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INSIGHT

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U.S. Economy Added 661,000 Jobs in September—and unemployment fell to 7.9%. Job growth slowed further in September, as fading government support and the failure to contain the coronavirus threatened to short-circuit the once-promising economic recovery.

The monthly report, the last before the presidential election, is the latest sign that the recovery is losing steam. Government data released on October 1 showed that personal income fell in August and that consumer spending grew more slowly as supplemental unemployment benefits expired.

Even with the recent slowdown, the economy has done better than many forecasters expected in the spring. It has regained just over half of the more than 22 million jobs lost in March and April, and the unemployment rate has fallen sharply since it reached a record high of nearly 15% in April. Full Story
Source: NYTimes, 10.02.2020

Consumer Confidence Surges In September—a sign that Americans are feeling better about the general economic outlook even as the pandemic drags on. The Conference Board's Consumer Confidence Index increased to 101.8 in September, up from 86.3 last month. The index gauges consumers' optimism about the economy and is closely watched because consumer spending accounts for 70% of economic growth in the U.S.

The index sat at 132.6 in February, before the coronavirus started spreading widely in the U.S., before plunging to nearly 86 in both April and May. The benchmark then jumped in June before sliding once again. September's reading is the highest since April.

"Consumer Confidence increased sharply in September, after back-to-back monthly declines, but remains below pre-pandemic levels," Lynn Franco, senior director of economic indicators at The Conference Board, said in a statement. "A more favorable view of current business and labor market conditions, coupled with renewed optimism about the short-term outlook, helped spur this month's rebound in confidence."

The percentage of consumers indicating they feel that business conditions are good right now rose to 18.3%, though more than double that figure – 37.4% – still believe conditions are bad.

Consumers were also more hopeful about the short-term future: 37.1% believe that business conditions will improve in the next six months, while just 15.8% think things will get worse.

About a third of consumers similarly believe that the labor market is going to get better in the next six months. Unemployment has fallen since peaking at a staggering 14.7% in April, though the number of people filing initial unemployment claims has stagnated at historic levels in the last month.
Source: USAToday, 09.30.2020

Powell Pledges The Fed's Economic Aid 'For As Long As It Takes'

In remarks the central bank leader delivered September 22 to the House Financial Services Committee, Powell reiterated the Fed's commitment to helping the economy through the coronavirus pandemic and outlined what's been done so far. "We remain committed to using our tools to do what we can, for as long as it takes, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy," Powell said in his prepared testimony. The appearance is one of three Powell will make on Capitol Hill this week.

The Fed has cut short-term interest rates to near zero and launched 13 lending and liquidity programs that have helped ease market stresses and provided credit to businesses. In addition, the Federal Open Market Committee last week committed to not raising interest rates until inflation rises above 2%. While Powell said the accommodative policies will continue as needed, he added that the economy has improved.

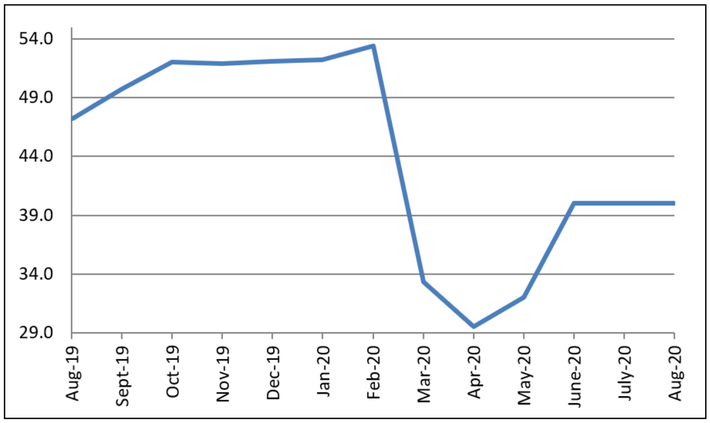
"Economic activity has picked up from its depressed second-quarter level, when much of the economy was shut down to stem the spread of the virus. Many economic indicators show marked improvement," he said. "Both employment and overall economic activity, however, remain well below their pre-pandemic levels, and the path ahead continues to be highly uncertain."

The Fed's support programs have the potential to provide more than $2 trillion in various levels of funding, though some have been used only lightly. The Main Street Lending Program, geared toward small- and medium-sized businesses, has just $2 billion or so committed though it has the potential for $600 billion. A facility in which the Fed can purchase corporate bonds on the primary market hasn't been used at all. Still, Powell said the facilities overall have unleashed about half their potential funding and will be at the ready should market stresses reemerge.

"Our economy will recover fully from this difficult period," he said. "We remain committed to using our full range of tools to support the economy for as long as is needed." *Source: CNBC, 09.22.2020*

KEY ECONOMIC INDICATORS

Architecture Billings Index (ABI)

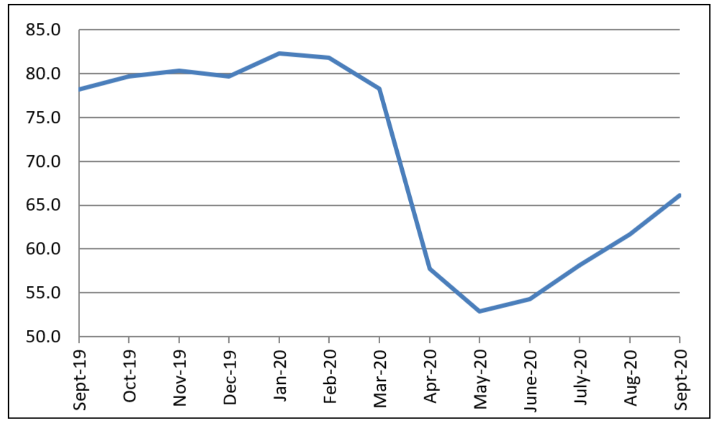


Business conditions remained stalled at architecture firms during August as demand for design services continued to decline, according to a new report from the American Institute of Architects (AIA).

The pace of decline during August remained at about the same level as in July and June, posting an Architecture Billings Index (ABI) score of 40.0 (any score below 50 indicates a decline in firm billings). Inquiries into new projects during August grew for the first time since February, and the value of new design contracts increased to a score of 46.0. As a result, fewer firms reported a decline in August, despite the fact that they remained negative overall..

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, 09.23.2020

Steel Capability Utilization



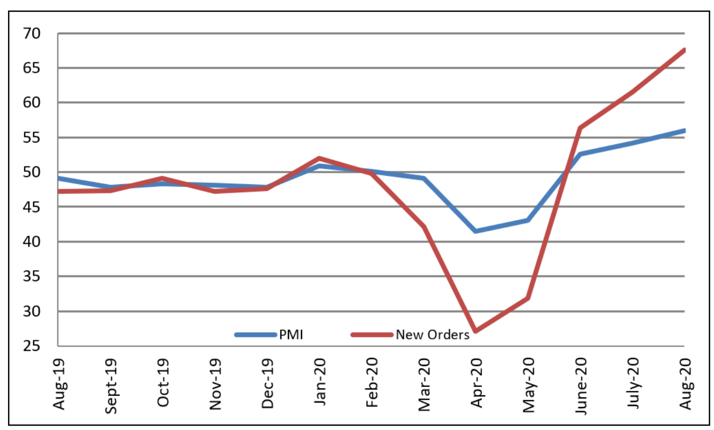
In the week ending on September 26, 2020, domestic raw steel production was 1,480,000 net tons while the capability utilization rate was 66.1%. Production was 1,801,000 net tons in the week ending September 26, 2019 while the capability utilization then was 77.4%. The current week production represents a 17.8% decrease from the same period in the previous year. Production for the week ending September 26, 2020 is up 2.4% from the previous week ending September 19, 2020 when production was 1,446,000 net tons and the rate of capability utilization was 64.5%.

Adjusted year-to-date production through September 26, 2020 was 57,654,000 net tons, at a capability utilization rate of 65.8%. That is down 20.1% from the 72,134,000 net tons during the same period last year, when the capability utilization rate was 80.3%.

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, 09.26.2020

Purchasing Managers Index (PMI)®

The September PMI® registered 55.4%, down 0.6 percentage point from the August reading of 56%. This figure indicates expansion in the overall economy for the fifth month in a row after a contraction in April, which ended a period of 131 consecutive months of growth. The New Orders Index registered 60.2%, a decrease of 7.4 percentage points from the August reading of 67.6%. The Production Index registered 61%, down 2.3 percentage points compared to the August reading of 63.3%. The Backlog of Orders Index registered 55.2%, 0.6 percentage point higher compared to the August reading of 54.6%. The Employment Index registered 49.6%, an increase of 3.2 percentage points from the August reading of 46.4%. The Supplier Deliveries Index registered 59%, up 0.8 percentage point from the August figure of 58.2%.



Of the 18 manufacturing industries, 14 reported growth in September, in the following order: Paper Products; Wood Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Fabricated Metal Products; Chemical Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Machinery; Textile Mills; Computer & Electronic Products; and Transportation Equipment. The four industries reporting contraction in September are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Petroleum & Coal Products; and Primary Metals. *Source: Institute for Supply Management, 10.01.2020*

Industry News

U.S. Core Capital Goods Orders Beat Expectations; Business Investment Rebounding

New orders for key U.S.-made capital goods increased more than expected in August and demand for the prior month was stronger than previously estimated, suggesting a rebound in business spending on equipment was underway after a prolonged slump. The upbeat report from the Commerce Department on September 25, however, did not change views that the economy's recovery from the COVID-19 recession was slowing as government money to help businesses and tens of millions of unemployed Americans runs out. New coronavirus cases are rising in some parts of the country. That could crimp consumer spending, with retail sales already slowing.

Federal Reserve Chair Jerome Powell stressed the need for more fiscal stimulus, telling lawmakers on September 22 that it could make the difference between continued recovery and a much slower economic slog. Another rescue package appears unlikely before the November 3 presidential election.

Orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, rose 1.8% last month, the Commerce Department said. Data for July was revised up to show these so-called core capital goods orders increasing 2.5% instead of 1.9% as previously estimated. Economists polled by Reuters had forecast core capital goods orders gaining 0.5% in August.

Core capital goods orders last month were boosted by increased demand for machinery, primary metals, computers and electronic products. But orders for fabricated metal products and electrical equipment, appliances and components fell. Shipments of core capital goods increased 1.5% last month. Core capital goods shipments are used to calculate equipment spending in the government's gross domestic product measurement. They advanced 2.8% in July. Business investment tumbled at a record 26% annualized rate in the second quarter, with spending on equipment collapsing at an all-time pace of 35.9%. Investment in equipment has contracted for five straight quarters. Full Story ***Source: Reuters, 09.25.2020***

Global Steel Production Increases In August

World crude steel production of 156.2 million metric tons in August was up 0.6% compared to August 2019, the Brussels-based World Steel Association reported. This represented the first month-over-month increase in production since February. For the year to date, production of 1.2 billion tons through August was down 4.2% compared with the previous year.

Production in the U.S. in August totaled 5.6 million tons, a decrease of 24.4% compared with the same month in 2019. For the year to date, U.S. production was down 19.8% to 47.1 million tons.

August production in Canada declined 25.7% to 825,000, and the year-to-date figure of 7.3 million tons was down 16.5%.

Production in Mexico of 1.3 million tons was down 17.3%, while year-to-date production of 10.6 million tons declined 16.3% compared with the first eight months of 2019.

Global leader China produced 94.8 million tons in August, an increase of 8.4% compared with 2019. Japanese production of 6.4 million tons was down 6.4%, and India produced 8.5 million tons, down 4.4%.

German production of 2.8 million tons was down 13.4%. Italy produced 900,000 tons, up 9.7%.
Source: MetalCenterNews, 09.30.2020

Primary Aluminum Production Rises 2.6% Year Over Year in August

Global primary aluminum production reached 5.49 million tons in August, flat compared with the previous month, the International Aluminum Institute reported. However, aluminum output increased on a year-over-year basis, rising from the 5.35 million tons produced in August 2019. No. 1 producer China churned out 3.17 million tons of aluminum in August, flat compared with July output.

Meanwhile, Chinese production rose nearly 7% year over year from the 2.97 million tons produced in August 2019. Elsewhere, production in Asia ex-China totaled 347,000 tons, up from 343,000 tons the previous month.

In addition, European production held flat in August. Western European aluminum output in August reached 280,000 tons, down from 281,000 tons in July and 286,000 tons in August 2019. Production in eastern and central Europe held flat month over month at 349,000 tons but fell from the 356,000 tons produced in August 2019.

Elsewhere, production among the Gulf Cooperation Council (GCC) countries totaled 480,000 tons in August, down from 488,000 tons in July and 494,000 tons in August 2019.
Source: MetalMiner, 09.30.2020

Special Section: Trade

U.S. Commerce Department Releases Enhanced Steel Import Monitoring And Analysis System

On Friday, September 11, the U.S. Department of Commerce (DOC) announced the adoption of a final rule modernizing the Steel Import Monitoring and Analysis (SIMA) system.

The rule, which goes into effect October 13, 2020:

- Requires steel import license applicants to identify not only the country of origin, but also the country where steel used in the manufacture of the imported product was melted and poured, as defined in the final rule;
- Expand the scope of steel products subject to the import licensing requirement to include all products subject to Section 232 tariffs;
- Extend the SIMA system indefinitely; and
- Codify the existing low-value license requirement for certain steel entries up to $5,000.

The department also announced that it will launch a new online platform for SIMA on the DOC's website on October 13, 2020.

In its news release, the DOC said, "The updated SIMA will offer free, modern data analytic tools to the public for performing detailed, customized data analysis. These tools will aid in the identification of changing trade patterns and surges in U.S. imports of steel products, as well as potential circumvention and evasion."

The department will hold a series of webinars for users to become familiar with the new system. These sessions will be available on a first-come, first-served basis. Click here to see specific dates and times of the demonstrations, and for information about participating.

Commerce Secretary Wilbur Ross said, "These significant improvements to SIMA will enable Commerce and the public to more readily identify transshipment and circumvention involving steel imports."

The DOC's final rule is available here.

In other news related to steel products: the U.S. International Trade Commission announced on September 16 that it will keep in place existing antidumping and countervailing duty orders on imports of steel concrete reinforcing bar from Mexico and Turkey. The announcement means that existing penalties will remain in place for five additional years.
Source: MSCI, 10.01.2020

U.S. Backs Off Canadian Aluminum Tariffs

The U.S. is dropping plans for a 10% tariff on certain types of Canadian aluminum that President Donald Trump announced just last month. The U.S. said it was backing off after determining that imports were likely to decline after an earlier surge. If the shipments do not fall as expected, officials said they would apply tariffs to the excess. The reversal comes the same day that Canada was expected to unveil its plans for retaliation.

Canadian leaders said they welcomed the U.S. decision and that, in response, they would suspend the plans to impose tariffs on C$3.6bn ($2.7bn, £2.1bn) in U.S. aluminum products. "These measures were an error from the very beginning," said Chrystia Freeland, Canada's finance minister. "This is really a day when common sense has prevailed and that's good news." Freeland described the U.S. move as "unilateral" and Canada had not agreed to abide by any import thresholds. The government remains prepared to retaliate should the U.S. decide to act on its tariff threat, she added.

"After four years of working with this American administration, we have understood that we have to be ready for anything," Freeland said. "We have to expect any possibility and we will continue being ready for any possibility."

U.S.-Canada trade tensions—The U.S. first imposed tariffs on foreign steel and aluminum in 2018, citing national security concerns. The move caused furor, especially among the country's traditional allies in Europe and Canada. The Trump administration later exempted certain countries, including Canada, from the levies, which were also controversial within the U.S. But at an event in Ohio last month, President Trump announced that he was re-imposing border taxes on certain types of Canadian aluminum, citing a flood of underpriced metal into the country. The step was "absolutely necessary to defend our aluminum industry," he said.

Canada called the move "unjustified and unacceptable", but the U.S. said the 2019 agreement that exempted Canada from the duties provided for monitoring of the imports and allowed tariffs to be re-imposed should volumes surge. In the September 15 announcement that the 10% tariff would be dropped, retroactive to September 1, the office of the U.S. Trade Representative said it expected imports over the rest of 2020 to decline by 50% from the monthly average in the first seven months of the year.

"If imports exceed 105% of the expected volume in any month the U.S. may re-impose the 10% tariff going forward," the office said, adding that it would review the state of the market with Canadian officials at the end of 2020.

Freeland did not respond directly when asked if Canada was at risk of butting up against the limits outlined by the U.S. But she noted that the U.S. has said it does not expect to review the decision before November. ***Source: BBC, 09.15.2020***

Special Section: COVID-19

How The U.S. Economic Response To The Coronavirus Pandemic Stacks Up To The Rest Of The World

The world reached a grim milestone as 1 million people have died from the coronavirus since the pandemic started, with more than 200,000 of those deaths coming from the U.S. alone. But while the U.S. health response to the coronavirus pandemic has faced criticism, the economic response has been among the best in the world. In the throes of the pandemic, the Federal Reserve and U.S. lawmakers moved swiftly to implement unprecedented stimulus aimed at supporting the largest economy in the world during a global halt to economic activity.

These measures not only stabilized the U.S. economic downturn, they also sparked a massive stock-market rally that left the rest of the world in the dust and helped the economy rebound. However, those gains and economic inroads could be in danger if lawmakers can't move forward with a new fiscal stimulus package.

"This was a very strong response," said Quincy Krosby, chief market strategist at Prudential Financial. "When you look at the cooperation between the Fed, the Trump administration and Democrats in Congress, it's not just a headline. It's an entire book unto itself."

CNBC spoke with economists and market experts to break down the monetary and fiscal measures taken in the U.S. and how they compare with those seen in other countries.

Monetary response: 'The Fed did more because they could'

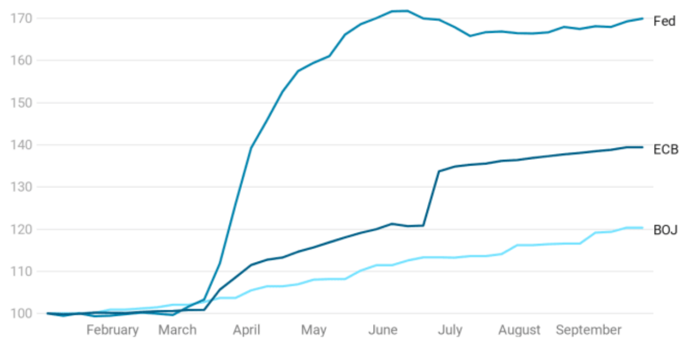
The Fed slashed rates to a range of zero to 0.25% on March 15 and launched an open-ended bond-buying program entailing the purchase of Treasurys and mortgage-backed securities. The U.S. central bank followed that up with a slew of measures to ensure credit markets ran smoothly. The Fed also launched a Main Street lending program aimed at supporting small and midsize businesses. In May and June, the Fed increased its stimulative efforts when it started buying corporate-bond exchange-traded funds as well as debt from individual companies.

These efforts led the Fed's total assets to balloon by more than 68% since March to more than $7 trillion. The Bank of Japan and European Central Bank, two key central banks, also took on massive stimulus campaigns to help out their economies. The ECB, for example, is running a crisis bond-buying program worth more than 1.3 trillion euros. The BOJ, meanwhile, has pledged to buy an unlimited amount of bonds to keep borrowing rates low. China's central bank, the People's Bank of China, has cut its one-year loan prime rate to 3.85% from 4.15% in 2019.

Assets for the BOJ and ECB have grown to nearly 690 trillion yen and 6.5 trillion euros, respectively. However, those totals represent an asset expansion of just 17.8% for the Japanese central bank and 38.7% for the ECB since March, according to FactSet. The PBOC's balance sheet has remained little changed

Massive balance sheet growth from Fed, ECB and BOJ

Data indexed to 100.



Source: FactSet • Created with Datawrapper

over that time period.

"In a lot of ways, the Fed did more because they could," said Peter Perkins, global market strategist at MRB Partners. "They also got more done in nonconventional ways than other major central banks." Perkins pointed out that rates in the U.S. were much higher relative to other developed economies, particularly Europe and Japan. This allowed the Fed to provide greater economic stimulus by cutting rates and increasing its balance sheet at a much faster pace compared with other major central banks.

The strategist added that, in a way, the Fed had to do more in terms of monetary policy than other central banks. "When the Fed does something, it has global ramifications that tend to be self-reinforcing," he said. "It's not that the Fed has the responsibility of ensuring that financial conditions in Europe and Asia are stable, but it understands that if the rest of the world is falling apart, it will reverberate onto the U.S. economy and into U.S. financial markets."

U.S. lawmakers also responded to the economic shock caused by the pandemic with massive stimulus. On March 27, President Donald Trump signed the CARES Act, a $2.2 trillion stimulus package that included direct payments to Americans and expanded unemployment benefits for those affected by the pandemic. Under the bill, American adults earning less than $99,000 per year received a one-time payment of $1,200. Workers who lost their jobs due to the outbreak were eligible to receive an additional $600 per week until late July.

The legislation also included the creation of the Paycheck Protection Program loan, which was designed as an incentive

Special Section: COVID-19

How The U.S. Economic Response To The Coronavirus Pandemic Stacks Up To The Rest Of The World (Continued)

for small businesses to keep employees on their payroll. According to the Small Business Administration, PPP loans will be forgiven if "employee retention criteria are met." "History will likely judge the fiscal policy response to COVID more in terms of outcomes regarding small and medium-size businesses, along with the jobs and lives impacted along the way," said Gregory Faranello, head of U.S. rates trading at AmeriVet Securities.

The government also pushed through other pieces of legislation aimed at aiding hard-hit industries such as airlines and cruise operators. In total, the U.S. fiscal response to the coronavirus pandemic amounts to roughly 13% of the country's GDP, or about $2.5 trillion, according to Ned Davis Research.

However, "if you just compare the announced COVID-19 fiscal stimulus as a share of GDP, the U.S. is significantly lower" relative to other developed economies, said Alejandra Grindal, senior international economist at Ned Davis Research.

Grindal pointed out that total fiscal stimulus in Japan totals roughly 42% of the country's GDP. In Germany and France, government measures amount to 33% and 21% of GDP, respectively.

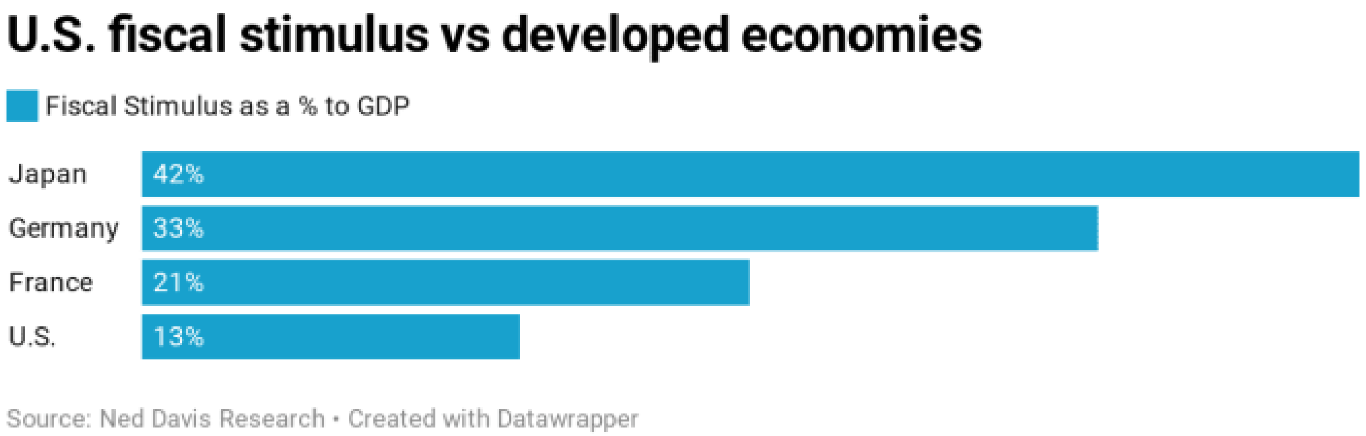
"A lot of these countries have much stronger automatic stabilizers, which kick in automatically whenever economic activity slows down," Grindal said. "The U.S. doesn't have quite the same stabilizers." Perkins of MRB Partners, however, noted that some of the measures pushed through by U.S. lawmakers have been "much more generous" than some of the safety nets already in place overseas, including the $1,200 checks and $600 per-week unemployment supplement.

But regardless of how the fiscal response compares with the rest of the world, these efforts helped start a rip-roaring rally in U.S. equities that left other markets in the dust. The S&P 500 is up around 50% since hitting an intraday low of 2,191.86 on March 23. The broader-market index also reached an intraday all-time high of 3,588.11 before pulling back from that level.

Meanwhile, the iShares MSCI ACWI ex-U.S. (ACWX)—which tracks stocks from around the world except the U.S.—is up 39% over that time period. The European Stoxx 600 index has popped more than 27% since March 23 but is still lagging the U.S. benchmark. China's Shanghai Composite and Japan's Nikkei 225 are up 21% and 40%, respectively, in that time period. "This has been a liquidity-driven rally as the Fed moved faster than any other central bank—and faster than we've seen in history—into every corner of the market," said Prudential's Krosby, noting these measures helped companies raise capital and lift market sentiment. "This, coupled with the fiscal response, led to the March 23 bottom." Krosby added that U.S. equities have been able to outperform overseas markets in part because investors have "flocked into a host of tech names that were providing digital services during the lockdowns," such as Amazon, as well as other cloud software providers.

"These names are crucial for the stay-at-home, remote world, but they're names that make money and have strong balance sheets," Krosby said. U.S. economic activity has recovered sharply after these monetary and fiscal measures were taken. The ISM nonmanufacturing purchasing managers index surged back into expansion territory above 50 in June after two straight months of contraction. The manufacturing PMI was in contraction territory below 50 for three straight months before recovering in June.

Initial weekly jobless claims have fallen back below 1 million after reaching more than 6 million at one point in March. Existing home sales, meanwhile, jumped to a 14-year high in August, while new home sales are also at their highest level since 2006.This early, but sharp, recovery has raised expectations for third-quarter U.S. GDP. Earlier this month, economists at Goldman Sachs raised their GDP growth forecast to a Wall Street high of 35% from 30%.



Special Section: COVID-19

How The U.S. Economic Response To The Coronavirus Pandemic Stacks Up To The Rest Of The World (Continued)

"Following the sharp rise in spending in late spring and early summer, the virus resurgence and the surprise fiscal tightening threatened a reversal. But spending instead rose strongly in July, and four high-frequency measures indicate a further 1-2% increase in real spending in August," the economists wrote.

To be sure, the lack of further fiscal stimulus could threaten this market and economic recovery.

Democrats and Republicans have been at a stalemate for weeks over a new U.S. coronavirus relief bill.

House Democrats are preparing a new stimulus package that would cost about $2.4 trillion. This bill would include enhanced unemployment aid as well as a new round of direct payments to U.S. individuals.

Speaker Nancy Pelosi, D-Calif., said on Sunday that she was confident a deal between the two parties was still possible. However, that price tag is higher than what Senate Republicans have indicated they would support.

Concern over a new stimulus bill being passed has partially dented U.S. market sentiment this month. The S&P 500 is down more than 5% in September and is headed for its first monthly loss since March, when it dropped 12.5%.

"It certainly feels like a Wile E. Coyote moment, where he runs off a cliff, pauses midair, only to realize there's nothing below," said Peter Berezin, chief global strategist at BCA Research. "I think investors are underappreciating just how much fiscal policy has tightened over the last six weeks."

"Households had a lot of savings heading into September because they got so much money from the government, so spending hasn't really weakened that much," he said. "But unless we get a fiscal deal done soon, you're going to see household spending weaken quite considerably in the fourth quarter and heading into next year. That's a risk to markets."

Despite the uncertainty over a new aid package, the initial U.S. economic response was able to prevent further damage to the economy at the height of the pandemic, said MRB's Perkins. It also "ensured the market recognized that more can be done if it were needed." *Source: CNBC, 09.28.2020*

S&P 500 outpaces global markets since March low

Benchmark and ETF performance indexed to 100.

Source: FactSet • Created with Datawrapper