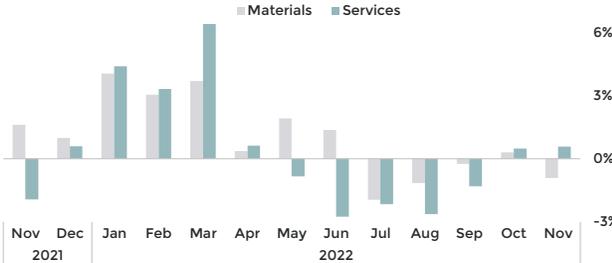


Broad Index for all Construction Inputs



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

MoM% change for Construction Materials & Services



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

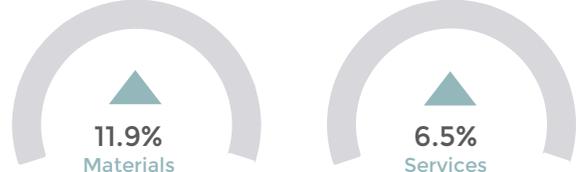
Construction Inflation At a Glance



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

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)

YoY Change

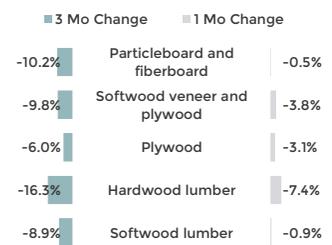


(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Deeper into the woods | TIMBERRR! The worst performing commodity year to date in 2022. Lumber futures dropped over 60% since last year and are hovering around the low \$400s in the second week of December. Commodity markets remain mired by sharp contractions in residential construction activity as we embrace the slowest month of the year for homebuying. Demand volume is not picking up in defiance of seasonal buying trends.

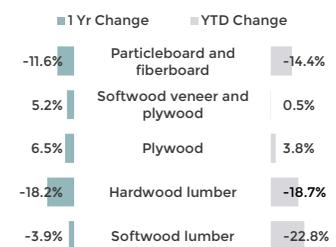
However, mortgage rates seem to have peaked and are beginning to ease. The Fed's rhetoric for a soft landing is becoming more pronounced and the bonds market is pricing in a pivot. Maybe not straight into rate slashing but slowing the pace of hikes seems to be the consensus among the wise and foolish. What does that mean for housing, homebuilding, and demand for wood in 2023? Demand for lumber and wood products petered out in the wake of rising rates and a hawkish Fed but could the opposite be true as hawks turn to doves? The trend reversal could turn visceral and render markets volatile once more especially if the money spigot is turned back on.

Lumber & Wood Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Lumber & Wood Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

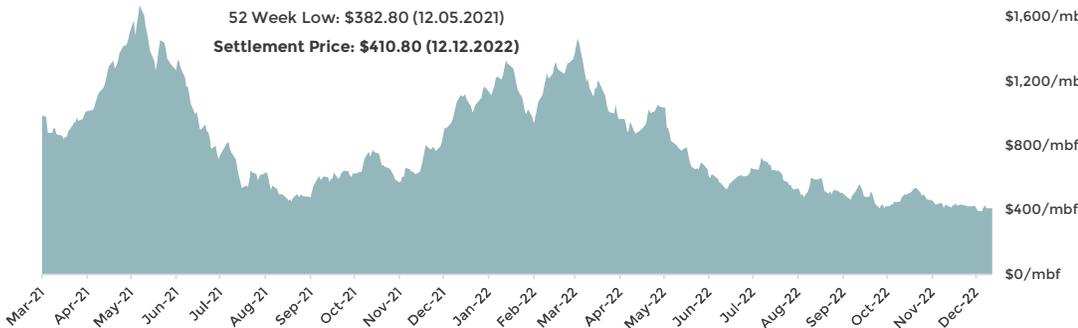
PPI Multifamily



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Random Length Lumber Continuous Futures (CME: LB00)

52 Week High: \$1,477.40 (03.04.2022)
52 Week Low: \$382.80 (12.05.2021)
Settlement Price: \$410.80 (12.12.2022)



Source: Marketwatch

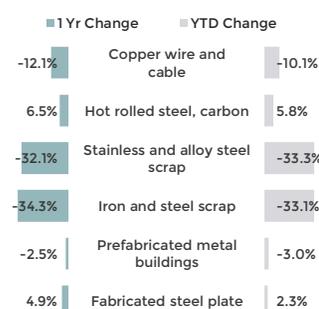


(as of 12.12.2022)

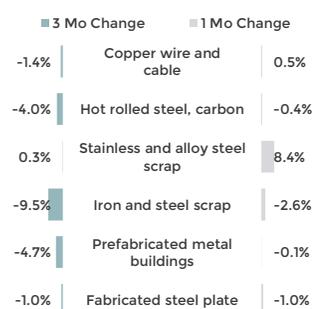
Out of the furnace | Steel futures flirting with support levels at \$650 per short ton (st) towards end of November and beginning of December. Steel prices re-adjust on revival of demand and China's relaxed COVID measures.

November data captures another month-on-month drop in PPI for metals & metal products. Steel mill products have fallen nearly 27% year-on-year and 3.0% compared to October. PPI for Copper wire and cable is down 12% compared to

Metals & Metal Products

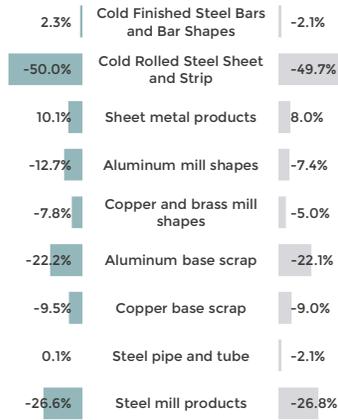


Metals & Metal Products

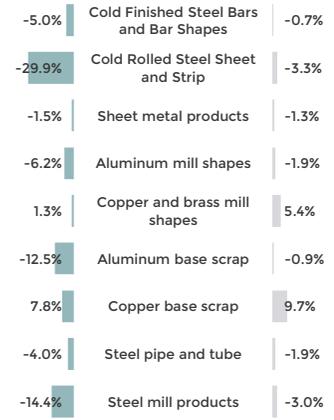


a year ago while cold rolled steel sheet and strip is down 50%.

Steel prices reached record highs last year off the back of robust demand (COVID lockdown sugar rush) and low global inventories (supply crunch). But the bullrun was short lived and the retracement that ensued was dramatic. Steep corrections this year as energy prices skyrocketed and central banks hiked interest rates. Another key proponent that tapered demand for ferrous commodities was China's zero COVID policy and lockdowns. But those restrictions are now easing.



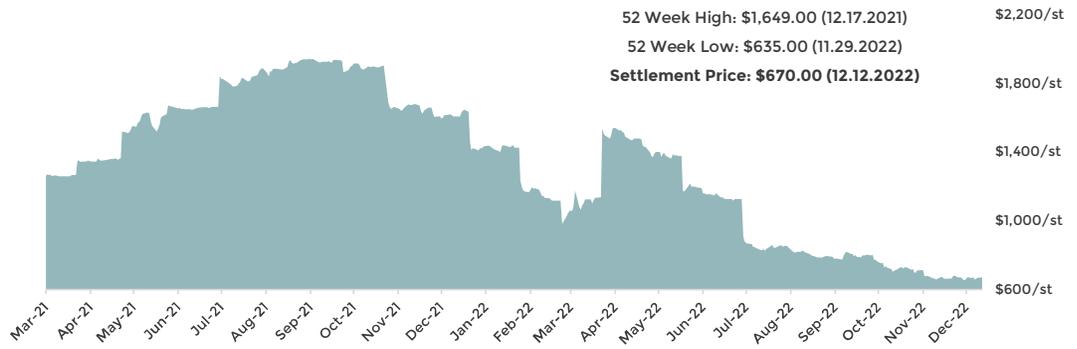
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

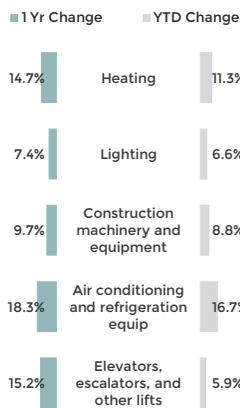


Hot-rolled Coil Steel Continuous Futures (Nymex: HRN00)



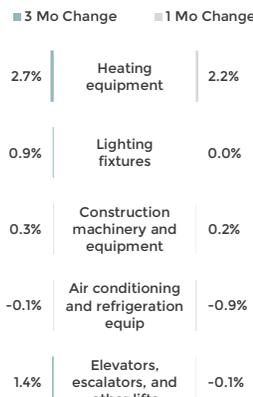
Source: Marketwatch

Equipment & Others



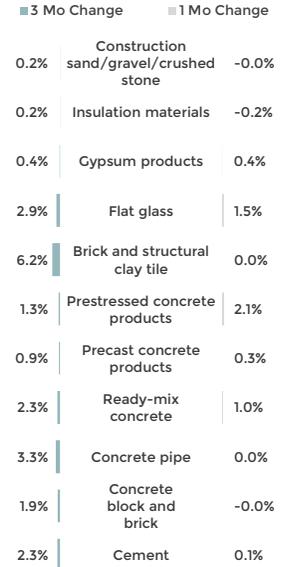
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Equipment & Others



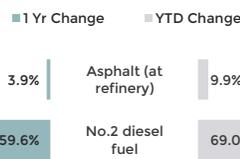
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Nonmetallic Mineral Products



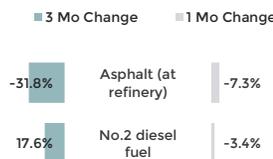
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Fuels & Related Products



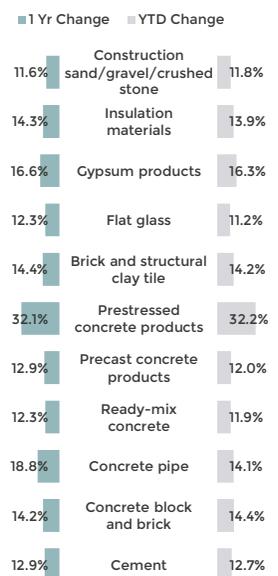
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Fuels & Related Products



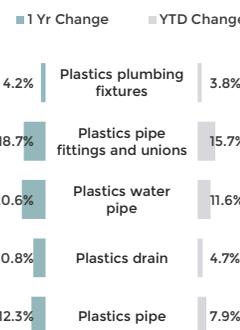
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Nonmetallic Mineral Products



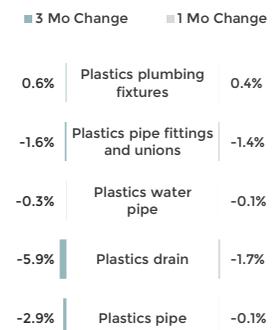
(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Rubber & Plastic Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)

Rubber & Plastic Products



(Source: U.S. Bureau of Labor Statistics, change in PPI as of Nov 30, 2022)