

April 22, 2019

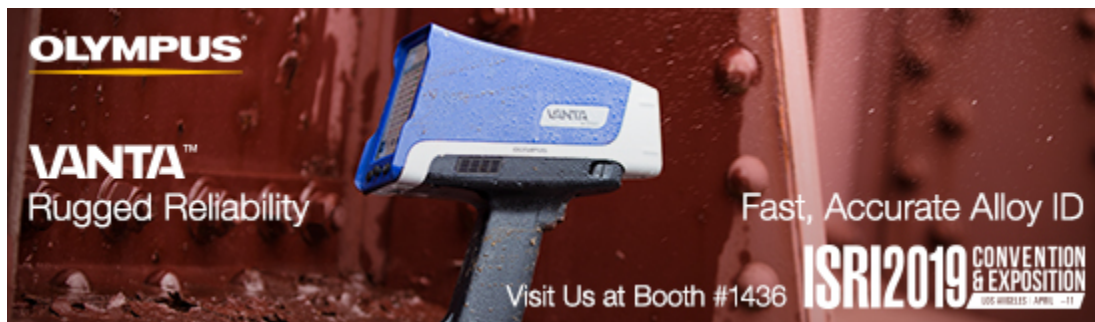
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This Morning

The Bloomberg Commodity Index was up nearly 0.6% this morning as higher energy and precious metal prices more than offset softer industrial metal prices. In New York, NYMEX crude oil futures were up 2.7% in early trading to approach \$66 per barrel. Reuters reports that oil prices high the highest levels so far this year "...as the United States was set to announce a further clampdown on Iranian oil exports, tightening global supplies." However, copper prices didn't track oil prices higher, with COMEX copper slipping 2 cents to around \$2.90/lb. this morning. (The London Metal Exchange is closed for the Easter Monday holiday). In foreign exchange trading, the euro was a little firmer around \$1.125 while the British pound dipped below \$1.30. Stocks in Asia got off to a mixed start this morning as the Shanghai Composite Index declined 1.7% while the Nikkei edged up 0.08%.

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Selected Primary Commodity Prices: April 22, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper May (\$/lb.)	2.9050	-0.015	-0.5%	2.920	2.93	2.933	2.900
COMEX Gold Jun (\$/to)	1,281.2	5.2	0.4%	1,276.0	1278	1,281.9	1,277.4
COMEX Silver May (\$/to)	15.01	0.1	0.3%	14.96	14.97	15.04	15.0
NYMEX Light Sweet Crude Jun (\$/bbl)	65.77	1.7	2.7%	64.07	64.07	65.99	64.05
SHFE Aluminum Jun (RMB/mt)	14,135	70	0.5%	14,065	14,075	14,200	14,070
SHFE Copper Jun (RMB/mt)	49,380	-10	0.0%	49,390	49,540	49,590	49,110
SHFE Nickel Jun (RMB/mt)	99,650	650	0.7%	99,000	99,300	100,540	98,490
SHFE Zinc Jun (RMB/mt)	21,675	120	0.6%	21,555	21,650	21,815	21,535

The Week Ahead

On the U.S. economic calendar this week, investors will be paying close attention to estimated first quarter GDP growth along with new figures on home sales, durable goods orders, and consumer sentiment. The consensus forecast is that U.S. real (adjusted for inflation) GDP slowed to around 2 percent in the first quarter. Overseas, Japan releases a batch of data this week covering unemployment, retail sales, and industrial production, along with the latest monetary policy statement from the Bank of Japan. Turkey's central bank is also scheduled to deliver its latest interest rate decision this week. On the corporate calendar, the Financial Times reports that Boeing is expected to report lower sales and profits on Wednesday while Amazon is expected to report better numbers on Thursday. 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: April 22-26, 2019

Date	Time	Release	Period	Prior
22-Apr	10:00	Existing Home Sales	Mar	5.51M
23-Apr	9:00	FHFA Housing Price Index	Feb	0.60%
23-Apr	10:00	New Home Sales	Mar	667K
24-Apr	7:00	MBA Mortgage Applications Index	20-Apr	-3.50%
24-Apr	10:30	EIA Crude Oil Inventories	20-Apr	-1.4M
25-Apr	8:30	Initial Claims	20-Apr	NA
25-Apr	8:30	Continuing Claims	13-Apr	NA
25-Apr	8:30	Durable Goods Orders	Mar	-1.60%
25-Apr	8:30	Durable Goods Orders –ex transportation	Mar	0.10%
25-Apr	10:30	EIA Natural Gas Inventories	20-Apr	NA
26-Apr	8:30	GDP - Advance Estimate	Q1	2.20%
26-Apr	8:30	GDP Deflator - Advance Estimate	Q1	1.70%

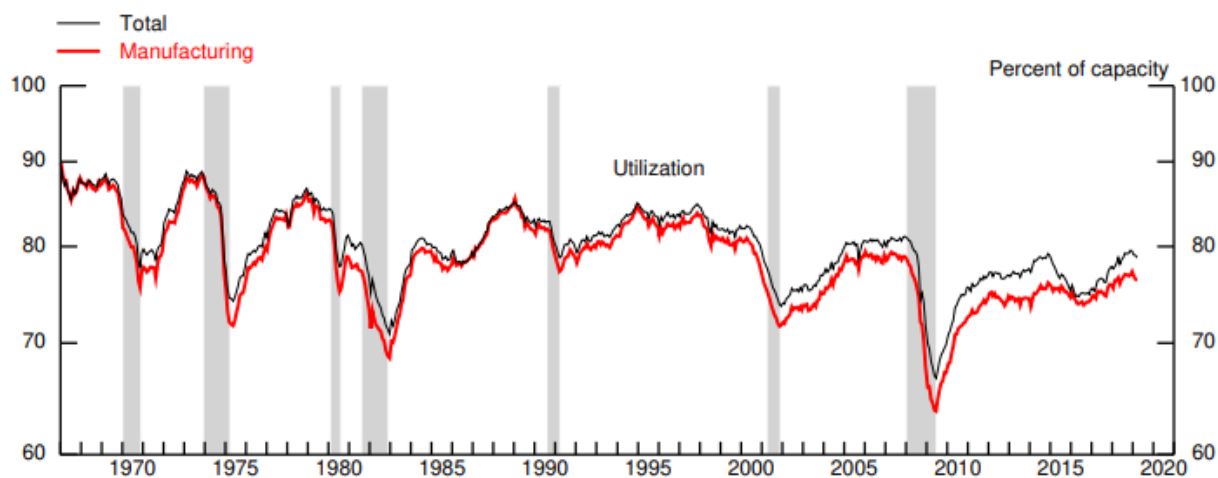
26-Apr	10:00	Univ. of Michigan Consumer Sentiment – Final	Apr	96.9
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Economic Week in Review

U.S. industrial production unexpectedly slipped 0.1 percent in March against consensus expectations for a 0.3 percent gain according to figures released by the Federal Reserve last week. Manufacturing production was also expected to rise 0.3 percent in March but instead came in unchanged. Overall capacity utilization, at 78.8 percent, came in three tenths of a percentage point below expectations.

U.S. Industrial and Manufacturing Capacity Utilization

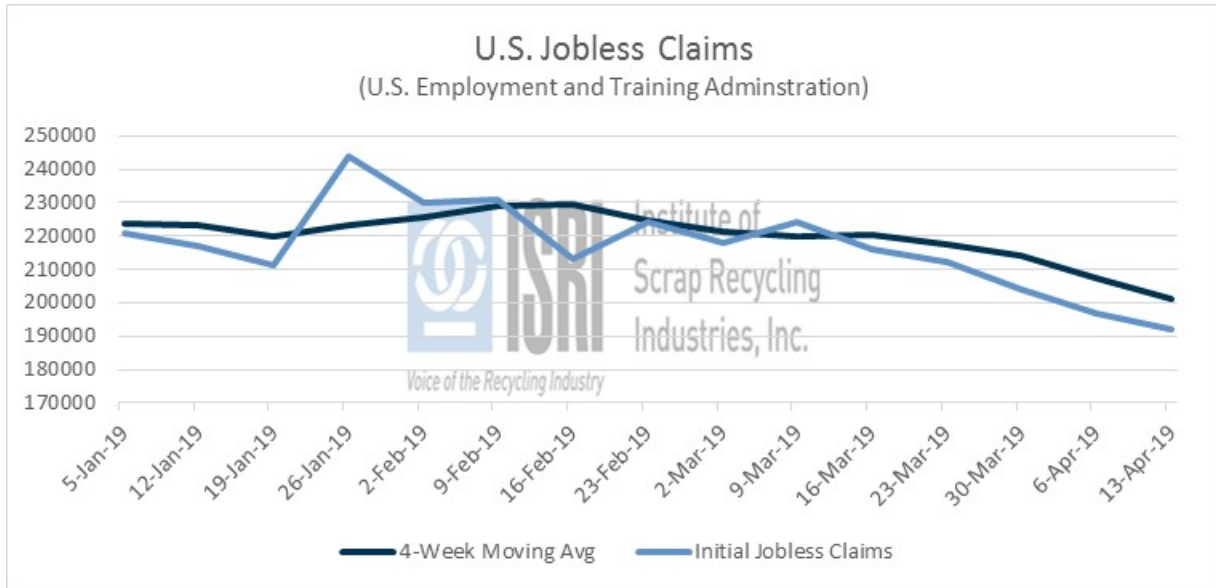
Source: Federal Reserve



Industrial sectors that saw declines in March included motor vehicles and parts (-2.5%), wood products (-2.2%), and plastics and rubber products (-0.9%). In contrast, U.S. retail sales growth came in stronger than expected at 1.6% in March following a 0.2% contraction in February as spending on most durable and nondurable goods picked up last month.

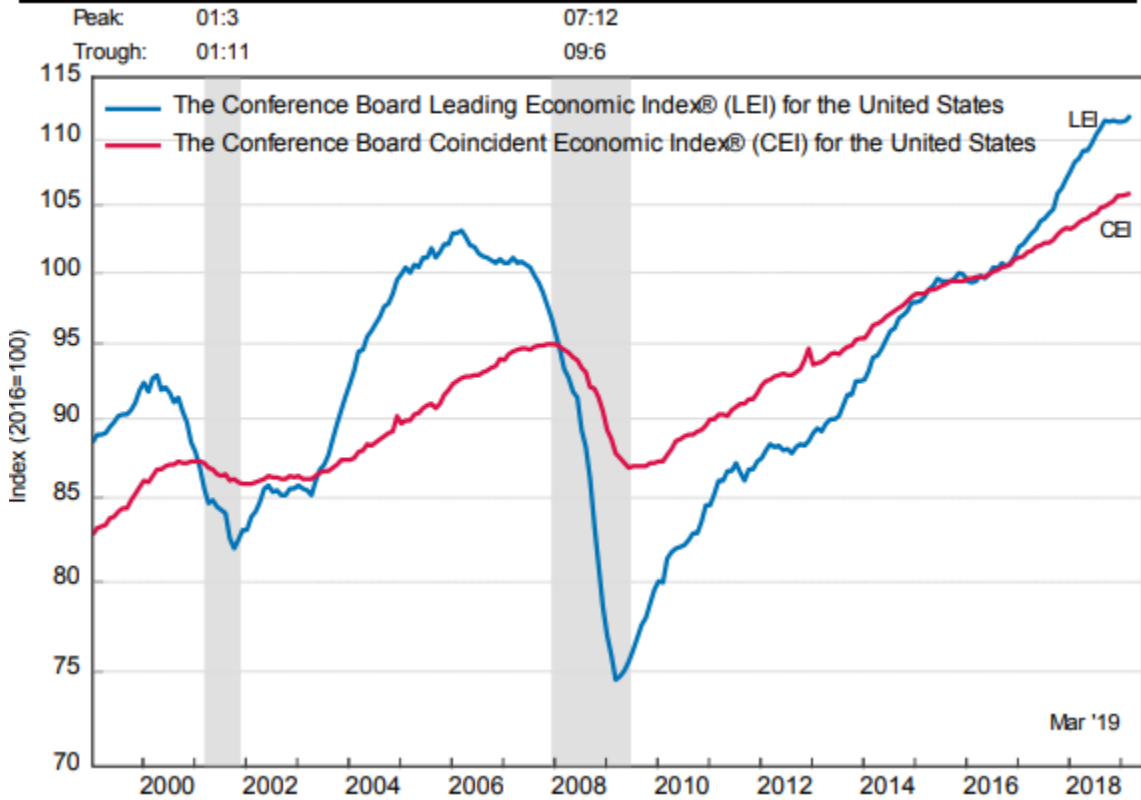
Category	MAR	FEB	JAN	DEC	NOV
Retail Sales	1.6%	-0.2%	0.8%	-1.6%	0.0%
Excluding Autos	1.2%	-0.2%	1.4%	-2.1%	-0.1%
Durable goods					
Building Materials	0.3%	-4.4%	4.5%	-0.1%	-0.9%
Autos/parts	3.1%	-0.1%	-1.8%	0.4%	0.3%
Furniture	1.7%	0.8%	0.4%	-1.3%	-0.8%
Nondurable goods					
General Merchandise	0.7%	-0.3%	0.5%	-1.7%	0.5%
Food	1.0%	-1.9%	1.2%	-0.2%	0.1%
Gasoline stations	3.5%	3.5%	-1.7%	-5.9%	-4.2%
Clothing	2.0%	-1.8%	-0.9%	-1.3%	0.2%
e*retailing/non-store	1.2%	1.2%	5.0%	-4.5%	2.5%

Jobless claims were 14,000 below the consensus expectation of 206,000 for the week ending April 13.



That's consistent with the Conference Board's index of leading economic indicators, which was up 0.4% in March. The Conference Board's Director of Economic Research, Ataman Ozyildirim, explains: "The US LEI picked up in March with labor markets, consumers' outlook, and financial conditions making the largest contributions... Despite the relatively large gain in March, the trend in the US LEI continues to moderate, suggesting that growth in the US economy is likely to decelerate toward its long term potential of about 2 percent by year end."

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



On the other side of the Pacific, Chinese industrial production outpaced expectations and grew 8.5 percent in March. Shaking off the Lunar New Year slowdown, the month-on-month production growth rate was 1 percent. Chinese automobile production remained down at -2.6 percent but that's still an improvement from the double digit declines of the previous few months. Chinese retail sales also outpaced expectations at 8.7 percent growth led by home improvement goods and communication equipment. Last but not least, China's economy reportedly expanded 6.4 percent annualized in the first quarter, slightly above consensus expectations.

The International Monetary Fund (IMF) recently published their World Economic Outlook report for April 2019. Global economic activity began to slow down during the second half of 2018. Both domestic markets and international trade appeared to suffer at this time due to a wide variety of circumstances. China's domestic growth slowdown also occurred as their government tightened the regulations to curb shadow banking and other off-book operations. Consumer confidence weakened in Europe but the effect had different results in certain economies. Germany suffered from a disruption in car production as new emissions standards created setbacks for them while investments declined in Italy as sovereign spreads widened. Heightening all of this were the trade tensions led by the U.S.-China trade war and what may be a no-deal Brexit that has other economies scrambling for cover or hedging their bets as they broker deals nail down loose ends in their trade regimes.

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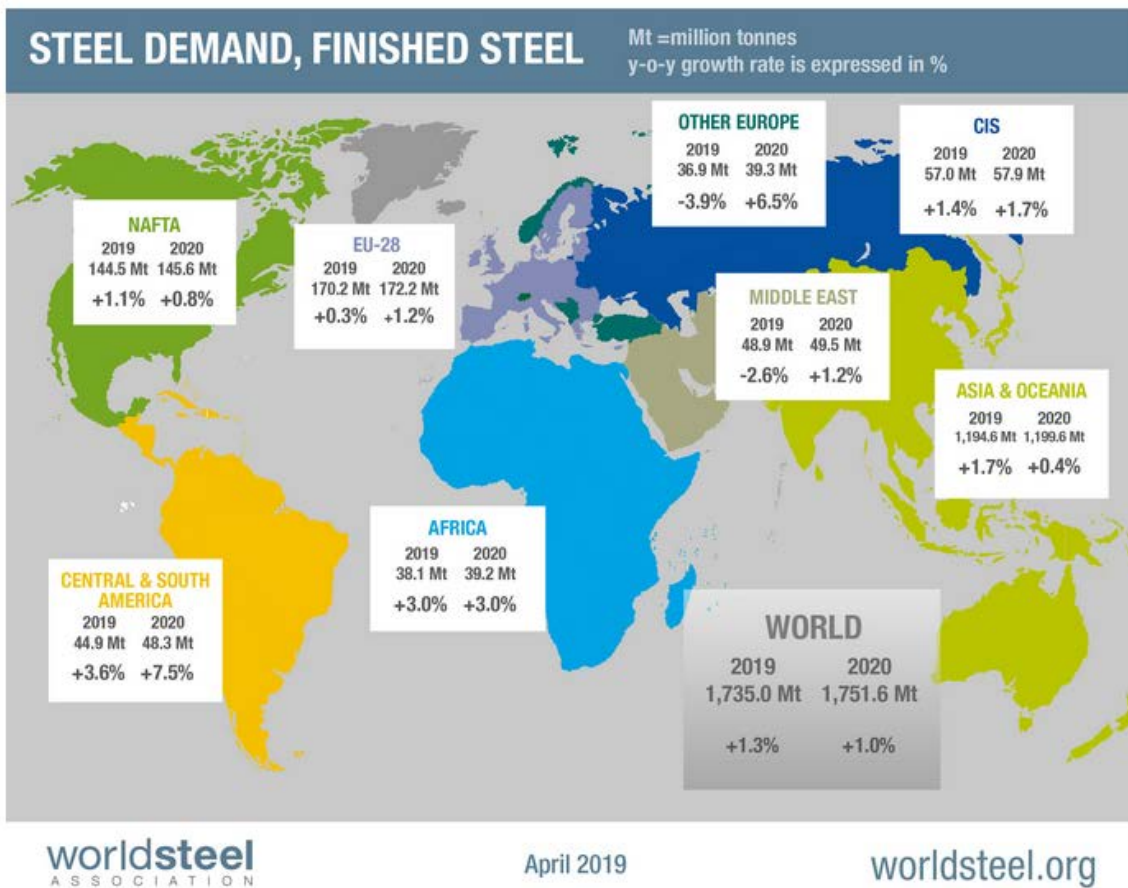
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Commodity News

Ferrous –

According to the World Steel Association, global demand for steel increased by 2.1 percent in 2018. This is a slight improvement over 2017 and their analysts believe that growth is still expected in 2019 and 2020. It will be under less favorable circumstances but developing economies will still have a need for steel that will outpace declining demand from established markets and projects, according to worldsteel. Steel demand in 2018 from developing economies grew 1.8 percent, well below the 3.1 percent growth posted in 2017. If developing economies choose to leapfrog in development with less than expected demand in automobiles and mobile infrastructure, then steel demand growth may falter. Here's a look at worldsteel's regional steel demand growth expectations for 2019 and 2020:



According to AISI, “In the week ending on April 13, 2019, domestic raw steel production was 1,915,000 net tons while the capability utilization rate was 82.3 percent. Production was 1,780,000 net tons in the week ending April 13, 2018 while the capability utilization then was 76.0 percent. The current week production represents a 7.6 percent increase from the same period in the previous year. Production for the week ending April 13, 2019 is down 0.7 percent from the previous week ending April 6, 2019 when production was 1,928,000 net tons and the rate of capability utilization was 82.8 percent.” Fastmarkets AMM reports that “US spot prices for hot-rolled coil have fallen below \$34 per hundredweight (\$680 per ton) for this first time in two months on increased domestic output and fears of softening demand.”

Nonferrous –

After having traded as high as \$2.9955/lb. in the middle of the week, COMEX May copper futures were back down to \$2.92/lb. at the end of the week. Meanwhile Fastmarkets AMM was reporting wider spreads on No. 2 copper: “Fastmarkets' assessment of the discount for refiners' No. 2 copper scrap and brass ingot makers' No. 2 copper scrap both increased by 1 cent on Wednesday April 17 to 40-41 cents per lb. and 40-42 cents per lb., respectively.” U.S. exports of copper and copper alloy scrap reportedly edged up to 73.9 thousand tons in February (up from 66.2 thousand tons in January) according to trade figures released by the Census Bureau last week. Improved sales to Malaysia, Hong Kong, and mainland China accounted for most of the gains. However, U.S. copper scrap exports to China

Year-to-Date U.S. Copper and Copper Alloy Scrap Exports by Major Destination

Metric tons

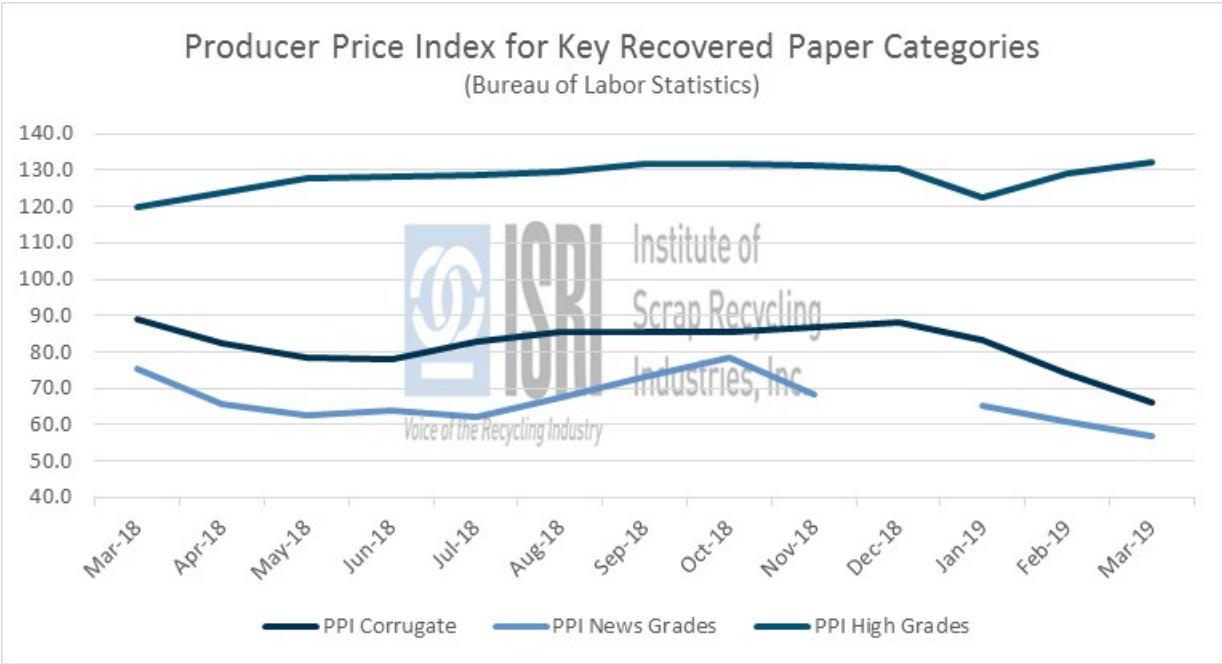
Sources: U.S. Census Bureau/U.S. International Trade Commission

Country	2018	Jan-Feb 2018	Jan-Feb 2019	% CHG
Malaysia	118,877	7,580	35,221	364.7%
Canada	90,587	14,160	14,512	2.5%
China	274,668	82,627	13,693	-83.4%
South Korea	71,237	5,389	11,385	111.2%
Japan	55,784	5,753	11,094	92.8%
Hong Kong	43,200	6,342	8,699	37.2%
India	48,428	3,106	8,046	159.1%
Germany	37,192	5,126	6,219	21.3%
Taiwan	35,167	2,830	5,666	100.2%
Belgium	31,307	1,861	5,462	193.5%
Thailand	14,544	2,405	3,687	53.3%
Greece	8,788	431	2,295	432.4%
Others	83,043	9,664	14,067	45.6%
Total:	912,824	147,274	140,046	-4.9%

Overall, total U.S. goods exports rose 1.5 percent to \$139.5 billion as civilian aircraft shipments rose \$2.2 billion for the month. Outside of aircraft, however, gains are less striking with auto exports up \$0.6 billion and with monetary gold and consumer goods showing marginal gains. Total U.S. imports rose only 0.2 percent for the month, totaling \$259.1 billion but with consumer goods showing yet another large increase of \$1.6 billion. Imports of industrial supplies fell \$1.2 billion despite a 0.8 billion rise in the oil subcomponent.

Paper and Plastic –

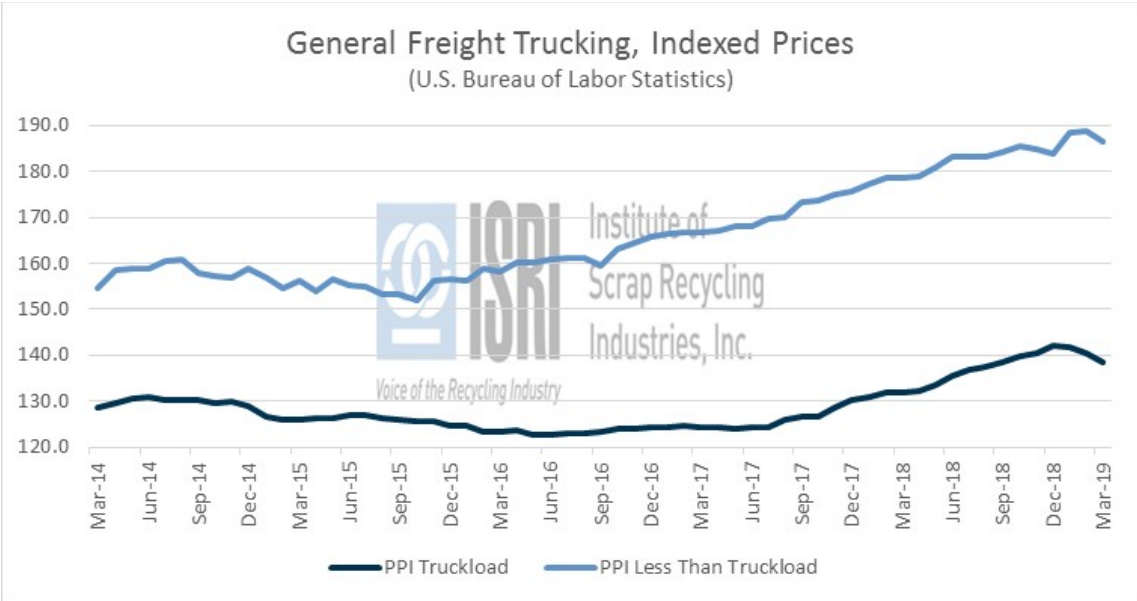
OCC prices appear to have gotten a haircut last month with domestic prices dropping about 20% in virtually every region as reported by RecyclingMarkets.net and Fastmarkets RISI. Producer prices for news and corrugated grades have not recovered from the declines going into the winter. By the end of 2018, Chinese consumers used up their available import licenses and many alternative markets in Asia had begun implementing stricter restrictions. What may also be driving down prices, according to KeyBanc Capital Markets, is the large consolidation of OCC consumers in the U.S. and reactionary demands from an environmentally concerned consumer base.



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

Transportation

Truckload pricing power has swung back to U.S. shippers as the new balance of capacity build outs and reduced demand forecasts mean trucking companies will need to compete. Kevin Zweier, VP of transportation practice at Chainalytics, expects that [a return to traditional seasonality](#) in 2019. Less Than Truckload (LTL) prices have been increasing at a faster rate than Long-Distance Truckload prices for the last few years (approximately 40 months) but truckload pricing seems to have shifted accordingly with LTL pricing since mid-2017. However, the sudden jolt to the market in 2019 with capacity increases being fully implemented that's stymied the upward growth in prices. It seems that LTL prices aren't going to go down as quickly though.



This Week's Story

One day God was looking down at Earth and saw all the inappropriate behavior that was going on. So he called one of his angels to go to earth for a time. When he returned, the angel told God "Yes, it is bad on earth: 95 percent are misbehaving and only 5 percent are not."

God thought for a moment and said, "Maybe I had better send down another angel to get a second opinion." So God called another angel and sent him to Earth for a time, too.

When the angel returned he went to God and said, "Yes, it's true. The earth is in decline: 95 percent are misbehaving, but 5 percent are being good." God was not pleased.

So he decided to email the 5 percent who were being good, because He wanted to encourage them and help keep them going. Do you know what that email said?

No?? OK, just wondering. We didn't get one either.

This Week's Quote

"You will never do anything in this world without courage. It is the greatest quality of the mind next to honor."

-- Aristotle