

July 28, 2020

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This Morning

- The Bloomberg Commodity Index was down slightly (-0.08%) this morning as rising gold prices were more than offset by weaker energy prices and mixed industrial metal prices.
- In New York, COMEX gold futures surged as high \$1,974.70/to today on gains various attributed to rising inflation concerns, the weaker dollar, and the massive influx of fiscal and monetary stimulus.
- In foreign exchange trading, the US Dollar Index was mixed today with the euro trading around \$1.1733 while the greenback was buying 105.08 Japanese yen.
- In London, LME 3-mo. copper and aluminum firmed to around \$6,470/mt and \$1,727/mt, respectively, late in the session while 3-mo. nickel slipped to around \$13,685/mt.
- On Wall Street, the Dow Industrials were down 0.4% in mid-day trading today amid reports of uncertainty surrounding the new fiscal stimulus proposals and coronavirus infection rates.

This Week's ISRI Market Report Sponsored By:



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Selected Primary Commodity Prices: July 28, 2020

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Sep (\$/lb.)	2.919	0.022	0.7%	2.898	2.909	2.940	2.879
COMEX Gold Aug (\$/to)	1,942.7	11.7	0.6%	1,931.0	1937.1	1,974.7	1,900.2
COMEX Silver Sep (\$/to)	24.38	-0.1	-0.5%	24.50	24.70	26.28	22.5
NYMEX Light Sweet Crude Sep (\$/bbl)	41.06	-0.5	-1.3%	41.60	41.65	41.93	40.85
SHFE Aluminum Sep (RMB/mt)	14,295	85	0.6%	14,210	14,175	14,400	14,170
SHFE Copper Sep (RMB/mt)	51,700	30	0.1%	51,670	51,400	52,250	51,280
SHFE Nickel Oct (RMB/mt)	110,090	690	0.6%	109,400	110,000	112,150	108,400
SHFE Zinc Sep (RMB/mt)	18,160	80	0.4%	18,080	18,060	18,530	17,890

The Week Ahead

- Key U.S. economic reports due out this week will cover real GDP for the second quarter (the consensus forecast is for a massive 35% contraction), personal income & spending, consumer confidence, and Chicago PMI.
- On Monday, the Census Bureau reported durable goods orders increased 7.3% month-on-month, beating the 6.4% consensus forecast.
- Also on Monday, “Senate Republicans rolled out a roughly \$1 trillion coronavirus relief bill proposal, launching a mad dash to reach a deal with Democrats on expiring unemployment payments and other aid disputes in the parties’ rival plans. The Republican plan cuts the current federal \$600 weekly unemployment supplement to \$200 a week through September, when the payment will then combine with state benefits to replace 70% of previous wages,” the Wall Street Journal reports.
- Investors will be paying close attention to this week’s Fed rate decision and statement. While rates are expected to remain on hold, markets will be paying close attention to any new monetary stimulus language, especially in light the Senate Republicans fiscal stimulus bill announced on Monday.
- In Europe this week we’ll get Euro zone updates on flash GDP, inflation, unemployment, and economic sentiment, while in Asia Japan reports on retail sales, unemployment & industrial production and China releases its CFLP Manufacturing PMI report.
- On Wall Street, tech giants Apple, Amazon, Facebook, and Google-owned Alphabet are release quarterly reports this week.
- Please be safe and have a great week!

Economic Calendar: July 28-31, 2020

Date	Time (ET)	Release	Period	Consensus	Prior
28-Jul	9:00	S&P Case-Shiller Home Price Index	May	4.1%	4.0%

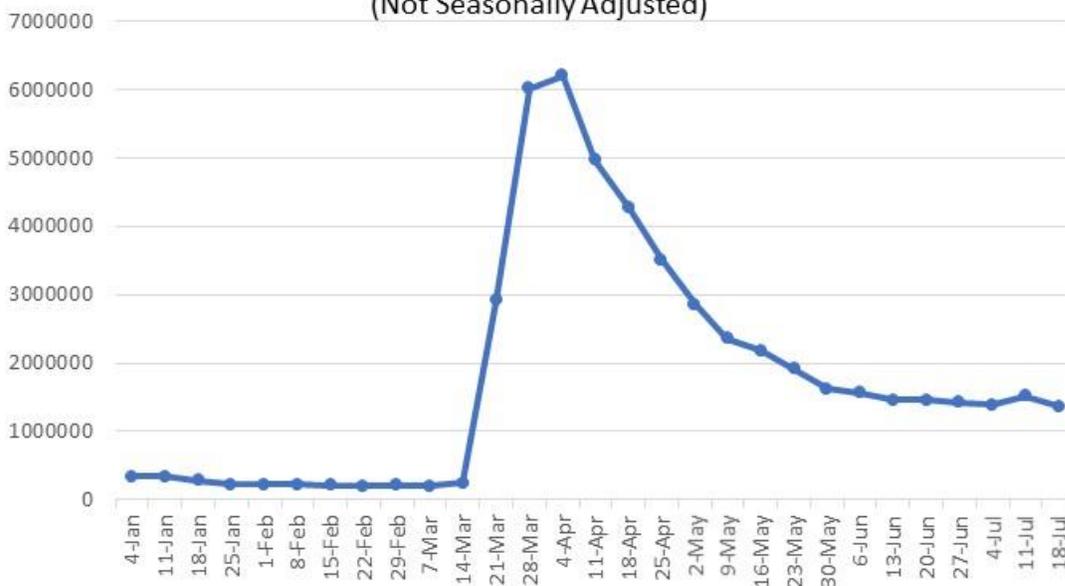
28-Jul	10:00	Consumer Confidence	Jul	95.0	98.1
29-Jul	8:30	Adv. Intl. Trade in Goods	Jun	NA	-\$75.3B
29-Jul	8:30	Adv. Wholesale Inventories	Jun	NA	-1.2%
29-Jun	10:00	Pending Home Sales	Jun	17.0%	44.3%
29-Jun	14:00	FOMC Rate Decision	Jul	0.125%	0.125%
30-Jul	8:30	Initial Claims	25-Jul	1.400M	1.416M
30-Jul	8:30	GDP-Adv.	Q2	-35.0%	-5.0%
31-Jul	8:30	Personal Income	Jun	-0.9%	-4.2%
31-Jul	8:30	Personal Spending	Jun	5.9%	8.2%
31-Jul	8:30	PCE Prices	Jun	0.40%	0.10%
31-Jul	9:45	Chicago PMI	Jul	42.0	36.6
31-Jul	10:00	Univ. of Michigan Consumer Sentiment - Final	Jul	73.0	73.2

Economic Week in Review

Initial Unemployment Claims

Initial unemployment claims decreased by 141,816 for the week ending July 18, 2020 to 1.371 million (not seasonally adjusted) but increased to 1.416 million seasonally adjusted (seasonal adjustments lose some of their validity in years like this where typical patterns are so out of whack). The claims for the week ending July 18 were nearly seven time greater than the comparable week a year ago, when 196,382 initial claims were filed.

U.S. Initial Weekly Unemployment Claims, 2020
(Not Seasonally Adjusted)



Sources: U.S. Department of Labor; ISRI

Insured unemployment claims, a measurement of total unemployment with a week lag from initial claims, was 16,390,919 (NSA) for the week ending July 11, 2020. This is down 930,294 from the previous week.

The unemployment rate, based on insured unemployment claims, was 11.2 percent, down 0.7 percent from the prior week.

Thirty-six states, including DC, reported **decreases** in initial claims for the week ending July 18. The top four states with **decreases** were:

Florida	down	27,421
Texas	down	18,695
Georgia	down	18,171
New Jersey	down	13,219

Fifteen states reported **increases** in initial claims for the week ending July 18. The top four states with **increases** were:

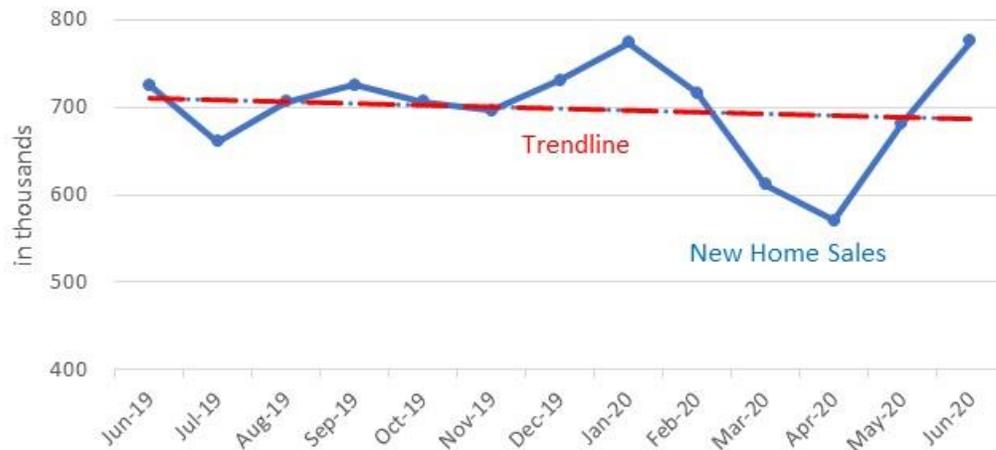
Virginia	up	7,896
California	up	7,759
Louisiana	up	4,804
Nevada	up	4,109

Housing Market Indicators

Residential Home Sales for June 2020

- Taking advantage of low interest rates, new home sales increased 13.8 percent in June 2020 to 776,000 (SA), a 12-month high according to numbers released last week by the U.S. Census Bureau.
- Year-to-date new home sales are up 3.2 percent as compared with Jan-Jun 2019.
- There were 307,000 new homes for sale at the end of June 2020 (SA).
- All regions saw increased sales in June 2020 from the previous month, with the Northeast nearly doubling, up 89.7 percent.
- The median price of home sold in June was \$329,200 and the average price was \$384,700.
- The COVID-19 effect on new home sales is clearly shown in the chart below, as March and April sales fell well below the 13-month trendline.

New Homes Sales, June 2020 (Seasonally Adjusted)



Sources: U.S. Census Bureau; ISRI

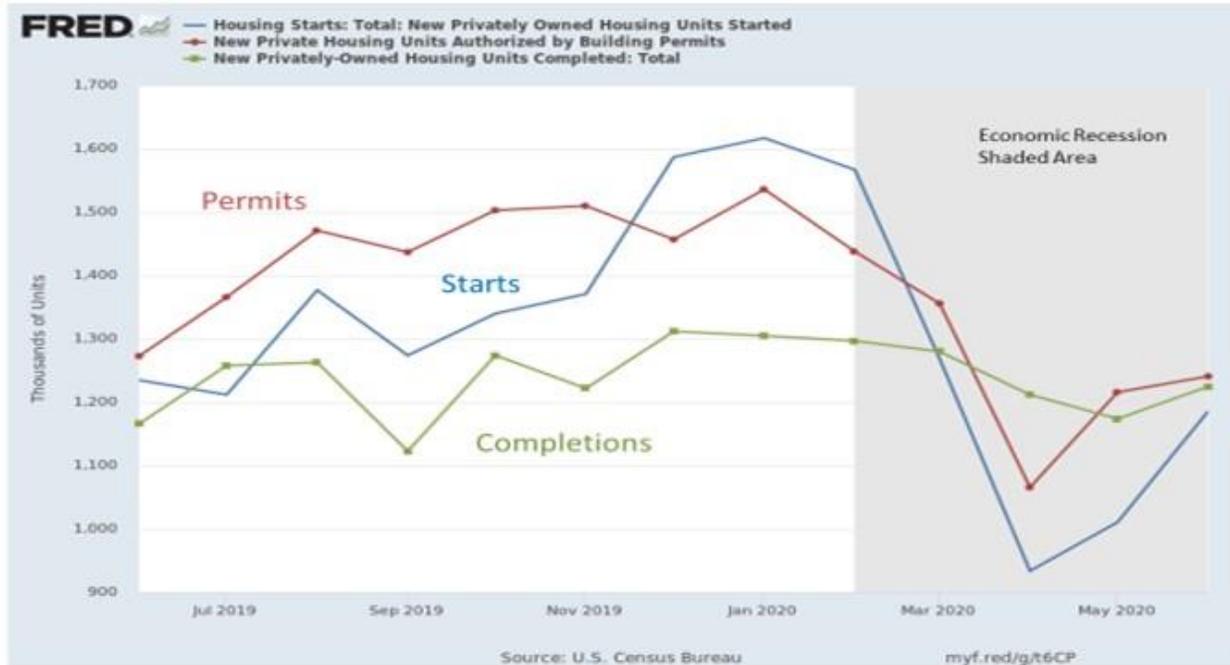
Building Permits

- Building permits increased 2.1 percent in June 2020, from May, to 1.241 million on a seasonally adjusted basis (SA). However, they are down 2.5 percent from a year ago (June 2019).
- Single-family permits are up 11.8 percent in June 2020 to 834,000 (SA).
- Multi-family permits, seasonally adjusted, are down in June 2020:
 - 2 to 4-unit structures are down 7.1 percent to 39,000; and
 - 5 units or more structures down 14.0 percent to 368,000.

Housing Starts

- Housing starts significantly increased by 17.3 percent in June 2020 to 1.186 million units (SA) but they are 4.0 percent below a year ago (June 2019).
- Single-family starts were up 17.2 percent in June 2020 to 831,000 units (SA).
- Multi-family structures with 5 + units increased 18.6 percent to 350,000 units (SA). 2-4-unit structures did not meet publication standards so no numbers were published.
- By region, the Northeast boomed in June 2020, up 114.3 percent to 105,000 units (SA); Midwest increased 29.3 percent to 181,000 units (SA); and the South was up 20.2 percent to 606,000 units (SA).

- The only region to decrease in June 2020 was the West, decreasing 7.5 percent 294,000 units (SA).



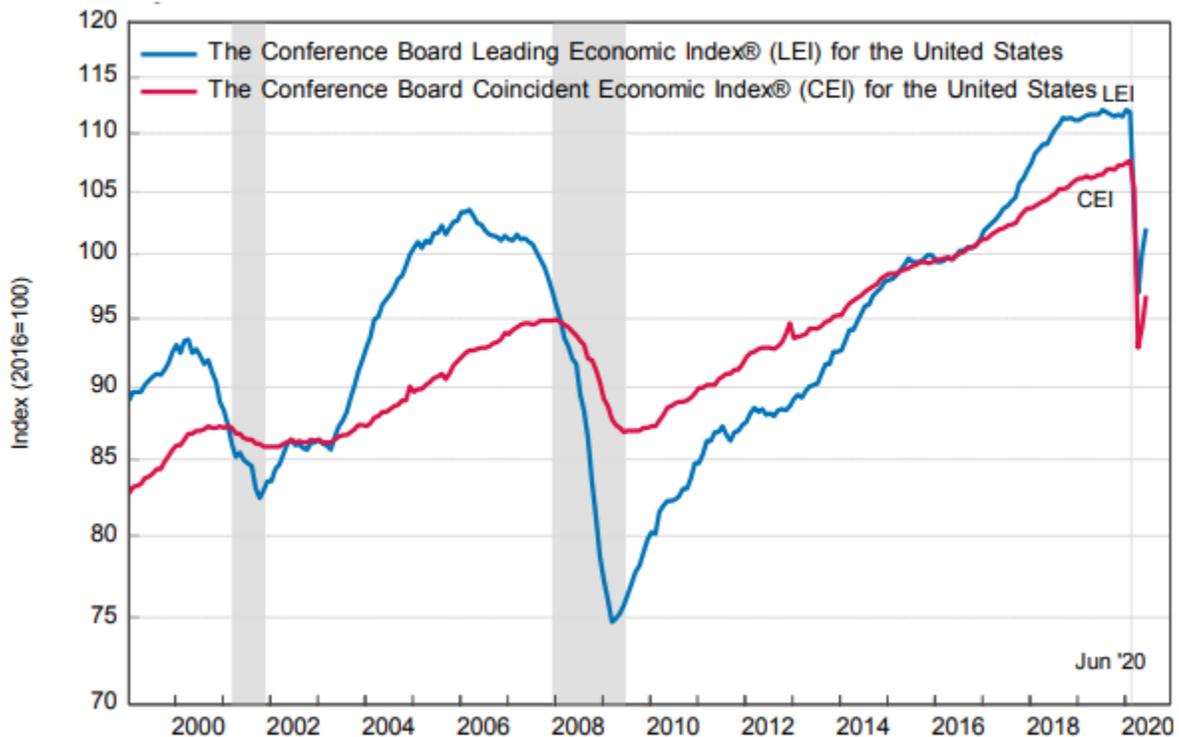
Housing Completions

- Housing completions increased 4.3 percent in June 2020 to 1.225 million units (SA). And they are 5.1 percent higher than a year ago (June 2019).
- Single-family housing completions are up 9.6 percent June 2020 to 910,000 units (SA).
- Multi-family structures with 5 + units decreased 5.5 percent to 311,000 units (SA). 2-4-unit structures did not meet publication standards so no numbers were published.
- Completions in the Northeast were down 22.9 percent to 74,000 units (SA).
- The other three regions are up: Midwest up 5.3 percent to 197,000 units (SA); south up 5.5 percent to 650,000 units (SA); and the West, up 10.5 percent to 304,000 units (SA).

Leading Economic Indicators

Last week, the Conference Board reported that its Leading Economic Index increased 2.0 percent in June 2 to 102.0, the second consecutive monthly increase. According to the Conference Board’s press release, “The June increase in the LEI reflects improvements brought about by the incremental reopening of the economy, with labor market conditions and stock prices in particular contributing positively,” said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. “However, broader financial conditions and the consumers’ outlook on business conditions still point to a weak economic outlook. Together with a resurgence of new COVID-19 cases across much of the nation, the LEI suggests that the US economy will remain in recession territory in the near term.”

The Conference Board Leading Economic Index® (LEI) for the U.S. Improved in June



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Commodity Market Developments

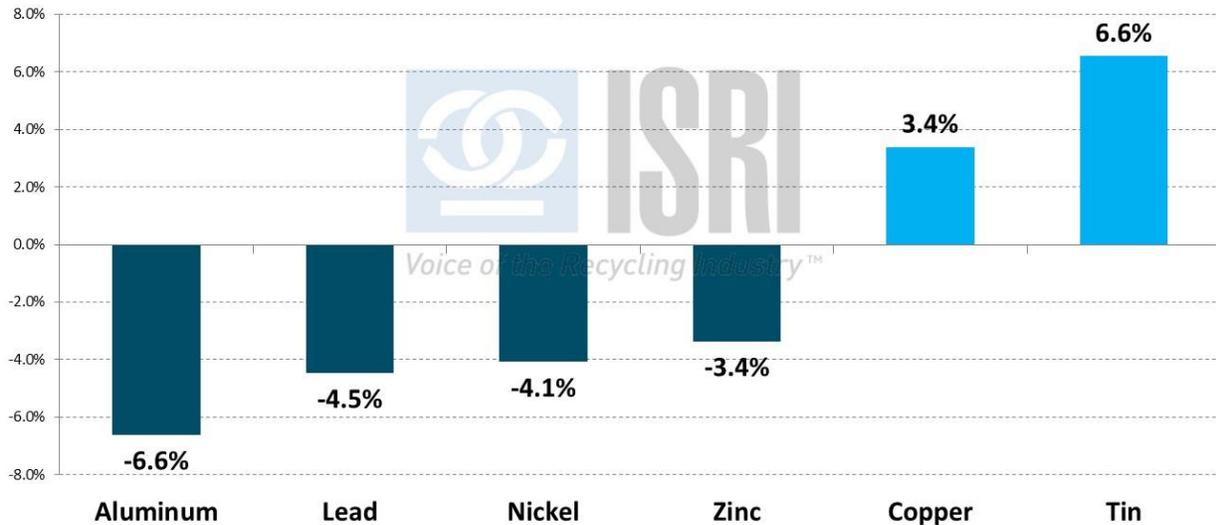
Ferrous

- U.S. domestic steel production for the week July 25, 2020, declined 28.5% year-on-year but was up 1.1% from the preceding week to 1.32 million net tons, according to the American Iron and Steel Institute. AISI also reports that the U.S. steel mill capacity utilization rate edged up from 58.3% for the week ending July 18th to 58.9% last week.
- The World Steel Association reported last week that for the month of June 2020, world steel production decreased 7% year-on-year to 148.3 million tons. Worldsteel reports that “China produced 91.6 Mt of crude steel in June 2020, an increase of 4.5% compared to June 2019. India produced 6.9 Mt of crude steel in June 2020, down 26.3% on June 2019. Japan produced 5.6 Mt of crude steel in June 2020, down 36.3% on June 2019. South Korea’s steel production for June 2020 was 5.1 Mt, down by 14.3% on June 2020.”
- Other highlights from worldsteel’s monthly report:
 - The United States produced 4.7 Mt of crude steel in June 2020, a decrease of 34.5% compared to June 2019.
 - Germany produced 2.5 Mt of crude steel in June 2020, down 27.3% on June 2019. Italy produced 1.8 Mt of crude steel in June 2020, down 13.0% on June 2019. France and Spain each produced 0.8 Mt of crude steel in June 2020, down 34.9% and 31.5% respectively on June 2019.
 - Turkey’s crude steel production for June 2020 was 2.8 Mt, up by 4.1% on June 2019.
- According to our friends at Argus Media, “Sentiment firmed up a bit last week on continued strength from the export market, with a US bulk sale to Turkey at \$270/t cfr for HMS 1/2 80:20. Also, integrated steelmakers hiked sheet prices by \$40/st last week, while US Steel said it will restart a blast furnace at Gary Works on August 1.”
- Argus also reports that both Nucor and SDI “...are moving ahead as planned with expansions after earlier signaling potential delays because of Covid-19. Nucor’s Gallatin sheet mill is planned to be done by mid-2021 and its new Brandenburg plate mill is slated to be finished in late 2022. SDI’s new south Texas sheet mill remains on track for a mid-2021 start up. Also, maybe a new potential customer is moving into town with Tesla announcing last week it will build an assembly plant in Austin to build its meme-worthy Cybertruck and an SUV.”

Nonferrous

For the year-to-date, aluminum prices at the LME have had the worst performance among the major base metals this year, falling 6.6% to \$1,709/mt as of this morning:

YTD 2020 Percentage CHG in LME Official 3-Mo. Nonferrous Metal Asking Prices through Jul 28, 2020 (%)



At the same time, U.S. aluminum scrap exports are down 10 percent for the year-to-date as improved trade flows with Malaysia, South Korea, and Thailand have been more than offset by weaker shipments to China, Hong Kong, Mexico, Indonesia, Canada, Taiwan, and others.

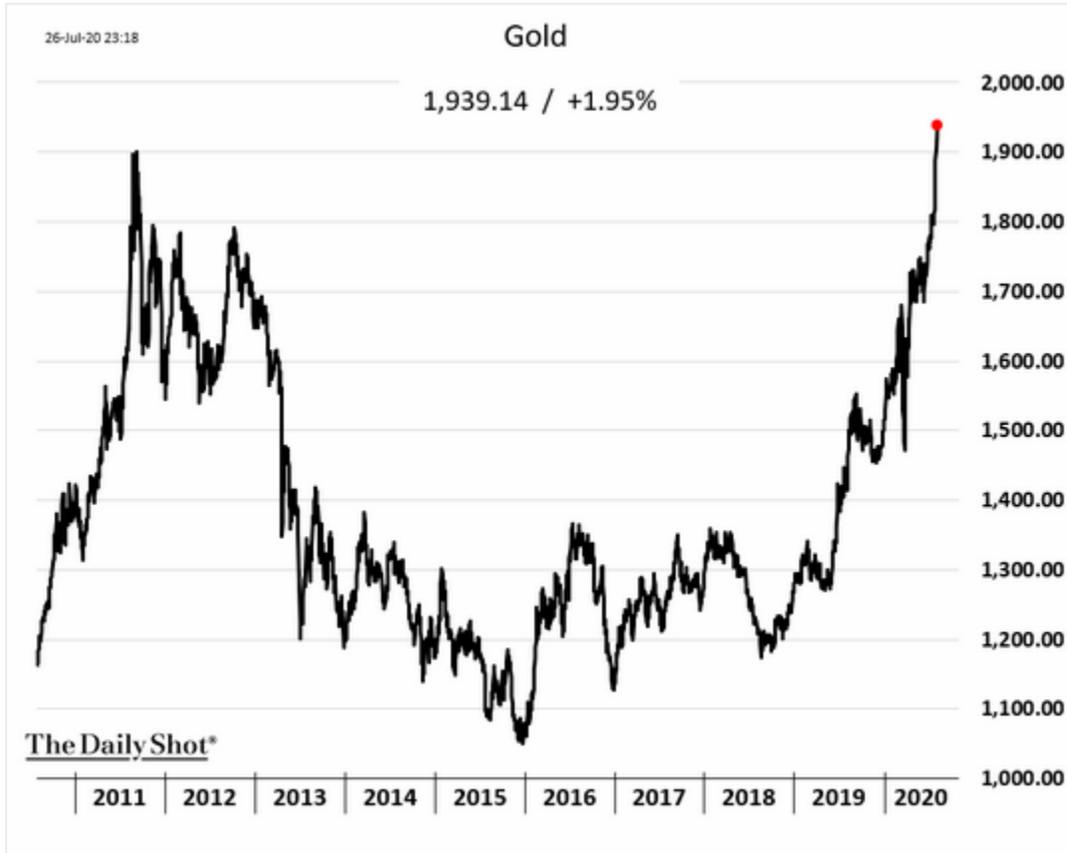
YTD U.S. Aluminum Scrap Exports by Major Destination

Metric tons

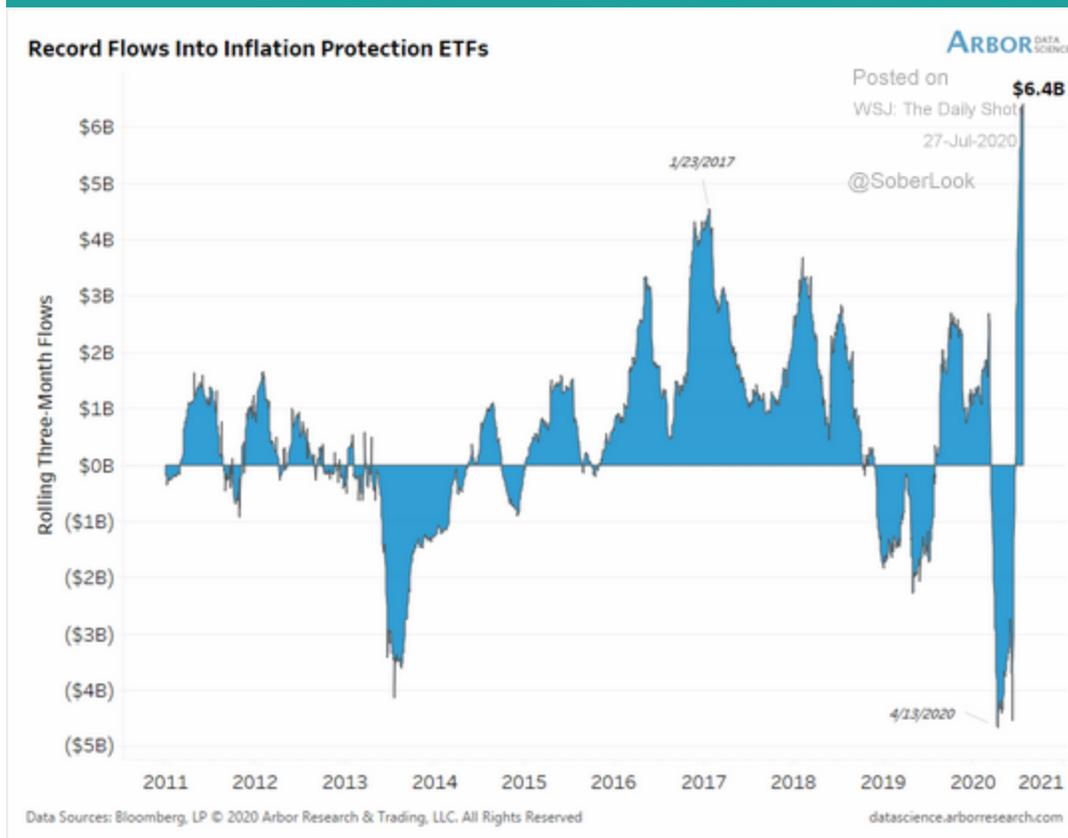
Country	Year 2018	Year 2019	2019 YTD	2020 YTD	YTD % CHG
Malaysia	182,566	290,312	77,566	127,035	63.8%
South Korea	240,072	272,926	114,445	119,898	4.8%
India	215,648	269,840	107,229	110,523	3.1%
China	493,375	315,540	191,310	94,946	-50.4%
Mexico	195,128	185,521	79,253	54,486	-31.2%
Indonesia	76,068	89,697	45,176	33,772	-25.2%
Hong Kong	42,332	90,956	40,293	29,533	-26.7%
Canada	104,136	92,964	38,800	28,895	-25.5%
Thailand	15,008	36,039	6,061	26,928	344.3%
Taiwan	69,004	60,734	30,253	16,575	-45.2%
Russia	11,985	7,956	2,496	10,168	307.3%
Japan	23,836	15,655	5,789	6,276	8.4%
Vietnam	4,359	9,492	775	4,301	454.8%
All Others	87,030	122,576	45,131	41,192	-8.7%
Total:	1,760,545	1,860,208	784,576	704,528	-10.2%

Precious Metals

Gold prices have surged to multi-year highs above \$1,970 per troy ounce on gains variously attributed to the massive monetary and fiscal stimulus measures, rising inflation concerns, and dollar weakness:



As reported by the Wall Street Journal's Daily Shot, the surge in gold prices has been accompanied by record inflows into inflation-protected assets including Treasuries (TIPS) and ETFs:



Paper and Plastic

Last week, ISRI's MRF Committee, Paper Division, and Plastics Division met as part of the ISRI 2020 Summer Board Meetings. The following lists keys points from each meeting:

Paper Division

The Paper Division passed the ISRI Position on Paper Bags, which was approved by the Government Relations Committee and the ISRI Board of Directors. This new policy promotes free and fair trade, supports a competitive market place, opposes bans and fees on paper bags, promotes the proper recycling, encourages paper bags in curbside collection, and strongly supports using recycled content to the maximum percentage that is mechanically and commercially viable.

The Paper Recyclability protocol fills a void in the market place. The working group has met a couple of times. An analysis of MRFs and their capability is underway. By year's end, the protocol is expected to be completed.

Plastics Division

The Plastics Division passed the ISRI's Position on Minimum Recycled Plastic Content Legislation which was approved by the Government Relations Committee and the ISRI Board of Directors. In brief, the Position supports legislation, Design for Recycling® (DfR), public education and advocacy, and life cycle assessments to help spur the demand for recycled plastics while also increasing the commitment by stakeholders throughout the supply chain to ensure plastics are responsibly manufactured and recycled into new products.

MRF Committee



Weekly Market Report

The Committee accepted an invitation from the Specifications Working Group Chair, Randy Goodman, to select a representative from the MRF Committee to participate in the modernization and updating of the ISRI Specifications Circular. Also of note, fires in MRFs caused by lithium ion batteries have been a big concern and issue over the past decade. The MRF Committee, along with other ISRI departments, will be reviewing a draft report on preventing such fires. This document is the result of working with other industry associations.

This Week's Quote

"If you're not hopeful and optimistic, then you just give up. You have to take the long hard look and just believe that if you're consistent, you will succeed."

-- John Lewis

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

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