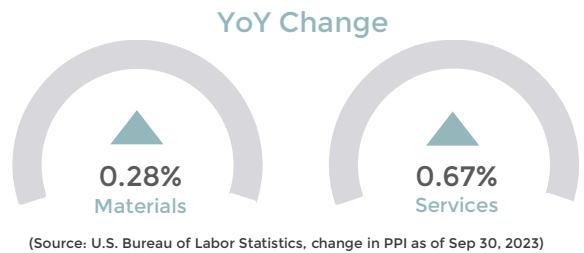
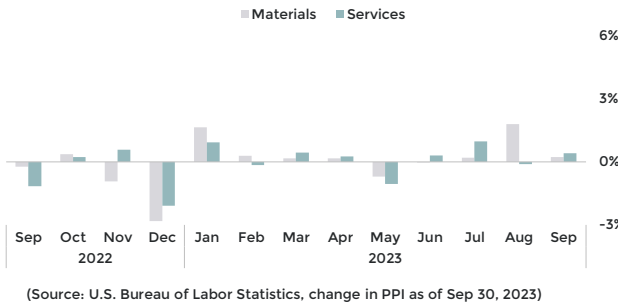


Construction Inflation At a Glance



The producer price index (PPI) for net inputs to construction industries - not seasonally adjusted (a broad index that measures producer inflation in materials and services to construction excluding capital investments, labor, and imports)

MoM% change for Construction Materials & Services

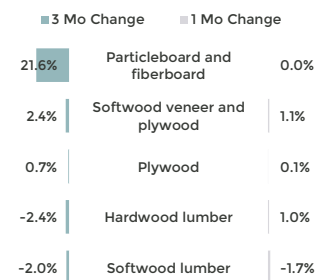


Deeper into the woods | In the final week of October, the lumber futures dipped below \$485 per thousand board feet (mbf); a 4% drop from the previous month and a substantial 21% decrease from the previous year. The market now echoes a semblance of pre-pandemic stability, a welcome respite for industry players. **Producer Price Index (PPI) for softwood lumber decreased -1.7% in September month-on-month and is 15.2% lower than a year ago.**

However, this stability is fragile, as the housing sector experiences turbulent times due to surging borrowing costs. October echoed a 20 year high in average 30-year fixed mortgage rates at 8%, impacting builder sentiment severely. The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI), a key gauge of builder sentiment, reported a four-point drop in the index, marking the third consecutive monthly decline. The repercussions of rising rates reverberate through the industry. Development and construction loans are becoming scarce and more expensive, disrupting the supply chain and worsening housing affordability challenges. To lure hesitant buyers into the market, home builders are employing various incentives, such as mortgage buy-downs and additional upgrades. Home builders are adapting to market conditions, offering a range of incentives, yet the challenges in financing and affordability persist.

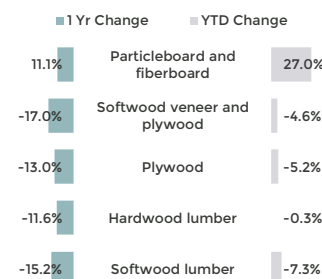
Median sales prices saw a sharp decline, with the median price for newly built single-family houses dropping by a staggering 12.32% in September compared to the previous year, plummeting from \$477,700 to \$418,800. The latest figures on New Residential Construction indicate a 7.0% increase in housing starts in September from the previous month, countered by a 7.2% decline compared to the same period last year on a seasonally adjusted basis. Permits, a key indicator of future construction activity, dropped by 4.4% month-on-month and 7.2% year-on-year.

Lumber & Wood Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

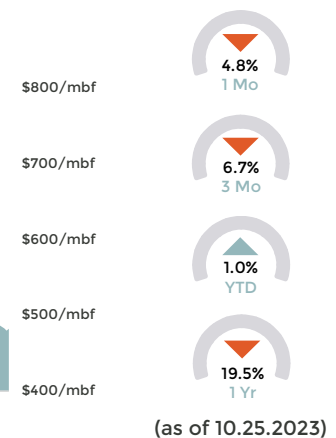
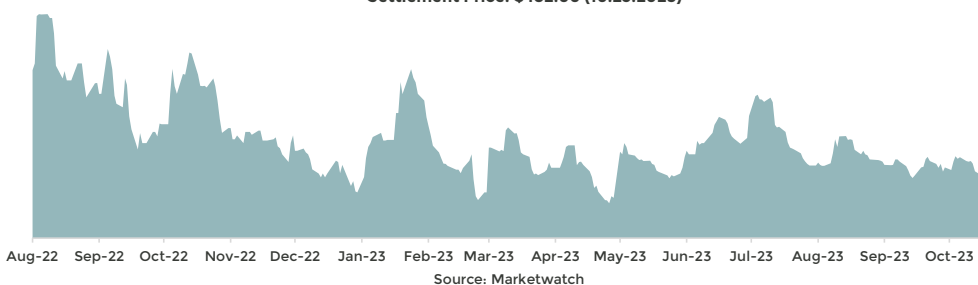
Lumber & Wood Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

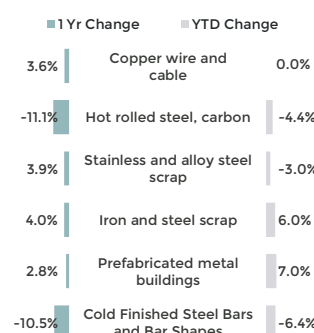
Lumber Continuous Futures (CME: LBR00)

52 Week High: \$627.00 (02.01.2023)
52 Week Low: \$436.00 (03.03.2023)
Settlement Price: \$482.00 (10.25.2023)

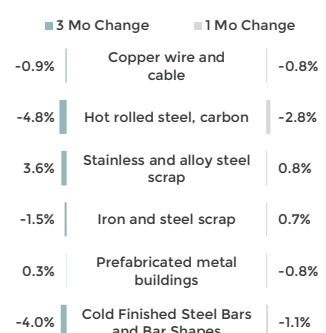


Out of the furnace | Hot rolled coil (HRC) prices have rebounded dramatically, resembling a tightly wound spring released. Towards the end of October 2023, HRC futures experienced a remarkable surge, surpassing \$125/st and rallying above \$800 per short ton (st). Notably, within the preceding 30 days leading to October 25, 2023, HRC futures witnessed an impressive 18% surge. This escalation, compared to the figures from a year ago, represents an 20% rise.

Metals & Metal Products

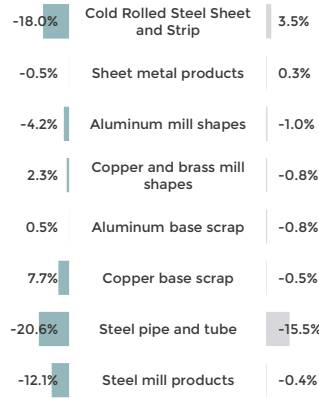


Metals & Metal Products



Both US and Canadian steel mills are once again hiking their prices. Nucor and Cleveland-Cliffs elevated their HRC minimum rates to \$800/st on October 19. Canadian mill ArcelorMittal Dofasco increased their prices to \$803/st.

These price hikes are yet to impact government data and surveys. In September, the Producer Price Index (PPI) for steel mill products exhibited a decline of 3.7% compared to the previous month and 12.1% year-on-year. Reasonable to expect PPI for ferrous commodities to rise in the coming months.



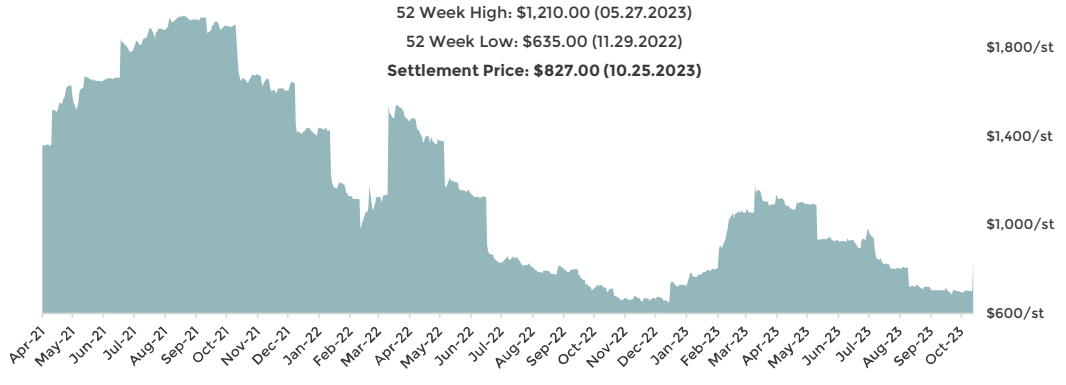
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)



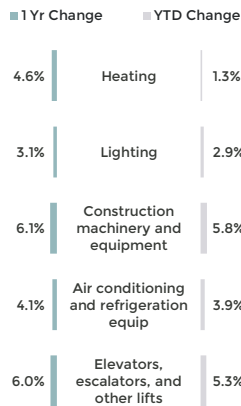
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)



Hot-rolled Coil Steel Continuous Futures (Nymex: HRN00)

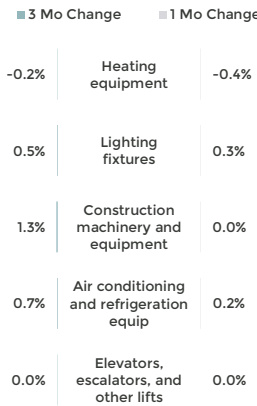


Equipment & Others



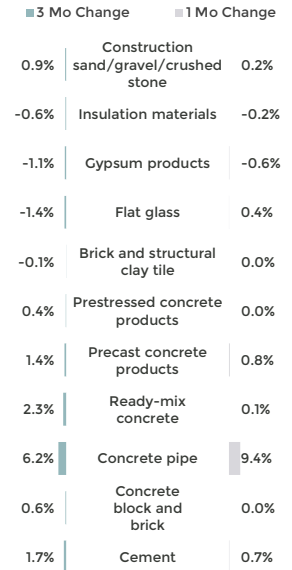
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

Equipment & Others



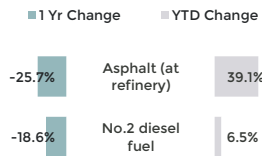
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

Nonmetallic Mineral Products



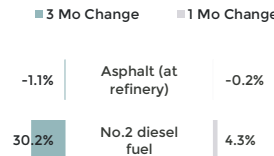
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

Fuels & Related Products



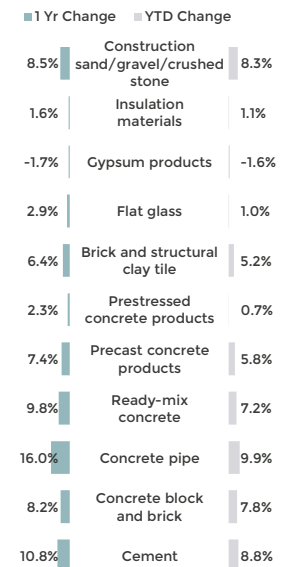
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

Fuels & Related Products



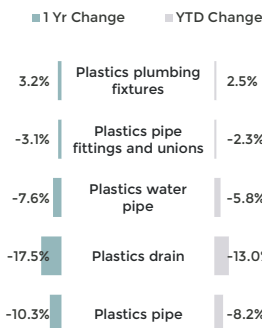
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

Nonmetallic Mineral Products



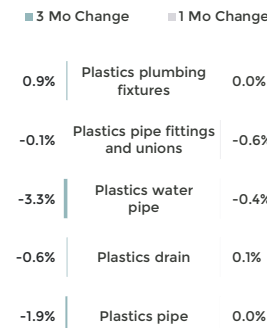
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

Rubber & Plastic Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)

Rubber & Plastic Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Sep 30, 2023)