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Market Insight

July 2021

U.S. Jobs Jump By Most In 10 Months As Economy Gains Steam—The pace of U.S. hiring accelerated in June, suggesting firms are having greater success recruiting workers to keep pace with the economy's reopening.

The unemployment rate edged up to 5.9% because more people voluntarily left their jobs and the number of job seekers rose.

Wage growth is also picking up as businesses raise pay to attract candidates. The June jobs report showed a hefty 2.3% month-over-month increase in non-supervisory workers' average hourly earnings in the leisure and hospitality industry. Overall average earnings rose 0.3% last month. Full Story
Source: Bloomberg, 07.02.2020

Key Inflation Indicator Posts Biggest Year-Over-Year Gain In Nearly Three Decades—A key inflation indicator that the Federal Reserve uses to set policy rose 3.4% in May, the fastest increase since the early 1990s, the Commerce Department reported June 25. Though the gain was the biggest since April 1992, it met the Dow Jones estimate and markets reacted little to the news. The stock market posted mostly solid gains, while government bond yields were moderately higher. The core personal consumption expenditures price index increase reflects the rapid pace of economic expansion and resulting price pressures, and amplified how far the nation has come since the Covid pandemic-induced shutdown of 2020.

Though the reading could add to inflation concerns, Fed officials continue to insist that they see the current situation as temporary and likely to abate as conditions return to normal. The core index rose 0.5% for the month, which actually was below the 0.6% estimate. Including volatile food and energy prices, the PCE index rose 3.9% for the year and 0.4% for the month. Most of the inflation increase came from energy, with prices rising 27.4% against just a 0.4% gain in food costs.

The headline increase was the biggest since August 2008, just before the worst of the financial crisis hit and sent inflation on a path lower that would last throughout the longest economic recovery in U.S. history. Inflation has spiked recently amid a confluence of factors. They include supply chain disruptions in which manufacturers of key products have been unable to keep up with escalating demand that has come with the economic reopening. Soaring real estate prices also have played a factor as lumber costs have soared, though that trend has reversed lately. Finally, the current numbers are influenced by what economists call "base effects," or skewed comparisons with a year ago when government restrictions put much of the economy in limbo. Those base effects are likely to dissipate when the June numbers come out next month.

A separate part of the June 24 report showed that consumer spending was flat for the month, versus the estimate for a 0.4% increase, while personal income declined 2%, less than the expected 2.7% decline. Those numbers also had been distorted, primarily by government stimulus checks that had sharply boosted both income and spending.

The personal saving rate was 12.4%, a decline from April's 14.5%.
Source: CNBC; 06.25.2021

U.S. Economic Growth Holds Steady In Second Quarter

U.S. real gross domestic product (GDP) increased at an annual rate of 6.4% in the first quarter of 2021. The increase was the same as the "second" estimate that the government released in May. Federal government assistance payments, including direct economic impact payments and Paycheck Protection Program loans, contributed to the high level of growth. Read the U.S. Department of Commerce's full report here.

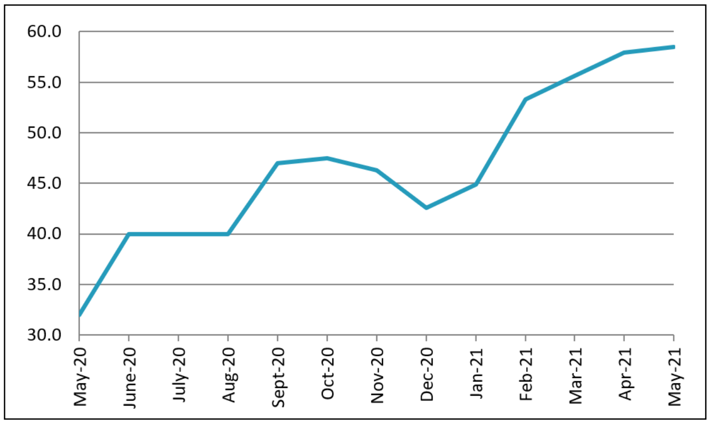
Meanwhile, the Federal Reserve Bank of Chicago's National Activity Index, a key gauge of future growth, was +0.29 in May, up from -0.09 in April. The National Association of Manufacturers' Outlook Survey for the second quarter of 2021 indicated manufacturers are optimistic about the rest of 2021.

Manufacturers' optimism reading reached 90.1%, its highest level since 2018. Firms expect full-time employment to jump 3.7%, wages to rise 3.3%, sales to increase 6.1%, and production to expand 5.9% over the next 12 months. Each of these indicators was at its highest recorded level in the survey's history. Read the full report here.

The Federal Reserve Bank of Kansas City announced its manufacturing survey for June rose to +27 in June from +26 in May. The bank said growth continued to be driven by durable goods plants, in particular primary and fabricated metals, machinery, computer and electronic products, furniture, and transportation equipment manufacturing. Additionally, the future composite index increased from 33 to 37 in June, a new survey record high, due to higher readings for new orders and supplier delivery times. The Federal Reserve Bank of Richmond, meanwhile, said its manufacturing reading for the Central Atlantic region rose from +18 in May to +22 in June due to increases in new orders, shipments, and employment. Manufacturers did continue to report shrinking inventories, growing order backlogs, and lengthening vendor lead times.
Full Story ***Source: MSCI, 06.28.2021***

Key Economic Indicators

Architecture Billings Index (ABI)

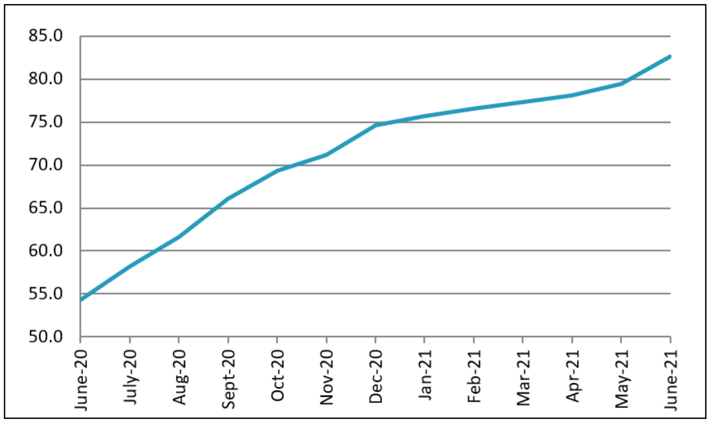


Demand for design services from U.S. architecture firms continues to grow at a vigorous pace, according to a new report today from The American Institute of Architects (AIA).

AIA's Architecture Billings Index (ABI) score for May rose to 58.5 compared to 57.9 in April (any score above 50 indicates an increase in billings). May's ABI score is one of the highest in the index's 25-year history. During May, the new design contracts score reached its second consecutive record high with a score of 63.2, while new project inquiries also recorded a near-record high score at 69.2.

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, 06.23.2021

Steel Capability Utilization

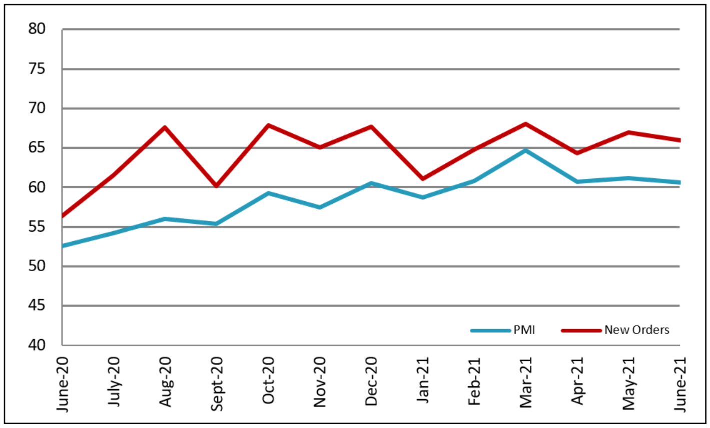


In the week ending on June 26, 2021, domestic raw steel production was 1,835,000 net tons while the capability utilization rate was 82.7%. Production was 1,272,000 net tons in the week ending June 26, 2020 while the capability utilization then was 56.8%. The current week production represents a 44.3% increase from the same period in the previous year. Production for the week ending June 26, 2021 is down 0.2% from the previous week ending June 19, 2021 when production was 1,839,000 net tons and the rate of capability utilization was 82.9%.

Adjusted year-to-date production through June 26, 2021 was 45,054,000 net tons, at a capability utilization rate of 78.8%. That is up 15.2% from the 39,109,000 net tons during the same period last year, when the capability utilization rate was 67.8%.

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, 06.26.2021

Purchasing Managers Index (PMI)®



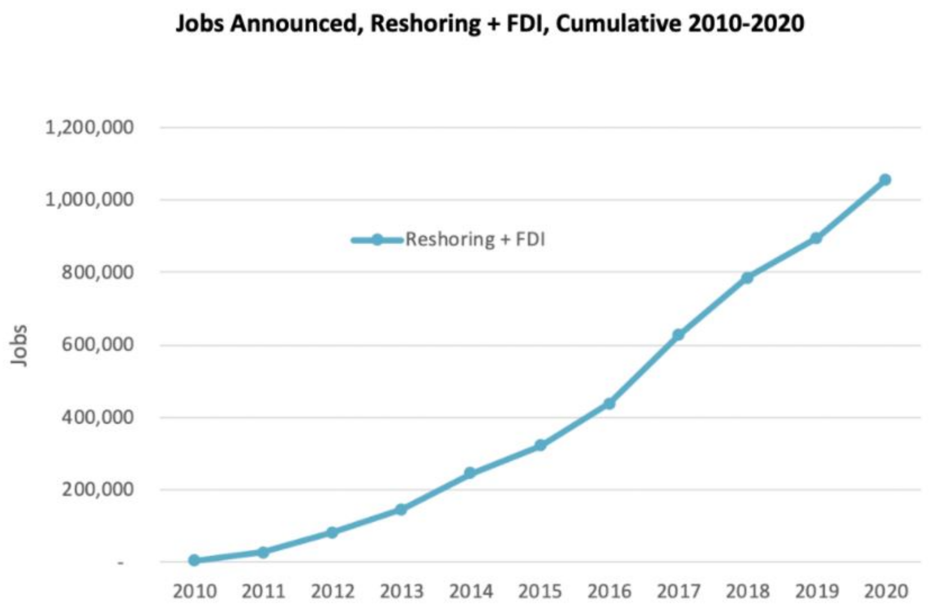
The June Manufacturing PMI® registered 60.6%, a decrease of 0.6 percentage point from the May reading of 61.2%. This figure indicates expansion in the overall economy for the 13th month in a row after contraction in April 2020. The New Orders Index registered 66%, decreasing 1 percentage point from the May reading of 67%. The Production Index registered 60.8%, an increase of 2.3 percentage points compared to the May reading of 58.5%. The Prices Index registered 92.1%, up 4.1 percentage points compared to the May figure of 88% and the index's highest reading since July 1979 (93.1%). The Backlog of Orders Index registered 64.5%, 6.1 percentage points lower than the May reading of 70.6%. The Employment Index registered 49.9%; 1 percentage point lower compared to the May reading of 50.9%. The Supplier Deliveries Index registered 75.1%, down 3.7 percentage points from the May figure of 78.8%. The Inventories Index registered 51.1%, 0.3 percentage point higher than the May reading of 50.8%. The New Export Orders Index registered 56.2%, an increase of 0.8 percentage point compared to the May reading of 55.4%. The Imports Index registered 61%, a 7 percentage point increase from the May reading of 54%.

Seventeen of eighteen manufacturing industries reported growth in June, in the following order: Furniture & Related Products; Machinery; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Plastics & Rubber Products; Chemical Products; Fabricated Metal Products; Transportation Equipment; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Textile Mills; Primary Metals; Food, Beverage & Tobacco Products; Paper Products; Printing & Related Support Activities; Wood Products; and Petroleum & Coal Products. No industry reported a decrease in June. *Source: Institute for Supply Management, 07.01.2021*

Industry News

Reshoring Adds More Than 100,000 Jobs To U.S. Economy In 2020

One bright silver lining to the pandemic is the broad public and corporate realization and acknowledgement of the need to shorten supply chains and produce goods at home. Despite COVID, reshoring numbers were up in 2020. Reshoring and foreign direct investment (FDI) job announcements for 2020 were 160,649, bringing the total jobs announced since 2010 to over 1 million (1,057,054). Also of significant importance: reshoring exceeded FDI by nearly 100%, the first beat for reshoring since 2013. Additionally, the number of companies reporting new reshoring and FDI set a new record: 1,484 companies. Reshoring will continue to be key to U.S. manufacturing and economic recovery in 2021 and beyond. Read full report here. ***Source: ReshoreNow, 05.26.2021***



U.S. Factory Activity Index Rises To Record High In June – Markit

A measure of U.S. factory activity climbed to a record high in June, but manufacturers are still struggling to secure raw materials and qualified workers, substantially raising prices for both businesses and consumers. Data firm IHS Markit said on June 23 its flash U.S. manufacturing PMI rose to a reading of 62.6 this month. That was the highest since the survey was expanded to cover all manufacturing industries in October 2009 and followed a final reading of 62.1 in May.

The survey was conducted between June 10 and June 22. Economists polled by Reuters had forecast the index slipping to 61.5. A reading above 50 indicates growth in manufacturing, which accounts for 11.9% of the U.S. economy.

The strength in manufacturing bolsters economists' expectations for double-digit growth in the second quarter. Demand shifted to goods from services as the COVID-19 pandemic kept Americans at home and is remaining robust even as vaccinations and trillions of dollars in relief money from the government allow the economy to reopen more broadly. But supply is struggling to cope with the demand surge, leading to huge backlogs of uncompleted work as well as sky-rocketing prices for raw materials and finished products, which are feeding into higher inflation.

Federal Reserve Chair Jerome Powell told lawmakers on June 23 that inflation has "increased notably in recent months," which he attributed in part to the supply bottlenecks and the rebound in spending as the economy continues to reopen. Powell expressed optimism that inflation will subside "as these transitory supply effects abate." IHS Markit said "average supplier delivery times lengthened to the greatest extent on record."

The survey's measure of prices paid by manufacturers rose to the highest level since the series started. It said "firms raised their selling prices at a quicker rate in an effort to pass on these higher costs." The survey's new orders measure slipped, noting also that "firms struggled to find staff or entice workers back to employment."

Though IHS Markit's flash services sector PMI dropped to 64.8 from a reading of 70.4 in May, it was still the second highest since data collection began in October 2009. Businesses in the services sector, which accounts for more than two-thirds of U.S. economic activity, worried about rising inflation and the inability to find qualified labor and people willing to work.

There are a record 9.3 million job openings. About 9.3 million people are classified as officially unemployed.

With services activity moderating, overall business activity cooled this month. The survey's flash composite PMI output index, which tracks the manufacturing and services sectors, fell to 63.9 from a final reading of 68.7 in May.
Source: Reuters, 06.23.2021

Industry News

Bipartisan Infrastructure Deal Back on Track

A bipartisan deal to invest nearly $1 trillion in the nation's infrastructure appeared to be back on track June 27 after a stark walk-back by President Joe Biden to his earlier insistence that the bill be coupled with an even larger Democrat-backed measure in order to earn his signature. Republican senators who brokered the agreement with the White House and Democrats to fund badly needed investments in roads, bridges, water and broadband internet indicated they were satisfied with Biden's comments that he was dropping the both-or-nothing approach. In a statement issued Saturday after 48 hours of behind-the-scenes maneuvering by the White House to salvage the deal, Biden said it was not his "intent" to suggest he was issuing a veto threat on the bill. That proved to be enough for some wavering Republicans, who have privately and not-so-privately registered their displeasure at the linkage.

"Over the weeks and weeks in negotiations with Democrats and with the White House on an infrastructure bill, the president's other agenda was never linked to the infrastructure effort," Utah Republican Sen. Mitt Romney said on CNN's "State of the Union" on Sunday. He said that if Biden had not put out the statement, "I think it would have been very, very hard for Republicans to say, yes, we support this." "We're not going to sign up for a multitrillion-dollar spending spree," he added, referencing the larger Democratic bill.

Romney said he believed there was now sufficient GOP support in the Senate to reach the 60-vote threshold to overcome a potential filibuster and pass the bipartisan package. Another GOP negotiator, Sen. Bill Cassidy of Louisiana, even predicted that Senate Minority Leader Mitch McConnell, who has staked out a path back to the majority relying in large part on stiff opposition to the Biden agenda, would even support the final bill. "If we can pull this off, I think Mitch will favor it," he said on NBC's "Meet the Press." "I think Leader McConnell will be for it, if it continues to come together as it is."

Montana Sen. Jon Tester, a Democrat, predicted the measure would draw more than the minimum 10 Republican senators needed to pass the bipartisan accord in the 50-50 Senate, where 60 votes are required to advance most bills, but he said there would likely be "bumps in the road" along the way. "We'll work those problems," he said on CBS News' "Face The Nation." "I think we'll get far more than 60 votes."

The bipartisan accord has been a key priority for Biden as he tries to deliver on a campaign promise to restore bipartisan cooperation to Washington and to show centrist Democrats and others that the White House was working with Republicans before Biden tries to push the broader package through Congress. The two measures were always expected to move together through Congress: the bipartisan plan and a second bill that would advance under special rules allowing for passage solely with majority Democrats' votes and is now swelling to as much as $6 trillion. Biden reiterated that was his plan on Saturday but said he was not conditioning one on the other.

"So to be clear," his statement said, "our bipartisan agreement does not preclude Republicans from attempting to defeat my Families Plan; likewise, they should have no objections to my devoted efforts to pass that Families Plan and other proposals in tandem."

Still, it remained to be seen what impact Biden's comments would have on progressive lawmakers in the House and Senate, who have pushed Biden not to moderate his agenda in pursuit of bipartisanship. House Speaker Nancy Pelosi, D-Calif., has said her chamber would not take up the bipartisan proposal until the Senate first acted on the larger Democrat-backed bill.

"I think it's very important for the president to know that House progressives, and I believe, you know, the Democratic Caucus, is here to ensure that he doesn't fail," New York Rep. Alexandria Ocasio-Cortez said on "Meet the Press." "And we're here to make sure that he is successful in making sure that we do have a larger infrastructure plan."

"It's very important that we pass a reconciliation bill and a Families Plan that expands child care, that lowers the cost of Medicare, that supports families in the economy," she added. Pressed on whether Biden was serious about signing the bipartisan bill without the Democratic one, White House senior adviser Cedric Richmond said Biden's words "speak for themselves."

"I don't think it's a yes-or-no question," he said on CNN's "State of the Union." "We expect to have both bills in front of us to sign. And I expect that President Biden will sign the infrastructure bill, he will sign the Families Plan."

Biden was set to travel to Wisconsin on June 23 for the first stop on a nationwide tour to promote the infrastructure package, the White House said. ***Source: AP, 06.28.2021***

Infrastructure Deal Highlights

An infrastructure spending framework negotiated by the White House and a bipartisan group of lawmakers carries a price tag of $973 billion over five years, or $1.2 trillion over eight years.

Read Here

CELEBRATING OUR PAST

1921

2021

FORGING OUR FUTURE

The O'Neal Family of Companies is celebrating an important milestone in 2021 - 100 years in the metals industry, guided by four generations of O'Neal leadership.

With roots tracing back to 1921 with the founding of O'Neal Steel, we have become the nation's largest family-owned network of metals service centers and component manufacturers. Today, we are composed of a parent company, O'Neal Industries, and eight affiliate companies: G&L Tube, Leeco Steel, Locate Supplies, O'Neal Manufacturing Services, O'Neal Steel, Stainless Tubular Products, TW Metals, and United Performance Metals.

To honor and commemorate this achievement, we would like to recognize and thank those whose contributions have made O'Neal's success possible. We thank our employees who have dedicated years of service and carried out our founding principles of integrity and commitment to excellence. We also thank our customers who we are fortunate to serve each and every day.

Our centennial is not only a celebration of the past, but a celebration of what the future holds, as our family of companies, employees, and customers continues to grow for years to come.

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