

In this Issue:

- **This Morning**
- **The Week Ahead**
- **2020 Market Forecast Webinar Recap**
 - **Economic Outlook**
 - **Business Climate**
 - **Commodity Forecasts**
 - **Scrap Trends and Outlook**
- **This Week's Story**
- **This Week's Quote**

This Morning

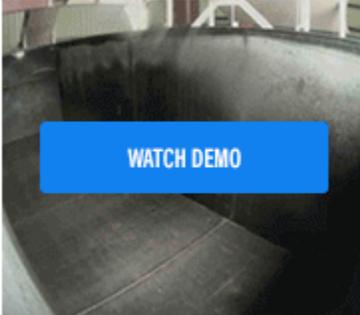
The Bloomberg Commodity Index advanced 0.4% in early trading today as rising energy prices more than offset mixed industrial and precious metal prices. In New York, COMEX copper opened the day at \$2.662 while NYMEX crude oil futures were up more than 2% as prices were "...supported by hints that OPEC and its allies may agree to deepen output cuts at a meeting this week and as rising manufacturing activity in China suggested stronger demand," Reuters reports. In London, FM Metal Bulletin reports "London Metal Exchange three-month base metals prices were somewhat subdued during morning trading on Monday December 2 while a strong US dollar index, trading up by 0.08% at 98.35 at the same time, had a dampening effect on trading volumes. This despite the release of better-than-expected data from China this morning that showed the country's manufacturing sector was in expansionary territory in November. China's Caixin purchasing managers' index (PMI) came in at 51.8 last month, up marginally from 51.7 previously." LME 3-mo. copper and aluminum were recently trading around \$5,870/mt and \$1,770/mt, respectively, while 3-mo. nickel traded as low as \$13,610/mt. In foreign exchange trading, the euro was holding up around \$1.1023 this morning while the British pound was little changed around \$1.293.

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Selected Primary Commodity Prices: December 2, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Mar (\$/lb.)	2.663	0.002	0.1%	2.662	2.662	2.679	2.656
COMEX Gold Feb (\$/to)	1,463.1	-9.6	-0.7%	1,472.7	1470.3	1,470.6	1,459.8
COMEX Silver Mar (\$/to)	16.95	-0.2	-0.9%	17.11	17.07	17.10	16.9
NYMEX Light Sweet Crude Jan (\$/bbl)	56.45	1.3	2.3%	55.17	55.47	56.67	55.42
SHFE Aluminum Jan (RMB/mt)	13,895	70	0.5%	13,825	13,885	13,970	13,830
SHFE Copper Jan (RMB/mt)	47,230	-50	-0.1%	47,280	47,260	47,380	47,060
SHFE Nickel Feb (RMB/mt)	108,600	-1,990	-1.8%	110,590	109,520	110,230	107,580
SHFE Zinc Jan (RMB/mt)	17,875	-110	-0.6%	17,985	17,940	18,015	17,675

The Week Ahead

On the U.S. economic calendar this week we'll get new figures on construction spending, manufacturing PMI, trade, factory orders, consumer sentiment, consumer credit, and the big jobs report at the end of the week. The consensus forecast is that nonfarm payrolls grew by more than 180,000 in November while the unemployment rate held steady at 3.6%. Overseas, the Financial Times reports "World leaders will gather in Madrid for COP25 — the first big climate meeting since the US said it would exit the Paris accord. Oil isn't going away anytime soon though, as will be seen this week when OPEC meets to set output and Saudi Aramco prices its initial public offering. NATO celebrates its 70th anniversary amid tensions among member nations with a gathering in the UK." Investors will also be paying attention to the latest European figures on manufacturing PMI, producer price inflation, GDP, and retail sales, along with German manufacturers' orders and industrial production. Have a great week!

U.S. Economic Calendar, December 2-6, 2019

Date	Time	Release	Period	Consensus	Prior
2-Dec	10:00 ET	Construction Spending	Oct	0.3%	0.5%
2-Dec	10:00 ET	ISM Manufacturing Index	Nov	49.2	48.3
4-Dec	08:15 ET	ADP Employment Change	Nov	175K	125K
4-Dec	10:00 ET	ISM Non-Manufacturing Index	Nov	54.8	54.7
5-Dec	08:30 ET	Initial Claims	30-Nov	221K	213K
5-Dec	08:30 ET	Trade Balance	Oct	-\$48.5B	-\$52.5B
5-Dec	10:00 ET	Factory Orders	Oct	0.3%	-0.6%
6-Dec	08:30 ET	Nonfarm Payrolls	Nov	182K	128K
6-Dec	08:30 ET	Nonfarm Private Payrolls	Nov	175K	131K

6-Dec	08:30 ET	Avg. Hourly Earnings	Nov	0.3%	0.2%
6-Dec	08:30 ET	Unemployment Rate	Nov	3.6%	3.6%
6-Dec	08:30 ET	Average Workweek	Nov	34.4	34.4
6-Dec	10:00 ET	Univ. of Michigan Consumer Sentiment – Prelim	Dec	96.5	96.8
6-Dec	10:00 ET	Wholesale Inventories	Oct	0.2%	-0.4%
6-Dec	15:00 ET	Consumer Credit	Oct	\$17.3B	\$9.5B

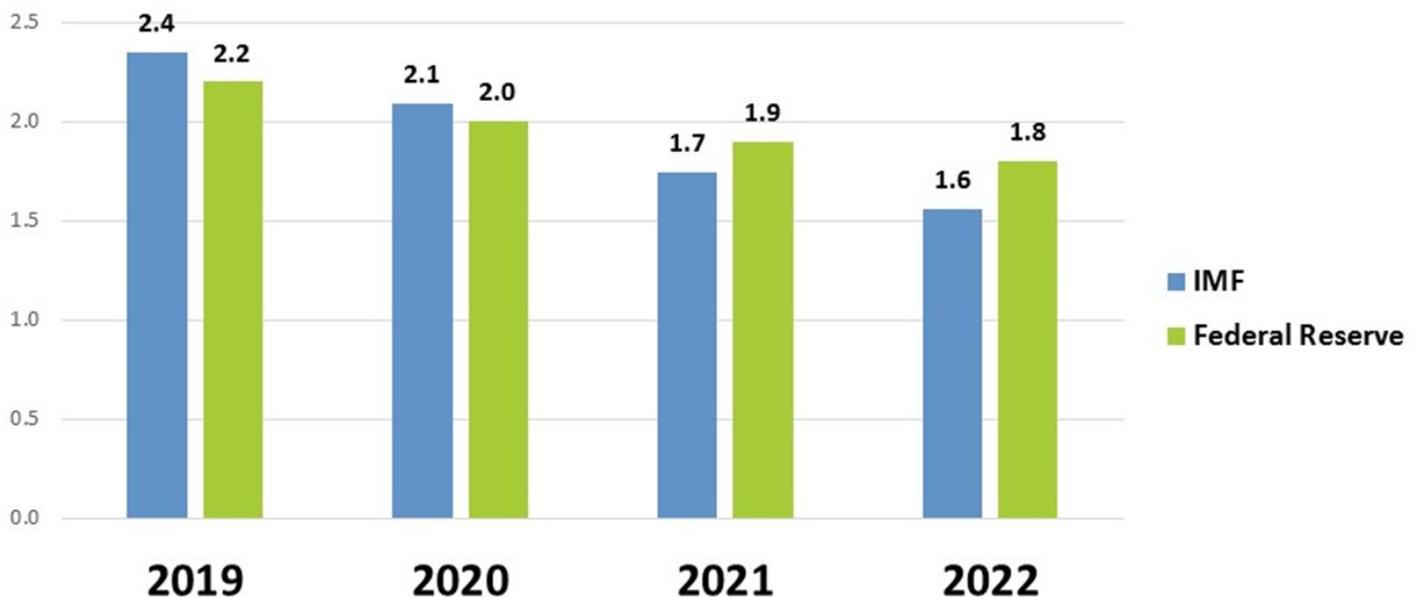
2020 Market Forecast Webinar Recap

For those of you who missed last week’s ISRI 2020 Market Forecast webinar, here’s a recap of the four main sections of the forecast: the economic outlook; business climate; commodity forecasts; and scrap trends and outlook.

Economic Outlook

Economic growth in the United States is widely expected to slow next year, with the International Monetary Fund and Federal Reserve projecting real U.S. GDP will grow 2.1% and 2.0%, respectively, next year followed by even slower growth in 2021 and 2022.

International Monetary Fund and Federal Reserve U.S. Real GDP Growth Forecasts, 2019-2022 (%)

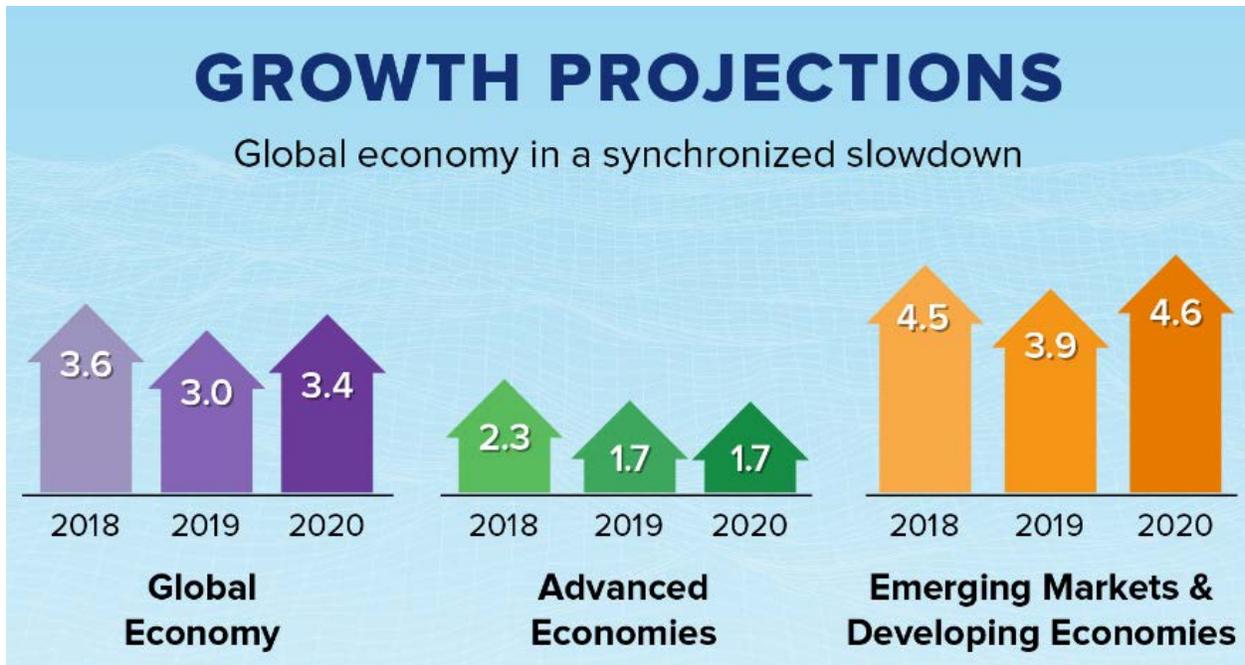


The Conference Board’s index of leading economic indicators has declined in each of the last three months, which would seem to provide additional support for expectations of slower growth ahead.

Category	OCT	SEP	AUG	JUL	JUN
Total Index	-0.1%	-0.2%	-0.2%	0.4%	0.0%
<i>ISM New Orders</i>	-0.14%	-0.17%	-0.18%	-0.10%	-0.12%
<i>Manufacturing Workweek</i>	-0.07%	0.00%	0.00%	-0.13%	0.07%
<i>Initial Claims</i>	-0.04%	0.06%	-0.07%	0.16%	-0.11%
<i>Stock Prices</i>	-0.01%	0.11%	-0.13%	0.14%	0.05%
<i>Interest Rate Spread</i>	-0.01%	-0.04%	-0.06%	-0.04%	-0.04%
Cons. Goods Orders	0.01%	0.02%	0.06%	-0.01%	0.14%
Consumer Expectations	0.01%	0.01%	0.04%	0.12%	0.04%
<u>Nondef. Cap Goods Orders, ex- Aircraft</u>	0.03%	-0.02%	-0.04%	-0.01%	0.04%
Leading Credit Index	0.04%	0.06%	0.04%	0.12%	0.14%
Building Permits	0.14%	-0.07%	0.23%	0.19%	-0.18%

Source: The Conference Board

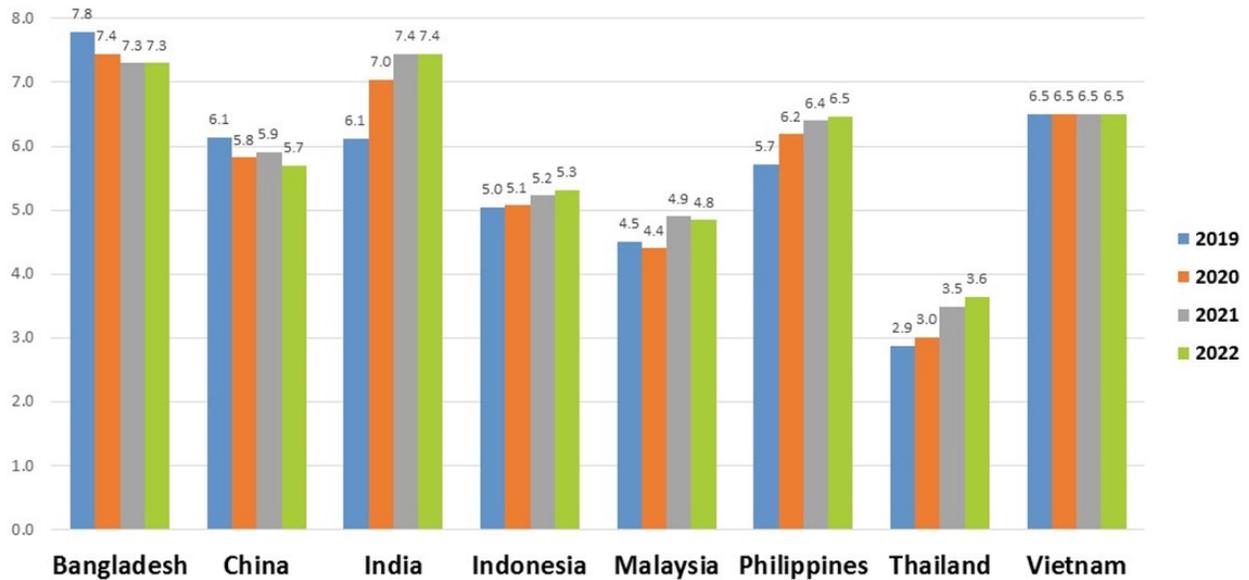
But the IMF sees global economic growth accelerating from 3.0% growth in 2019 to 3.4% growth in 2020 thanks to faster growth in emerging markets and developing economies. As compared to 3.9% growth in 2019, emerging markets and developing economies are projected to grow 4.6% next year, outstripping 1.7% growth in the advanced economies.



Source: IMF World Economic Outlook, October 2019.

Emerging markets and developing economies in Asia are expected to exhibit particularly strong growth next year, with the IMF projecting real GDP growth of 7.4% in Bangladesh, 7.0% in India, 6.5% in Vietnam, 6.2% in the Philippines, 5.1% in Indonesia, and 4.4% in Malaysia, making next year's [ISRI trade mission to SE Asia](#) particularly timely.

Selected Projected Real GDP Growth Rates in Developing and Emerging Asia, 2019-2022 (%)



Source: IMF World Economic Outlook, October 2019.

Business Climate

A major concern for the U.S. economy is the apparent downturn in business sentiment and accompanying weakness in business investment. According to the latest figures from the Bureau of Economic Analysis, gross private domestic investment in the United States declined 6.3% in the second quarter and slipped 0.1% in the third quarter of 2019. The Business Roundtable's CEO survey also indicates softening business sector sentiment:

CEO Survey Results & Sub-Indices	2019 Q2				2019 Q3				Quarter-Quarter Change in Sub-Index
	Increase	No Change	Decrease	Sub-Index	Increase	No Change	Decrease	Sub-Index	
<i>How do you expect your company's <u>sales</u> to change in the next six months?</i>	65%	26%	9%	105.1	61%	19%	20%	91.6	-13.5
<i>How do you expect your company's <u>U.S. capital spending</u> to change in the next six months?</i>	48%	43%	10%	88.1	36%	50%	13%	73.4	-14.7
<i>How do you expect your company's <u>U.S. employment</u> to change in the next six months?</i>	41%	43%	16%	75.2	43%	36%	20%	72.6	-2.6

In addition, IHS Markit reports that U.S. business optimism has hit a 3-year low: “The latest IHS Markit Business Outlook survey signals that U.S. private sector firms are less optimistic towards the outlook for business activity over the coming 12 months than in June. The net balance of firms expecting a rise in output has dropped from +16% in June to +10% in October and is the lowest for three years. The net balance of firms forecasting growth is also below the global (+14%) and developed market (+12%) averages. Both manufacturing and service sector firms expressed a lower level of positive sentiment towards future output than earlier in the year.”

US business activity expectations



Source: IHS Markit.

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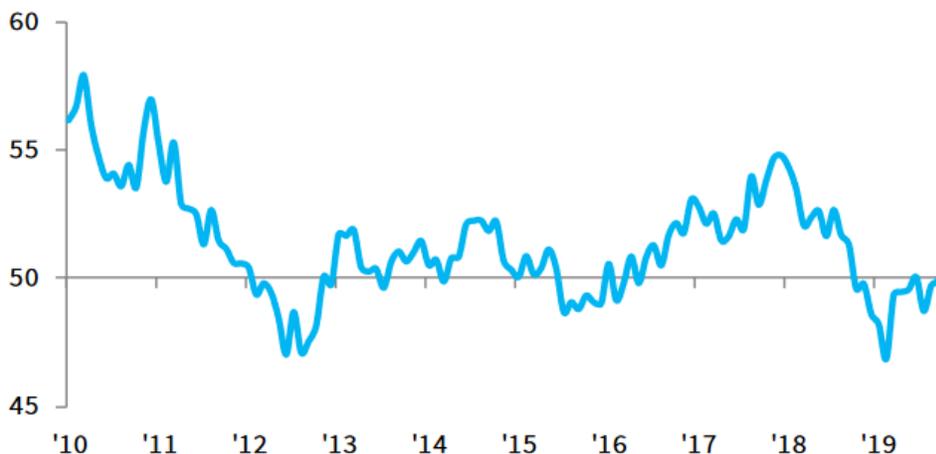
Commodity Forecasts

In contrast to business sentiment, global metal market sentiment has shown some signs of improvement lately. According to IHS Markit:

- “Ending a 12-month sequence of contraction, the volume of new orders at **global steel users** increased solidly during October... this was concentrated on Asian companies, and related to stronger market demand.
- Asian businesses reported the strongest rise in **{copper} demand** in over a year-and-a-half, whereas new order growth at US firms slowed to an eight-month low. The decline in new orders at European firms meanwhile extended to a whole year.
- **Aluminum users** raised output levels sharply at the start of the fourth quarter, with the rate of expansion accelerating notably from the previous month. Surveyed companies related this to an uplift in new orders that followed 12 successive months of decline.”

Global Aluminium Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Turning to the paper and fiber markets, recent RISI Viewpoints report on the continued impact of China's recovered paper import restrictions on the global pulp, virgin, and recovered paper markets:

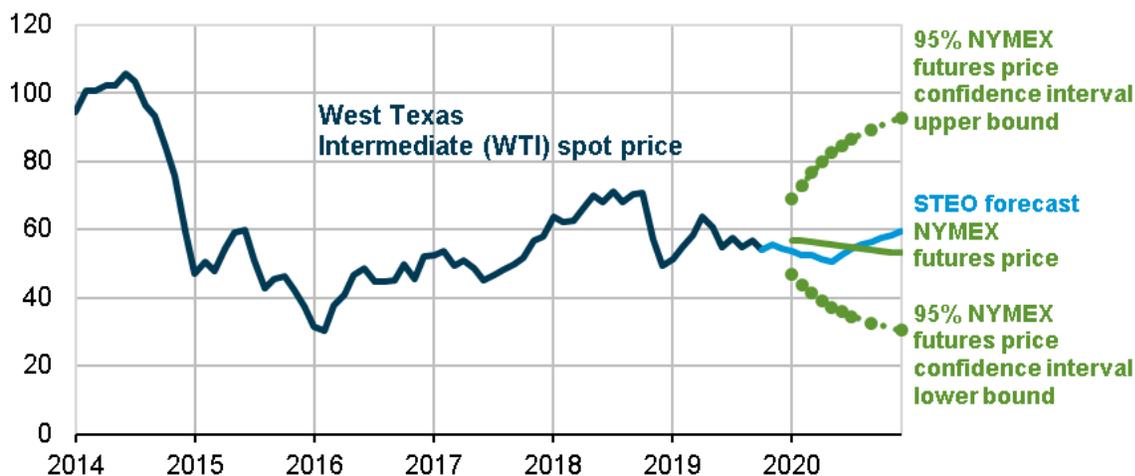
- “There is a “massive” amount of inventory in market pulp globally, and reaching a market balance won't occur until the inventory is reduced, according to Fastmarkets RISI's VP of Fiber Dave

Fortin. He added that economic softening in the US and globally next year also could slow the inventory drawdown. And with the uncertainty about the US/China trade war, Fortin told attendees at Fastmarkets RISI's North American Forest Products Conference in Boston on Oct. 29 that "we think market pulp could remain weaker longer... The rebalancing can't happen until (there are) significant capacity curtailments."

- Recycled pulp has become an alternative way for Chinese paper producers to obtain the recycled fiber they need. Chinese recycled pulp imports jumped sharply by 205% year-over-year to about 460,000 tonnes in the first eight months of this year. Chinese paper companies have plans to invest in significant amounts of recycled pulp capacity to expand recycled pulp production in different regions, mainly the US and non-China Asia, to solve the potential fiber shortage problem caused by the further drop in RCP imports and the potential zero-RCP-imports scenario sometime in the future.
- But when and where these recycled pulp projects will come on line will inevitably be impacted by China's fundamental demand for recycled fiber, China's regulations on recycled pulp imports and regulations in the countries and regions where the recycled pulp projects are planned. The trade tension between the US and China will add some uncertainty to Chinese paper companies' recycled pulp plans as well."

As for the outlook for energy markets, the U.S. Energy Information Administration reports "U.S. commercial crude oil and other liquids inventories declined by 0.4 million barrels per day(b/d) in October. EIA estimates that global inventories increased by 0.8 million b/d in October as inventory builds in other regions—some of which was likely the result of Saudi Arabia refilling stocks that it withdrew following the September production outage—offset the draws in the United States. EIA forecasts that fourth-quarter 2019 inventories will increase by more than 0.2 million b/d, followed by further inventory builds in the first half of 2020 that will put moderate downward pressure on crude oil prices. EIA's price forecast for 2020 is mostly unchanged from the October STEO; Brent and WTI are forecast to average \$60/b and \$55/b, respectively."

West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals
dollars per barrel



Note: Confidence interval derived from options market information for the five trading days ending Nov 7, 2019. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: Short-Term Energy Outlook, November 2019, and CME Group

Here are the most recent metals and minerals, precious metals, and energy price forecasts from the World Bank (updated October 29, 2019):

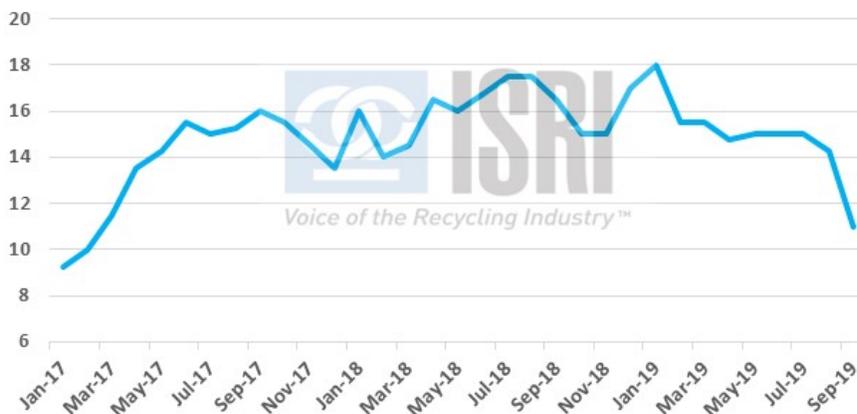
	Unit	2020	2021	2022	2023
Metals and Minerals					
Aluminum	\$/mt	1,760	1,800	1,840	1,882
Copper	\$/mt	6,150	6,230	6,311	6,394
Iron ore	\$/dt	81.3	80.1	78.9	77.7
Lead	\$/mt	1,950	1,965	1,979	1,994
Nickel	\$/mt	14,780	15,074	15,374	15,680
Tin	\$/mt	18,850	19,229	19,615	20,010
Zinc	\$/mt	2,450	2,455	2,460	2,465
Precious Metals					
Gold	\$/toz	1,470	1,452	1,434	1,417
Silver	\$/toz	17.0	17.0	17.0	17.0
Platinum	\$/toz	890	924	960	997
Energy					
Crude oil, avg.	\$/bbl	58.0	59.1	60.2	61.4
Natural gas, U.S	\$/mmbtu	2.7	2.8	2.9	3.0

Scrap Trends and Outlook

Scrap prices across the commodities spectrum came under pressure over the course of 2019 amid signs of slower domestic manufacturing output, lackluster primary commodity price trends, reduced Chinese scrap imports, and uncertainty in the business community regarding the U.S.-China trade war, tight labor market conditions, and other risk factors.

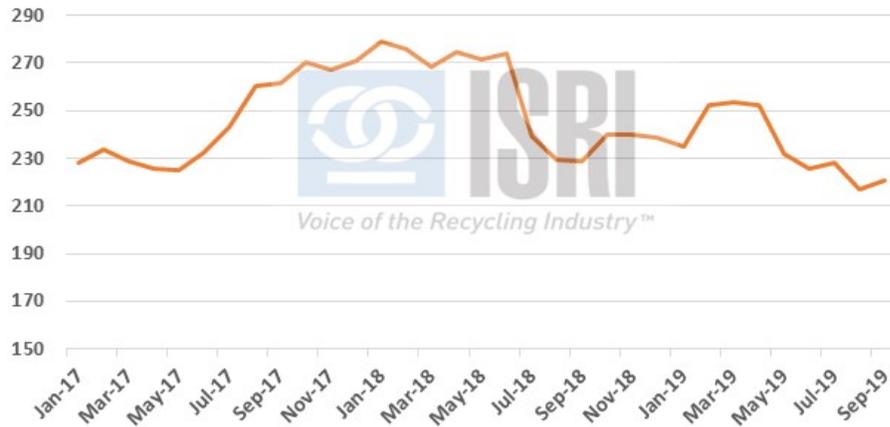
Plastic Scrap Value: PET Bottles, Curbside, cents/lb.

Source: PetroChemWire



Copper Scrap Value: No. 2 Refiners, cents/lb.

Source: AMM



Recovered Paper Value: OCC #11, \$/short ton

Source: Paper Stock Report

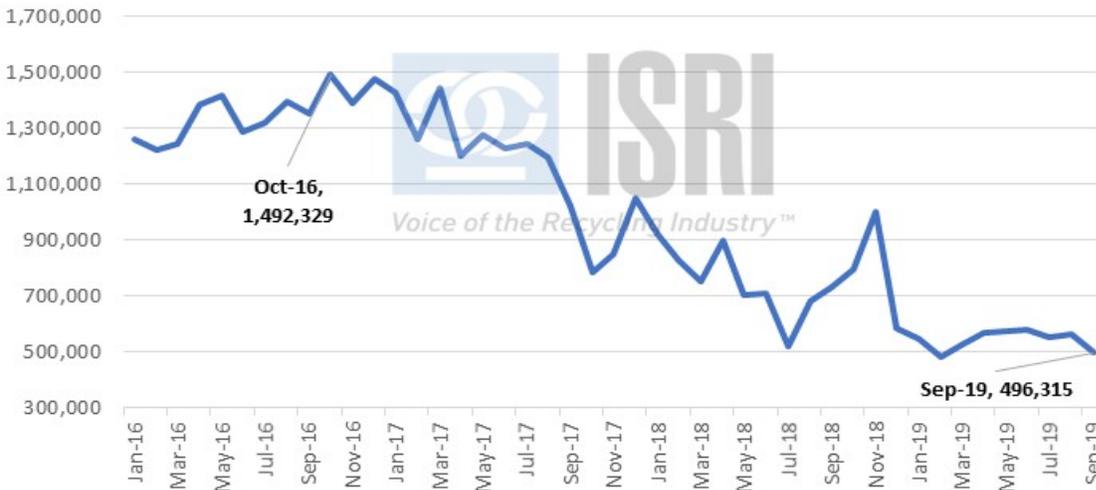


On the export front, the latest trade figures from the Census Bureau show total U.S. scrap exports (including ferrous scrap, nonferrous scrap, plastic scrap, recovered paper and fiber, and other recycled commodities) during Jan-Sep 2019 totaled 29.2 million metric tons, down 2.5% as compared to the corresponding period in 2018. By dollar value, year-to-date U.S. scrap exports are down 5% to \$14.5 billion through September, a loss of nearly \$785 million as compared to the first nine months of 2018. By major commodity group and dollar value, year-to-date:

- Plastic scrap exports are down 41% to \$212 million;
- Ferrous scrap (ex- stainless and alloy steel scrap) exports are down 12% to \$3.58 billion;
- Recovered paper and fiber exports are down 6% to \$2.2 billion; and
- Nonferrous scrap (including precious metal scrap) exports are down less than 1% at \$7.8 billion.

Monthly Volume of Total U.S. Scrap Exports to Mainland China, Jan 2016 - Sep 2019 (metric tons)

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



Major Themes for 2020

- Slower U.S. economic growth is expected, but rising growth in emerging and developing economies in Asia.
- Election year politics could influence economic policy, but the Federal Reserve is expected to hold on additional rate cuts early in the year.
- Business optimism in the United States is softening as stimulus wears off, but corporate profitability has held up relatively well.
- There have been mixed readings on U.S. manufacturing, which is closely related to scrap demand, although there are continued capacity expansion plans.
- Commodity market sentiment appears to be improving but price forecasts are lukewarm.
- China will continue to impact the global scrap marketplace in 2020 as Beijing revisits how scrap imports are categorized even as U.S./North American demand takes on a larger role.
- Transportation issues including for barges, rail, truck, and containers are still seen as difficult.
- Rising public awareness about sustainable development will continue to shape perceptions about recycling.
- Focus on QUALITY and consistency to meet consumer demands at home and abroad has become the key.
- Recyclers are increasingly focused on (new and end) market development and the targeted investments required to produce high-quality recycled commodities.
- Recycling is a shared responsibility that requires collaboration across the private and public sectors.

This Week's Story

It was the last day of school before the holiday break and the pupils were giving gifts to their teachers. The teacher knew the jobs of all the kids' parents, so she said she would guess what they all got her.



Weekly Market Report

When the florist's daughter gave her a box, she sniffed it and said, "Are they flowers?" The little girl said, "How did you know?"

When the candy store owner's son gave her a box, she shook it and said, "Chocolates?" The boy said "How did you know?"

Finally, the liquor store owner's son approached with a leaking box. She touched a drop of the liquid with her finger and tasted it. "Is it wine?" she guessed. "No," the boy replied.

She tasted another drop and asked, "Champagne?"

"No," said the little boy. "It's a puppy!"

This Week's Quote

"Courage is found in unlikely places."

-- J.R.R. Tolkien

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