

February 10, 2020

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This Morning

The major commodity indexes were down around 0.7% earlier today as mostly softer energy and base metal prices more than offset firmer gold and silver prices. In New York, NYMEX crude oil futures were down below \$50 per barrel (-1.4%) earlier today with Bloomberg reporting “OPEC and its allies probably won’t go ahead with an emergency meeting, even as global supply piles up while the coronavirus wreaks havoc on demand.” In London, LME 3-mo. copper and aluminum futures traded as low as \$5,638/mt and \$1,697.50/mt, respectively, before retracing some of those losses. Fastmarkets reports that LME 3-mo. lead prices “closed at its lowest level since May 2019 on Monday February 10, dipping below the key \$1,800-per-tonne support level, while nickel futures struggled to breach resistance against thin trading volumes.” In foreign exchange trading the euro dipped to \$1.092 and the dollar was buying 109.7 Japanese yen, while on Wall Street the Dow Industrials were up 0.2% in early afternoon trading.

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Selected Primary Commodity Prices: February 10, 2020

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Mar (\$/lb.)	2.552	-0.002	-0.1%	2.553	2.550	2.576	2.540
COMEX Gold Apr (\$/to)	1,580.0	6.6	0.4%	1,573.4	1575.8	1,580.5	1,571.5
COMEX Silver Mar (\$/to)	17.82	0.1	0.7%	17.69	17.71	17.83	17.7
NYMEX Light Sweet Crude Mar (\$/bbl)	49.61	-0.7	-1.4%	50.32	50.12	50.49	49.42
SHFE Aluminum Apr (RMB/mt)	13,720	0	0.0%	13,720	13,700	13,750	13,675
SHFE Copper Apr (RMB/mt)	45,610	-240	-0.5%	45,850	45,420	45,720	45,390
SHFE Nickel Apr (RMB/mt)	104,560	-530	-0.5%	105,090	103,500	105,220	103,470
SHFE Zinc Apr (RMB/mt)	17,175	-160	-0.9%	17,335	17,115	17,210	17,115

The Week Ahead

On the U.S. economic calendar this week, we'll get new figures on job openings/labor turnover, consumer price inflation, retail sales, industrial production and capacity utilization, and consumer sentiment. The consensus forecast is that U.S. industrial production declined 0.3% in January following a 0.3% drop in December, while the capacity utilization rate is expected to have dipped to 76.8% in January from 77.0% in December. We'll also get Fed Chair Jay Powell's reports before Congress along with a number of speeches from Federal Reserve officials this week. Overseas, new industrial production numbers are due out for the EU, along with euro zone flash GDP and trade data. As the Financial Times reports, "the coronavirus will again dominate events, leaving its mark on much of the economic data and company results released this week. On Friday, the quarantine period expires for the first British nationals flown back from Wuhan in China." Have a great week and don't miss next week's ISRI Market Report for a recap of the week's key economic, trade, commodity, and scrap market highlights.

U.S. Economic Calendar, February 10-14, 2020

Date	Time	Release	Period	Consensus	Prior
11-Feb	6:00 ET	NFIB Small Business Optimism Index	Jan	NA	102.7
11-Feb	10:00 ET	JOLTS - Job Openings	Dec	NA	6.8 M
12-Feb	14:00 ET	Treasury Budget	Jan	NA	\$8.7 B
13-Feb	8:30 ET	Initial Unemployment Claims	8-Feb	212K	202K
13-Feb	8:30 ET	CPI	Jan	0.2%	0.2%
13-Feb	8:30 ET	Core CPI	Jan	0.2%	0.1%
14-Feb	8:30 ET	Retail Sales	Jan	0.3%	0.3%
14-Feb	8:30 ET	Retail Sales ex-Auto	Jan	0.3%	0.7%
14-Feb	9:15 ET	Industrial Production	Jan	-0.3%	-0.3%

14-Feb	9:15 ET	Capacity Utilization	Jan	76.8%	77.0%
14-Feb	10:00 ET	Univ. of Michigan Consumer Sentiment – Prelim	Feb	99.2	99.8

Economic Week in Review

According to the Bureau of Labor Statistics' employment situation report last week, U.S. nonfarm payrolls rose by 225,000 in January 2020 and the national unemployment rate edged up from 3.5% in December to 3.6% in January. According to Briefing.com, the key takeaway from the report is that "...employment conditions remain in that sweet spot of being encouraging on the hiring front and encouraging on the inflation front in that average hourly earnings growth isn't accelerating sharply enough to provoke imminent rate-hike concerns."

Unemployment

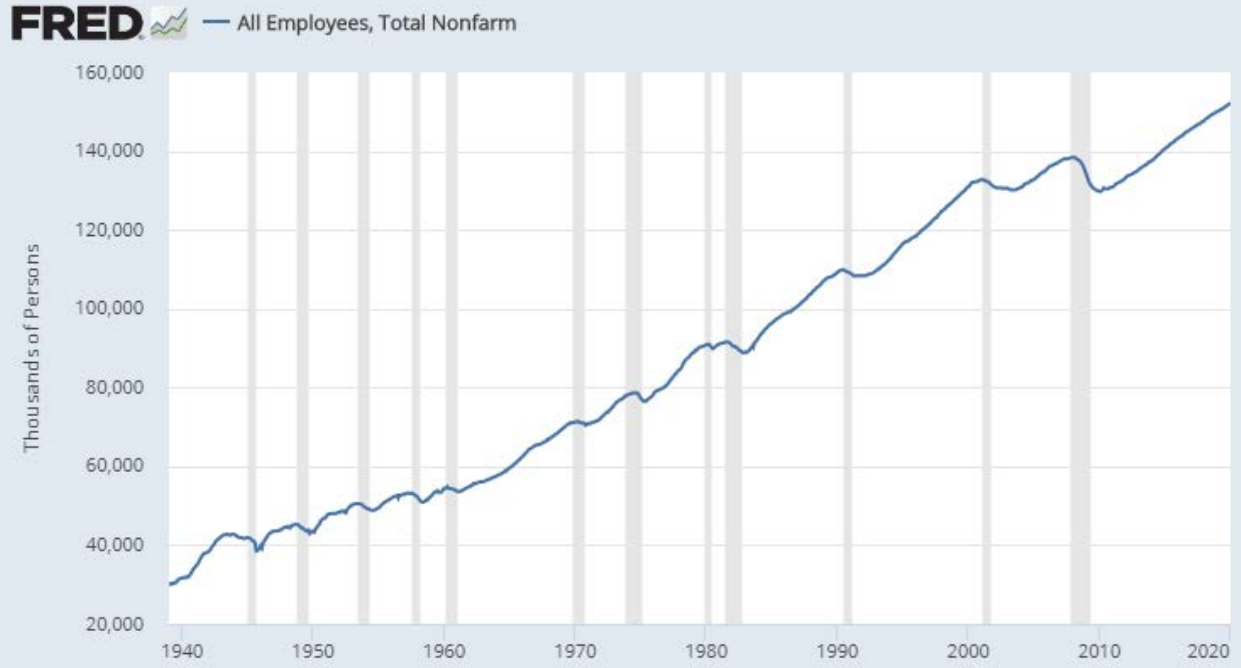
The annual average unemployment rate for 2019 came in at 3.7%, down from the 3.9% for 2018. The last time back-to-back years of under 4% unemployment occurred was 1968 and 1969 (3.6% and 3.5%, respectively.)

For the 19th time in the past 21 months (since May 2018), the national unemployment rate has been below 4%. The last time rates were consecutively less than 4% this long was more than fifty years ago, from October 1967 to January 1970.

Lowest Annual U.S. Unemployment Rates, since 1948

1953	2.9%
1952	3.0%
1951	3.3%
1969	3.5%
1968	3.6%
2019	3.7%
1948	3.8%
1966	3.8%
1967	3.8%
2018	3.9%
Source: Bureau of Labor Statistics	

New nonfarm jobs added in 2019 was 1.827 million, the tenth consecutive year of positive employment growth. Currently, on a seasonally adjusted basis, 152.2 million people are working in the United States:



However, as pointed out by Chad Moutray at NAM, "...manufacturing employment fell by 12,000 workers in January, dropping for the third time in the past four months. Indeed, over that four-month time frame, hiring in the sector was essentially stagnant. That suggests that, while there have been some signs of stabilization in other indicators, manufacturing job growth has lagged that progress. We still expect to see improvements moving forward, especially considering greater trade certainty and some economic progress globally."

Staying with U.S. manufacturing, the Institute for Supply Management reported last week that "the January {manufacturing} PMI registered 50.9 percent, an increase of 3.1 percentage points from the seasonally adjusted December reading of 47.8 percent... The PMI returned to expansion territory for the first time since July 2019. Demand expanded, with (1) the New Orders Index growing at a moderate rate supported by new export order expansion, (2) the Customers' Inventories Index remaining at 'too low' status and (3) the Backlog of Orders Index contracting for the ninth month, but at a slower rate."

ISM Manufacturing PMI	JAN	DEC	NOV	OCT	SEP
Total Index	50.9	47.8	48.1	48.5	47.8
Orders	52.0	47.6	46.8	48.9	47.3
Production	54.3	44.8	48.0	46.3	47.3
Employment	46.6	45.2	46.8	47.9	46.3
Deliveries	52.9	54.6	52.0	49.5	51.1
Inventories	48.8	49.2	47.2	49.4	46.9
Export Orders	53.3	47.3	47.9	50.4	41.0
Prices paid (not seas adj)	53.3	51.7	46.7	45.5	49.7

Here's what some of the ISM survey respondents had to say:

- "Business has picked up considerably. Many of our suppliers are working at or above full capacity. Tariffs are still a concern and are believed to be a factor in short supply and higher prices of

electronic parts. Our profit margin has been somewhat negatively affected by high tariffs, particularly on electronic parts from China.” (Computer & Electronic Products)

- “Small signs of increased global demand in the chemical segment.” (Chemical Products)
- “Continued signs of slowdown in manufacturing.” (Transportation Equipment)
- “Demand for prepared frozen food continues to be strong, but margins compressing as inputs rise with price elasticity preventing accompanying increases.” (Food, Beverage & Tobacco Products)
- “Our customer slowdown has not reached the bottom.” (Petroleum & Coal Products)
- “Our business is starting 2020 stronger than we finished 2019, as we saw a dramatic downturn in orders over the last four months of 2019. Orders are up to start the year, but slightly behind where they were one year ago.” (Fabricated Metal Products)
- “Business is good — above last year, though a little below plan.” (Furniture & Related Products)
- “The annual holiday slowdown was slightly more significant compared to the previous three years, heightening concerns over the 2020 first-quarter forecast.” (Electrical Equipment, Appliances & Components)
- “The lack of faith in the economy seems to be why we cannot sell capital projects.” (Machinery)
- “Tariffs on injection molds will impact selection of mold builder for future jobs. We are more likely to choose domestic rather than offshore.” (Plastics & Rubber Products)



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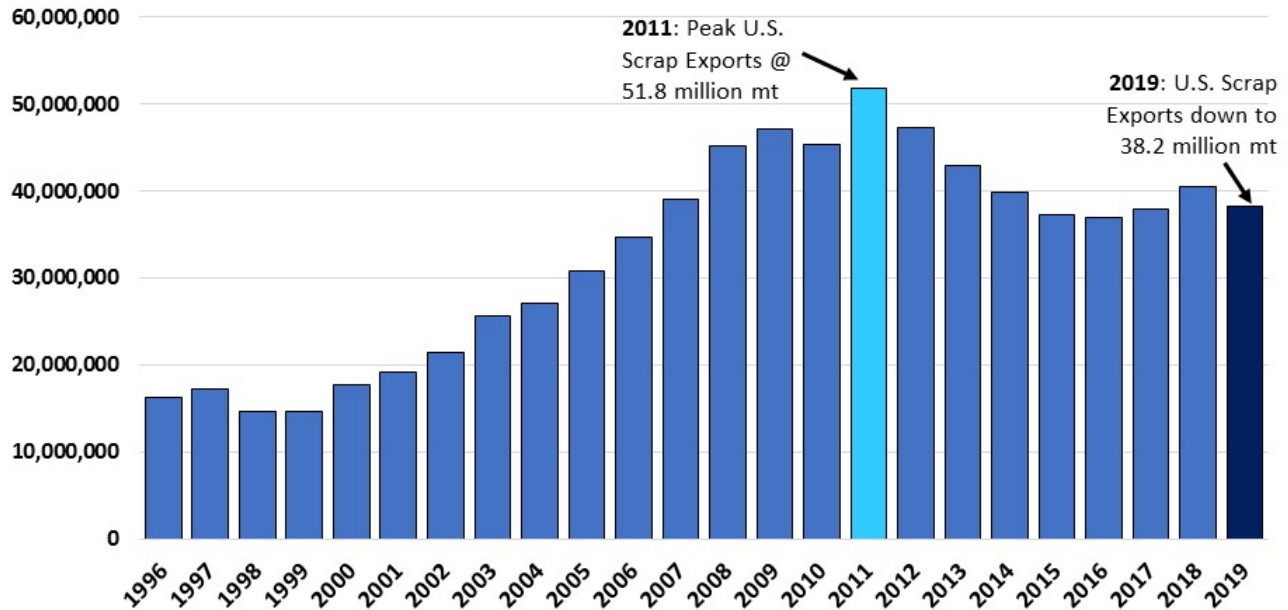
Contact Bob Emery at 440/268-0501 or bemery@isri.org

2019 Scrap Trade Flows

Total U.S. scrap exports – including all ferrous and nonferrous metals, recovered paper, plastics, rubber, glass, textiles, etc. – declined 5.5% year-on-year by volume in 2019 to 38.2 million metric tons, according

Total U.S. Scrap Exports, 1996-2019 (metric tons)

Sources: U.S. Census Bureau/U.S. International Trade Commission



to the latest trade data released by the Census Bureau last week.

In dollar terms, total U.S. scrap exports were similarly down 5% year-on-year to \$19.2 billion in 2019, but the composition of the top export markets changed in several significant ways. For the first time since the year 2000, China was no longer the top export destination for U.S. scrap in dollar terms, having been replaced by Canada at \$2.6 billion. In dollar terms, U.S. scrap exports to China were nearly cut in half last year, falling from \$3.5 billion in 2018 to \$1.8 billion in 2019. Also noteworthy, the largest net gain in export sales last year was to Malaysia, where exports increased by \$374 million to \$1.1 billion. In 2017, Malaysia wasn't even in the top 10 U.S. scrap export destinations but became the 6th largest market last year, after Canada, China, India, South Korea, and the U.K. Meanwhile, slower manufacturing growth and scrap import demand in Mexico resulted in Mexico dropping from the 4th spot in 2018 to 10th position in 2019.

Top 10 U.S. Scrap Export Markets, 2017-2019

US\$

	2017	2018	2019
1	China, \$5.7 billion	China, \$3.5 billion	Canada, \$2.6 billion
2	Canada, \$2.1 billion	Canada, \$2.3 billion	China, \$1.8 billion
3	Mexico, \$1.1 billion	India, \$1.5 billion	India, \$1.6 billion
4	Turkey, \$1.0 billion	Mexico, \$1.4 billion	South Korea, \$1.2 billion
5	India, \$927 million	South Korea, \$1.2 billion	UK, \$1.1 billion
6	Germany, \$870 million	Germany, \$1.2 billion	Malaysia, \$1.1 billion
7	South Korea, \$775 million	Turkey, \$1.1 billion	Turkey, \$1.1 billion

8	UK, \$579 million	Taiwan, \$1.1 billion	Taiwan, \$1.0 billion
9	Italy, \$575 million	UK, \$850 million	Germany, \$987 million
10	Taiwan, \$571 million	Malaysia, \$747 million	Mexico, \$952 million

Sources: U.S. Census Bureau/U.S. International Trade Commission

U.S. Scrap Exports by Commodity

Ferrous Scrap Exports

U.S. ferrous scrap exports, excluding stainless steel and alloy steel, grew by a modest 1.2% in 2019 to nearly 15.9 million metric tons as improved shipments to Turkey, Malaysia, Saudi Arabia, Vietnam, Bangladesh, and others more than offset weaker business with Egypt, China, and Mexico.

U.S. Ferrous Scrap Exports (ex-stainless and alloy steel scrap)

Metric tons

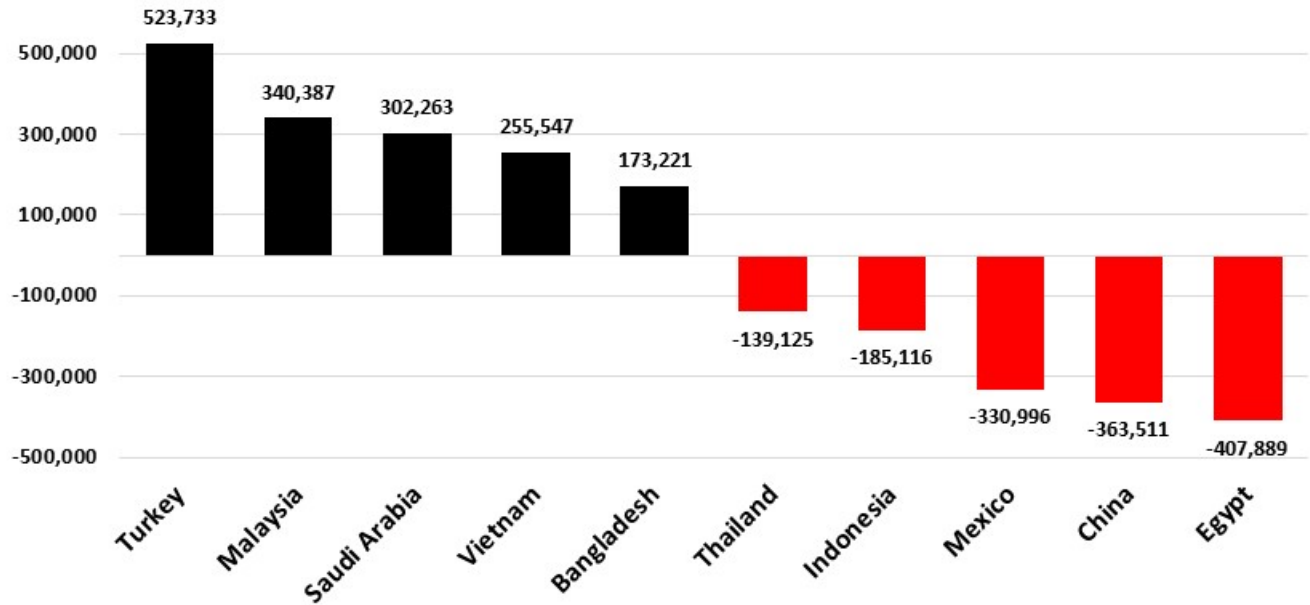
Country	2016	2017	2018	2019	% CHG
Turkey	3,136,601	3,635,585	3,391,709	3,915,442	15.44%
Taiwan	1,212,171	1,256,025	1,833,189	1,709,083	-6.77%
Mexico	1,378,241	1,544,051	1,722,864	1,391,868	-19.21%
Vietnam	368,242	656,409	1,009,601	1,265,148	25.31%
South Korea	834,436	523,367	885,485	1,052,127	18.82%
Bangladesh	292,754	647,026	837,963	1,011,184	20.67%
India	1,001,891	655,413	831,950	829,524	-0.29%
Malaysia	27,440	193,861	470,397	810,784	72.36%
Canada	385,089	610,138	638,922	597,265	-6.52%
Pakistan	379,512	629,003	373,561	471,065	26.10%
Peru	393,705	444,086	379,136	406,994	7.35%
Egypt	120,420	400,273	805,028	397,139	-50.67%
Thailand	427,827	537,647	496,423	357,298	-28.03%
Saudi Arabia	49,594	42,892	44,038	346,301	686.37%
Kuwait	353,681	426,332	387,143	332,793	-14.04%
All others	841,942	1,557,366	1,544,798	957,469	-38.02%
Total:	11,203,546	13,759,474	15,652,207	15,851,484	1.27%

Sources: U.S. Census Bureau/U.S. International Trade Commission

Turkey not only retained its place as the largest export destination for U.S. ferrous scrap, but also posted the largest net volume gain (+524,000 mt to more than 3.9 million tons) last year, according to Census Bureau trade data. Here are the top 5 market gains and losses for U.S. ferrous scrap exporters last year:

Major Gains and Losses for U.S. Ferrous Scrap Exporters in 2019 (metric tons)

Sources: U.S. Census Bureau/U.S. International Trade Commission



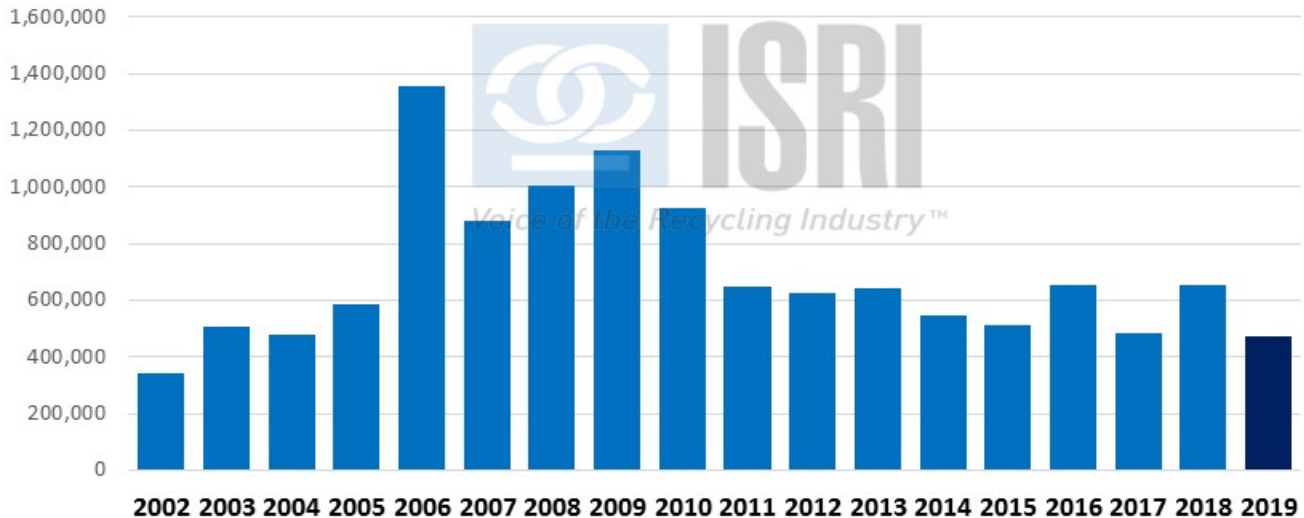
Stainless Steel Scrap Exports

Despite improved demand from India, Taiwan, and Malaysia, U.S. stainless steel scrap exports plunged 27 percent lower in 2019 to just under 474,000 metric tons in 2019 due to reduced trade volumes with Canada, China, Mexico, and, to a lesser extent, Vietnam and Japan. According to the Census Bureau trade data, that's the lowest volume of U.S. stainless steel scrap exports since 2002, further compounding an already difficult year for U.S. stainless scrap processors and brokers.

Annual U.S. Stainless Steel Scrap Exports, 2002-2019

Metric tons

Sources: U.S. Census Bureau/U.S. International Trade Commission



Nonferrous Scrap Exports

China continued to reshape the global nonferrous scrap market last year as U.S. copper & copper alloy scrap exports to mainland China plunged by two-thirds to just under 88,000 metric tons in 2019. For comparison's sake, the U.S. exported nearly 688,000 tons of copper scrap to China in 2017. The surge in shipments to Malaysia (+85% to 221,429 mt) and improved demand from India, Germany, Taiwan, Belgium, Thailand, Sweden, and a few others helped to offset the reduced business with China. But for 2019 overall, U.S. copper scrap exports were reportedly down 4.6% to 871,000 metric tons.

U.S. Copper and Copper Alloy Scrap Exports

Metric tons

Country	2016	2017	2018	2019	% CHG
Malaysia	1,642	5,553	119,573	221,419	85.2%
Canada	75,082	93,501	92,136	91,232	-1.0%
China	659,540	687,876	271,254	87,876	-67.6%
South Korea	27,340	31,334	71,726	71,677	-0.1%
India	24,708	24,869	48,260	59,752	23.8%
Hong Kong	23,686	36,345	44,269	50,345	13.7%
Germany	32,977	30,657	37,269	43,763	17.4%
Japan	15,182	21,145	55,989	42,776	-23.6%
Taiwan	10,032	8,645	35,427	40,591	14.6%
Belgium	17,421	16,435	31,330	37,964	21.2%
Pakistan	8,089	9,571	17,949	20,937	16.7%
Thailand	1,166	677	14,151	20,640	45.9%
Spain	7,956	7,501	10,824	10,016	-7.5%

Greece	316	251	8,776	9,178	4.6%
Sweden	2,067	2,087	3,828	6,770	76.8%
All Others	36,810	27,790	50,086	56,118	12.0%
Total:	944,014	1,004,237	912,848	871,054	-4.6%

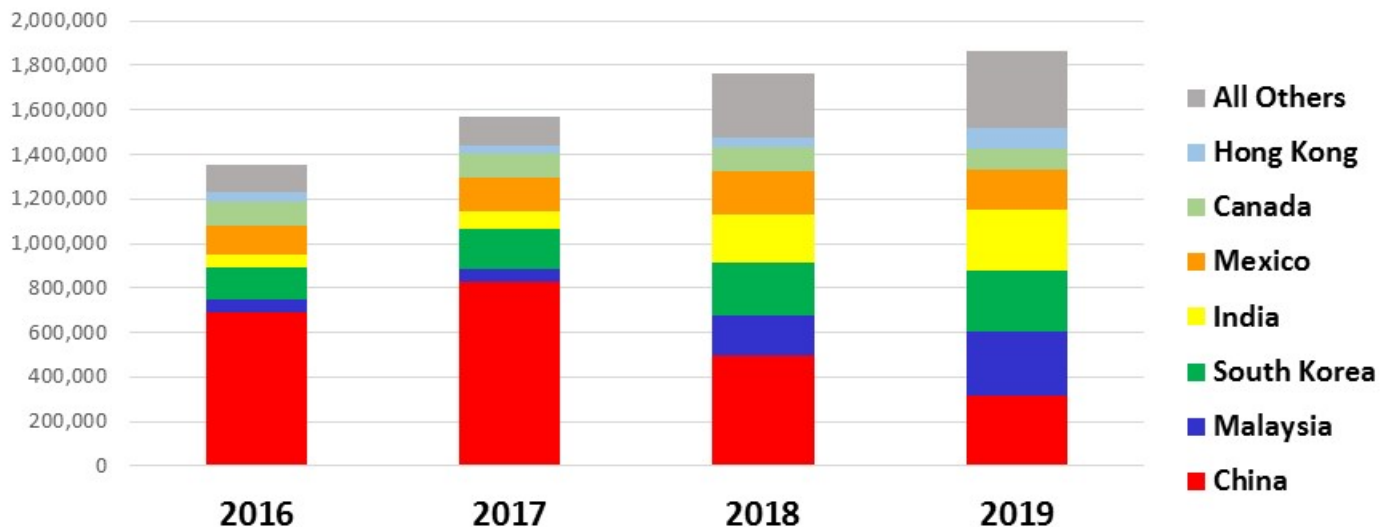
Sources: U.S. Census Bureau/U.S. International Trade Commission

Unlike with copper, the U.S. trade data show aluminum scrap (including UBCs and RSI) exports from the United States increased 5.8% by volume in 2019 to 1.86 million metric tons as the 36 percent drop in shipments to mainland China was more than offset by heavier loadings for Malaysia, South Korea, India, and Hong Kong.

U.S. Aluminum* Scrap Exports by Major Destination, 2016-2019

Metric tons

Sources: U.S. Census Bureau/U.S. International Trade Commission



*Includes UBCs and RSI.

Plastics

Not too surprisingly, plastic scrap exports from the United States had the worst performance among the major scrap commodities last year, falling 38 percent by volume to less than 663,000 metric tons as shipments to virtually every major market declined last year, save Canada and Turkey. As compared to 2016 when the U.S. shipped more than 1.4 million tons of plastic scrap to China and Hong Kong combined, the volume to those 2 destinations fell to less than 90,000 metric tons last year. Plastic scrap shipments to Malaysia, Thailand, and Vietnam were all down more than 70 percent last year.

Annual U.S. Plastic Scrap Exports by Major Destination, 2016-2019

Metric tons

Country	2016	2017	2018	2019	% CHG
Canada	165,043	135,795	133,867	149,089	11.4%
India	91,913	123,116	133,299	85,383	-36.0%
Hong Kong	653,865	372,904	121,487	72,619	-40.2%

Malaysia	38,771	121,231	204,120	60,474	-70.4%
Mexico	32,005	46,375	45,712	35,763	-21.8%
Taiwan	30,521	33,976	51,447	34,606	-32.7%
South Korea	3,698	9,077	35,403	30,843	-12.9%
Turkey	6,606	14,482	23,666	29,223	23.5%
Thailand	6,541	32,862	106,853	27,195	-74.6%
Indonesia	34,407	29,175	27,385	24,339	-11.1%
Vietnam	66,747	137,042	74,396	21,620	-70.9%
China	775,601	557,820	47,906	16,894	-64.7%
Philippines	1,509	3,617	6,378	7,852	23.1%
Senegal	0	0	0	7,809	N/A
El Salvador	5,334	5,570	6,039	7,250	20.1%
All Others	24,550	44,800	55,234	51,608	-6.6%
Total:	1,937,110	1,667,842	1,073,191	662,567	-38.3%

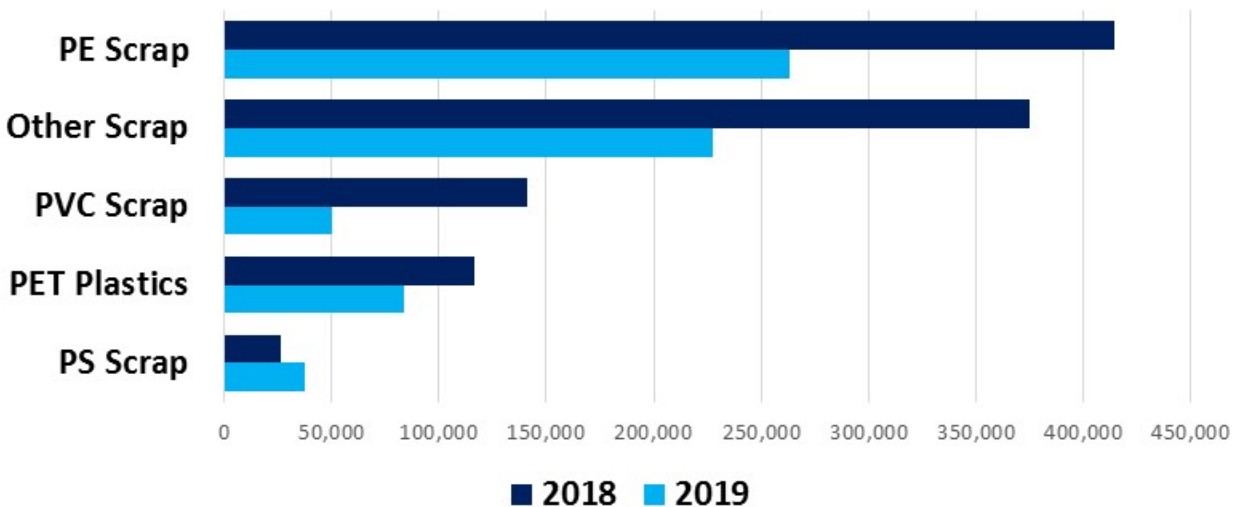
Sources: U.S. Census Bureau/U.S. International Trade Commission

By polymer and volume, exports of polyethylene scrap had the sharpest drop last year, falling by more than 150,000 metric tons, followed by “other” plastic scrap (-147 kt), PVC scrap (-91,000 kt), and PET scrap (-33 kt). The only polymer to register an increase was polystyrene scrap exports, which were up by 11,000 tons to nearly 38,000 metric tons.

U.S. Plastic Scrap Exports by Polymer, 2018 vs. 2019

Metric tons

Sources: U.S. Census Bureau/U.S. International Trade Commission



Editor’s note: We’ll have a full recap of last year’s recovered paper and fiber exports as part of our special Focus on Paper in next week’s ISRI Market Report.



Weekly Market Report

This Week's Quote

"Satisfaction lies in the effort, not in the attainment; full effort is full victory."

-- Mahatma Gandhi