Supply-Side Takeaway:
Supply remains constrained and is pushing up domestic prices, but the next couple of weeks will provide clarity on whether this will last well into 1Q24.

The Domestic - Global differential expanded further, driven by higher US prices, while global prices are starting to show signs of follow through. Imports continue to be subdued compared to expectations, adding to significant supply restraints. Finally, capacity utilization is beginning to tick higher after 4 weeks of sharp reductions.

Notes:

- The global HRC price has begun to ease up on its downward trend since converging with the US domestic HRC price, hanging around $687 for two weeks in a row. The US domestic HRC – global HRC spread increased to $113. This is the highest the spread has been since July, but Europe and China are trending higher for two week in a row, if this continues, higher domestic prices will be supported.
- Census data for September arrivals came in at a level of 781k, up 3.69% from August. This remains just below the neutral level.
  Our October estimate for arrivals has been trending lower, with most recent data suggesting 681k of arrivals. This would be the third lowest monthly level since January 2021.
- Capacity utilization ticked up to 74.3%, this is the second week in a row of increases, bringing production up to 1.707M tons per week of raw steel. Now that the UAW Strike appears to be in the rearview mirror, what happens with domestic production will be important. Total Capacity is approaching its highest level in two years, but reduced utilization is keeping production down, if mills start clearly ramping production, the nascent rally in steel prices could fizzle early next year.