

March 11, 2019

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This Morning

Most of the major commodity indexes started the week in positive territory thanks to firmer crude oil and industrial metal prices, with the UBS Bloomberg CMCI up 0.28% in early trading. In New York, NYMEX crude oil futures were recently trading up around \$56.62 per barrel (+1.0%) as Reuters reported "Oil prices rose on Monday, lifted by comments from Saudi Energy Minister Khalid al-Falih that an end to OPEC-led supply cuts was unlikely before June and a report showing a fall in U.S. drilling activity." After having come under pressure late last week, nonferrous prices were mostly firmer in London this morning. LME 3-mo. copper advanced to around \$6,415/mt (= \$2.91/lb.) while LME 3-mo. aluminum was little changed at \$1,865/mt (= 84.6 cent/lb.). In comparison, precious metal prices were off to a softer start this morning as COMEX gold futures slipped below \$1,297 per troy ounce while silver futures eased to \$15.33/to. In foreign exchange trading the British pound dipped to \$1.2986 ahead of more Brexit excitement this week, while the euro edged up to \$1.124 after the ECB's monetary policy statement briefly pulled the euro as low as \$1.1176 last week.

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Selected Primary Commodity Prices: March 11, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper May (\$/lb.)	2.9080	0.015	0.5%	2.894	2.89	2.909	2.884
COMEX Gold Apr (\$/to)	1,296.3	-3.0	-0.2%	1,299.3	1298.2	1,299.2	1,295.5
COMEX Silver May (\$/to)	15.33	0.0	-0.2%	15.35	15.32	15.37	15.3
NYMEX Light Sweet Crude Apr (\$/bbl)	56.62	0.6	1.0%	56.07	56.07	56.79	55.96
SHFE Aluminum May (RMB/mt)	13,500	0	0.0%	13,500	13,520	13,545	13,460
SHFE Copper May (RMB/mt)	49,030	-120	-0.2%	49,150	48,820	49,220	48,810
SHFE Nickel May (RMB/mt)	102,370	-590	-0.6%	102,960	102,220	102,920	101,700
SHFE Zinc May (RMB/mt)	21,345	15	0.1%	21,330	21,170	21,565	21,035

The Week Ahead

This week on the U.S. economic calendar we'll get new reports on U.S. industrial production, durable goods orders, retail sales, consumer & producer price inflation, and consumer sentiment. The consensus forecast is that U.S. industrial production advanced 0.4% in February while the capacity utilization rate improved to 78.5%. We'll also get industrial production numbers for China, Germany, Great Britain, and India, while the Bank of Japan is set to make its latest monetary policy statement. And let's not forget about Brexit. "UK prime minister Theresa May faces a crunch week on Brexit, with as many as three key votes in the House of Commons. Following last-ditch negotiations with Brussels, Mrs. May has promised to put a revised Brexit deal to a vote by MPs by the end of Tuesday. If it is defeated, she is then committed to holding a vote on Wednesday on whether or not the UK should leave the EU without a deal. With a majority of MPs likely to vote against such a no-deal Brexit, Mrs. May would then offer a third vote on Thursday on delaying the Brexit date, currently March 29." In next week's market report we'll take a deep dive into the 2018 scrap trade figures and will provide an update on our commodities programming at our rapidly approaching [2019 ISRI Convention](#). Have a great week!

U.S. Economic Calendar: March 11-15, 2019

Date	Time	Release	Period	Prior
Mar 11	08:30	Retail Sales	Jan	-1.2%
Mar 11	08:30	Retail Sales, Ex-Auto	Jan	-1.8%
Mar 11	10:00	Business Inventories	Dec	-0.1%
Mar 12	06:00	NFIB Small Business Optimism Index	Feb	101.2
Mar 12	08:30	CPI	Feb	0.0%
Mar 12	08:30	Core CPI	Feb	0.2%
Mar 13	07:00	MBA Mortgage Applications Index	03/09	-2.5%
Mar 13	08:30	PPI	Feb	0.1%
Mar 13	08:30	Core PPI	Feb	0.3%
Mar 13	08:30	Durable Orders	Jan	1.2%
Mar 13	08:30	Durable Orders, Ex-Transportation	Jan	Jan

Mar 13	10:00	Construction Spending	Jan	-0.6%
Mar 13	10:30	EIA Crude Oil Inventories	03/09	+7.1M
Mar 14	08:30	Initial Claims	03/09	NA
Mar 14	08:30	Continuing Claims	03/02	NA
Mar 14	08:30	Import Prices	Feb	-0.5%
Mar 14	08:30	Export Prices	Feb	-0.6%
Mar 14	10:00	New Home Sales	Jan	621K
Mar 15	08:30	Empire State Manufacturing	Mar	8.8
Mar 15	09:15	Industrial Production	Feb	-0.6%
Mar 15	09:15	Capacity Utilization	Feb	78.2%
Mar 15	10:00	Univ. of Michigan Consumer Sentiment - Prelim	Mar	NA
Mar 15	10:00	JOLTS - Job Openings	Jan	7.335M
Mar 15	16:00	Net Long-Term TIC Flows	Jan	-\$48.3B

Economic Week in Review

The U.S. trade deficit in goods soared to a record high in 2018. While tariffs were championed as drivers to rebalance trade, the solution to the trade issue remains elusive. The Bureau of Economic Analysis and Census Bureau report the trade gap in goods hit an all-time high of \$891.3 billion in 2018, which is \$54 billion more than the previous record hit in 2006.

U.S. Trade Balance: Goods, Balance of Payments Basis, Billions of Dollars

Sources: U.S. Census Bureau/Bureau of Economic Analysis



In addition to new and existing trade barriers (see plastics section below), U.S. exporters are having to contend with a stronger dollar. Following the European Central Bank's announcement last week that it is launching a new "targeted" lending program to allow European banks to obtain cheap funding for business and consumer loans, the euro traded as low as \$1.118, the Wall Street Journal reports. For comparison's sake, the euro was buying \$1.25 back in January 2018 but weakened significantly following Fed rates hikes, slower European growth, and Brexit worries.

EURUSD:CUR
EUR-USD X-RATE

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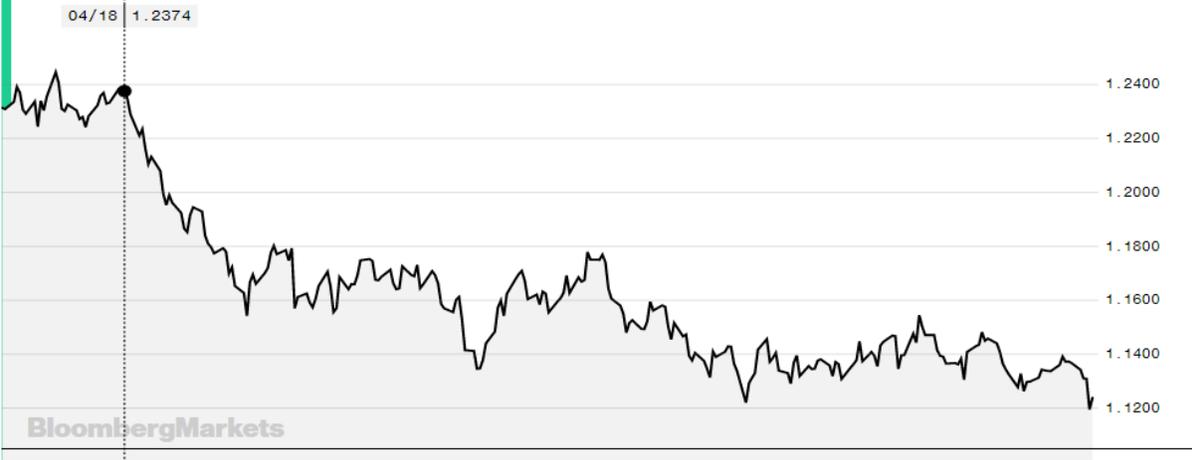
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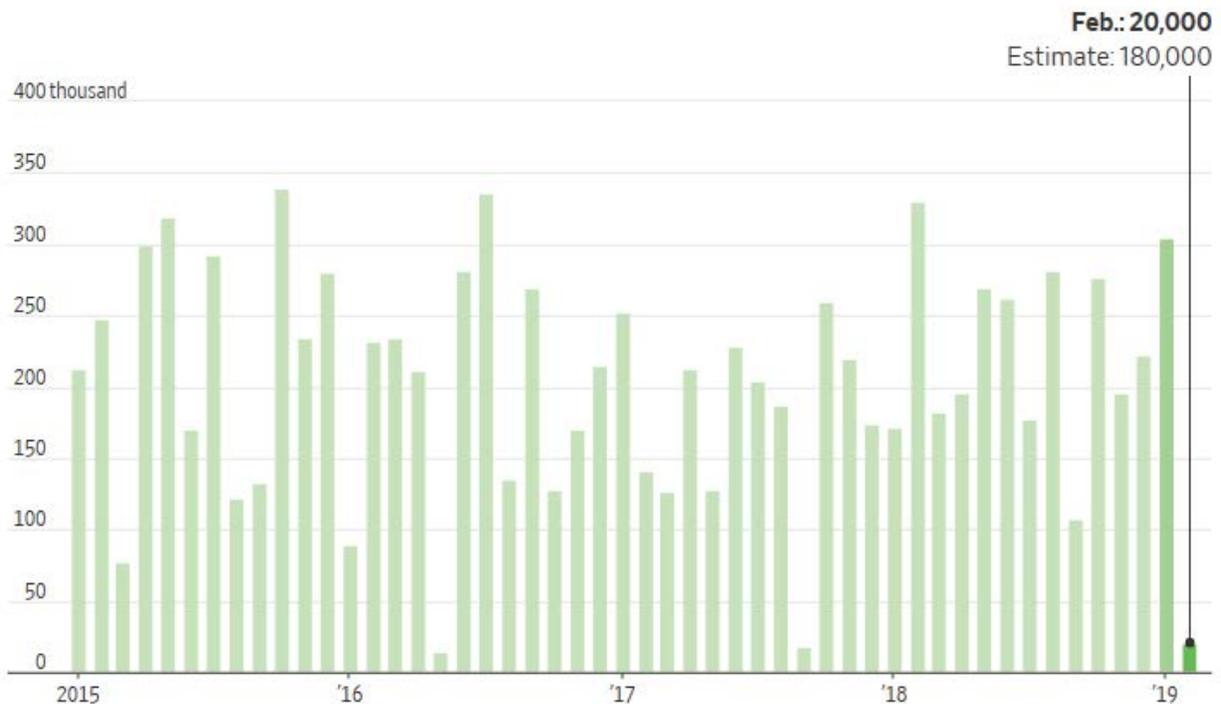
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Add a comparison



The Fed isn't expected to raise rates any time soon given, especially in light of the disappointing jobs report that came out last week. According to the Bureau of Labor Statistics, the U.S. added just 20,000 jobs in February as compared to an expected gain of 180,000 jobs. The construction sector actually cut 31,000 jobs in February and earlier in the week the Census bureau reported U.S. construction spending fell 0.6% in December, which is another cause for concern.

Monthly change in nonfarm payrolls



Sources: Wall Street Journal/Bureau of Labor Statistics

The Organization for Economic Cooperation and Development (OECD) cut its forecast for global economic growth in 2019 to 3.3%. OECD analysts cite a deep slowdown in European growth and concerns about China's slowdown to a more moderate growth rate as the primary reasons for the downgrade in their 2019 forecast.

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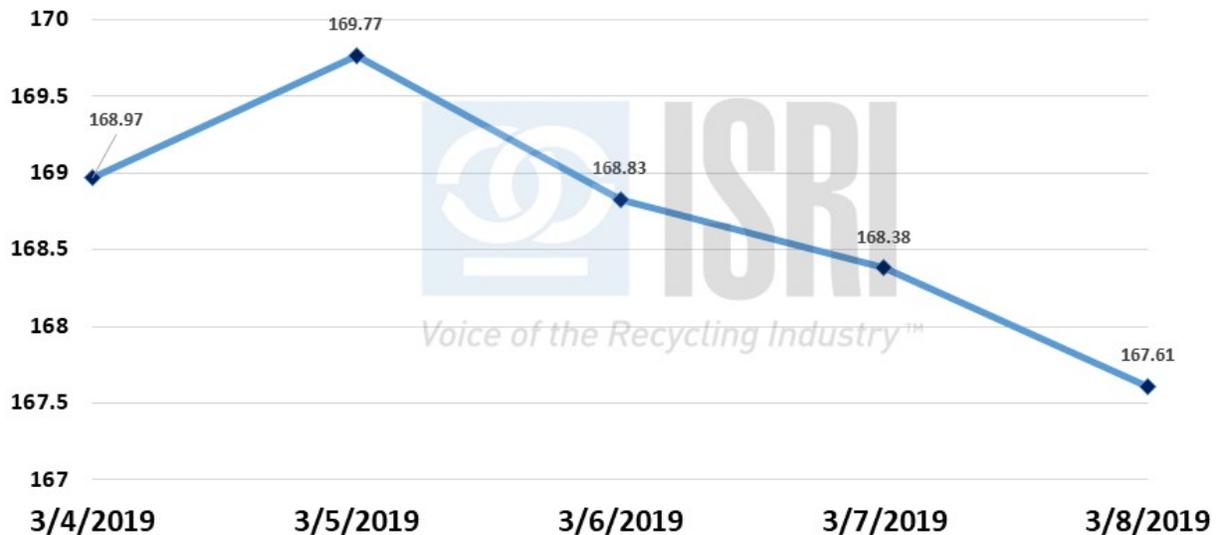
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Commodity News

Last week, the major commodity indexes drifted lower in the second half of the week in response to a stronger dollar, weaker than expected Chinese trade and U.S. jobs numbers, and rising U.S. oil production. Reuters reports that U.S. crude oil production has increased by more than 2 million barrels per day since early 2018 to 12.1 million barrels per day, making America the world's biggest producer.

Bloomberg Commodity Index

Source: BloombergMarkets

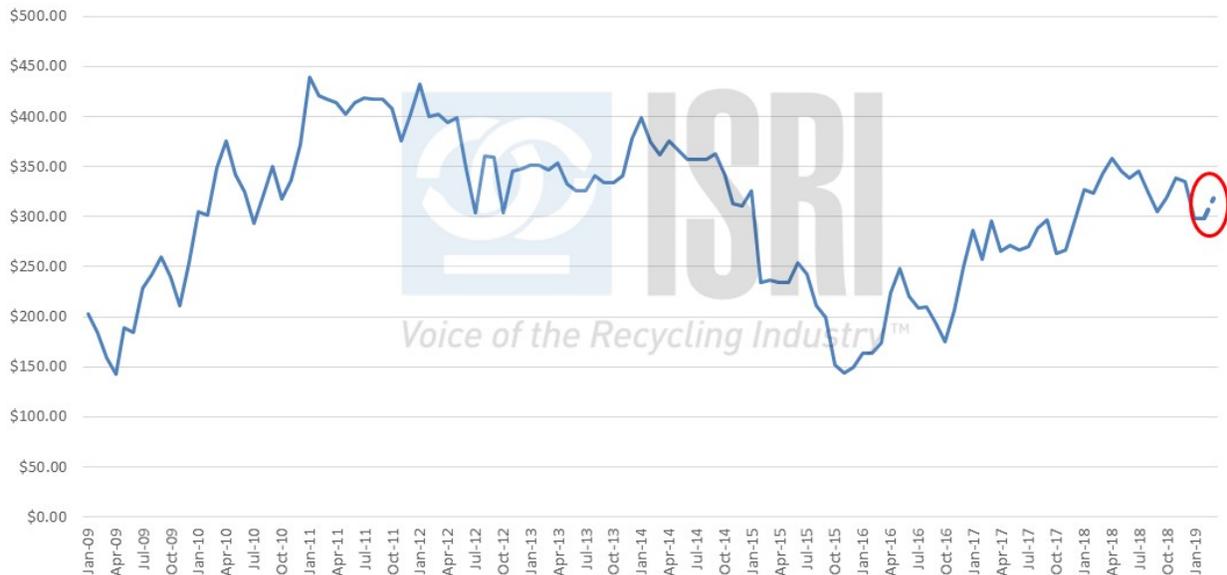


Ferrous –

Fastmarkets AMM reports that scrap prices for most of the major ferrous scrap grades are trending \$20 per ton higher this month amid steady to firmer steel sheet prices, challenging transportation conditions, healthy domestic steel production levels, and diminished steel import competition.

Composite No. 1 Heavy Melt Prices (\$/gross ton), Jan 2009 - Mar 2019(p)

Sources: Fastmarkets AMM/Scrap Price Bulletin



The American Iron and Steel Institute reported last week that total U.S. steel imports declined 11.5 percent in 2018 and finished steel imports decreased 13.1 percent as import tariffs resulted in less competitively priced imports. Among the major overseas steel suppliers to the U.S., imports from Turkey declined 47 percent last year, imports from South Korea fell 26 percent, and imports from China were down 14 percent.

U.S. Finished and Total Steel Imports, 2018 vs. 2017 (net tons)

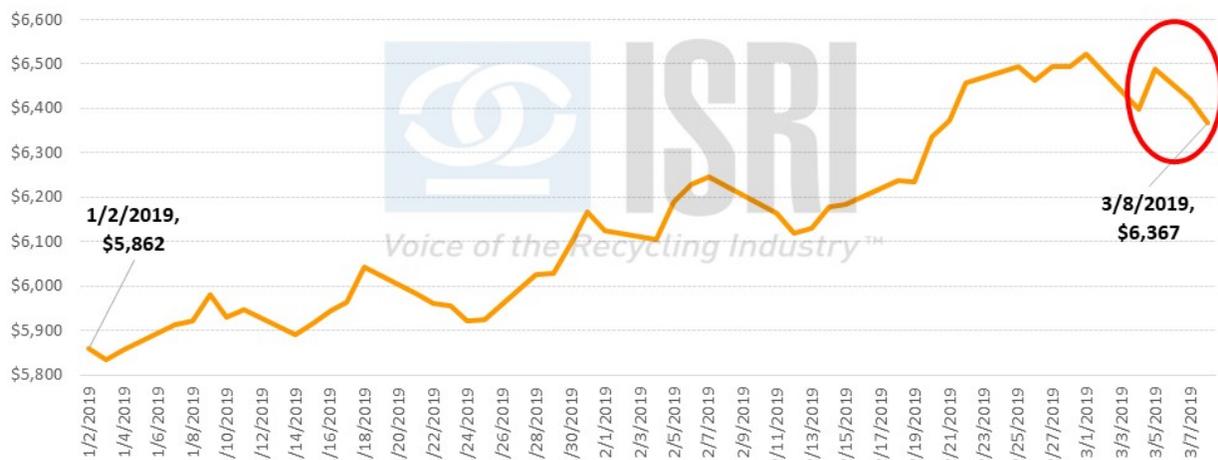
Sources: AISI/U.S. Commerce Dept.



Nonferrous –

In London, copper prices at the LME were on a similar trajectory with other commodities, approaching \$6,500 per ton early in the week but subsequently trading as low as \$6,351 per ton on Friday. Even still, LME copper prices are up around 9 percent from the start of the year, which has incentivized an increase in the supply of copper scrap. AMM reports was recently discounts for Bare Bright copper at 7 to 8 cents a pound, No. 1 copper at 15 to 17 cents, and No. 2 copper at 35 to 36 cents, all delivered to brass ingot makers. Want to know where the copper and copper scrap markets are headed going forward? Then you won't want to miss our **ISRI Copper Spotlight** to be held on April 10, 2019 in Los Angeles as part of our best ever [2019 ISRI Convention & Expo](#) where moderator extraordinaire **Randy Goodman** from Greenland America will be joined by an outstanding panel of experts including **Tim Strelitz** from California Metal X, **Jurgen van Gorp** from Metallo, and **Jason Schenker** from Prestige Economics. We hope to see you there!

**YTD LME Official 3-Mo. Copper Price
(\$/metric ton)**

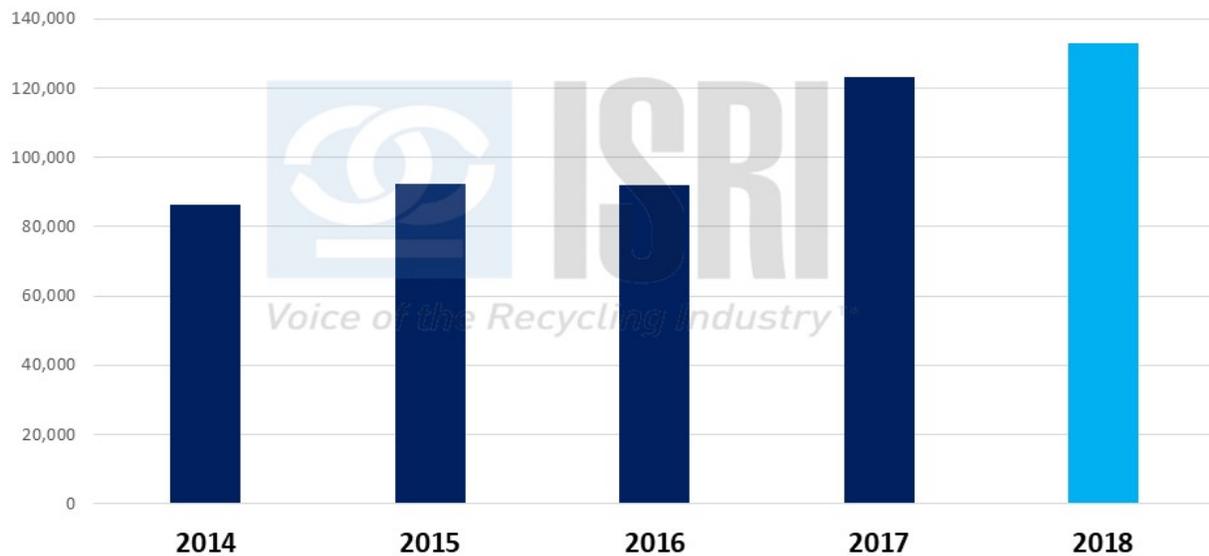


Paper and Plastic –

India has become the latest country to ban the imports of plastic scrap. As per last week's ISRI member alert: "The Indian Government's official announcement, posted in The Gazette of India, states that the new rule will 'come into force on the date of their publication in the Official Gazette' – or March 1." The new policy focuses on plastic waste and scrap imported under HTS code 3915 but does not appear to include other scrap that may have plastic constituents. Of note, the US exported more than 133,000 metric tons of plastic scrap to India last year, an 8 percent increase from 2017, and India was the third largest destination market for U.S. scrap plastics last year. Stay tuned for additional ISRI updates on India's plastic scrap ban.

U.S. Plastic Scrap Exports to India (metric tons)

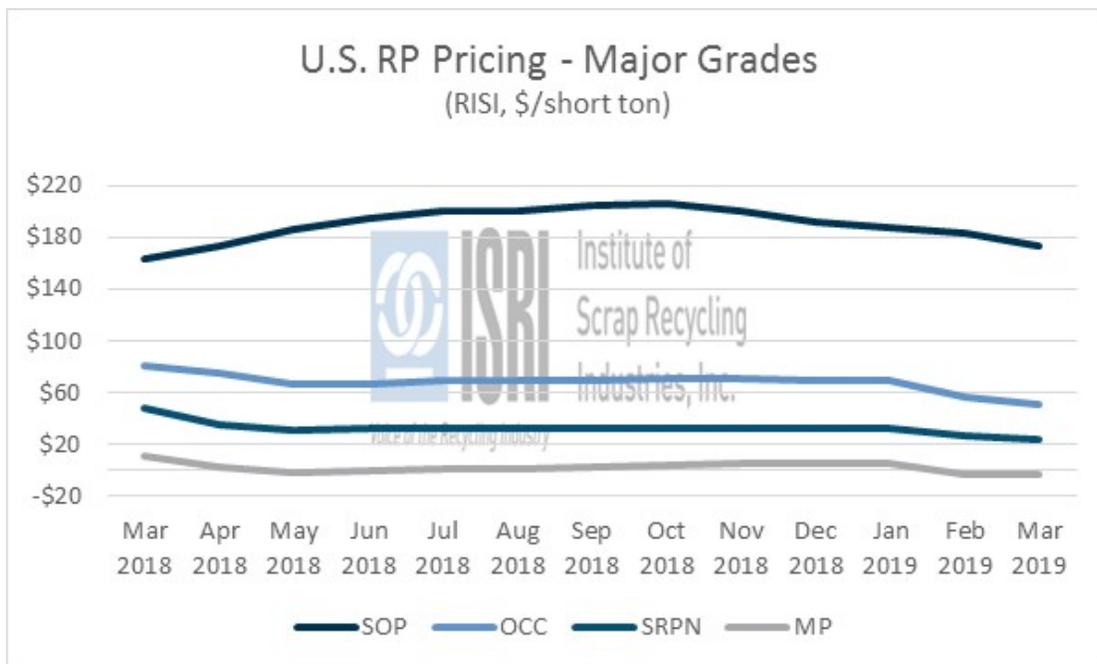
Sources: U.S. Census Bureau/U.S. International Trade Commission



PPI Asia reports that [China's buying activity for recovered paper imports has been sluggish](#). Chinese producers are preparing for another 40% decline in import quota volumes. If this projection were to hold true, then the release of import licenses earlier this year may have been the lion's share of imports to be seen in 2019. However, this may be more of a constraining measure that will be revisited in the second half of 2019 as the government will have to assess the economic impact that packaging prices will be making on their exports.

This chokepoint may be narrowing price ranges for a product supply that is optimized to the extremes on supply. The data from the Japanese Paper Recycling Promotion Center had indicated that news grades from Japan were in high demand from Chinese paper mills. News grades narrowing the gap on OCC means that the limited quantity of imports is driving cost cutting measures to be about finding news and groundwood grades that help keep OCC affordable.

Domestically, OCC has been dealt a sizable decline in 2019. SRPN-56 exports may have kept domestic prices from falling as significantly. PPI Asia also reported that much of the OCC rejected at China's border have taken even deeper discounts in their alternative markets like South Korea and Taiwan. So while the above chart seems to show a relatively stable 2018 pricing market, there is a lot of activity in in shift in volumes of the highly traded grades.



For more information, please contact ISRI Research Analyst [Bernie Lee](#).

This Week's Story

Paddy had long heard the stories from his grandmother of an amazing family tradition. It seems that his father, grandfather and great-grandfather had all been able to walk on water on their 18th birthdays. On that special day, they'd each walk across the lake to the pub on the far side for their first legal drink.

So when Paddy's 18th birthday came around, he and his pal Mick took a boat out to the middle of the lake. Paddy stepped out of the boat and... nearly drowned! Mick just barely managed to pull him to safety. Furious and confused, Paddy went to see his grandmother...

"Grandma," he asked, "Tis me 18th birthday, so why can't I walk across the lake like me father, his father and his father before him?"

Granny looked deeply into Paddy's troubled blue eyes and said: "Because ye father, ye grandfather and ye great-grandfather were all born in December, when the lake is frozen, and ye were born in August, ya silly fool!"

This Week's Quote

"Being Irish, he had an abiding sense of tragedy, which sustained him through temporary periods of joy."

-- William Butler Yeats

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HAVE A HAPPY ST. PATRICK'S DAY!!!