable path back to 2%," he added, referring to the Fed's long-term inflation target.

After holding its key lending rate at a two-decade high for more than a year, Powell's remarks suggest the U.S. central bank is now all but certain to start cutting rates in September as inflation continues to ease. The Fed has a dual mandate from Congress to tackle both inflation and unemployment and has been signaling in recent months that the risks to the two sides of its mandate are now coming into better balance.

Powell said that the U.S. labor market "has cooled considerably from its formerly overheated state," with the unemployment rate up sharply from last year, though at 4.3%, it remains low by historical standards. "The cooling in labor market conditions is unmistakable," he added.

While inflation has fallen and the labor market has cooled, economic growth has remained positive, raising confidence that the Fed could pull off a so-called soft landing—where it hits its inflation target without bringing about a recession or a substantial rise in unemployment.
Full Story ***Source: Agence-France, 08.23.2024***

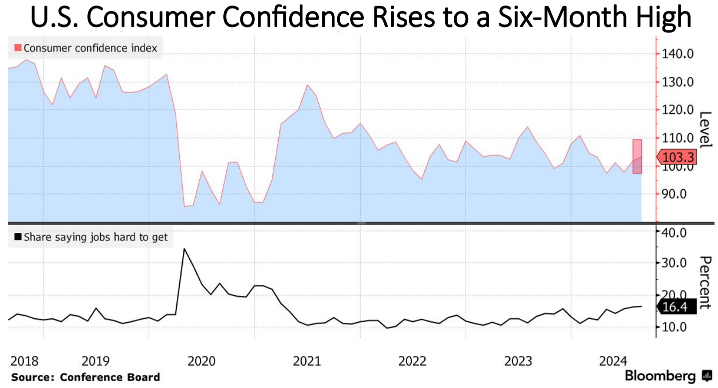
U.S. Consumer Confidence Rises on Views of Economy, Inflation

<u>Federal Reserve Chairman Jerome Powell told lawmakers prospects for long-awaited interest rate-cuts by the Federal Reserve, likely beginning next month, may help to further bolster sentiment and keep consumers spending</u>. At the same time, confidence remains well shy of pre-pandemic levels due to a higher cost of living and, more recently, moderating job growth. “Consumers’ assessments of the current labor situation, while still positive, continued to weaken, and assessments of the labor market going forward were more pessimistic,” Dana Peterson, chief economist at the Conference Board, said in a statement. “This likely reflects the recent increase in unemployment. Consumers were also a bit less positive about future income.”

Some 32.8% of consumers said jobs were plentiful, the smallest share since March 2021 and the sixth straight decline. The share saying jobs were hard to get edged higher.

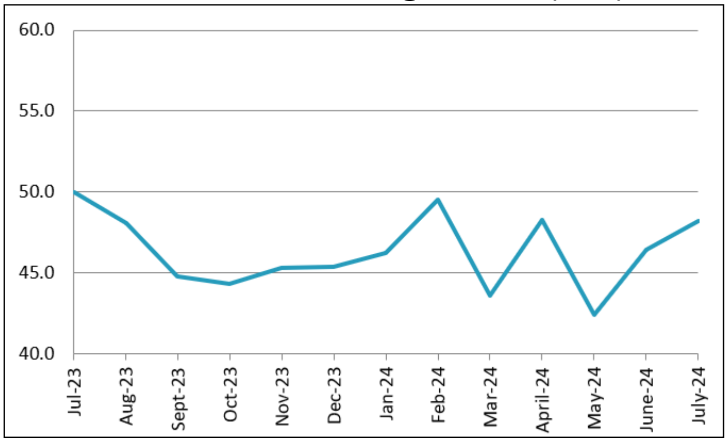
The difference between these two—a metric closely followed by economists to gauge the job market— also fell to a more than three-year low. Full Story ***Source: Bloomberg, 08.27.2024***

U.S. Consumer Confidence Rises to a Six-Month High



Key Economic Indicators

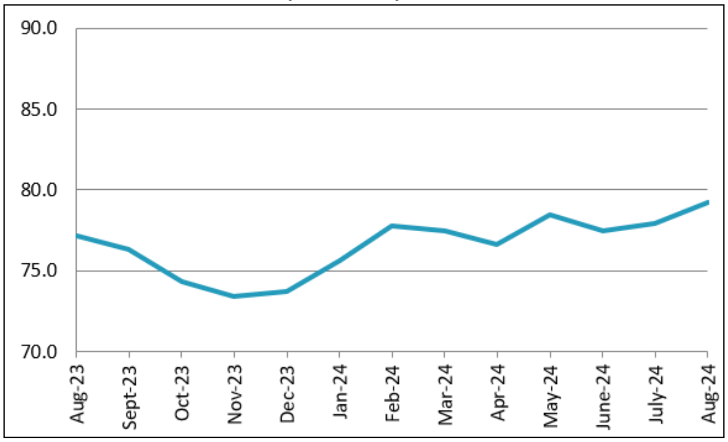
Architecture Billings Index (ABI)



AIA's Architecture Billings Index (ABI) reported declining billings for the eighteenth consecutive month in July. While the ABI/Deltek Architecture Billings Index (ABI) score of 48.2 for the month indicates that fewer firms reported a decline in billings in July than in May, it still means that more than half of responding firms this month are still experiencing soft business conditions. As far as future work in the pipeline at firms, the value of newly signed design contracts decreased for the fourth consecutive month in July, but the pace of that decline slowed as well. In addition, inquiries into new projects continued to increase this month, although that growth continued at the same slow pace they have been growing at for much of the year so far.

The Architecture Billings Index (ABI) is a diffusion index derived from the monthly Work-on-the-Boards survey, conducted by the AIA Economics & Market Research Group. The ABI serves as a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months. An index score of 50 represents no change in firm billings from the previous month, a score above 50 indicates an increase in firm billings from the previous month, and a score below 50 indicates a decline in firm billings from the previous month.
Source: American Institute for Architects, 08.21.2024

Steel Capability Utilization



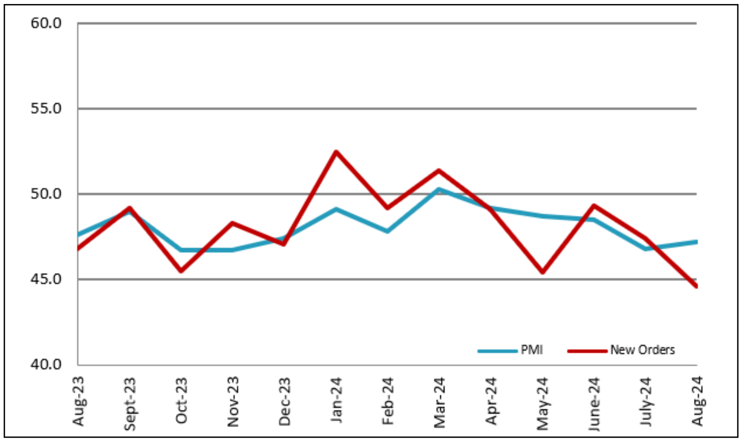
In the week ending on August 31, 2024, domestic raw steel production was 1,760,000 net tons while the capability utilization rate was 79.2%. Production was 1,742,000 net tons in the week ending August 31, 2023 while the capability utilization then was 76.6%. The current week production represents a 1.0% increase from the same period in the previous year. Production for the week ending August 31, 2024 is down 1.2% from the previous week ending August 24, 2024 when production was 1,782,000 net tons and the rate of capability utilization was 80.2%.

Adjusted year-to-date production through August 31, 2024, was 59,338,000 net tons, at a capability utilization rate of 76.6%. That is down 2.0% from the 60,560,000 net tons during the same period last year, when the capability utilization rate was 77.2%.

Steel Capability Utilization is a domestic report based on estimates from companies representing approximately 90% of the Industry's Raw Steel Capability as compiled by the American Iron and Steel Institute.
Source: AISI, 09.04.2024

Purchasing Managers Index (PMI)®

The Manufacturing PMI® registered 47.2% in August, up 0.4 percentage point from the 46.8% recorded in July. The overall economy continued in expansion for the 52nd month after one month of contraction in April 2020. (A Manufacturing PMI® above 42.5%, over a period of time, generally indicates an expansion of the overall economy.) The New Orders Index remained in contraction territory, registering 44.6%, 2.8 percentage points lower than the 47.4% recorded in July. The August reading of the Production Index (44.8%) is 1.1 percentage points lower than July's figure of 45.9%. The Prices Index registered 54%, up 1.1 percentage points compared to the reading of 52.9% in July. The Backlog of Orders Index registered 43.6%, up 1.9 percentage points compared to 41.7 in July. The Employment Index registered 46%, up 2.6 percentage points from July's figure of 43.4%.



The five manufacturing industries reporting growth in August: Primary Metals; Petroleum & Coal Products; Furniture & Related Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The 12 industries reporting contraction in August — in the following order — are: Textile Mills; Printing & Related Support Activities; Nonmetallic Mineral Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Transportation Equipment; Wood Products; Machinery; Paper Products; Chemical Products; and Miscellaneous Manufacturing. *Source: Institute for Supply Management, 09.01.2024*

Industry News

LME Nickel Prices Continue to Rise in August

Nickel prices on the LME rose between 5% and 6% in August. After nickel prices on the commodity exchange LME had continued to be volatile in recent weeks, they rose significantly in the period from 1st to 27th August despite a lot of movement and the obligatory attempts to push prices down. LME nickel 3-month prices have risen by more than 5.1% and LME nickel cash settlement prices by more than 6.0%.

Since the end of July 2024, Philippine nickel ore prices (Ni 1.5%, Fe 15-25%) have been on a clear upward trend. This means that they have risen by more than 23% in less than a month. The main reason for this continues to be the scarce availability of ore in Indonesia and active demand from the Philippine downstream industry.

Analysts expect NPI to rise in the short term. Asian analysts are also currently assuming that prices for NPI could continue to rise in the short term due to continued brisk demand for nickel pig iron (NPI) and the traditional peak season from August/ September. ***Source: SteelNews, 08.28.2024***

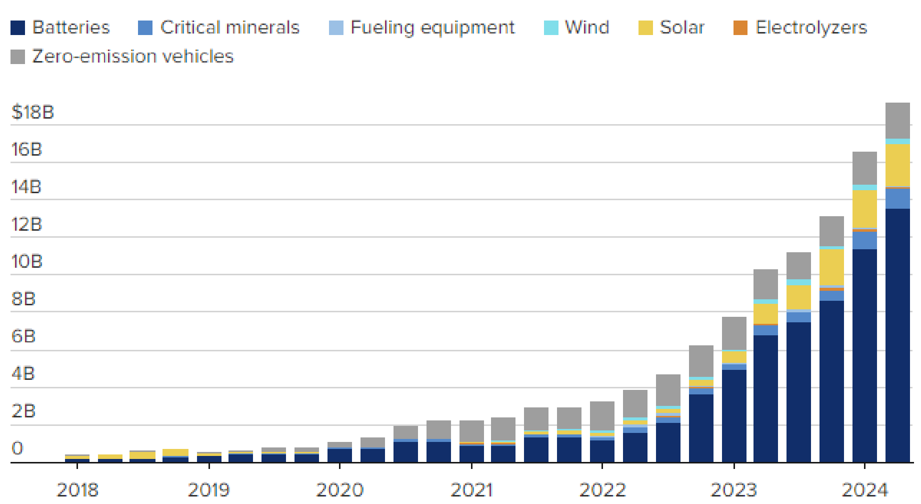
How the Inflation Reduction Act sparked a Manufacturing and Clean Energy Boom in the U.S.

The Inflation Reduction Act has sparked a manufacturing boom across the U.S., mobilizing tens of billions of dollars of investment, particularly in rural communities in need of economic development. The future of those investments could hinge on the outcome of the U.S. presidential election. The prospect of a Republican victory has shaken the confidence of some investors who worry the IRA could be weakened or in a worst-case scenario repealed.

Companies have announced $133 billion of investments in clean energy technology and electric vehicle manufacturing since President Joe Biden signed the IRA into law in August 2022, according to data from the Massachusetts Institute of Technology and the Rhodium Group. Actual manufacturing investment has totaled $89 billion, an increase of 305% compared to the two years prior to the IRA, according to MIT and Rhodium. Overall, the IRA has leveraged half a trillion dollars of investment across the manufacturing, energy and retail sectors, according to the data." It is having a transformative effect within the manufacturing sector," said Trevor Houser, a partner with the Rhodium Group. "The amount of new manufacturing activity that we're seeing right now is unprecedented in recent history, and is in large part due to new clean energy manufacturing facilities." Some 271 manufacturing projects for clean energy tech and electric vehicles have been announced since the IRA passed, which will create more than 100,000 jobs if they are all completed, according to the advocacy group E2, a partner of the Natural Resources Defense Council. The investments sparked by the IRA have been a boon for rural communities in particular, Houser said.

Actual Investment in Manufacturing for Clean Energy Technology in the U.S.

By technology type Q1 2018–Q2 2024



Source: MIT Center for Energy and Environmental Policy Research and the Rhodium Group's Clean Investment Monitor

CNBC

"Unlike investment in AI and tech and finance, which is clustered in big cities, clean energy investment really is concentrated in rural communities, and is one of the brightest sources of new investment in those areas," Houser said.

The IRA has also accelerated the deployment of renewable energy, with $108 billion in invested in utility-scale solar and battery storage projects. Investments in solar and battery storage have surged 56% and 130%, respectively, over the past two years, according to the Rhodium data.

"The more mature technologies, so like wind and solar generation, electric vehicles, those have achieved escape velocity," Houser said. "They will continue to grow no matter what. It's a question of speed." ***Source: CNBC, 08.20.2024***

Industry News

Steel Shipments Increase in July

Steel shipments from service centers in the U.S. reversed a recent downward trend in July, the Metals Service Center Institute reported in its latest Metals Activity Report. Canadian aluminum shipments were also up during the month.

U.S. service centers shipped 6.3% more steel in July compared with the same month in 2023. Aluminum shipments were nearly flat with July 2023, increasing 0.5%.

Canadian service center steel shipments declined 0.4% compared with the same month in 2023, while aluminum shipments increased 3.7%.
Source: MCN, 08.20.2024

NLRB Ends 50-Year Practice of Approving Consent Orders

In a 3-1 decision issued on Aug. 26, the National Labor Relations Board (NLRB) ended its long-standing practice of approving consent orders. Consent orders permit an administrative law judge to resolve an unfair labor practice case prior to adjudication based on terms offered solely by the respondent.

As legal experts at Ballard Spahr LLP explained, the NLRB's decision "will make it more difficult for employers to settle cases at the NLRB unless they are willing to accept the full remedy sought by the general counsel." The board's majority likened the practice of approving consent orders to a unilateral resolution between an administrative law judge and respondent, concluding for the first time in more than 50 years that the NLRB's own rules do not permit judges to "adjust cases" in this manner.

The NLRB's majority also argued allowing judges to approve consent orders intrudes on the general counsel's prosecutorial authority under the National Labor Relations Act, and that the practice "poses administrative challenges and inefficiencies" for the NLRB.

The NLRB said would continue to evaluate true settlement agreements, or agreements between a respondent and at least one additional party but clarified that consent orders are "not settlement agreements in any sense." Calling the majority's decision "radical," the lone dissenting NLRB accused the majority of giving the general counsel "carte blanche" to force cases through litigation in order to suit the general counsel's own agenda. ***Source: MSCI, 09.01.2024***

U.S. Business Activity Edges Lower; Pricing Power Ebbs Further

U.S. business activity fell to a 4-month low in August and firms continued to struggle to pass on higher prices to consumers, bolstering the likelihood that inflation will stay on a downward trend over the coming months. S&P Global said on August 22 that its flash U.S. Composite PMI Output Index, which tracks the manufacturing and services sectors, edged down to 54.1 this month, a still healthy level among the highest measured over the past two years. That followed a final reading of 54.3 in July.

A reading above 50 indicates expansion in the private sector. A slight pick-up in the services sector was outpaced by an easing in the manufacturing industry.

Average prices charged for goods and services rose at the slowest rate since January and are now at levels that S&P Global viewed as consistent with the Federal Reserve's 2% inflation target. This echoed reports from businesses that customers are pushing back against high prices, through bargain hunting, scaling back on purchases and trading down to lower-priced substitutes.

Inflation in July on an annual basis slowed to below 3% for the first time in nearly 3-1/2 years, the Labor Department reported last week. The nearly unchanged composite PMI implied that economic activity remained on a solid footing as the third quarter progressed. Gross domestic product increased at a 2.8% annualized rate in the second quarter, picking up from the January-March quarter's 1.4% pace.

"The solid growth picture in August points to robust GDP growth in excess of 2% annualized in the third quarter, which should help allay near-term recession fears," said Chris Williamson, chief business economist at S&P Global Market Intelligence. "Similarly, the fall in selling price inflation to a level close to the pre-pandemic average signals a 'normalization' of inflation and adds to the case for lower interest rates."
Source: Reuters, 08.22.2024

Trade

U.S. Keeps in Place Tariffs on Chinese Common Aluminum Alloy Sheet

The U.S. International Trade Commission (ITC) has announced it will keep in place existing antidumping and countervailing duty orders on common alloy aluminum sheet from China. The ITC said revoking the duties "would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."

The determination comes as the result of the five-year review process required by the Uruguay Round Agreements Act. Commissioners based their determination on an expedited review of the facts available, including the ITC's prior injury and review determinations, responses received to its notice of institution, data collected by ITC staff in connection with the reviews, and information provided by the U.S. Department of Commerce.

The ITC's report on this matter will be available by Sept. 20, 2024 on the ITC's website. Find more information about this case by clicking here. ***Source: MSCI, 08.19.2024***

China's Steel Dumping Finally Under Global Scrutiny

China's direct dumping of steel in foreign markets and indirect dumping via proxy countries are finally under the global lens. According to the Malaysian Trade Ministry, the country recently launched an investigation into whether or not to impose anti-dumping duties on flat-rolled iron or non-alloy steel products imported from China as well as India, Japan and South Korea.

Meanwhile, India has also initiated an anti-dumping investigation into imports of hot-rolled flat products from Vietnam. The move comes after complaints that these products were being sold at low prices, negatively affecting the local steel industry. Indian steel manufacturers have been raising concerns about inexpensive imports from China being routed through Vietnam under the India-ASEAN free trade agreement for some time now. The primary issue is that the flood of cheap steel is driving down domestic steel prices.

China is under the microscope for other reasons as well. In fact, the world's biggest steel producer recently raised the alarm over the ongoing crisis in the country, predicting a deeper industry downturn than even those major events in 2008 and 2015. China's Baowu Steel Group Chairman, Hu Wangming, told employees at the company's biannual meeting that conditions in the country were like a "harsh winter" that could become longer and colder and even more difficult. China's steel industry suffered severe downturns during the global financial crisis of 2008-2009 and again in 2015-2016. In both instances, the country managed to alleviate the crises via substantial stimulus measures. However, such a solution seems less likely under Chinese President Xi Jinping's current leadership. Meanwhile, Hu's blunt message will likely alarm competitors in Asia, Europe, and North America as they face a new surge of Chinese exports and push for trade measures in response.

Analysts currently expect shipments from China to hit around 100 million tons this year as Chinese producers seek to counteract a slowdown in their domestic market. This would be the highest level of export since 2016.

The Indian government's anti-dumping investigation arose after the Indian Steel Association (ISA), representing domestic producers like JSW Steel and ArcelorMittal Nippon Steel India, filed a request for a probe into imports of hot-rolled flat products of alloy or non-alloy steel from Vietnam. According to an August 14 notification issued by the Directorate General of Trade Remedies (DGTR) under the Commerce Ministry, sufficient evidence exists to suggest that these products are indeed being dumped into the Indian market, thus posing a significant threat to the local steel industry.

The probe includes hot rolled flat products of alloy or non-alloy steel, not clad, not plated or coated, with a thickness of up to 25 mm and width of up to 2100 mm. The investigation period covers January 1, 2023, to March 31, 2024. Meanwhile, Indian steel producers continue to invest billions in expanding their capacity. They also continue to express concerns that cheap imports could hurt cash flows and, in turn, slow down their expansion plans.

A report by CRISIL in June highlighted that India became a net importer of steel in fiscal year 2024, recording an overall steel trade deficit of 1.1 million tons. This represents a dramatic shift from the country's status as a net exporter since fiscal 2017. The also report noted that while China was the largest exporter, South Korea and Japan continued substantial export volumes to India. Notably, Vietnam emerged as a key exporter, with shipments to India increasing by 130% year-on-year. ***Source: MetalMiner, 08.22.2024***