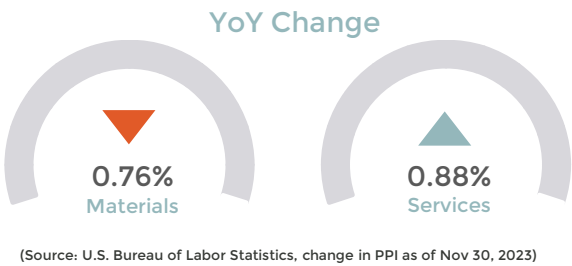


Construction Inflation At a Glance



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)



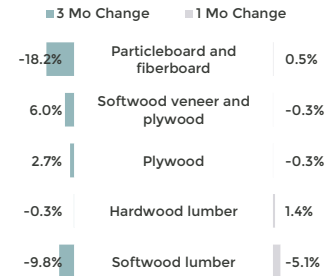
Deeper into the woods | In December, lumber futures remained steadfast, consistently surpassing \$525 per thousand board feet and currently standing at \$545/mbf. Year-to-date, they have surged by 14.2%, marking a 13.4% increase from the corresponding period last year. Despite this upward trend, the Producer Price Index (PPI) for softwood lumber experienced a notable -5.1% month-on-month decrease and a 9.8% decline from the previous year on a non-seasonally adjusted basis.

During the past month, mortgage rates witnessed a significant drop, with the average 30-year fixed mortgage rate reaching 6.83% in December, the lowest since June 2023, as reported by the Mortgage Bankers Association (MBA). The US Fed held rates in December and signaled three rate cuts next year, marking a pivotal moment for the housing market. The sector seems to have surpassed its peak mortgage rates for this cycle, potentially fostering increased demand among homebuyers, as evidenced by a substantial 21.8% year-on-year surge in mortgage applications (per MBA data) for new home purchases in November.

In December, U.S. Homebuilder Sentiment rebounded, breaking a four-month decline, propelled by falling mortgage rates. The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) reported a three-point rise in builder confidence, reaching 37.

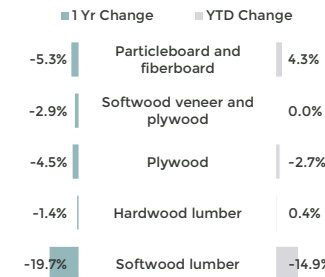
Housing starts surged in November, reaching their highest level since May. The Monthly New Residential Construction report indicated a 14.8% increase compared to the previous month and a 9.3% rise from the same period last year. Although building permits decreased by 2.5% on a seasonally adjusted basis compared to October, they still stand 4.1% higher than last year, signaling optimism for future construction activities.

Lumber & Wood Products



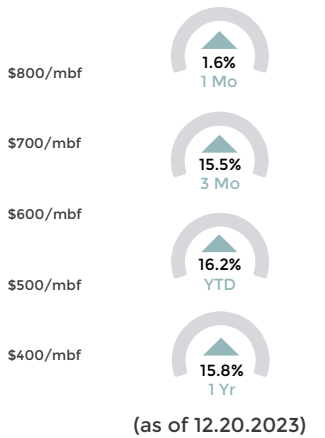
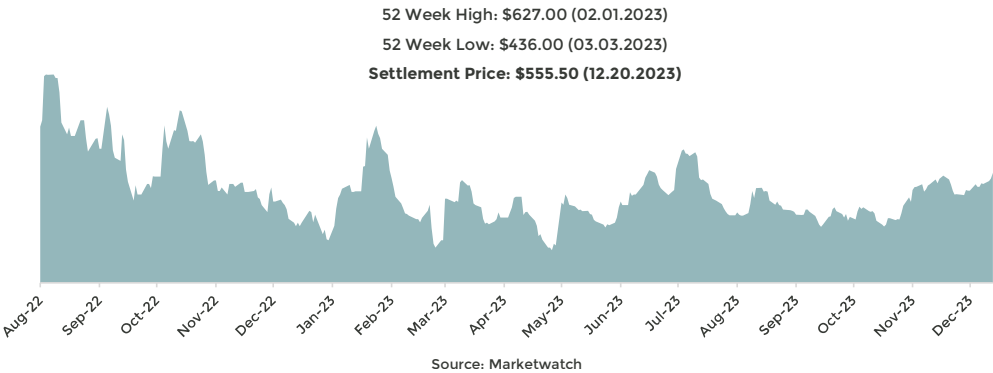
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2023)

Lumber & Wood Products



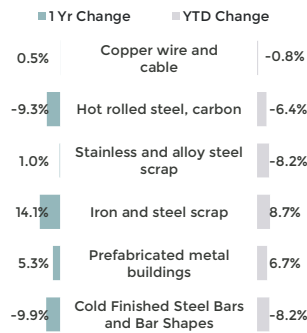
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2023)

Lumber Continuous Futures (CME: LBR00)

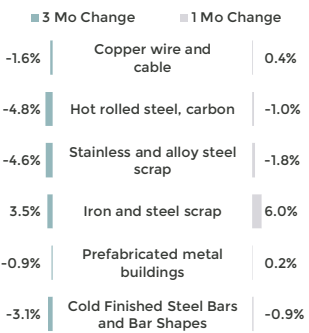


Out of the furnace | In December, the U.S. flat rolled steel market continues to exhibit a bullish trend. Hot-rolled coil (HRC) futures have experienced a consistent upward trajectory since October 2023, marking a surge of nearly 10% over the last 30 days leading up to December 20, 2023. Currently, trading at above \$1,100 per short ton (st). Compared to the same period last year HRC futures are up 72.6%. U.S. steelmakers have effectively curated higher prices through a series of price hikes in the

Metals & Metal Products



Metals & Metal Products



past two months, leveraging extended mill lead times and strategically curtailed production levels.

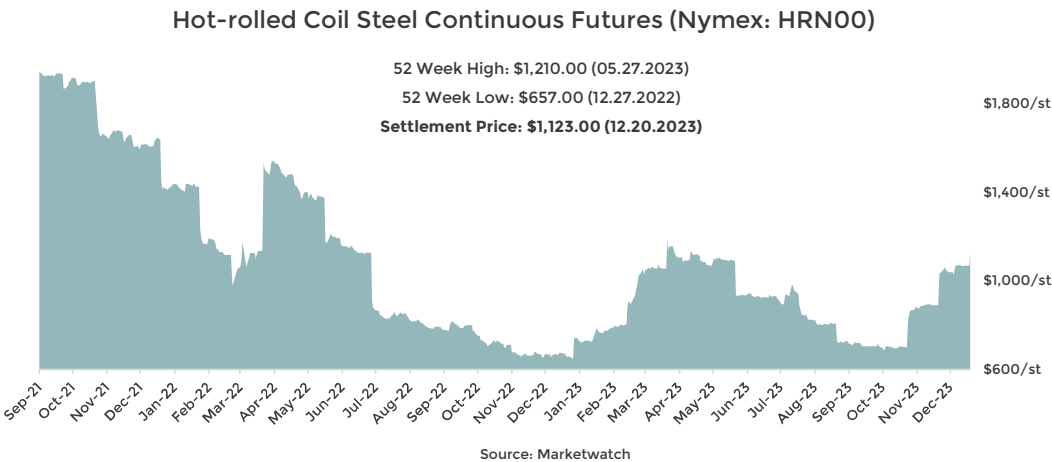
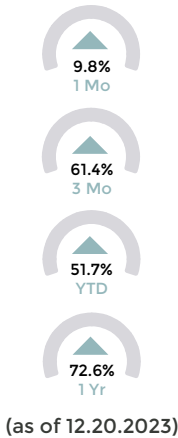
PPI data have yet to capture the impact of rising steel prices. Despite the recent increase in HRC futures, the Producer Price Index (PPI) for steel mill products has experienced a decline of 1.5% from the preceding month and an 8.4% drop year-on-year (not seasonally adjusted). The index for steel mill products has been steadily declining since June 2023 and is now at its lowest level in the past two and a half years.

1.4%	Cold Rolled Steel Sheet and Strip	3.3%
0.0%	Sheet metal products	0.1%
-0.3%	Aluminum mill shapes	-1.6%
-1.9%	Copper and brass mill shapes	-2.8%
12.1%	Aluminum base scrap	2.1%
-0.3%	Copper base scrap	-2.3%
-18.0%	Steel pipe and tube	-15.4%
-8.4%	Steel mill products	-5.2%

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

-7.2%	Cold Rolled Steel Sheet and Strip	0.0%
-0.5%	Sheet metal products	-0.2%
-1.5%	Aluminum mill shapes	-0.2%
-2.1%	Copper and brass mill shapes	-0.2%
1.0%	Aluminum base scrap	2.5%
-2.7%	Copper base scrap	1.4%
-1.6%	Steel pipe and tube	0.2%
-7.3%	Steel mill products	-1.5%

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



Equipment & Others

1 Yr Change		YTD Change
2.4%	Heating	2.2%
3.1%	Lighting	2.9%
6.9%	Construction machinery and equipment	6.9%
4.9%	Air conditioning and refrigeration equip	4.4%
5.1%	Elevators, escalators, and other lifts	5.1%

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

Equipment & Others

3 Mo Change		1 Mo Change
0.6%	Heating equipment	0.0%
0.4%	Lighting fixtures	0.1%
1.0%	Construction machinery and equipment	1.0%
0.8%	Air conditioning and refrigeration equip	0.5%
0.0%	Elevators, escalators, and other lifts	0.0%

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

Nonmetallic Mineral Products

3 Mo Change		1 Mo Change
0.0%	Construction sand/gravel/crushed stone	0.0%
-0.6%	Insulation materials	-0.1%
-0.5%	Gypsum products	0.0%
0.6%	Flat glass	0.0%
0.2%	Brick and structural clay tile	0.0%
1.9%	Prestressed concrete products	1.7%
0.7%	Precast concrete products	0.0%
1.4%	Ready-mix concrete	0.2%
3.5%	Concrete pipe	0.1%
0.9%	Concrete block and brick	0.0%
0.1%	Cement	0.0%

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

Fuels & Related Products

1 Yr Change		YTD Change
-16.3%	Asphalt (at refinery)	34.5%
-29.7%	No.2 diesel fuel	-1.8%

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

Fuels & Related Products

3 Mo Change		1 Mo Change
-3.5%	Asphalt (at refinery)	1.2%
-3.8%	No.2 diesel fuel	0.9%

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

Nonmetallic Mineral Products

1 Yr Change		YTD Change
8.4%	Construction sand/gravel/crushed stone	8.0%
1.2%	Insulation materials	0.8%
-1.5%	Gypsum products	-1.4%
1.1%	Flat glass	1.3%
5.6%	Brick and structural clay tile	5.5%
2.5%	Prestressed concrete products	2.5%
6.1%	Precast concrete products	5.7%
9.4%	Ready-mix concrete	8.3%
7.1%	Concrete pipe	3.9%
8.8%	Concrete block and brick	8.7%
8.3%	Cement	8.3%

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

Rubber & Plastic Products

1 Yr Change		YTD Change
2.3%	Plastics plumbing fixtures	1.7%
-3.4%	Plastics pipe fittings and unions	-3.3%
-7.9%	Plastics water pipe	-5.9%
-22.3%	Plastics drain	-22.6%
-11.9%	Plastics pipe	-11.5%

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

Rubber & Plastic Products

3 Mo Change		1 Mo Change
-0.7%	Plastics plumbing fixtures	-0.7%
-1.3%	Plastics pipe fittings and unions	-0.5%
-0.5%	Plastics water pipe	-2.2%
-11.0%	Plastics drain	-3.0%
-3.4%	Plastics pipe	-1.7%

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