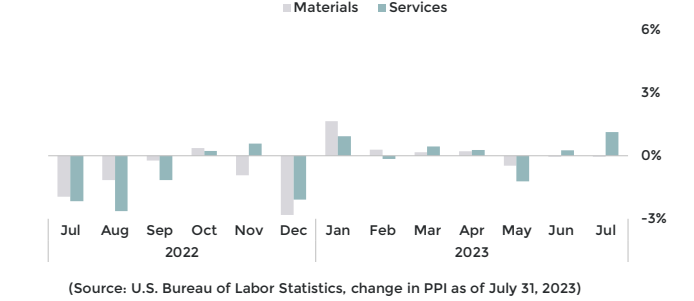


Construction Inflation At a Glance



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



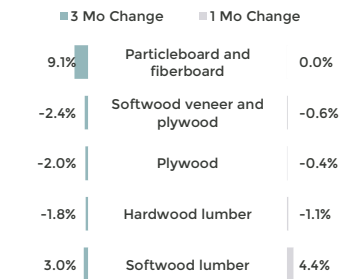
YoY Change



Deeper into the woods | Throughout the recent weeks of August, lumber futures seesawed within a tight range of \$500/mbf to \$525/mbf (thousand board feet). In stark contrast to the tumultuous volatility that characterized previous periods, the current landscape is marked by a tempered calmness, fostered by a confluence of factors. One noteworthy factor contributing to the dampening of lumber market volatility is the recalibrated equilibrium between supply and demand. Concurrently, supply chains that were strained in recent memory have regained a measure of stability. With speculative interests subdued and buyer urgency tempered, the frenetic swings that once defined the lumber market have been subdued.

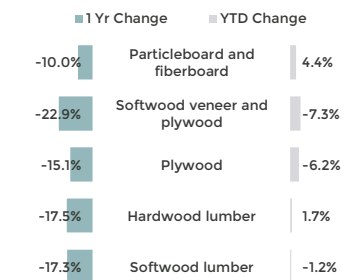
In July, the Producer Price Index (PPI) for softwood lumber registered a moderate increase of 4.4% compared to the prior month, yet it remains distinctly shadowed by a 17.3% dip from the previous year. This disparity illustrates the nuanced interplay between short-term fluctuations and longer-term trends, underscoring the need for a broader focus when analyzing market dynamics. Beyond the woods, the broader residential landscape presents a tableau of intriguing developments. Average 30-year mortgage rates are flirtatiously close to 7.50%. This marks the highest level since 2000. Sticky home prices (due to a housing shortage) and a tripling in mortgage rates in the span of just a couple of years is putting homeownership further out of reach for many potential buyers. August witnessed a wane in U.S. home builder confidence, the first downturn this year. The National Association of Home Builders/Wells Fargo Housing Market Index receded from July's 13-month peak of 56 to 50. July's New Residential Construction print paints a mosaic of divergent trends. While housing starts rose by 3.9% month-on-month and 5.9% year-on-year, building permits remained relatively stable compared to the prior month but declined by 13% from the same period last year. However, completions plummeted by 11.8% from revised June estimates and marked a 5.4% drop from July 2022. This tapestry of data encapsulates the nature of the construction landscape, where growth in certain metrics is juxtaposed with contractions in others.

Lumber & Wood Products



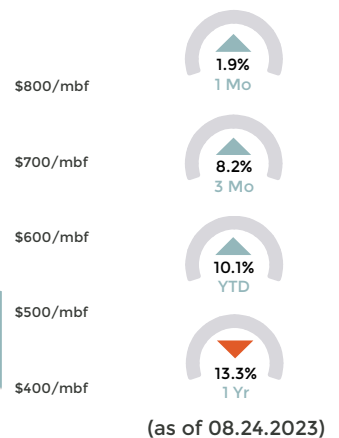
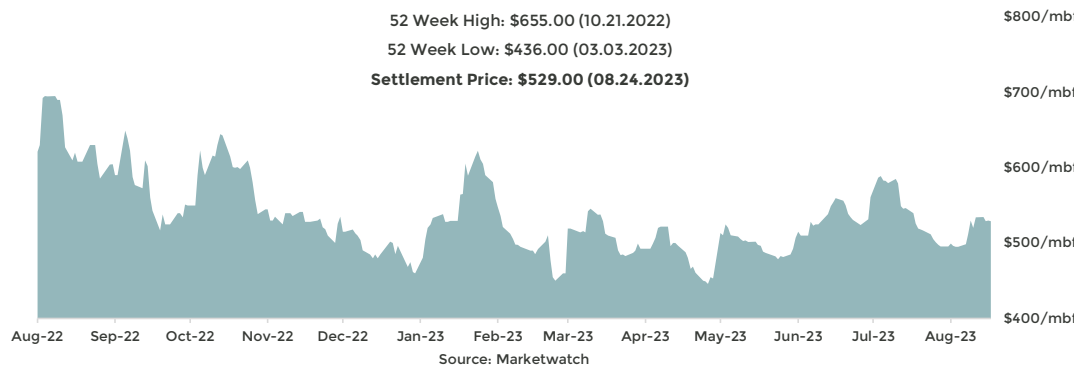
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Lumber & Wood Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Lumber Continuous Futures (CME: LBR00)

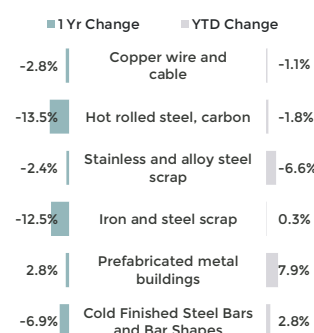


Out of the furnace | Sustained

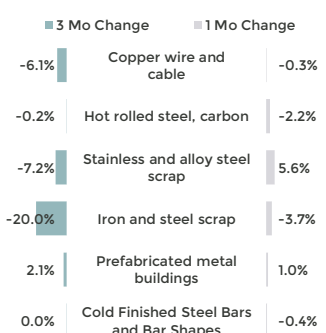
downtrend in prices of ferrous construction materials persists. In July, PPI for steel mill products shrunk by 7.6% on a month-on-month basis, plunging even more starkly by 20.9% in comparison to the same period last year.

The hot-rolled coil (HRC) futures market continues to experience a steadfast softening in prices, marking a substantial decline of

Metals & Metal Products



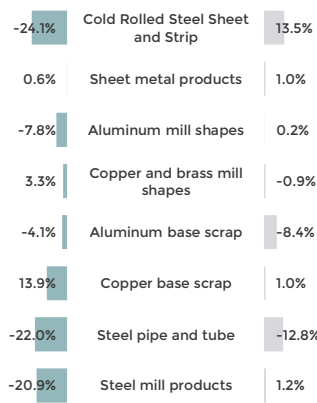
Metals & Metal Products



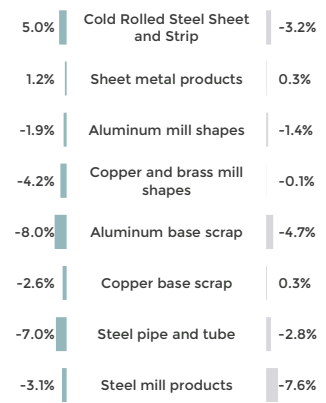
approximately 21.2% compared to levels recorded just 3 months ago (as of August 24).

Presently, HRC futures are trading below \$750 per short ton (st). This pronounced slide in HRC prices boasts a 35% drop from a peak of \$1,185/st observed in March. Prices are now resting at their lowest point since mid-January 2023.

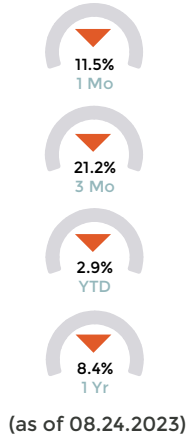
In August, Argus, a prominent global provider of energy and commodity market data, reported that cold-rolled coil (CRC) prices slid by \$20/st to \$980/st.



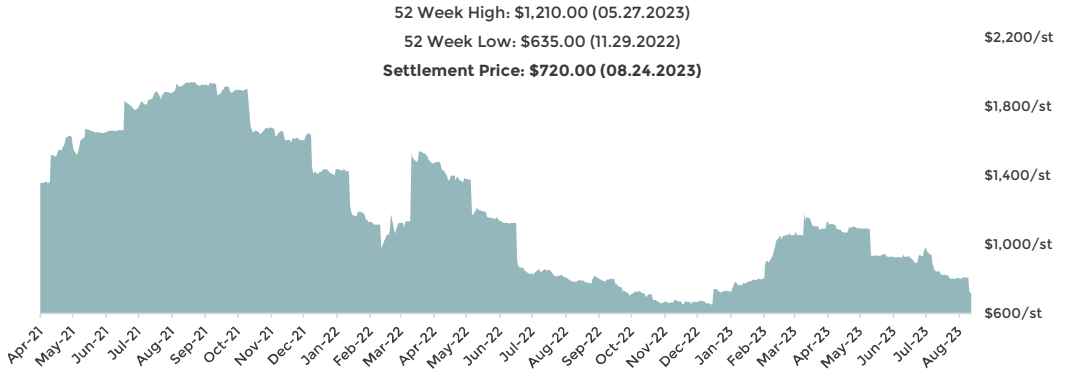
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)



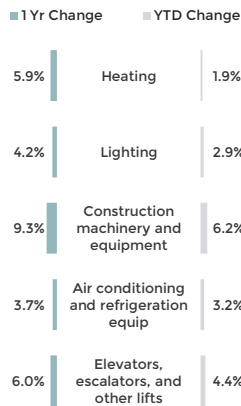
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)



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

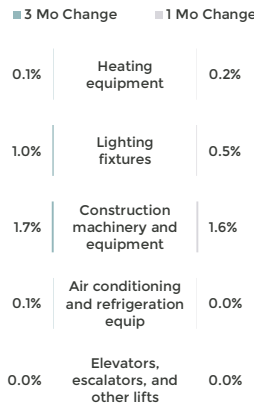


Equipment & Others



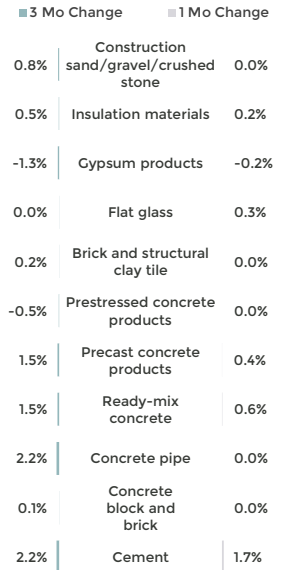
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Equipment & Others



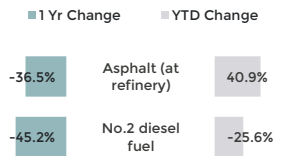
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Nonmetallic Mineral Products



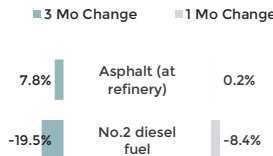
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Fuels & Related Products



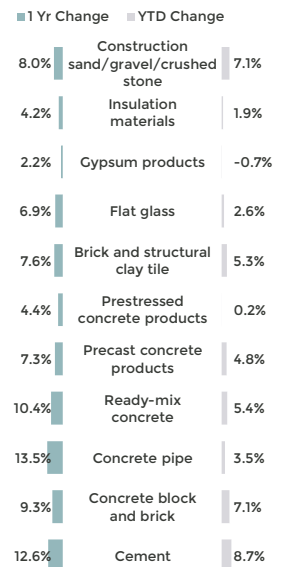
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Fuels & Related Products



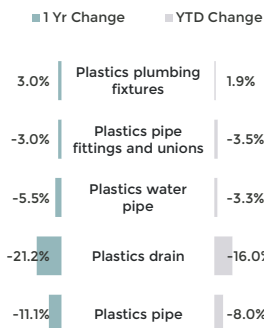
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Nonmetallic Mineral Products



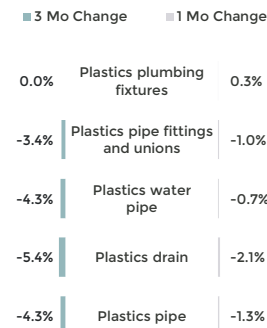
(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Rubber & Plastic Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)

Rubber & Plastic Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of July 31, 2023)