

June 1, 2020

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This Morning

Commodity prices were mixed in early morning trading today as investors digested the latest news on Chinese PMI, U.S.-China trade relations, and the continued social unrest in the United States. Reuters reports this morning that “Copper prices rose on Monday as stronger manufacturing data from top consumer China and loosening of lockdowns to contain the new coronavirus stoked expectations of healthier demand prospects.” In London, LME 3-mo. copper traded as high as \$5,457.50/mt earlier in the session while LME 3-mo. nickel was recently trading around \$12,500/mt. In New York, COMEX copper futures edged up to around \$2.44 per pound in early trading while NYMEX crude oil futures were little changed around \$35.20 per barrel. On Wall Street, stock futures were trending higher before the open following gains at most of the major Asian exchanges. In foreign exchange trading, the dollar was trading lower this morning as the euro advanced to \$1.115 while the British pound was buying \$1.24.

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Selected Primary Commodity Prices: June 1, 2020

| | Last | CHG | % CHG | Prior | Open | High | Low |
|--------------------------------------|---------|-------|-------|---------|---------|---------|---------|
| COMEX Copper Jul (\$/lb.) | 2.437 | 0.012 | 0.5% | 2.426 | 2.430 | 2.464 | 2.424 |
| COMEX Gold Jul (\$/to) | 1,745.9 | -5.8 | -0.3% | 1,751.7 | 1749.8 | 1,761.0 | 1,740.8 |
| COMEX Silver Aug (\$/to) | 18.70 | 0.2 | 1.1% | 18.50 | 18.64 | 18.95 | 18.5 |
| NYMEX Light Sweet Crude Jul (\$/bbl) | 35.42 | -0.1 | -0.2% | 35.49 | 35.21 | 35.90 | 34.76 |
| SHFE Aluminum Jul (RMB/mt) | 13,165 | 10 | 0.1% | 13,155 | 13,245 | 13,265 | 13,090 |
| SHFE Copper Jul (RMB/mt) | 44,250 | 440 | 1.0% | 43,810 | 44,080 | 44,650 | 43,900 |
| SHFE Nickel Aug (RMB/mt) | 101,830 | 1,410 | 1.4% | 100,420 | 100,120 | 104,020 | 99,960 |
| SHFE Zinc Jul (RMB/mt) | 16,525 | 240 | 1.5% | 16,285 | 16,535 | 16,665 | 16,400 |

The Week Ahead

- The easing of COVID-19 lockdown restrictions, continued social unrest, and concerns about U.S.-China trade relations are again expected to feature prominently this week.
- On the U.S. economic calendar, the monthly jobs report for May looms large, with the U.S. unemployment rate forecast to increase to 20% while nonfarm payroll losses are projected at around 8.5 million.
- Investors will also be paying close attention to releases on initial unemployment claims (consensus: 1.8 million), construction spending, manufacturing PMI, light vehicle sales, factory orders, and the trade balance.
- In Europe, we'll get updated PMI reports along with data on euro zone producer price inflation, unemployment, and retail sales.
- The European Central Bank meets on Thursday and, as the Financial Times reports, "No changes to the key interest rates are expected but investors will watch for any decision the ECB takes on its €750bn asset-purchasing program, which many believe will still be needed even if European leaders finalize a €500bn EU recovery fund proposed by Germany and France."
- Please be safe and have a great week!

U.S. Economic Calendar: June 1-5, 2020

| Date | Time (ET) | Release | Period | Consensus | Prior |
|-------|-----------|-------------------------|--------|-----------|-------|
| 1-Jun | 10:00 | Construction Spending | Apr | -6.0% | 0.9% |
| 1-Jun | 10:00 | ISM Manufacturing Index | May | 44.0 | 41.5 |
| 2-Jun | 0:00 | Auto Sales | May | NA | 1.51M |
| 2-Jun | 0:00 | Truck Sales | May | NA | 5.24M |

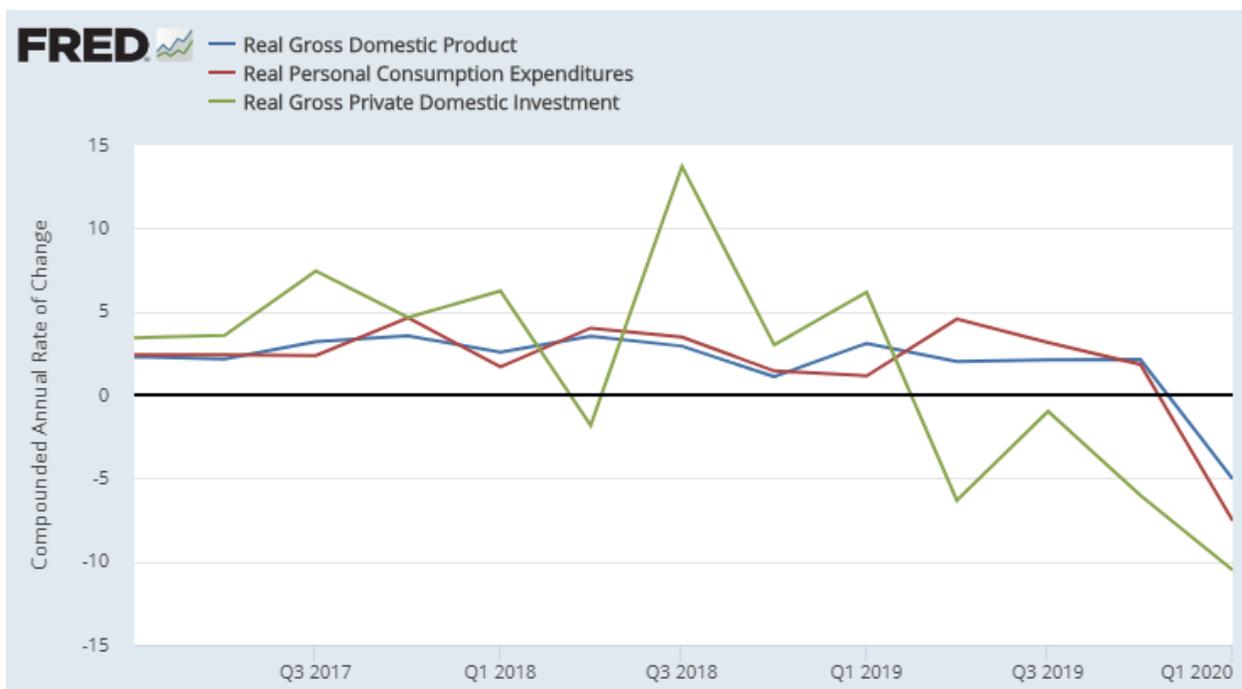
| | | | | | |
|-------|-------|-----------------------------|--------|----------|----------|
| 3-Jun | 8:15 | ADP Employment Change | May | -9.0M | -20.236M |
| 3-Jun | 10:00 | Factory Orders | Apr | -13.0% | -10.3% |
| 3-Jun | 10:00 | ISM Non-Manufacturing Index | May | 45.0 | 41.8 |
| 4-Jun | 8:30 | Initial Claims | 30-May | 1.80M | 2.123M |
| 4-Jun | 8:30 | Productivity-Rev. | Q1 | -2.6% | -2.5% |
| 4-Jun | 8:30 | Trade Balance | Apr | -\$49.8B | -\$44.4B |
| 5-Jun | 8:30 | Nonfarm Payrolls | May | -8.5M | -20.5M |
| 5-Jun | 8:30 | Unemployment Rate | May | 20% | 14.7% |
| 5-Jun | 8:30 | Average Workweek | May | 34.3 | 34.2 |

Economic Week in Review

U.S. economic reports released last week included updates on first quarter GDP, personal income & spending, durable goods orders, new home sales, initial unemployment claims, and consumer sentiment. Here's a recap of the week's key reports:

Gross Domestic Product

- The Bureau of Economic Analysis downwardly revised its initial estimate of first quarter real GDP from a 4.8% contraction to a 5.0% contraction.
- Personal Consumption Expenditures decreased -6.8% in the first quarter.
- Gross Private Domestic Investment fell -10.5% in Q1, the fourth consecutive quarter of falling business investment.
- The BEA reports, "With the second estimate, a downward revision to private inventory investment was partly offset by upward revisions to personal consumption expenditures (PCE) and nonresidential fixed investment."



Personal Income and Spending

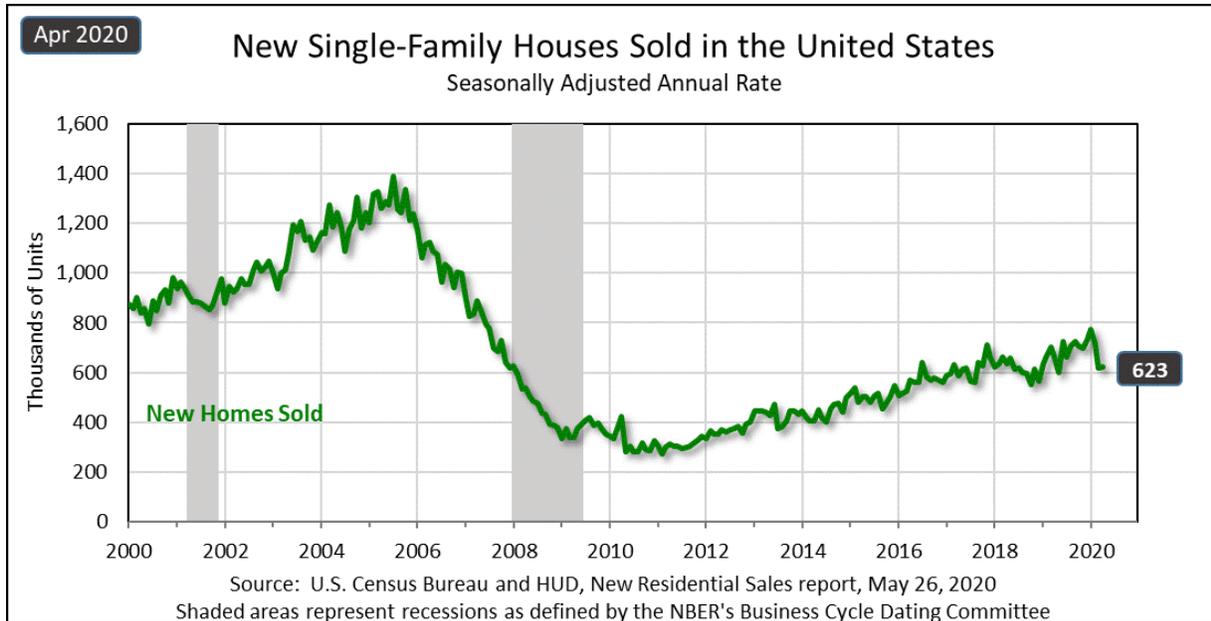
- Personal income and spending diverged sharply in April as stimulus payments were credited for the increase in incomes, while personal consumption expenditures plunged sharply.
- According to the BEA, personal income increased \$1.97 trillion (10.5 percent) in April even as wages and salaries fell 8%, while disposable income increased 12.9%.
- Nominal personal spending decreased \$1.89 trillion (13.6 percent) in April and was down 13.2% adjusted for inflation.
- Briefing.com reports, “The key takeaway we think is that the personal savings rate, as a percentage of disposable income, skyrocketed to 33.0%! That’s a lot of pent-up spending potential. Then again, it might also reflect an increased propensity to save money in preparation for a long recovery and extended period of high unemployment. What is done with those savings will be key to the recovery trajectory.”

| Category | APR | MAR | FEB | JAN | DEC |
|-----------------------------|--------|-------|------|------|------|
| Personal Income | | | | | |
| Total Income | 10.5% | -2.2% | 0.5% | 0.6% | 0.2% |
| Wage and Salary | -8.0% | -3.5% | 0.5% | 0.5% | 0.3% |
| Disposable Income | 12.9% | -2.1% | 0.5% | 0.6% | 0.2% |
| Savings Rate | 33.0% | 12.7% | 8.2% | 7.9% | 7.7% |
| Personal Consumption | | | | | |
| Total (Nominal) | -13.6% | -6.9% | 0.2% | 0.4% | 0.4% |
| Total (Real, Chain \$) | -13.2% | -6.7% | 0.1% | 0.3% | 0.1% |
| Core PCE Deflator | | | | | |
| Month/Month | -0.4% | 0.0% | 0.1% | 0.2% | 0.2% |
| Year/Year | 1.0% | 1.7% | 1.8% | 1.7% | 1.6% |

New Home Sales

- Sales of new single-family houses in April 2020 rose slightly by 0.6 percent to 623,000 on a seasonally adjusted annual basis, according to the U.S. Census Bureau and the U.S. Department of Housing and Urban Development.
- The West was the only region with fewer sales, down 6.3 percent. The other regions were up between 2.4 percent and 8.7 percent for the month.
- But compared to a year ago (April 2019), new home sales were down 6.2 percent. Regionally, the Northeast was down 26.5 percent and sales in the West were down 33.5 percent year-on-year. Sales in the Midwest were up 26.5 percent and the South saw a 4.7 percent increase.
- Taking out the seasonal adjustment, through the first four months of 2020, new home sales were 241,000, up 1.4 percent from the comparable period of 2019.

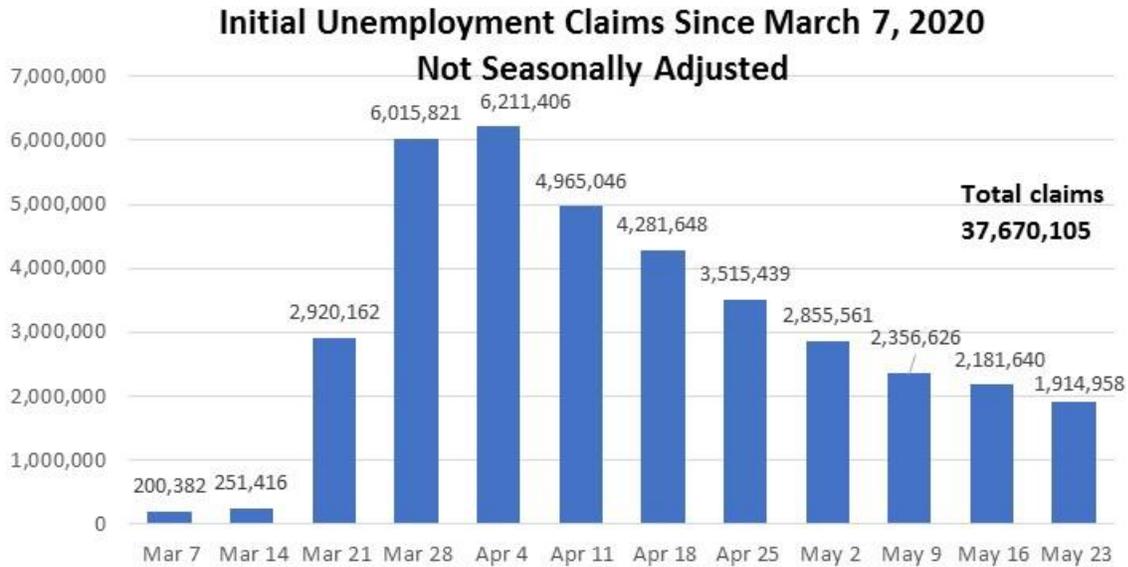
- The new house median sales price in April 2020 was \$309,000, the second lowest price of the last thirteen months. Similarly, the average price was \$364,500.



Unemployment Claims

- For the week ending May 23, initial unemployment claims, on a seasonally adjusted basis, were 2,123,000, a decrease of 13 percent from the previous week, according to the Department of Labor.
- The somewhat good news is that the last two weeks were below the four-week average of 2,608,000. Still, no one expected that by the end of May, over two million people would be filing for unemployment, an indication of the uphill economic challenges that lie ahead.
- Taking out the seasonal adjustment, which was fairly predictable until COVID-19 hit, the actual number of claims filed in the week ending May 23 was 1,192,616, a decrease of more than 12 percent from the previous week. In comparison, initial claims (also not seasonally adjusted) in the corresponding period last year were one-tenth of the current amount, or 198,194.

- Since the pandemic began, nearly 37.7 million initial unemployment claims were filed (without the seasonal adjustment).



Source: U.S. Bureau of Labor Statistics, ISRI

University of Michigan Surveys of Consumers, Final Results

- The U of M Consumer Sentiment Index for May 2020, increased by a one-half of an index point to 72.3.
- April's index of 71.8 was the lowest index number since December 2011. The effect of the coronavirus pandemic and the states' responses plummeted this index nearly 29 percent between February (101.0) and April (71.8).
- The Current Economic Conditions Index rebounded 82.3 in May, up from 74.3 in April. And the Index of Consumer Expectations declined to 65.9 in May, from 70.1 in April.
- Richard Curtin, chief economist for the Surveys of Consumers, stated, "It should not be surprising that a growing number of consumers expected the economy to improve from its recent standstill, or that the majority still thought conditions in the economy would remain unfavorable in the year ahead. This has been a common occurrence in past cycles. Expectations for economic growth have always dominated at the ends of recessions, and favorable assessments about the current state of the economy are more frequent near the ends of expansions."

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Commodity Market Developments

Ferrous

- Last week, the American Iron and Steel Institute reported that for “the week ending on May 23, 2020, domestic raw steel production was 1,191,000 net tons while the capability utilization rate was **53.2 percent**. Production was 1,880,000 net tons in the week ending May 23, 2019 while the capability utilization then was 80.8 percent. The current week production represents a **36.6 percent decrease from the same period in the previous year.**”
- AISI also reported last week that “...through the first four months of 2020, total and finished {U.S.} steel imports are 9,185,000 and 5,819,000 net tons (NT), **down 20.3% and 28.2%**, respectively, vs. the same period in 2019.” Here’s the import breakdown by steel mill product:

| Steel Mill Product | Apr. 2020 Prelim. | Mar. 2020 Final | % var Apr. vs. Mar. | YTD 2020 (4 mo.) | YTD 2019 (4 mo.) | % var '20 vs. '19 | 2020 Ann. | 2019 12 mo. | % var 2020 vs 2019 |
|--|-------------------|------------------|---------------------|------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Ingots and Billets and Slabs | 1,462,401 | 237,016 | 517.0% | 3,359,803 | 3,416,729 | -1.7% | 10,079,410 | 6,869,038 | 46.7% |
| Sheets & Strip Galv. Hot Dipped | 132,722 | 205,781 | -35.5% | 776,324 | 891,006 | -12.9% | 2,328,973 | 2,437,210 | -4.4% |
| Sheets Hot Rolled | 116,242 | 135,264 | -14.1% | 581,552 | 652,272 | -10.8% | 1,744,657 | 1,882,595 | -7.3% |
| Oil Country Goods | 93,028 | 195,614 | -52.4% | 501,871 | 1,026,543 | -51.1% | 1,505,613 | 2,354,111 | -36.0% |
| Sheets Cold Rolled | 124,491 | 126,416 | -1.5% | 490,597 | 625,141 | -21.5% | 1,471,790 | 1,699,164 | -13.4% |
| Bars - Reinforcing | 122,476 | 79,474 | 54.1% | 403,285 | 428,913 | -6.0% | 1,209,856 | 1,103,232 | 9.7% |
| Plates in Coils | 72,920 | 70,019 | 4.1% | 312,622 | 441,913 | -29.3% | 937,865 | 1,155,654 | -18.8% |
| Wire Rods | 67,238 | 66,601 | 1.0% | 261,486 | 422,993 | -38.2% | 784,457 | 943,880 | -16.9% |
| Line Pipe | 56,789 | 84,002 | -32.4% | 256,167 | 909,470 | -71.8% | 768,501 | 1,820,403 | -57.8% |
| Bars - Hot Rolled | 52,706 | 68,047 | -22.5% | 243,502 | 311,628 | -21.9% | 730,505 | 901,414 | -19.0% |
| Sheets & Strip All Other Metallic Ctd. | 57,206 | 43,764 | 30.7% | 227,888 | 239,767 | -5.0% | 683,664 | 692,707 | -1.3% |
| Wire Drawn | 58,071 | 57,792 | 0.5% | 226,962 | 250,607 | -9.4% | 680,885 | 685,618 | -0.7% |
| Standard Pipe | 47,151 | 54,413 | -13.3% | 209,703 | 237,274 | -11.6% | 629,110 | 707,857 | -11.1% |
| Mechanical Tubing | 35,708 | 54,817 | -34.9% | 208,493 | 194,644 | 7.1% | 625,479 | 583,301 | 7.2% |
| Tin Plate | 57,855 | 50,904 | 13.7% | 199,159 | 259,479 | -23.2% | 597,476 | 755,956 | -21.0% |
| Structural Shapes Heavy | 36,510 | 23,326 | 56.5% | 164,747 | 185,442 | -11.2% | 494,242 | 550,173 | -10.2% |
| Structural Pipe & Tubing | 28,065 | 42,812 | -34.4% | 132,120 | 148,834 | -11.2% | 396,360 | 416,775 | -4.9% |
| All Other | 151,239 | 156,558 | -3.4% | 629,180 | 879,229 | -28.4% | 1,887,539 | 2,378,156 | -20.6% |
| TOTAL | 2,772,819 | 1,752,620 | 58.2% | 9,185,461 | 11,521,886 | -20.3% | 27,556,382 | 27,937,243 | -1.4% |
| SUBTOTAL Finished Imports | 1,308,729 | 1,513,674 | -13.5% | 5,818,547 | 8,099,789 | -28.2% | 17,455,640 | 21,051,437 | -17.1% |

- Looking ahead to June scrap trading, our friends at Argus Media report that “Lingering supply tightness, higher finished steel prices and sustained gains in the export market are widely expected to counter weaker demand levels and lift at least some prices higher in the June US domestic ferrous scrap trade... Market participants surveyed by Argus this week expect the June trade to be a milder version of May with primes increasing \$10-30/gt and obsolete grades sideways-to-up \$10/gt as supply-demand imbalances slowly work toward reaching a post-Covid-19 outbreak equilibrium.”
- Last but not least, Macquarie reports that “**Iron ore** prices surged {on Friday} on news of potential mine shutdowns in Brazil due to the spread of COVID-19. Local Brazilian media reported that a labor prosecutor in the State of Minas Gerais filed a public action demanding the closure of Vale’s Itabira mining complex after more than 10% of the workforce tested positive for COVID-19.” China’s year-to-date iron ore imports were up 5% as compared to Jan-Apr 2019.

Nonferrous

- COMEX copper futures traded from as low as \$2.3585 per pound early last week to as high as \$2.4585 on Friday.



- Macquarie reported last Friday that “**LME copper stocks** saw another big day of cancellations yesterday (reported this morning showed) with latest data showing Busan cancelled warrants now up to 63.65kt from 32.7kt two days ago and just 8.5kt on 20th May. Total LME stocks continue to creep lower after the big inflow on 14th May, with just under 3kt leaving to fall to 261.8kt in the registry. Pretty much all the movement is happening in Asia, with Kaohsiung also showing 21.2kt of cancelled warrant up from just 100t on 20th May. Meanwhile, the weekly **SHFE stocks** print showed copper inventories falling another 30.8kt to just under 145kt.”

- Copper bulls are looking for a replay of the China-induced rebound in red metal prices following the last recession. But Andy Home at Reuters reports that “Although Beijing’s latest stimulus package ticks a lot of copper boxes, there will be no liquidity flood and construction boom such as seen a decade ago. Then there is the problem of what China is going to do with all the copper-containing products, such as air-conditioners and white goods, it normally exports... Weak exports are the point of maximum weakness for China’s copper sector, although it could take several months before a build in product inventories works its way back up the value chain to the refined metal segment.”
- Fastmarkets AMM was recently listing Brass Ingot Maker copper scrap prices at 234-236 for Bare Bright, 227-229 for No. 1 copper, 212-214 for No. 2 copper, and light copper at 207-209 cents/lb.
- Thanks very much to everyone who participated at our virtual ISRI Aluminum Spotlight last week, especially moderator Stephen Moss from Stanton A. Moss, Inc. and speakers Jason Schenker from Prestige Economics and John Woehlke from JW Metal Consulting. The recording of that event is now available at: <https://videos.isri.org/isri-virtual-event-spotlight-on-aluminum>.

Paper and Plastics

- You won’t want to miss this week’s **ISRI Virtual Event: Spotlight on Paper** hosted by PSI and ISRI on Wednesday, June 3, 2020 2:00 p.m. ET. This year’s Paper Spotlight will provide valuable insights for paper processors, MRF operators, and mills on how shifts in consumer habits will change our relationship with paper and packaging. Attendees will gain a strong understanding of both the short and longer term outlooks for the sector from Jose Gonzalez and Sanna Sosa of AFRY Management Consulting, a leading advisor to the world’s energy, forest, and bio-based industries. This will include a deep dive into the effects we have already seen on selected pulp and paper sectors during the COVID-19 pandemic and its impact on selected industry sectors.
- And market your calendars for next week’s **ISRI Virtual Event: Spotlight on Plastics** to be held on June 11, 2020 from 1:00-2:30 PM Eastern. The global plastics and petrochemical markets continue to be negatively impacted by the productivity and economic downturn caused by COVID-19, especially in the oil & gas sector, but also the continued public attention on plastic consumption and concerns raised in various international forums about EOL plastic trade. Please join us for a two-panel virtual event: experts providing an outlook on the primary plastic and plastic scrap markets followed by U.S. Government officials briefing on compliance requirements for the Basel Convention’s new plastic scrap trade regime that will be implemented in 2021.
- You must register online to participate. There is no charge for ISRI members for these events. Once you register, you will receive an email with login instructions. Make sure to save the information in your calendar.

Transportation: Trucking News

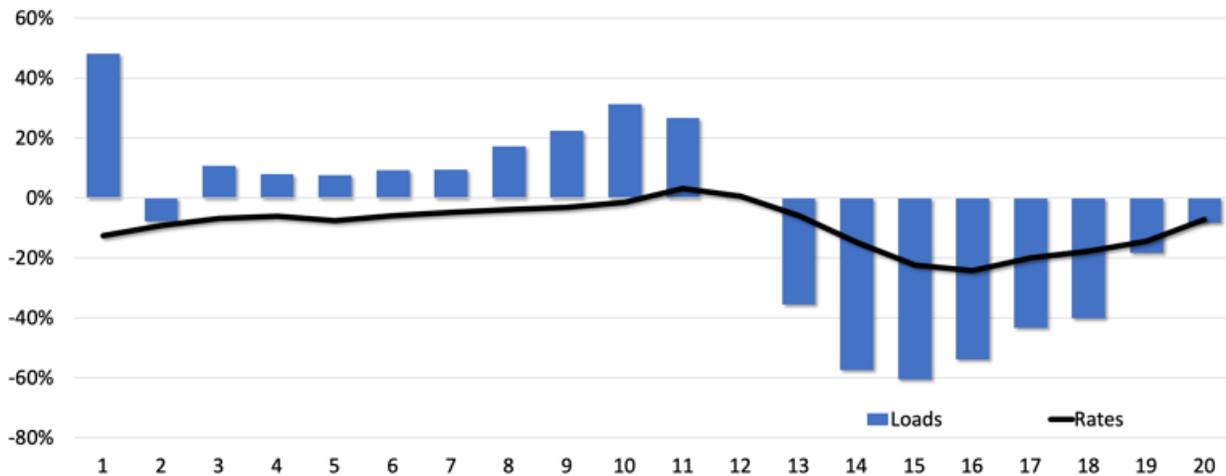
According to JOC.com, “In some states where volumes have increased since the beginning of May, truck dwell time {the total amount of time spent at the facility} at pickup and delivery sites has dropped 10 to 20 percent, according to Fourkites. That is highly unusual, and probably related to the pandemic, the supply chain visibility provider said. When demand for essential goods soared in March, “we heard of wait times as long as 24 hours” to load or unload a truck, which is also highly unusual during ‘normal’ times, said Glenn Koepke, vice-president of network enablement at FourKites. “It was just, ‘Get the truck to our facility and we’ll unload it when we get to it.’” As panic-buying subsided in April and May, “businesses have been able to correct course”, he said. “Companies have had about six weeks to get their workforce

in better alignment (with volumes), they've improved their driver check-in processes, and they've been able to minimize dwell."

Meanwhile, truckstop.com reports that "...the truck freight recovery is well into the "restart phase" but overall volumes are still well below normal levels. "The trucking market is moving up in a slow, stair-step manner," FTR reported. But the worst should be behind us. FTR's Truck Freight Recovery Index, as of May 25, was at 68.7, well above the bottoming of 28.9 on April 17. Dry van loads have returned to a 'normal' reading of 86.3 – up from the bottom of 42.6 on April 24. "That doesn't mean volumes are robust, they are still below last year's levels," FTR reported."

Spot truck loads vs. rates

Year-over-year % Change (Rates exclude fuel surcharge)



Source: Truckstop.com, FTR - Spot Market Insights

Week 20

This Week's Quote

"If you would only recognize that life is hard, things would be so much easier for you."

-- Louis D. Brandeis

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