The American Supply Association (ASA) and its Industrial Piping Division (IPD) is the national organization serving wholesaler-distributors and their suppliers in the industrial and mechanical pipe-valve-fitting industry. As a powerful alliance of channel partners, we provide a forum for your upstream trading partners to exchange critical information and address key issues.

In particular, ASA's IPD members constantly check the pulse of the materials and commodities they proudly supply to you. ASA's IPD members are knowledgeable industry leaders, and those who volunteer their service on the IPD Executive Council compile and prepare the *IPD Commodity Reports.* The *Reports* contain some of the most current and qualified market data and information available from the industry's leading manufacturers and distributors about emerging trends and other price-influencing actions and events.

This information is an example of how ASA's IPD manufacturer and distributor members are constantly looking ahead to ensure you have information and resources you need to be successful. Learn more at www.asa.net.

ECONOMIC SUMMARY

Oil and Gas

West Texas Intermediate (WTI) was lower at the time of writing at $77.44 ($81.58 a barrel in last month's report but is up 9.01% year-to-date). Brent North Sea Crude was also lower at $81.36, down from $85.94 a barrel last month and 7.2% higher YTD.

The OPEC+ decision is still being watched, the organization is expected to ease quotas on oil production and potentially add between 2.21 million barrels per day (if they adhere to production quotas) or as high as 4.4 million barrels per day if they are allowed to fully exercise their output capacity. Venezuela has been able to increase oil output in the past 60 days as well. Hurricane season has not had an impact on oil production or refinery activity thus far. A strong upper-level Saharan dust storm has muted storm formation. That is expected to clear by mid-August, and tropical activity may pick up pace at that time.

Fuel prices were mixed month over month at the time of writing. Diesel prices were higher, $3.83 a gallon at the time of writing ($3.79 a gallon in the last briefing) (Source: AAA), which was $.07 per gallon lower than last year. Gasoline was lower and was nationally $3.52 a gallon ($3.45 per gallon in last month's briefing), which is 11 cents per gallon lower from a year ago. Crude oil prices are expected to average $82.03 a barrel in 2024 ($79.70 in last month's update and were $77.58 in 2023) according to the EIA. For 2025, prices are expected to average $83.88 (also $80.88 in the last update) according to the EIA.

Gasoline prices are expected to average $3.41 a gallon in 2024 and $3.47 in 2025 (versus $3.52 average in 2023). Diesel prices as reported by the EIA will average $3.89 a gallon in 2024 ($3.88 in last month's outlook and were $4.21 in 2023). The outlook for 2025 currently shows diesel prices at $3.92 ($3.99 in the last update) through 2025.

Economy: Second quarter GDP came in at 2.8%, ahead of expectations for growth of 1.9%. The economy was still being driven heavily by government and consumer spending and consistently stable corporate investment.

Sentiment among analysts is flip-flopping on the Fed's interest rate policy and what the rest of 2024 might bring. In the last month, expectations were calling for a rate cut perhaps as soon as September. After the latest Q2 data, chances of two rate cuts are fluctuating and now the most likely first cut could come after the election in December. Most of the datapoints that the Fed monitors closely (inflation, economic growth, and job stability) are headed in the right direction but are not yet in a range that would encourage the Fed to cut.

Inflation-adjusted retail sales were flat in June M/M (latest available) but were lower against June of 2023, falling by 0.7% (latest available and -0.6% in last month's report). Home improvement sales were higher in June on a month-over-month basis with sales up by 1.4% month-over-month (-0.8% in the last report); and they were 0.9% lower year-over-year (4.3% lower in the last report).

Preliminary estimates for retail sales in the home improvement category were $43.7 billion in June (vs. $46.4 billion last year).

Total residential construction spending was up 6.6% year-over-year on $930.5 billion in spending through May (latest available and a strong historical rate). Single-family construction spending was up 13.8% Y/Y on $436.6 billion in spending and multi-family was down 4.6% on $130.9 billion.

Total new housing starts were up in June by 3% month-over-month (latest available and down an adjusted 4.6% last month). Starts came in at an annualized rate of 1.353-million-unit rate (1.277M adjusted rate last month). Starts were down 4.4% Y/Y (-17.0% last month) on a national basis.

Single-family starts reversed course and continued to be volatile. Starts were down by 2.2% month-over-month (-3.4% in the last report) and were up 5.4% Y/Y (+0.3% in the last report). Thirty-year mortgage rates in the U.S. were 6.77% on 6/20, lower from rates of 6.87% a month ago. The national monthly supply of new homes was 9.3 months, unchanged since the last update (6 months is normally considered to be balanced). This will continue to help pull prices down in some markets.

Multifamily starts can be volatile based on large project starts month to month, they were lower in June by 23.4% Y/Y (-48.7% Y/Y last month) but were up by 22% M/M (-11.7% in the last report). The total number of multi-family units started at an annual rate of 360,000 (295,000 in last month's adjusted annual rate).

Forward-looking data on permits for new home construction were down in June by 2.6% Y/Y (adjusted down 8.7% in the last update). Single family permits were down by 0.7% Y/Y (+4.1% last month) and were down by 1.8% M/M. Volatile multifamily permits were still sharply lower; they were down 5.3% Y/Y (-30.7% last month); but they were up 20.7% M/M in June. Permits at a regional level are available in the ASA Monthly Economic Report.

Total nonresidential construction spending (both commercial and public) was still strong in May (latest available) despite some deceleration once again sequentially between April and May. Spending was lower again by 0.1% M/M (-0.1% last month); but it was still up by 6.2% Y/Y (10.0% last month) against tough comparisons.

Total nonresidential construction spending came in at an annual rate of roughly $1.2 trillion in May vs. $1.1 trillion last year. Manufacturing construction activity was up 20.3% Y/Y on $234.1 billion in annualized spending (against an average year of $60 billion).

Once again, infrastructure spending was rising by double-digit growth rates year-over-year and should continue to experience more infusions of capital as additional federal programs hit funding strides over the course of 2024.

However, as mentioned last month, many categories are now negative when adjusted for inflation, and would be lower year-over-year. That would especially apply to sectors below the red line in the table (education, communication, amusement and recreation, health care, transportation, office, and conservation and development); all were contracting year-over-year when adjusted for inflation.

Value of Construction Put in Place in the United States, Seasonally Adjusted Annual Rate

Type of Construction	May 2024p	Apr 2024r	May 2023r	Percent change May 2024 from - Apr 2024	May 2023
Total Construction	2,139,792	2,142,126	2,011,831	-0.1	6.4
Residential	930,464	932,163	872,594	-0.2	6.6
New single family	436,606	439,627	383,702	-0.7	13.8
New multifamily	130,883	130,904	137,132	0.0	-4.6
Nonresidential	1,209,329	1,209,964	1,139,236	-0.1	6.2
Public safety	18,440	18,408	14,194	0.2	29.9
Manufacturing	234,133	231,071	194,667	1.3	20.3
Religious	3,997	4,117	3,421	-2.9	16.8
Water supply	30,842	31,016	27,343	-0.6	12.8
Power	144,048	145,186	130,055	-0.8	10.8
Sewage and waste disposal	45,331	44,365	40,909	2.2	10.8
Highway and street	148,568	149,377	136,251	-0.5	9.0
Educational	125,972	126,233	118,304	-0.2	6.5
Communication	28,328	28,120	27,428	0.7	3.3
Amusement and recreation	37,071	37,037	35,965	0.1	3.1
Health care	66,598	67,511	64,673	-1.4	3.0
Transportation	66,687	66,112	65,122	0.9	2.4
Office	98,151	99,449	98,249	-1.3	-0.1
Conservation and development	11,371	11,474	11,800	-0.9	-3.6
Lodging	23,033	23,036	25,167	0.0	-8.5
Commercial	126,760	127,452	145,690	-0.5	-13.0

The Distributor Says:

(Thoughts and opinions from ASA-member distributors doing business in the PVF space).

** "While we surpassed overall 1H 2024 projections, we have witnessed construction activity moderate as we head deeper into the summer months. For the most part, contractors are busy and have solid projects on the books for the back half of the year.

"This should build upon an already solid foundation; however, we have started to see project quotes smaller in scope than just a few months ago. Pricing challenges, in both commodities and finished products, have remained a consistent threat with no relief in sight."

** "With business slowing a bit, we are seeing margin compression on high-value items such as copper tubing or large combined PVF orders. I think everyone is trying to fill their backlog to prepare for the eventual presidential election cycle slowdown due to uncertainty of which direction the country will be moving."

** "Our YOY through April was right on point. Then May we saw a slowdown and then June hit a wall. July is following that same trend.

New CAP-X projects seem to be in a holding pattern and waiting on approval. I hate to blame an election year, but it seems to be trending that way. I do think once there is more clarity, I believe demand will pick back up. Hot rolled coil prices seem to be trending the same way. Kind of flat and improving towards the end of the year and into 2025."

** "After a terrific performance in our first 4 months of the year, our "same store" sales were down 5% vs. our June 2023 results, which is the second month in a row that we've seen this, so we are watching this area closely to determine if there is a trend developing here."

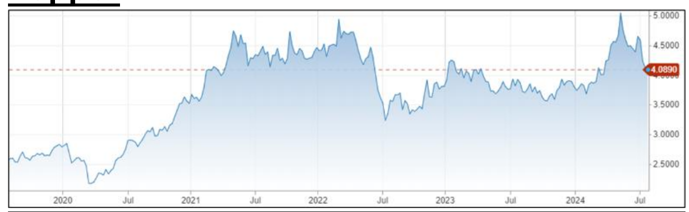
** "Sales are still off for the year. We are hearing from our contractors that there are some large jobs coming our way, but the market seems as if it is struggling to get back to full speed."

** "Sales have regained slow growth gradually. Headwinds still exist from unstable labor market and some lead time issues on finished goods."

Cast Iron

There are no new changes or updates in the cast iron market according to the McWane (Tyler PIpe) and Charlotte Pipe companies for the month of July.

Copper



Copper prices are just 3.8% higher YTD (18.7% YTD in the last update on May 30) and are 3.5% higher Y/Y (25% higher in the last update). Prices continued to soften and are now well off the peak and are moderately lower than the period between 2021 and July of 2022.

In the past 60 days, Chinese producers have reportedly exported the highest volume of intermediate copper product in more than 12 years, which is the primary reason that copper prices have eased of late. That, plus some global manufacturing softening, has helped pull copper prices down 12% in the past 30 days. Still elevated on a historical basis, current trends would suggest prices headed below the $4 mark, especially if global manufacturing continues to slow.

The latest Producer Price Index for copper and copper products (through June), does not fully reflect the 12% drop in base copper prices, but it did show that prices fell 2.7% month-over-month (3.5% in the last update) between May and June, but they were still 12.6% higher year-over-year (4.5% higher in the prior update).

Copper wire and cable prices were flat month-over-month (up 8.8% in the last update) but were 17.3% higher Y/Y (17.7% in last update). Copper pipe and tube is up 6.3% M/M between May and June (10.6% in the last update) and was 25.9% higher Y/Y (14.1% in the last update).

Long-term, Chinese and Taliban officials have started work on a road to connect what could be the second largest copper deposit in the world with Chinese markets. The mine and road that connects it will take at least two years to complete before the first ore hits Chinese producers. Estimates suggest that Afghanistan is sitting on nearly $1 trillion in untapped metals (including gold, rare-earth materials, and 11.5 million tons of copper).

Copper demand is expected to grow at an average of 3.13% annually between now and 2032 based on demand for electronics products. Output will continue to struggle to keep pace with that volume of consumption.

Carbon Steel

Carbon steel pipe has remained relatively flat if not a bit soft. The bright spot here is that hot-rolled coil has stemmed its slide that started in March and inched up over 5% in the last month. HRC is still down 37% year-to-date.

There are a few significant factors contributing to the decline of carbon steel pricing. First, higher interest rates have slowed construction and demand in general. China has maintained high levels of output while consuming less steel, putting more low-cost product on the market.

Finally, the U.S. has brought new mills online over the last year, further saturating the market, increasing inventories, and causing prices to fall.
Steel remains volatile and subject to the effects of the geopolitical climate. When Russia invaded Ukraine, steel prices increased significantly. These increases have been resolved, and any impact has been reversed.

Forged Steel Fittings and Branch

We have more of the same in forged steel fittings. High-pressure forged steel fittings and branch connections have had no price increase announcements through the early summer months. Carbon and stainless-steel bar remain readily available. Raw material pricing has remained stable. Finished high-pressure forged steel fittings and branch connections are available for delivery from stock to 2 weeks.

Stainless Steel Pipe & Fittings

The stainless fitting business has been steady this year, though volume has decreased from the previous year for many sectors. Pricing remains stable and slightly lower than last year.

There is an overabundance of nickel inventory, due to the pushback from the EV markets. This has been a downward catalyst for pricing and will remain so until the supply levels are consumed. All eyes are on the upcoming election with two diverse factions battling for power. One supports traditional fossil fuels, which are better our industry, while the other is pushing a green agenda, which would try to shy away from these sources. Drill baby, drill has a nice ring to it for the PVF sector.