

June 10, 2019

## In this Issue:

- **This Morning**
- **The Week Ahead**
- **Economic Week in Review**
- **Commodity News**
- **Transportation**
- **This Week's Story**
- **This Week's Quote**

## This Morning

Commodities were off to a mixed start this morning after a bumpy ride last week that saw NYMEX crude oil futures approach \$50 per barrel. This morning, Reuters reports that “Oil prices rose on Monday after Saudi Arabia said producer club OPEC and Russia should restrict supplies to current levels, while Washington's withdrawal of a tariff threat against Mexico removed a cloud over the global economy.” In New York, NYMEX crude futures were up over \$54/bbl this morning while COMEX copper was little changed around \$2.63/lb. In London, base metals lacked direction this morning with LME 3-mo copper and nickel slightly firmer around \$5,810/mt and \$11,665/mt, respectively, while 3-mo. aluminum eased to \$1,753/mt, similar to earlier trading in Shanghai. In equities trading, most of the major bourses in Asia and Europe started the week in positive territory as the trade outlook improved. In foreign exchange trading, the euro was trading around \$1.13 this morning while the greenback was buying 108.67 Japanese yen.

**This Week's ISRI Market Report is Sponsored by:**



**OLYMPUS**  
Tough, Reliable  
Alloy Analyzer  
**VANTA™** Handheld XRF  
4-Foot Drop Test  
3-Year Warranty

[https://www.olympus-ims.com/en/vanta-for-scrap-recycling/?utm\\_source=Scrap Newsletter June 2019&utm\\_medium=Banner&utm\\_campaign=ANI\\_Vanta](https://www.olympus-ims.com/en/vanta-for-scrap-recycling/?utm_source=Scrap_Newsletter_June_2019&utm_medium=Banner&utm_campaign=ANI_Vanta)

## Selected Primary Commodity Prices: June 10, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Jul (\$/lb.)	2.6305	0.003	0.1%	2.628	2.63	2.646	2.626
COMEX Gold Aug (\$/to)	1,330.1	-16.0	-1.2%	1,346.1	1341.2	1,341.7	1,329.0
COMEX Silver Jul (\$/to)	14.72	-0.3	-2.1%	15.03	15.01	15.01	14.7
NYMEX Light Sweet Crude Jul (\$/bbl)	54.29	0.3	0.6%	53.99	54.24	54.84	53.96
SHFE Aluminum Jul (RMB/mt)	13,955	-55	-0.4%	14,010	13,950	13,990	13,910
SHFE Copper Jul (RMB/mt)	46,200	150	0.3%	46,050	46,150	46,340	46,040
SHFE Nickel Jul (RMB/mt)	96,280	660	0.7%	95,620	95,600	96,970	95,510
SHFE Zinc Jul (RMB/mt)	20,665	280	1.4%	20,385	20,680	20,825	20,505

## The Week Ahead

The U.S.-China trade battle will be back in focus this week following the agreement with Mexico announced late last week that suspended the imposition of new tariffs on Mexican imports. Investors will also be paying attention to inflation and industrial production numbers this week. The consensus forecasts are that the U.S. consumer and producer price indexes were up just 0.1% in May, providing more support for the Fed to begin cutting rates. U.S. industrial production is expected to have rebounded 0.2% in May following a 0.5% dip in April. Other U.S. economic releases due out this week will cover job openings and labor turnover, retail sales, consumer sentiment, and business inventories. Overseas, China reports on trade, consumer & producer prices, industrial production, and retail sales. In Europe, new figures are due out on Euro zone industrial production as well, while in the U.K. the race to replace Theresa May as head of the Conservative Party heats up. Have a great week!

## U.S. Economic Calendar: June 10-14, 2019

Date	Time	Release	Period	Consensus	Prior
Jun 10	10:00	JOLTS - Job Openings	Apr	NA	7.488M
Jun 11	08:30	PPI	May	0.1%	0.2%
Jun 11	08:30	Core PPI	May	0.2%	0.1%
Jun 12	07:00	MBA Mortgage Index	06/08	NA	+1.5%
Jun 12	08:30	CPI	May	0.1%	0.3%
Jun 12	08:30	Core CPI	May	0.2%	0.1%
Jun 12	14:00	Treasury Budget	May	NA	-\$146.8B
Jun 13	08:30	Initial Claims	06/08	220K	218K
Jun 13	08:30	Continuing Claims	06/01	NA	1682K
Jun 13	10:30	EIA Natural Gas Inventories	06/08	NA	+119 bcf
Jun 14	08:30	Retail Sales	May	0.7%	-0.2%
Jun 14	08:30	Retail Sales ex-auto	May	0.4%	0.1%
Jun 14	09:15	Industrial Production	May	0.2%	-0.5%
Jun 14	09:15	Capacity Utilization	May	78.0%	77.9%
Jun 14	10:00	Univ. of Michigan Consumer Sentiment - Prelim	Jun	98.1	100.0
Jun 14	10:00	Business Inventories	Apr	0.4%	0.0%

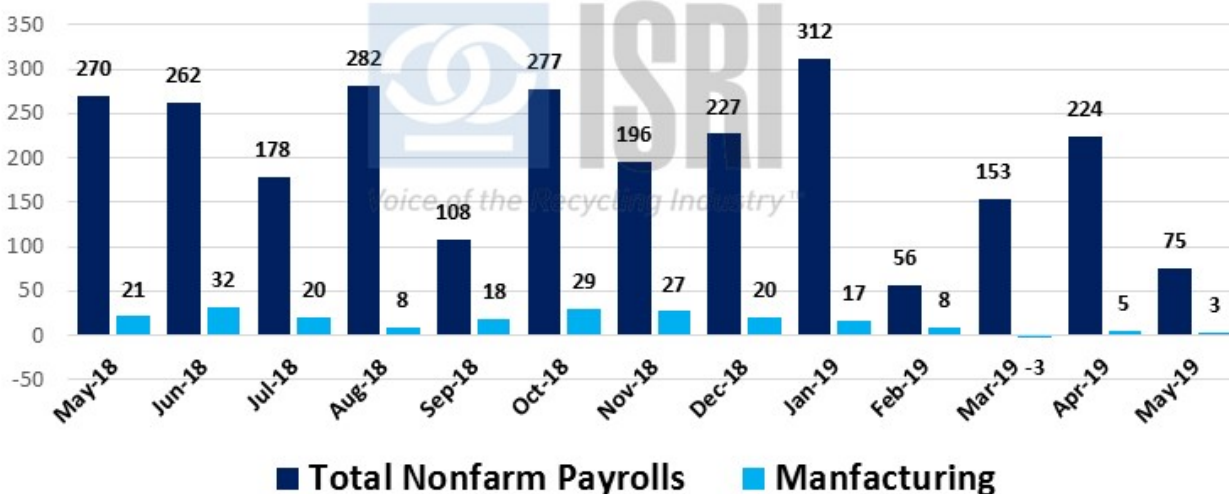
## Economic Week in Review

Amid the uncertainty on the trade front and lackluster economic reports, Fed officials signaled more flexibility on monetary policy last week, which in turn gave a boost to equity markets. Federal Reserve Bank of New York President John Williams said that Fed officials “need to be prepared to adjust our views of what’s happening in the economy and where the economy’s likely to go” while also considering “the right policy to keep this economy on a good, strong growth path,” the WSJ reports. The Dow Industrials finished 263.28 points higher on Friday, a gain of more than one percent. Stock futures were pointing higher over the weekend following the announced immigration deal with Mexico. The Financial Times reports “The US and Mexico have reached a deal to curb migration, defusing Donald Trump’s threat to impose sweeping tariffs on Mexican imports after several days of tense negotiating sessions in Washington... The deal caps an eight-day saga that began when Mr. Trump abruptly announced he was moving to slap tariffs on all Mexican goods from June 10... In addition to the trade war with China, the threat of higher tariffs on goods from Mexico, whose economy is deeply integrated with the US, had caused further unease in financial markets, contributed to fears about a US economic slowdown, and accelerated talk that the Federal Reserve might be forced to cut interest rates as its next move.”

A weaker than expected jobs report out last week also contributed to concerns about a U.S. economic slowdown. According to the Bureau of Labor Statistics, total U.S. nonfarm payrolls expanded by just 75,000 in May against the consensus forecast for a gain of 180,000 jobs. Meanwhile, hiring in the manufacturing sector has slowed considerably in recent months:

### Monthly Change in Total U.S. Nonfarm Payrolls and Manufacturing Jobs, May 2018-May 2019 (thousands)

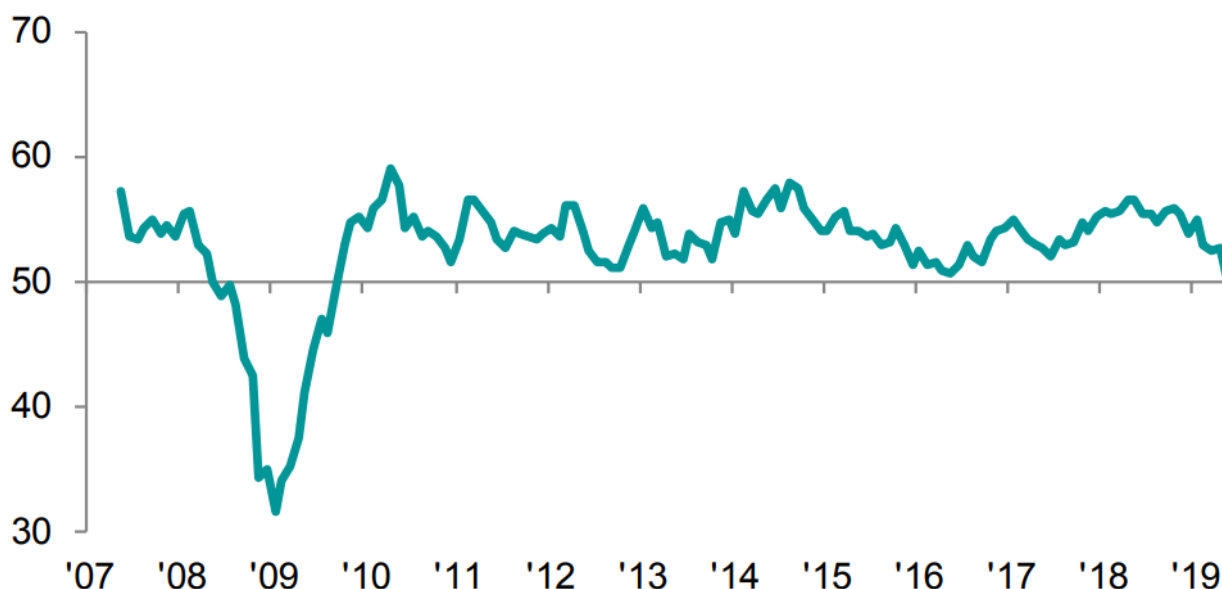
Source: U.S. Bureau of Labor Statistics



Other U.S. manufacturing indicators have underwhelmed recently. According to the Institute for Supply Management, the U.S. manufacturing PMI declined from 52.8 in April to 52.1 in May. The manufacturing PMI report from IHS Markit showed an even bigger drop, declining to 50.5 last month.

# Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit

Here's what Chris Williamson, Chief Business Economist at IHS Markit, had to say: "May saw US manufacturers endure the toughest month in nearly ten years, with the headline PMI down to its lowest since the height of the global financial crisis. New orders are falling at a rate not seen since 2009, causing increasing numbers of firms to cut production and employment. At current levels, the survey is consistent with the official measure of manufacturing output falling at an increased rate in the second quarter, meaning production is set to act as a further drag on GDP, with factory payroll numbers likewise in decline." Responses to the ISM survey reflected similar, if somewhat less dire, concerns:

- "Ongoing tariffs [issue is] impacting costs and influencing supplier realignment on country of origin. Border issue is causing delays in imports from Mexico." (Computer & Electronic Products)
- "The threat of additional tariffs has forced a change in our supply chain strategy; we are shifting business from China to Mexico, which will not increase the number of U.S. jobs." (Chemical Products)
- "Sales continue to decline. Volumes are off, [and] profits haven't decreased in proportion to sales. Higher-margin vehicles continue strong sales, but low- to mid-range sales are down." (Transportation Equipment)
- "Sales remain strong. Labor remains tight. Tariffs are having a significant impact on cost of goods. No impact on where we buy our goods." (Food, Beverage & Tobacco Products)
- "Business is continuing to grow and expand. The pressure for driving out costs has increased significantly, and my company is facing major changes over the next several years to remain cost competitive." (Miscellaneous Manufacturing)
- "The threat of a 15-percent increase on Section 301 tariffs is a concern. Although the potential has been around for months, the recent deadline was not expected. We had calculated and communicated the potential cost impact to our leadership." (Petroleum & Coal Products)
- "Weather in the middle of the country has slowed construction and infrastructure projects." (Nonmetallic Mineral Products)
- "Business continues to be very strong. Our company and our supply base continue to be challenged getting manpower for production. Key commodity costs like steel have continued to come down. Lead times with suppliers have stabilized after moving out two to three times what

they were a year ago. Supply base performance has improved over the last 90 days and stabilized.” (Machinery)

- “Newly increased tariffs on Chinese imports pose an issue on a number of chemicals and materials that are solely produced in China. We are expecting increases in raw materials starting June 1.” (Plastics & Rubber Products)
- “General slowing due to inventory correction.” (Primary Metals)

In other economic reports, U.S. **construction spending** was reportedly flat (0.0%) month-on-month in April but was down 1.2% as compared to one year ago on weaker private residential and nonresidential construction. **Factory orders** in the U.S. reportedly fell 0.8% in April as core capital goods orders fell 1%. But U.S. **light vehicle sales** reportedly rebounded from a seasonally adjusted annual rate of 16.34 million units in April to 17.3 million units in May. On a related note, automakers appear to be [backpedaling on deregulatory pushes](#) made at the onset of the Trump administration. Many of former President Obama’s auto regulations created significant changes to emissions controls and prompted incentives to convert to electric and hybrid vehicles. Some states found these regulations burdensome and unnecessary while others have embraced them or even considered them insufficiently aggressive. One major concern is that the administration’s de-regulatory push will bifurcate the market and create regulatory chaos, pushing production costs higher and further complicating the trade environment.

Also sponsored by:

The New Standard  
for Metal Sorting  
Solutions  
Proven. Trusted. Committed.

TOMRA  
SORTING SOLUTIONS

WENDT

“WENDT’s Technology Center has been a valuable asset to US.”

Jason Grube  
President,  
Rochester  
Iron & Metal

716.391.1200 wendtcorp.com

[www.wendtcorp.com](http://www.wendtcorp.com)

## Commodity News

### Ferrous –

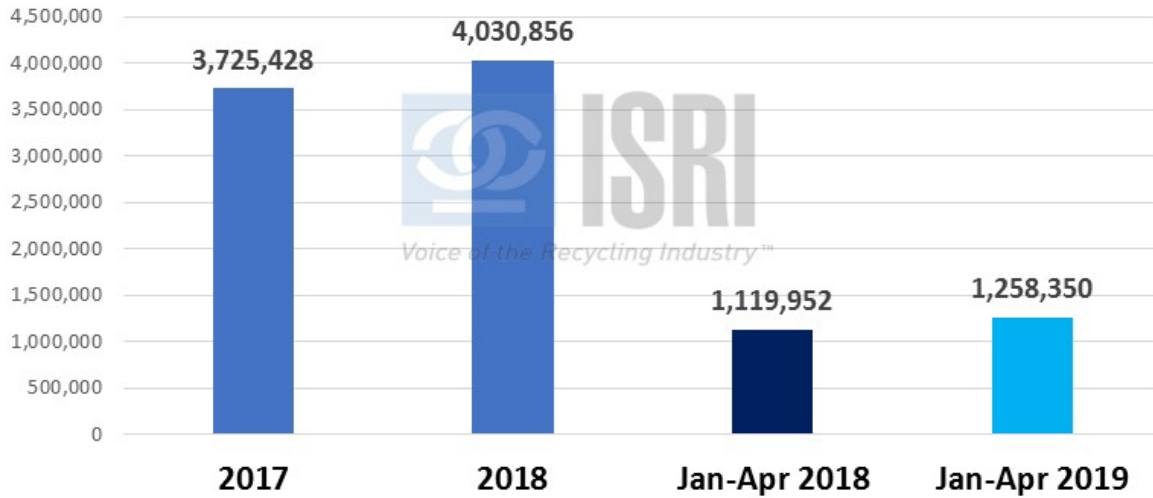
As hot-rolled coil and rebar prices remain under pressure, *Fastmarkets AMM* has been reporting that ferrous scrap tags in the northern U.S. quickly settled down around \$30 per ton this month. According to AMM, this continues a rough three month period. Scrap dealers in Pittsburgh, for example, have reportedly seen \$85-90 per ton declines during the last 3 months. Rebar pricing hit a 14-month low amid continuing uncertainty about whether a viable infrastructure bill will be passed anytime soon.

Meanwhile, carbon steel scrap imports into the United States continue to increase, putting further pressure on domestic processors. According to the most recent trade data from the Census Bureau, year-to-date (Jan-Apr) U.S. ferrous scrap imports (excluding stainless steel and alloy steel scrap) are up 12 percent by volume this year, which comes on top of an 8 percent increase in 2018:



## Annual and YTD U.S. Ferrous Scrap Imports (ex-stainless steel and alloy steel scrap), Metric tons

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



The largest sources of ferrous scrap imports so far this year are Canada (-1.7%), Sweden (+106.8%), Mexico (+76.6%), the Netherlands (+45.4%), and the UK (+25.5%). European steelmakers are calling for a review to increase tariff-free import quota volumes at a 5% per year basis, according to AMM. Even if a major steel exporting economy such as Turkey were to fill the quota volumes, demand for scrap would likely were such a measure put into place.

### Nonferrous –

Ahead of the looming July 1 deadline, U.S. nonferrous scrap exports to mainland China have reportedly been creeping back up in recent months:

## Monthly U.S. Aluminum and Copper Scrap Exports to Mainland China, Jan 2018-Apr 2019 (metric tons)

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

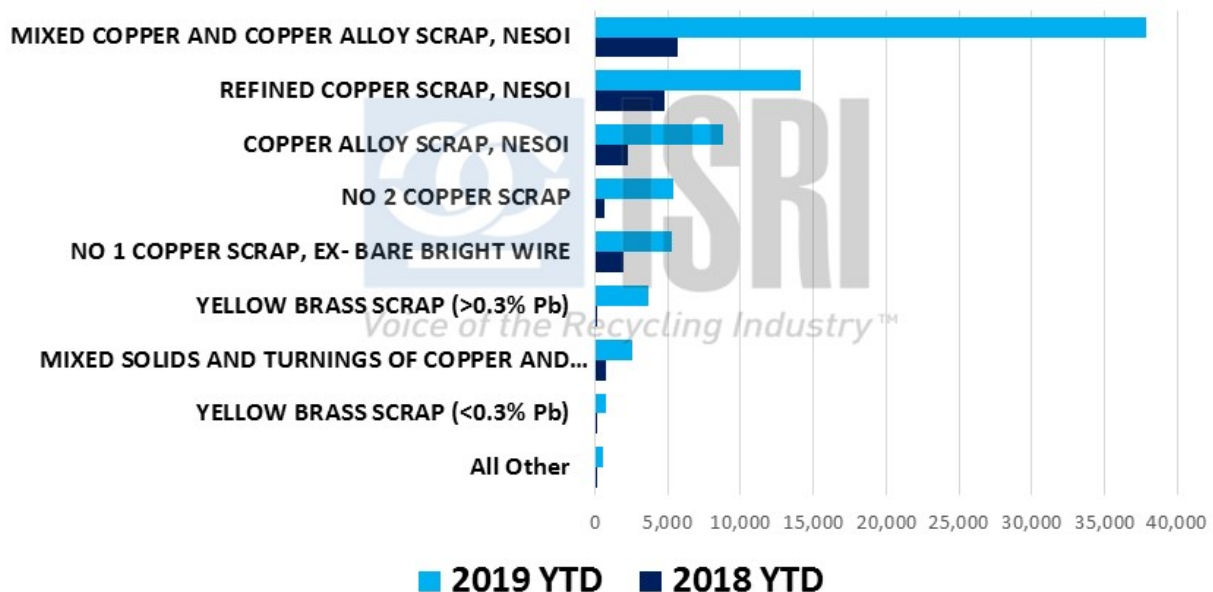


But for copper and copper alloy scrap exporters, Malaysia is the largest export market right now. According to the Census Bureau figures, the U.S. has shipped more than 79,000 tons of copper scrap to Malaysia through April, and increase of 385% as compared to Jan-Apr 2018. Recall that Reuters and other news outlets reported last month that “Jiangxi Copper Co., one of China's biggest copper producers, plans to build a plant to produce refined copper in Malaysia's eastern state of Sabah as the country emerges as a dismantling center for non-ferrous scrap, its chairman said. The company plans to use copper scrap and not copper concentrates as raw material for the plant, according to Long Ziping.”

Country	2017	2018	Jan-Apr 2018	Jan-Apr 2019	YTD % CHG
Malaysia	5,553	118,877	16,309	79,084	385%
China	687,894	274,668	178,943	37,429	-79%
Canada	93,461	90,587	28,447	34,098	20%
South Korea	31,334	71,237	12,083	21,754	80%
Hong Kong	36,345	43,200	13,110	19,585	49%
Japan	21,145	55,784	12,493	18,489	48%
India	24,869	48,428	7,033	18,287	160%
Germany	30,657	37,192	12,085	14,228	18%
Taiwan	8,645	35,167	5,962	12,630	112%
Belgium	16,435	31,307	5,135	11,092	116%
Thailand	677	14,544	6,731	6,555	-3%
Pakistan	9,571	18,236	2,383	4,504	89%
Greece	251	8,788	1,284	4,216	229%
Spain	7,501	10,860	3,415	3,727	9%
Singapore	131	3,102	587	2,539	333%
Sweden	2,087	3,825	592	2,518	326%
Others	27,659	47,021	10,879	14,805	36%
<b>Total:</b>	<b>1,004,215</b>	<b>912,824</b>	<b>317,469</b>	<b>305,539</b>	<b>-4%</b>

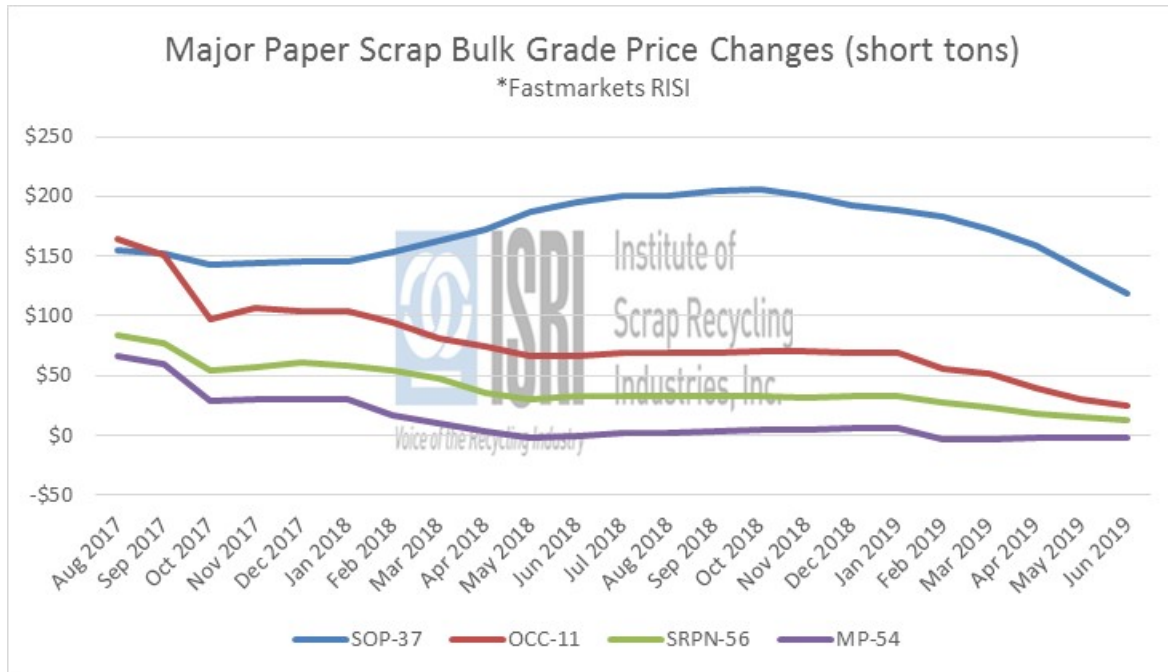
So what grades of copper and copper alloy scrap are we now sending to Malaysia? Here's the YTD breakdown and comparison, which bears some similarity to what used to be sent to China:

### YTD U.S. Copper & Copper Alloy Scrap Exports to Malaysia (metric tons)



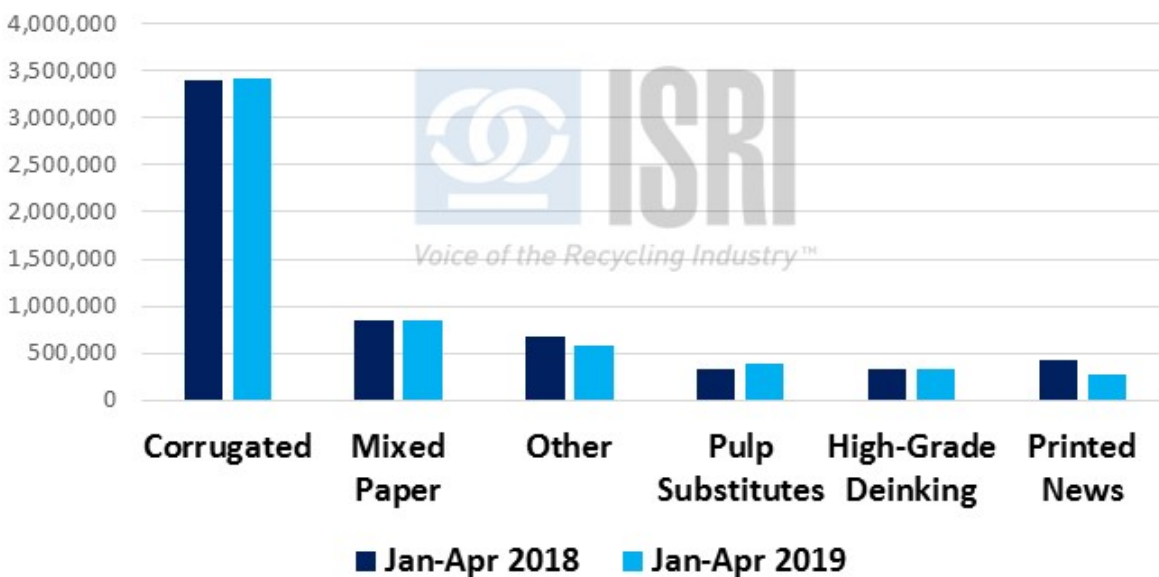
## Recovered Paper –

According to the latest prices in the Paper Stock Report, OCC-11 prices have little to no margin over SRPN-56 pricing. With west coast pricing holding to stronger margins, it appears that export market demand is keeping the preferential pricing up. However, RISI pricing reports show a healthier margin but an overall slump in the market that's been steepening since the beginning of 2019.



Here's the trend in U.S. recovered paper exports by major grade so far this year:

## YTD U.S. Recovered Paper and Fiber Exports by Grade (metric tons)





## **Transportation: Continued Barge Woes**

Bloomberg reports that “Hundreds of barges are stalled on the Mississippi River, clogging the main circulatory system for a farm-belt economy battered by a relentless, record-setting string of snow, rainstorms and flooding. Railways and highways have been closed as well, keeping needed supplies from farmers and others.” According to Chris Boerm, who manages transportation for Archer-Daniels-Midland Co., “It’s sort of like Mike Tyson’s quote, everybody’s got a plan until you get punched in the face, right?” Boerm said by telephone. “Every day we come in and we’ve got a plan. But then it rains three inches somewhere overnight where it wasn’t expected, and the plan changes.”

The Bloomberg report goes on to say “...supplies they plan to move on one river may need to be rerouted to a different waterway, or offloaded onto a rail car or a truck, with the hope they won’t be delayed by the weather as well. For instance, when water reaches the wheel bearings on a freight car in a siding, it can’t be hauled long distances without an inspection, yet another potential delay.

At just two locks along the upper Mississippi, almost 300 barges are being held in place as a result of high water and fast currents, according to Waterways Council Inc., which tracks barge movements. And hundreds more are waiting in St. Louis, Cairo, Illinois and Memphis, Tennessee, said Deb Calhoun, the council’s senior vice president. “It’s a big bottleneck,” Calhoun said.

“We dealt with a wet fall, and then record snowfall in many places,” said Tim Eagleton, senior engineering specialist for FM Global, an industrial insurer. “Of course, all that melts and comes down the Mississippi. Not only that, but we have had 200%-plus rainfall over a large part of that basin for months, and then a record-wet May in a lot of places.’ The bottom line, according to Eagleton: “Very long duration flooding on the Mississippi River that can really start to wear on people.” Almost 200 miles of the Mississippi has been shut down, he said.

That could take some time, according to Jeff Grascchel, service coordination hydrologist with the Lower Mississippi River Forecast Center in Slidell, Louisiana. “A lot of locations since December to January have been above flood levels, and they probably will be in June to July,” he said. “We have another month or two before we can get some of these areas to go below flood.”

## **This Week’s Story**

The Detroit Red Wings foreign scout flies to Baghdad to watch a young Iraqi play hockey in the new American sponsored league, and is suitably impressed and arranges for him to come over to the U.S.

The Red Wings sign him to a one year contract and the kid joins the team for the preseason. Two weeks later the Wings are down 4-0 to the Chicago Blackhawks with only 10 minutes left. The coach gives the young Iraqi the nod and he goes in. The kid is a sensation – he scores 5 goals in 10 minutes and wins the game for Detroit! The fans are delighted, the players and coaches are delighted, and the media love the new star.

When the player comes off the ice he phones his mom to tell her about his first day of NHL hockey. "Hello mom, guess what?" he says. "I played for 10 minutes today, we were 4-0 down, but I scored 5 goals and we won. Everybody loves me, the fans, the media, they all love me."

"Wonderful," says his mom, "Let me tell you about my day. Your father was shot in the street, your sister and I were robbed, and your little brother has joined a gang, all while you were having such great time."

The young hockey player is very upset. "What can I say mom, but I'm so sorry."

"Sorry? You're Sorry?!" says his mom, "It's your fault we moved to Detroit in the first place!"

## **This Week’s Quote**

“You miss 100% of the shots you don't take.” -- Wayne Gretzky

Also sponsored by:

<b>PUBLIC AUCTION</b>	<b>3,000+ TONS SCRAP STEEL ON 20+ ACRES</b>		
	<b>BAYSHORE CONCRETE PRODUCTS</b>		
	<b>2-DAYS WED. 6/19 &amp; THURS. 6/20 STARTING AT 10AM EDT</b>		
	<b>LIVE AUCTION &amp; WEBCAST</b> Cape Charles, VA	<b>MYRON BOWLING</b>   Phone: 513-736-3311 AUCTIONEERS, INC.   www.myronbowling.com	

<https://www.myronbowling.com/Auctions/Bayshore-Concrete-Products-Corporation-1083C50.html?LayoutID=23>