

June 17, 2019

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This Morning

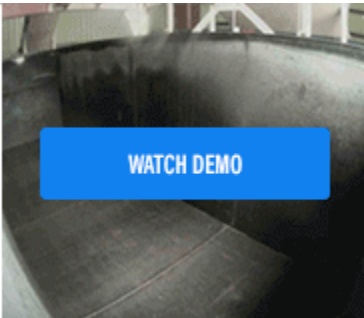
Nonferrous metal prices started the week in negative territory in Shanghai early this morning but were faring somewhat better in London and New York. At the LME, 3-mo. copper traded as high as \$5,837/mt in early trading before slipping to around \$5,813/mt as 3-mo. aluminum eased to around \$1,755/mt. In New York, most-actively traded COMEX copper futures were little changed around \$2.63 per pound early this morning while NYMEX crude oil futures dipped to around \$52 per barrel. Reuters reports that "Iran's oil minister is scheduled to meet his Russian counterpart in Iran later on Monday, industry sources said, raising hopes of progress in resolving a month-long impasse over when OPEC and its allies will hold their next policy gathering." In precious metal trading, COMEX gold futures fell below \$1,340 per troy ounce after having traded as high as \$1,362.20/to last week. In forex trading, the dollar was little changed this morning as the British pound approached \$1.126 while the dollar was buying 108.66 Japanese yen ahead of key monetary policy statements from central bankers later this week.

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Selected Primary Commodity Prices: June 17, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Jul (\$/lb.)	2.6330	0.004	0.1%	2.630	2.63	2.642	2.630
COMEX Gold Aug (\$/to)	1,337.8	-6.7	-0.5%	1,344.5	1345.5	1,347.1	1,336.6
COMEX Silver Jul (\$/to)	14.78	0.0	-0.2%	14.80	14.84	14.87	14.8
NYMEX Light Sweet Crude Jul (\$/bbl)	52.13	-0.4	-0.7%	52.51	52.5	52.74	52.07
SHFE Aluminum Aug (RMB/mt)	13,825	-95	-0.7%	13,920	13,890	13,895	13,760
SHFE Copper Aug (RMB/mt)	46,160	-300	-0.6%	46,460	46,310	46,350	46,040
SHFE Nickel Aug (RMB/mt)	99,230	-180	-0.2%	99,410	99,170	99,830	98,780
SHFE Zinc Aug (RMB/mt)	19,965	-170	-0.8%	20,135	20,045	20,105	19,880

The Week Ahead

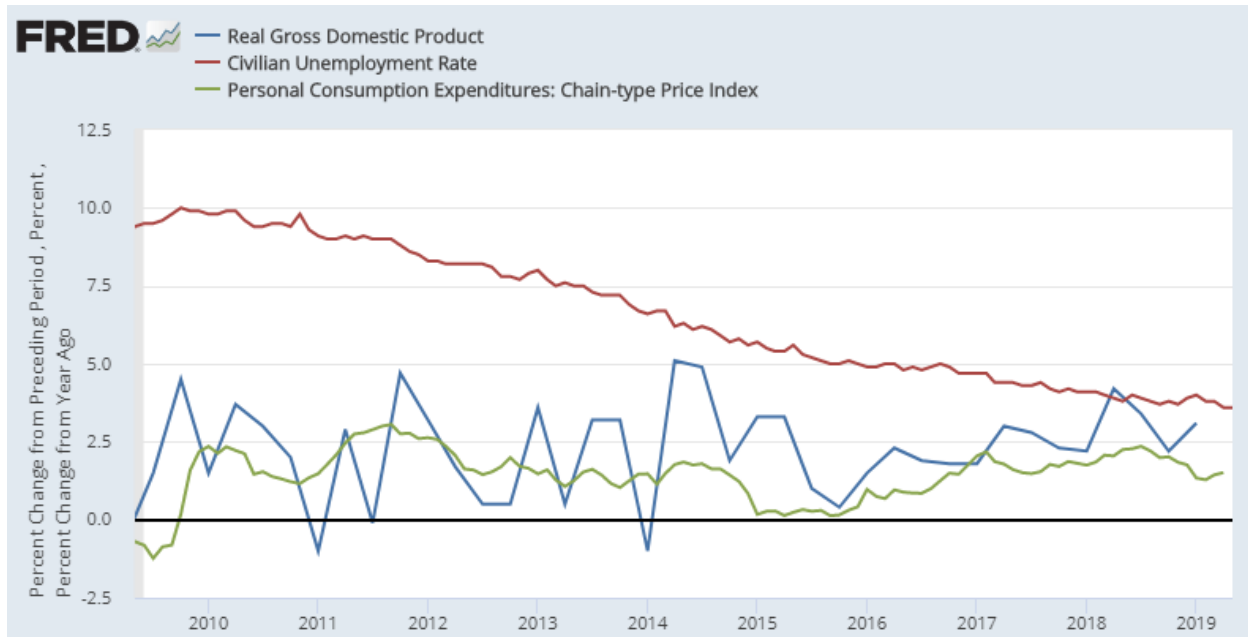
Monetary policy will be squarely in focus this week with new policy statements due out from the Federal Reserve, Bank of England, and Bank of Japan. All three central banks are expected to keep rates on hold for now (please see the Economic Review section below for more details). In addition, the European Central Bank "...holds its annual forum in Sintra, Portugal — for investors, a must-watch powwow among central bankers, academics, and economists on ‘monetary policy issues,’” the Financial Times reports. (Editor’s note: if you haven’t been to Sintra, Portugal, you should really go.) On the U.S. economic calendar, aside from the Fed meeting investors will be paying attention to housing market data, regional manufacturing reports, initial unemployment claims, and leading economic indicators. The consensus forecasts are for modest increases in housing starts & building permits in May, along with an uptick in existing home sales (5.3 million units SAAR). 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: June 17-21, 2019

Date	Time	Release	Period	Consensus	Prior
Jun 17	08:30	Empire State Manufacturing	Jun	NA	10.1
Jun 17	10:00	NAHB Housing Market Index	Jun	66	66
Jun 17	16:00	Net Long-Term TIC Flows	Apr	NA	\$51.9B
Jun 18	08:30	Building Permits	May	1295K	1269K
Jun 18	08:30	Housing Starts	May	1240K	1139K
Jun 19	07:00	MBA Mortgage Index	06/15	NA	26.8%
Jun 19	14:00	FOMC Rate Decision	Jun	2.375%	2.375%
Jun 20	08:30	Initial Claims	06/15	220K	222K
Jun 20	08:30	Continuing Claims	06/08	NA	1695K
Jun 20	08:30	Current Account Balance	Q1	-\$125.0B	-\$134.4B
Jun 20	08:30	Philadelphia Fed Index	Jun	11.5	8.5
Jun 20	10:00	Leading Indicators	May	0.1%	0.4%
Jun 21	10:00	Existing Home Sales	May	5.30M	5.19M

Economic Week in Review

With the Federal Open Market Committee meetings coming up this week, we thought it might be useful to review the main indicators that Fed officials have been monitoring. To be sure, the potential impacts of the on-going trade battles continue to be a source of concern. But the main macroeconomic indicators remain positive. The headline U.S. unemployment rate remained extremely low by historical standards at 3.6 percent in May, down from the 10 percent level following the Great Recession. U.S. real (adjusted for inflation) GDP growth was still robust at 3.1 percent in the first quarter of 2019. And the Fed's preferred measure of inflation, the Personal Consumption Expenditures Index, remained muted at 1.5% in April.



Of course, the Fed also pays close attention to financial market fluctuations. Although stock prices have been adversely impacted by recent developments on the trade front, the latest correction hasn't nearly been as severe as the one we saw late in 2018:

Market Summary > Dow Jones Industrial Average

26,089.61 -17.16 (0.066%) ↓

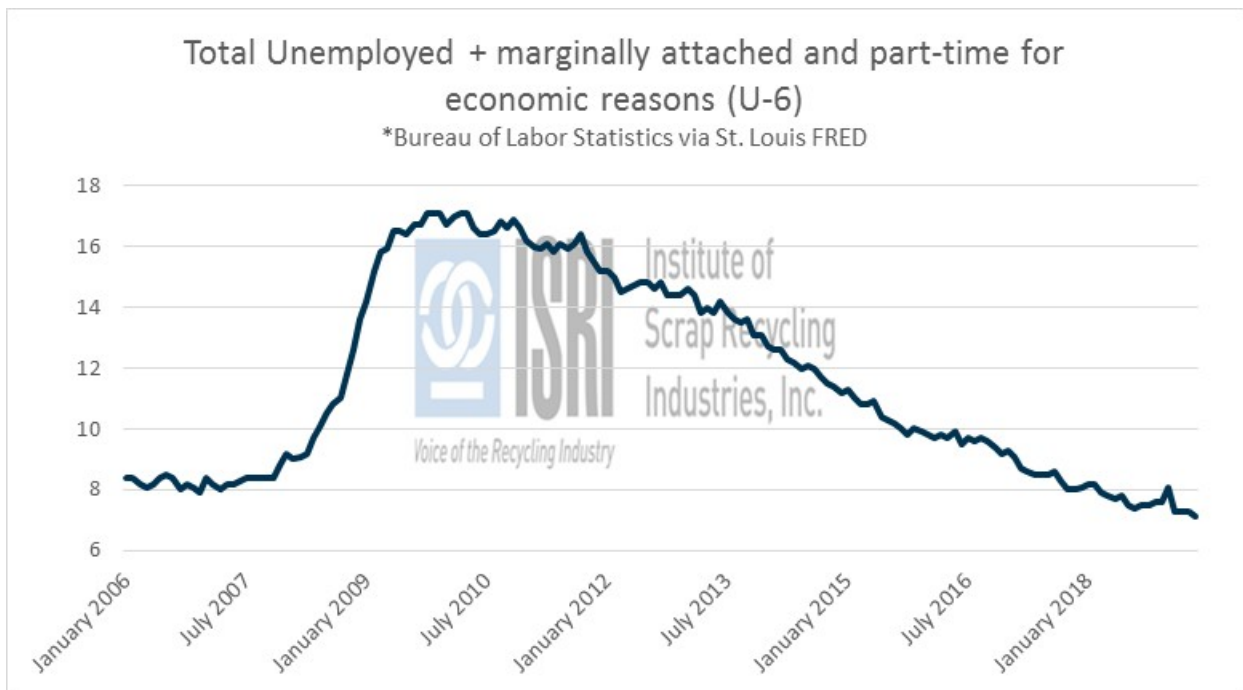
1 day 5 days 1 month 6 months YTD 1 year 5 years Max



Some of the economic data out last week actually came in better than expected, including U.S. industrial production, which advanced 0.4% in May, against a consensus forecast for 0.2 percent growth as utilities output jumped 2.1 percent higher and manufacturing production rebounded 0.2 percent.

Category	MAY	APR	MAR	FEB	JAN
Industrial Production					
Total Index	0.4%	-0.4%	0.1%	-0.6%	-0.4%
Manufacturing	0.2%	-0.5%	0.0%	-0.6%	-0.6%
Utilities	2.1%	-3.1%	1.7%	0.7%	0.8%
Mining	0.1%	2.2%	-0.4%	-1.3%	-0.3%
Capacity Utilization					
Total Industry	78.1%	77.9%	78.4%	78.4%	79.0%
Manufacturing	75.7%	75.6%	76.1%	76.2%	76.7%

In addition, the Bureau of Labor Statistics' JOLTS report for April totaled a higher-than-expected 7.449 million job openings. Hiring in April was slower which expanded the gap between openings and hirings to 1.752 million. Overall, this report marks the largest margin on record between the number of job openings and the number of unemployed. A bright light from the report is that underemployment has reached levels that haven't been seen since the turn of the century.



As a result of these largely favorable economic indicators, most forecasters expect the Fed to keep rates on hold this week, despite bond market and trade jitters, and we don't expect a rate cut this week either. But recent scrap market developments are painting a decidedly less rosy picture for the U.S. economy.

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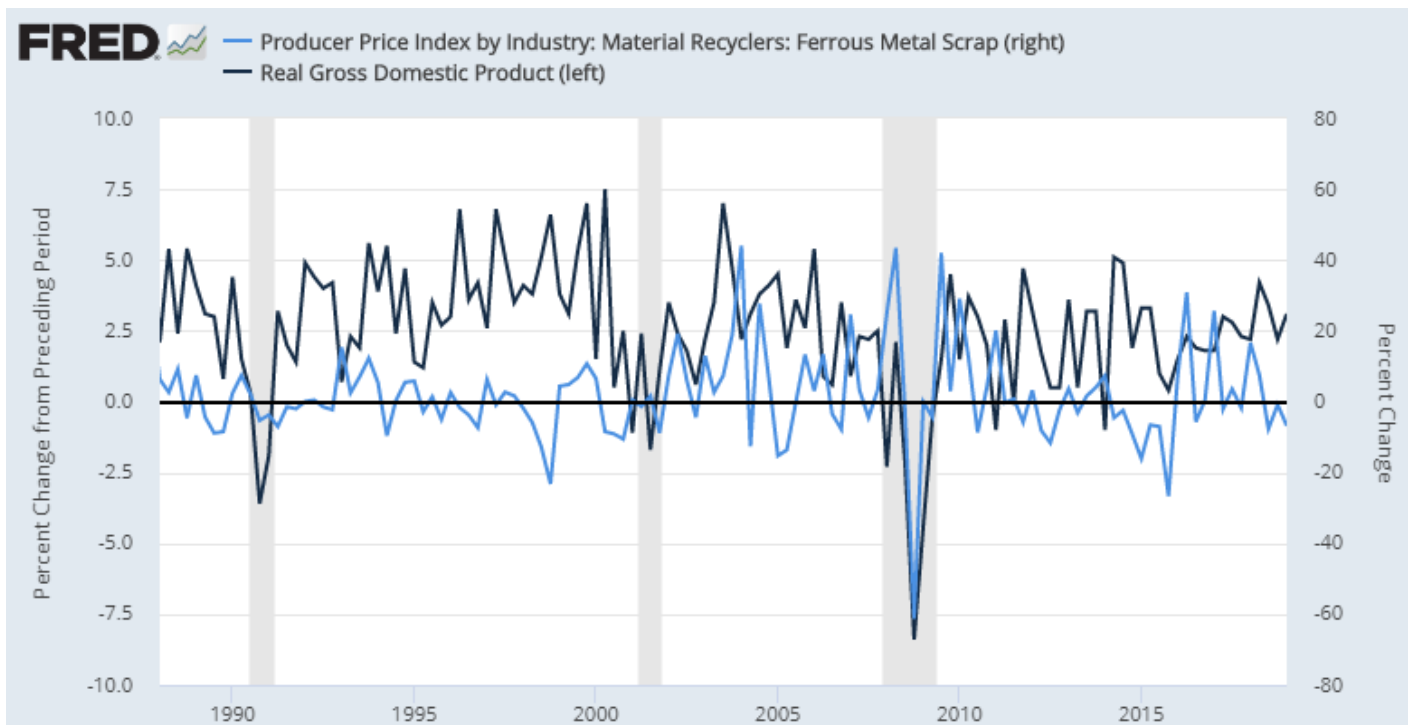
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Commodity News

Ferrous –

It's hardly news that ferrous scrap prices in the United States have been falling in recent months. Less clear is the relationship between scrap tags and U.S. economic output. As the following chart dating back to the late 1980's shows, ferrous scrap prices (along with other commodity prices) plunged during the Great Recession, but falling ferrous scrap prices haven't always coincided with economic contraction. Instead, what we have seen is that economic growth tends to slow significantly around the time of sustained declines in ferrous scrap metal prices, such as the period we currently find ourselves in.



Slowing overseas demand for U.S. ferrous scrap has not helped matters this year. According to figures from the U.S. Census Bureau, U.S. ferrous scrap exports (excluding stainless steel and alloy steel scrap) were down more than 14 percent year-to-date through April to less than 4.6 million metric tons due in part to weaker demand from Turkey, Taiwan, Mexico, Bangladesh, India, Thailand, Egypt, and China. On the

positive side of the equation, reported ferrous scrap exports to South Korea have more than tripled to +503 kt while trade with Malaysia was up 163.5% to nearly 355 kt.

Annual and YTD U.S. Ferrous Scrap Exports (ex-stainless and alloy steel scrap) by Major Destination (metric tons)

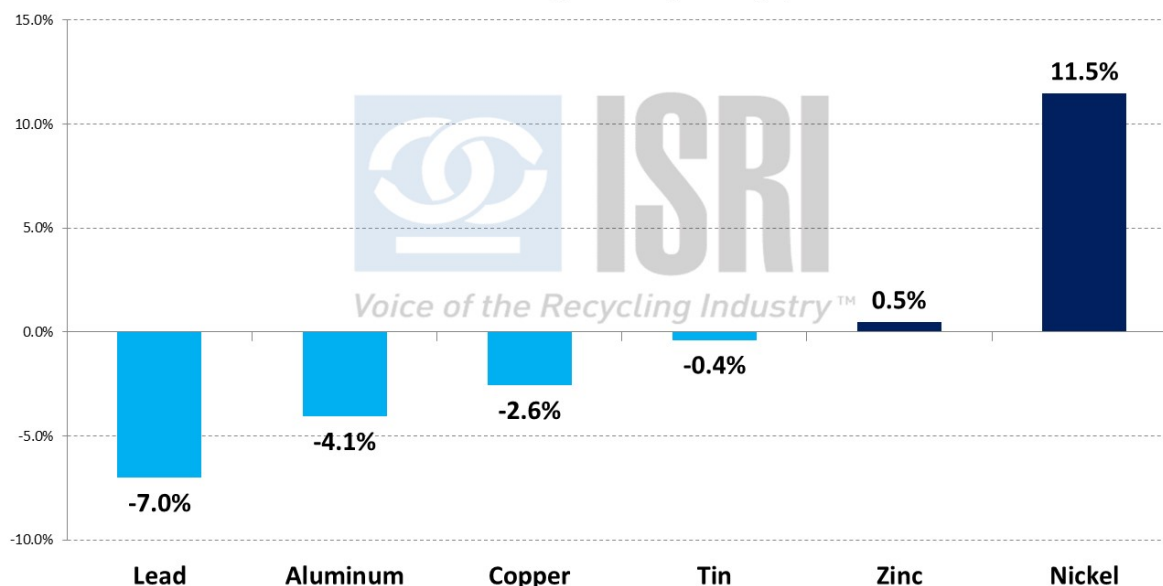
Country	2017	2018	Jan-Apr 2018	Jan-Apr 2019	YTD % CHG
Turkey	3,635,585	3,433,208	1,308,009	1,026,503	-21.5%
Taiwan	1,256,025	1,839,227	600,377	503,432	-16.1%
South Korea	523,367	882,369	110,744	450,223	306.5%
Mexico	1,544,051	1,718,650	675,359	408,771	-39.5%
Malaysia	193,861	489,506	130,871	344,860	163.5%
Vietnam	656,898	999,298	268,017	269,408	0.5%
Bangladesh	647,026	846,690	265,694	213,653	-19.6%
Canada	608,967	625,091	211,017	207,354	-1.7%
India	655,413	830,912	341,496	196,809	-42.4%
Kuwait	426,332	387,143	179,845	190,541	5.9%
Pakistan	629,003	373,863	143,848	140,310	-2.5%
Peru	444,086	379,136	185,133	91,481	-50.6%
Greece	181,735	125,006	20	87,943	439615.0%
Indonesia	85,791	430,827	136,654	76,570	-44.0%
Saudi Arabia	42,892	44,038	44,018	75,122	70.7%
Ecuador	150,524	133,874	65,362	65,253	-0.2%
Thailand	537,647	482,161	162,419	53,527	-67.0%
Egypt	400,273	801,639	70,253	42,259	-39.8%
Italy	109,286	5,910	1,062	35,730	3264.4%
China	691,726	411,527	330,933	19,144	-94.2%
Others	338,046	409,914	130,961	90,332	-31.0%
Total:	13,758,534	15,649,989	5,362,092	4,589,225	-14.4%

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

Nonferrous –

Most nonferrous metal prices have lacked support as of late, with year-to-date prices for LME 3-mo. aluminum and copper down 4.1% and 2.6%, respectively, as of last Friday. Last week, LME 3-mo. aluminum traded in a band around \$1,752.50/mt - \$1,797.50/mt, or around 79.5 to 81.5 cents per pound.

YTD 2019 Percentage CHG in LME Official 3-Mo. Nonferrous Metal Asking Prices through Jun 14, 2019 (%)



For U.S. aluminum scrap exporters, which commodities will be allowed into China after July 1 remains a critical issue. For the year-to-date (through April), U.S. exports of aluminum scrap (including UBC's and RSI) to mainland China were down 34 percent to just over 157,000 metric tons, although most other scrap commodity exports to China have seen a much steeper drop. As aluminum scrap demand has picked up in South Korea (+35%), India (+116%), Malaysia (+86%), Indonesia (+154%), the Census Bureau reports that U.S. aluminum scrap exports are actually up more than 16 percent so far this year.

Annual and YTD U.S. Aluminum Scrap Exports by Major Destination (metric tons)

Country	2017	2018	Jan-Apr 2018	Jan-Apr 2018	YTD % CHG
China	830,626	505,021	237,637	157,366	-33.8%
South Korea	180,971	240,753	69,010	93,351	35.3%
India	78,679	215,934	38,509	83,033	115.6%
Mexico	153,385	195,031	54,960	62,843	14.3%
Malaysia	52,505	172,314	30,856	57,405	86.0%
Indonesia	37,168	76,026	14,353	36,422	153.8%
Canada	105,786	104,272	34,410	32,027	-6.9%
Hong Kong	40,329	41,415	9,517	29,084	205.6%
Taiwan	30,171	69,240	12,386	24,831	100.5%
Brazil	293	18,260	2,939	7,608	158.8%
Pakistan	6,387	14,600	2,462	4,768	93.7%
Japan	16,663	23,750	5,904	4,568	-22.6%
Philippines	2,157	5,224	769	3,690	379.8%
Thailand	3,179	15,028	3,130	3,643	16.4%
Germany	11,475	7,792	3,153	3,612	14.6%
Belgium	2,188	11,759	781	2,765	254.1%
Singapore	60	2,301	177	2,500	1316.0%
Others	15,221	43,494	14,570	13,148	-9.8%
Total:	1,567,245	1,762,213	535,525	622,662	16.3%

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

Paper and Plastic –

As per ISRI's Member Update last week, "Last month, in an effort to crack down on illegal shipments, the Indonesian government imposed new regulations on imports of recovered paper. The rules included a 0.5% contamination limit and 100% pre-shipment inspections, including separating containers into bales. The government has now announced that it will instead use the ISRI specifications for recovered paper which set a standard of 1-2% for prohibitives and 3-4% for outhrows. It is also using the specifications to define its use of the word "homogenous" in describing the condition of bales..."

Confusion reigned over the global recovered paper industry when Indonesia introduced new restrictions last month on imports. The regulations, not in-line with global trading, set a contamination limit of 0.5% and that incoming shipments needed to be "clean, dry, and homogenous." There was very little clarity given to what exactly those words meant. The resulting confusion severely impacted the market for recovered paper...

In a move that will benefit paper recyclers and provide clear guidance on the trade of recovered paper, the Indonesian government updated the new regulations and adjusted them in accordance with ISRI specifications...

Through its international outreach efforts and education on its internationally-used specifications, ISRI has helped achieve a major victory for the paper recycling industry. As the ISRI's scrap specifications, including its Guidelines for Paper Stock: PS-2018, are internationally recognized used by buyers and sellers of recycled materials and products, their use by the Indonesian government ensures clarity of its regulation." Great job ISRI!!!

Meanwhile, on the plastic scrap front the Census Bureau reports U.S. exports during Jan-Apr 2019 were down 47% as compared to the first 4 months of 2018 to 233,445 metric tons as scrap PVC shipments plunged 83% lower, PET exports were down 43%, and "other" plastic scrap exports were off 50 percent.

Annual and YTD U.S. Plastic Scrap Exports by Polymer, 2016 – Apr 2019

Metric tons

	2016	2017	2018	Jan-Apr 2018	Jan-Apr 2019	YTD % CHG
PET	252,147	223,176	117,678	44,238	25,179	-43%
Polyethylene	712,007	635,741	415,122	161,844	103,100	-36%
PVC	234,014	160,401	137,385	57,926	9,697	-83%
Polystyrene	34,911	44,577	26,653	10,953	12,094	10%
Other Plastic Scrap	704,031	603,842	373,121	165,559	83,375	-50%
Total:	1,937,110	1,667,736	1,069,959	440,520	233,445	-47%

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

Transportation Costs: Diesel Fuel

According to the most recent report from the U.S. Energy Information Administration, average on-highway diesel fuel costs in the United States were down 3 cent per gallon for the week ending June 10, 2019 and were down 16 cents per gallon year-on-year. Not surprisingly, prices in California remained the highest at \$4.058 per gallon while prices in the Gulf Coast region were the lowest at \$2.843 per gallon.

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon)						
					Change from	
	05/27/19	06/03/19	06/10/19		week ago	year ago

U.S.	3.151	3.136	3.105		↓ -0.031	↓ -0.161
East Coast	3.164	3.153	3.125		↓ -0.028	↓ -0.139
New England	3.225	3.219	3.185		↓ -0.034	↓ -0.107
Central Atlantic	3.360	3.344	3.308		↓ -0.036	↓ -0.112
Lower Atlantic	3.020	3.011	2.989		↓ -0.022	↓ -0.159
Midwest	3.038	3.026	3.002		↓ -0.024	↓ -0.197
Gulf Coast	2.893	2.875	2.843		↓ -0.032	↓ -0.194
Rocky Mountain	3.181	3.163	3.114		↓ -0.049	↓ -0.230
West Coast	3.782	3.760	3.715		↓ -0.045	↓ -0.054
West Coast less California	3.338	3.320	3.282		↓ -0.038	↓ -0.207
California	4.134	4.109	4.058		↓ -0.051	↑ 0.068

**prices include all taxes*

This Week's Story

A wife complained to her husband that he just sat around on the weekends drinking beer and watching the horse races on TV, when he should be spending quality time with their young daughter.

So one Saturday the husband took the little girl out for some quality time. When they returned home the child was excited to tell her mother all about their day.

"Mommy, Daddy took me to the zoo and we saw lots of amazing animals!" she said.

"That's wonderful, sweetheart," her mother replied.

"And guess what Mommy", the child continued, "One of them paid ten to one!"

This Week's Quote

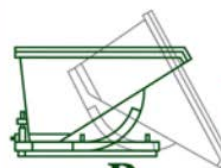
"My father gave me the greatest gift anyone could give another person, he believed in me."

-- Jim Valvano

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