TW METALS
AN ONI COMPANY

Economic News
Key Economic Indicators
Industry Articles
Trade News

Market Insight

March 2021

<u>The Employment Record Shows An Unexpectedly Large Gain</u>—Hiring picked up last month as states lifted restrictions and stepped up vaccination efforts, with the government reporting on March 5 that the American economy added 379,000 jobs last month.

The pace of hiring in February was an unexpectedly large improvement over the gains made in January. It was also the strongest showing since October. But there are still about 9.5 million fewer jobs today than a year ago. Congress is considering a $1.9 trillion package of pandemic relief intended to carry struggling households and businesses through the coming months.

Other measures in the December jobs report had hinted at a tentative firming in labor market conditions. The number of so-called permanent job losers decreased by 348,000 to 3.4 million at the end of last year, albeit while still holding 2.3 million higher than from February 2019.

The unemployment rate in February was 6.2%, down from the previous month's rate of 6.3%. Full Story *Source: NYTimes, 03.05.2021*

<u>Powell Says Inflation Is Still 'Soft' And The Fed Is Committed To Current Policy</u>—Inflation and employment remain well below the Federal Reserve's goals, meaning easy monetary policy is likely to accompanied heightened concern over inflation, Powell stay in place, central bank Chairman Jerome Powell said February 23. Despite a sharp rise this year in bond yields that has said price pressures remain mostly muted and the economic outlook is still "highly uncertain." "The economy is a long way from our employment and inflation goals, and it is likely to take some time for substantial further progress to be achieved," the Fed chief said in prepared remarks for the Senate Banking Committee. He added that the Fed is "committed to using our full range of tools to support the economy and to help ensure that the recovery from this difficult period will be as robust as possible."

However, Powell's statement did not mention the market's most pressing concern: the jump in 2021 of longer-duration government bond yields to levels not seen since before the Covid-19 pandemic. The 30-year bond, for instance, is up more than half a percentage point and the benchmark 10-year yield has risen 44 basis points. Powell noted that the pandemic "has also left a significant imprint on inflation" and on balance it is not a threat to the economy. "Following large declines in the spring, consumer prices partially rebounded over the rest of last year. However, for some of the sectors that have been most adversely affected by the pandemic, prices remain particularly soft," he said. "Overall, on a 12-month basis, inflation remains below our 2% longer-run objective."

The Fed last year revised its approach to inflation. In the past, it would levy preventive rate hikes when it saw unemployment drop, thinking that a stronger job market would push up prices. Now, it has adopted an approach in which it will allow inflation to average above 2% for a period of time before moving to tighten policy. "This change means that we will not tighten monetary policy solely in response to a strong labor market," Powell said. Full Story *Source: CNBC, 02.23.2021*

On the Post-Pandemic Horizon, Could That Be … A Boom?

<u>The U.S. economy remains mired in a pandemic winter of shuttered storefronts, high unemployment and sluggish job growth</u>. But on Wall Street and in Washington, attention is shifting to an intriguing if indistinct prospect: a post-COVID boom. Forecasters have always expected the pandemic to be followed by a period of strong growth as businesses reopen and Americans resume their normal activities. But in recent weeks, economists have begun to talk of something stronger: a supercharged rebound that brings down unemployment, drives up wages and may foster years of stronger growth.

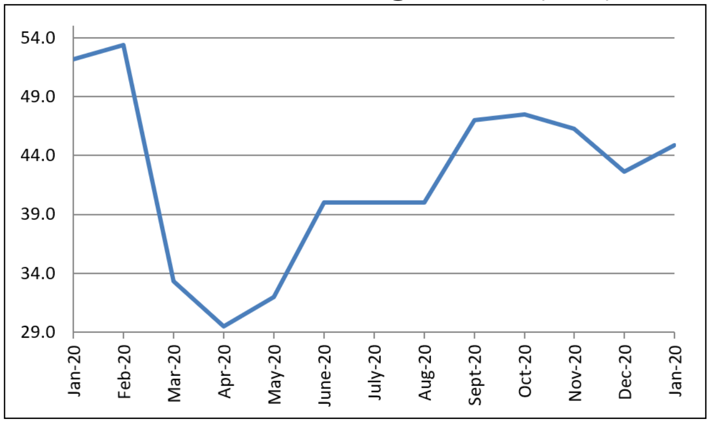
There are hints that the economy has turned a corner: Retail sales jumped last month as the latest round of government aid began showing up in consumers' bank accounts. New unemployment claims have declined from early January, though they remain high. Measures of business investment have picked up, a sign of confidence from corporate leaders.

Economists surveyed by the Federal Reserve Bank of Philadelphia this month predicted that U.S. output will increase 4.5% this year, which would make it the best year since 1999. Some expect an even stronger bounce: Economists at Goldman Sachs forecast that the economy will grow 6.8% this year and that the unemployment rate will drop to 4.1% by December, a level that took eight years to achieve after the last recession.

"We're extremely likely to get a very high growth rate," said Jan Hatzius, Goldman's chief economist. "Whether it's a boom or not, I do think it's a V-shaped recovery," he added, referring to a steep drop followed by a sharp rebound.
The growing optimism stems from the confluence of several factors. Coronavirus cases are falling in the United States. The vaccine rollout, though slower than hoped, is gaining steam. And largely because of trillions of dollars in federal help, the economy appears to have made it through last year with less structural damage — in the form of business failures, home foreclosures and personal bankruptcies — than many people feared last spring. Full Story *Source: NYTimes, 02.23.2021*

Key Economic Indicators

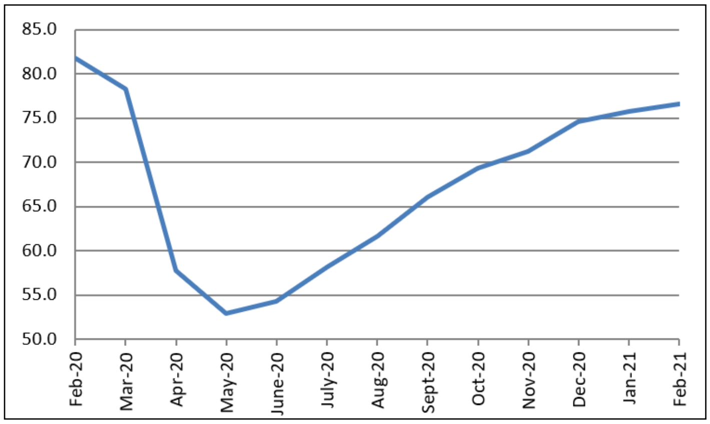
Architecture Billings Index (ABI)



A slight improvement in business conditions has led to fewer architecture firms reporting declining billings, according to a new report today from The American Institute of Architects (AIA). AIA's Architecture Billings Index (ABI) score for January was 44.9* compared to 42.3 in December (any score below 50 indicates a decline in firm billings). Last month's score indicates overall revenue at U.S architecture firms continued to decline from December to January, however, the pace of decline slowed. Inquiries into new projects during January grew for the second month in a row, with a score of 56.8 compared to 51.7 in December. The value of new design contracts also reflected an easing in the pace of decline, rising to a score of 48.8 in January from 47.0 the previous month..

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, 02.24.2021

Steel Capability Utilization

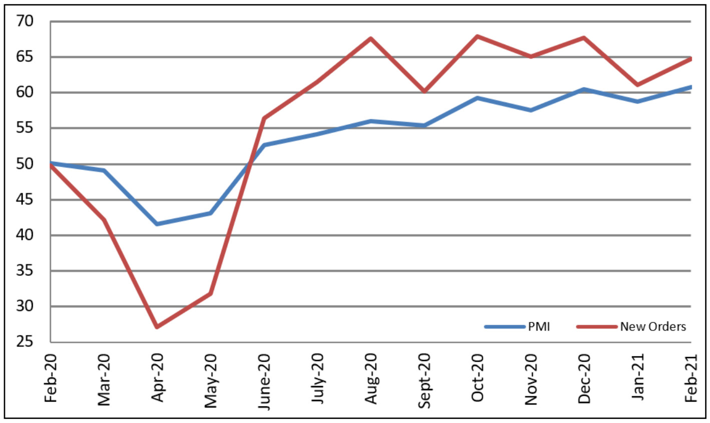


In the week ending on February 27, 2021, domestic raw steel production was 1,749,000 net tons while the capability utilization rate was 77.2%. Production was 1,880,000 net tons in the week ending February 27, 2020 while the capability utilization then was 81.3%. The current week production represents a 7.0% decrease from the same period in the previous year. Production for the week ending February 27, 2021 is up 0.2% from the previous week ending February 20, 2021 when production was 1,745,000 net tons and the rate of capability utilization was 77.0%.

Adjusted year-to-date production through February 27, 2021 was 14,357,000 net tons, at a capability utilization rate of 76.5%. That is down 8.4% from the 15,674,000 net tons during the same period last year, when the capability utilization rate was 81.9%.

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, 03.01.2021

Purchasing Managers Index (PMI)®



The February Manufacturing PMI® registered 0.8%, an increase of 2.1 percentage points from the January reading of 58.7%. This figure indicates expansion in the overall economy for the ninth month in a row after contraction in March, April, and May. The New Orders Index registered 64.8%, up 3.7 percentage points from the January reading of 61.1%. The Production Index registered 63.2%, an increase of 2.5 percentage points compared to the January reading of 60.7%. The Backlog of Orders Index registered 64%, 4.3 percentage points above the January reading of 59.7%. The Employment Index registered 54.4%, 1.8 percentage points higher from the January reading of 52.6%. The Supplier Deliveries Index registered 72%, up 3.8 percentage points from the January figure of 68.2%. The Inventories Index registered 49.7%, 1.1 percentage points lower than the January reading of 50.8%. The Prices Index registered 86%, up 3.9 percentage points compared to the January reading of 82.1%. The New Export Orders Index registered 57.2%, an increase of 2.3 percentage points compared to the January reading of 54.9%. The Imports Index registered 56.1%, a 0.7-percentage point decrease from the January reading of 56.8%.

Of the 18 manufacturing industries, 16 reported growth in February, in the following order: Textile Mills; Electrical Equipment, Appliances & Components; Primary Metals; Paper Products; Chemical Products; Machinery; Fabricated Metal Products; Transportation Equipment; Wood Products; Plastics & Rubber Products; Computer & Electronic Products; Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Furniture & Related Products; and Nonmetallic Mineral Products. The two industries reporting contraction in February are: Printing & Related Support Activities; and Petroleum & Coal Products. *Source: Institute for Supply Management, 03.01.2021*

Industry News

Orders For U.S. Durable Goods Climb 3.4% In January

Orders to U.S. factories for big-ticket goods shot up 3.4% in January, pulled up by surge in orders for civilian aircraft. A category that tracks business investment posted a more modest gain, the Commerce Department reported on February 25.

Orders for goods meant to last at least three years have now risen nine straight months, another sign that manufacturing has proven resilient in the face of the coronavirus pandemic. The January gain— triple what economists had expected—followed upticks of 1.2% in December and 1.3% in November. Orders have now surpassed pre-pandemic levels; they're up 3.5% from a year earlier. Orders for civilian aircraft and parts jumped 389.9%. Excluding transportation equipment, which can bounce wildly from month to month, durable goods orders were up a solid 1.4%.

"Durable goods are putting the pandemic in the rearview mirror," economists Oren Klachkin and Gregory Daco of Oxford Economics said in a research note, adding that "factory activity will expand solidly in the near term, driven by hearty consumer demand for goods and inventory restocking." President Joe Biden's financial relief package, being debated in Congress, is likely to "pad consumers' wallets and buoy the near-term outlook."

A category economists watch for hints at future investment—orders for nondefense capital goods excluding aircraft—rose 0.5%.
Source: AP, 02.25.2021

Momentum Builds In U.S. For Comprehensive Infrastructure Investments

The winter power outages in Texas and other states drew attention in the past weeks to the United States' crumbling infrastructure. In fact, a headline from *New York Magazine* even proclaimed, "America's brittle infrastructure is on display in Texas."

Federal policymakers in Washington, D.C. do seem intent, at this point at least, to take up a massive infrastructure bill after they are done negotiating a new COVID-19 relief package. President Joe Biden invited labor union leaders to the White House week of February 15 to discuss the issue. He also met with members of Congress and U.S. Department of Transportation Secretary Pete Buttigieg.

After the meetings, President Biden told reporters, "We are so far behind the curve … We rank 38th in the world in terms of infrastructure."

In a webinar on February 17 with MSCI President and CEO Bob Weidner, Ed Mortimer from the U.S. Chamber of Commerce explained that, in the U.S. Congress, lawmakers on the House Transportation and Infrastructure Committee and the Senate Environment and Public Works Committee already have started to consider what should be in federal infrastructure legislation. Indeed, Environment and Public Works Committee Chair Tom Carper (D-Del.) has said his committee will hold hearings on a new Water Resources Development Act bill and a new surface transportation reauthorization package before the end of May. The Metals Service Center Institute (MSCI) joined the U.S. Chamber of Commerce and the Bipartisan Policy Council's Build by the Fourth of July coalition, which includes more than 300 organizations nationwide, to send a letter to members of Congress calling on legislators to enact comprehensive, bipartisan infrastructure legislation before July 4, 2021. Click here to read the letter.

And in related news, the Biden administration has rescinded Trump-era draft guidance that had sought to prevent consideration of long-term emissions impacts deemed "remote or speculative" in analyses of infrastructure projects that are required by the National Environmental Policy Act (NEPA). (NEPA requires environmental impact analyses to be carried out before projects likes pipelines and highways are started.) The Trump administration had argued its proposed change would expedite federal permits. The Biden administration is now encouraging agencies to consider how each infrastructure project will impact climate change. ***Source: MSCI, 02.22.2021***

Steel Imports Down 23% In January 2021 Compared To January 2020

Based on preliminary Census Bureau data, the American Iron and Steel Institute (AISI) reported on February 25 that the U.S. imported a total of 2,422,000 net tons (NT) of steel in January 2021, including 1,239,000 net tons (NT) of finished steel (down 23.1% and 24.8%, respectively, vs. January 2020). Total and finished steel imports are up 62.2% and down 7.5%, respectively, vs. the prior month, December 2020. Finished steel import market share was an estimated 15% in January 2021.

Key finished steel products with a significant import increase in January compared to December are reinforcing bars (up 121%), heavy structural shapes (up 115%), sheets and strip all other metallic coatings (up 20%), structural pipe and tubing (up 29%) and mechanical tubing (up 12%). ***Source: AISI, 02.25.2021***

U.S. Infrastructure Gets C- From Engineers As Roads Stagnate

America's infrastructure has scored near-failing grades for its deteriorating roads, public transit and storm water systems due to years of inaction from the federal government, the American Society of Civil Engineers reports. Its overall grade: a mediocre C-. In its "Infrastructure Report Card" released March 3, the group called for "big and bold" relief, estimating it would cost $5.9 trillion over the next decade to bring roads, bridges and airports to a safe and sustainable level. That's about $2.6 trillion more than what government and the private sector already spend.

"America's infrastructure is not functioning as it should, and families are losing thousands of dollars a year in disposable income as a result of cities having to fix potholes, people getting stuck in traffic or due to repairs when a water line breaks or the energy grid goes down," said Greg DiLoreto, one of the group's past presidents. "It's critical we take action now," he said, expressing optimism that the federal government is now making it a "top priority."

During Donald Trump's four years in the White House, his administration often held "Infrastructure Week" events and touted transportation improvements. But it was not able to push Congress to pass any broad plan to update the nation's roads and bridges, rails and airports.

The overall C- grade on America's infrastructure—reflecting a "mediocre" condition with "significant deficiencies"—is a slight improvement from its D+ grade in 2017. The group cited in part state and local government and private-sector efforts, which have turned to new technology to pinpoint water main leaks and prioritize fixes. But of the 17 categories making up the overall grade, 11 were in the D range that indicated a "significant deterioration" with a "strong risk of failure." They included public transit, storm water infrastructure, airports and roads and highways, which make up the biggest chunk of U.S. infrastructure spending at $1.6 trillion, according to the group. Four areas got Cs: bridges, which dropped from a C+ to a C in 2021, energy, drinking water and solid waste. Just two areas—ports and rail—scored higher, with a B- and B, respectively.

President Joe Biden's administration and lawmakers in recent weeks have begun laying the groundwork for a long-sought boost to the nation's roads, bridges and other infrastructure of $2 trillion or more, to be unveiled after Congress approves legislation on COVID-19 relief.

Transportation Secretary Pete Buttigieg, who has been meeting with lawmakers about the effort, has said the aim would be to rejuvenate the post-coronavirus pandemic economy and boost crumbling roads and bridges while encouraging alternative forms of transportation to cars, as well as create thousands of green jobs by making environmentally friendly retrofits and public works improvements.

"This report card is a warning and a call to action," Buttigieg told The Associated Press. "A generation of disinvestment is catching up to us, and we must choose whether to allow our global competitors to pull ahead permanently, or to invest in the safety, equity, resilience and economic strength that superior infrastructure can bring to Americans." Buttigieg announced on March 2, the first low-cost federal transportation loan in the Biden administration, up to $448 million to Texas for toll-road projects in Austin to ease congestion, touting bike-friendly features such as a planned 10-foot-wide paved sidewalk for cyclists and pedestrians with access to trails. "As communities across the country continue to battle the pandemic, we are committed to being a partner to help them save money, reduce congestion and improve mobility, safety, and accessibility," said Buttigieg, a former mayor of South Bend, Indiana, who will address the engineers group later March 3.

In its report card, the group said years of inaction has had consequences. It cited growing costs being passed along to consumers as cities and states grapple with funding shortages to fix roads and bridges and delay other major upgrades to infrastructure. The nation's weak infrastructure has been a problem for communities, including Texas' recent struggles with power outages and water shortages after a brutal winter storm. Unusually frigid conditions led to frozen pipes that burst and flooded homes, and millions of residents lost heat and running water.

According to the report card, the nation is only paying about half of what it needs to lift overall U.S. infrastructure to an acceptable "B" level. Left unaddressed, America's overdue infrastructure bill by 2039 will cost the average American household $3,300 a year, or $63 a week, the group said. It urged strong leadership, greater investment and "new approaches," such as taking into account the reality of climate change in longer-term capital improvement plans. "Big and bold action from Washington, as well as continued prioritization by states and localities, is needed to bring all our infrastructure to a state of good repair," the report card said.

Source: AP, 03.03.2021

Special Section: Trade News

U.S. Trade Nominee Says Biden Team Backs Use Of Tariffs

The administration of President Joe Biden views tariffs as a valuable policy tool, the nominee to be the next U.S. Trade Representative, Katherine Tai, told lawmakers February 25 at her confirmation hearing. "Tariffs are a very important part of our fair trade remedies toolbox," Tai told the Senate Finance Committee, signaling the new U.S. team on commerce policy had no plans for a complete about-face from the hardline stance of Donald Trump's government.

Tai—who also echoed the Biden administration's commitment to multilateral bodies during the hearing—signaled support for maintaining Trump administration tariffs on imported steel and aluminum and vowed to keep China honest on an agreement struck a year ago. "We have to acknowledge that we have ... a very significant global marketplace problem in the steel and aluminum markets that are driven primarily by China's overcapacity," Tai said. "But it's not, it's not just a China problem."

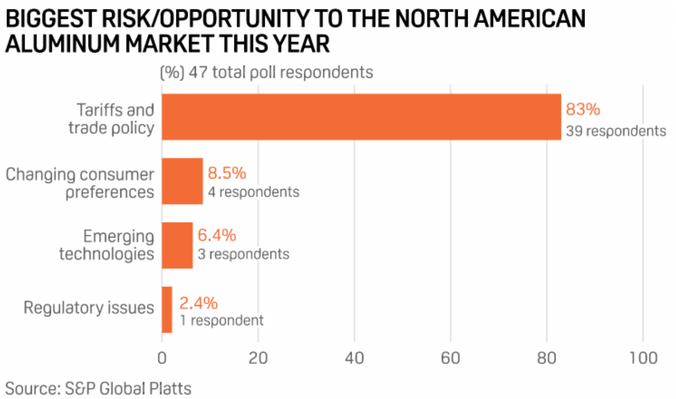
Tai said she would work to ensure that China meets its commitments under a January 2020 trade accord between Beijing and Washington. But she said she supports a "holistic review on China" and U.S.-China strategy. Tai also noted that the U.S. was a founding member of the World Trade Organization, which had been a favorite punching bag for the Trump administration.

"We need to be having hard conversations in Geneva in a constructive way" in order to strengthen the body," Tai said.
Source: Agence France-Presse, 02.26.2021

Tariffs, Trade Policy Pose Biggest Variable for North American Aluminum Market In 2021: Poll

U.S. tariffs and trade policy represent the most influential factors affecting the North American aluminum market this year, industry respondents said in an S&P Global Platts poll.

Out of 47 poll respondents, an 83% majority chose tariffs and trade policy as potentially offering either the greatest risks or opportunities for the domestic aluminum industry in 2021. Regarding other factors that may have the biggest impact, 8.5% pointed to changing consumer preferences, 6.4% to emerging technologies, and 2.1% to regulatory issues.



The U.S.'s 10% tariff on aluminum imports, now enforced under Section 232 and paired with 25% steel tariffs, has been met with mixed reactions since its implementation under former President Donald Trump in 2018.

The tariff has had a particularly negative impact on downstream aluminum producers and users in the U.S. to date, according to Michael Belwood, vice president of government affairs for Arconic.

"Section 232 has created substantial uncertainty for domestic producers, but also for people who import products into the U.S.," Belwood told attendees during the S&P Global Platts Aluminum Virtual Symposium in February.

"Its stated objective was to really protect the primary aluminum production in the U.S. as a way to support national security, but actually what it did for downstream producers like us was raise the cost of our material input which then had to be passed on to our customer base and has been controversial within that customer base."

Platts polled a variety of aluminum industry participants including those representing producers along the supply chain, traders, scrap dealers, consultants and end users.

Industry expects slow tariff changes under Biden—In the same poll, 61.1% of 54 respondents predicted that President Joe Biden will slowly repeal the Section 232 aluminum tariff during his presidency in favor of specific trade deals arranged with individual countries.

The expectation for the phased replacement of the tariff compares with 22.2% of respondents who felt the tariff would be unchanged, 9.3% who said they expected a full repeal of the tariff on only market economy countries and 7.4% who projected the tariff to be removed for all countries.

Julia Mendoza, partner at Morris, Manning & Martin, said Biden may face pressure from establishments such as the World Trade Organization to drop the tariff and reach another solution.
Full Story *Source: S&P Global Platts, 02.22.2021*

TW METALS
AN ONI COMPANY

CELEBRATING OUR PAST
1921 100 O'NEAL 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 three 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.

ONI
O'NEAL INDUSTRIES

2311 Highland Avenue South, Suite 200 | Birmingham, AL 35205 | 205.721.2880 | onealind.com

G&L TUBE | Leeco STEEL | LOCATE SUPPLIES LTD | O'NEAL MANUFACTURING SERVICES Let's Build Things® | O'NEAL STEEL THE METALS COMPANY | STP STAINLESS TUBULAR PRODUCTS | TW METALS AN ONI COMPANY | UNITED PERFORMANCE METALS