

July 6, 2020

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This Morning

- China was squarely in focus this morning with Bloomberg reporting “Global stock markets are starting the week with a bang after China’s influential state media stoked bullish enthusiasm... A front-page editorial in China’s Securities Times on Monday said that fostering a ‘healthy’ bull market after the pandemic is now more important to the economy than ever.”
- The Shanghai stock index gained 5.7% today while the major stock indexes on Wall Street were up more than 1% late this morning.
- In London, LME 3-mo. copper prices traded as high as \$6,143/mt today while 3-mo. aluminum and nickel traded as high as \$1,636/mt and \$13,400/mt, respectively.
- On the scrap front, Macquarie reports today that “China approved a large import block of copper/aluminum/steel scrap, the largest since 1Q20, probably a response to a scrap shortfall that emerged during lockdown. The China Solid Waste and Chemicals Management Center (CSWCMC) approved additional imports of 176.7kt of high-grade copper scrap; 209.7kt of aluminum scrap and 5kt of steel scrap. Approvals so far in 2020 (9 separate directives) total 718.5kt copper (7% of China’s 2020e total supply); 693.7kt aluminum (2%), 16.5kt steel scrap (tiny contribution; most scrap generated locally). Scrap flows have been scrutinized since 2017 by both the CSWCMC and China’s Ministry of Ecology and Environment, to limit imports of polluting materials.”
- In foreign exchange trading US Dollar Index was down 0.45% today as the euro edged up to around \$1.131 while the British pound approached \$1.25.

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Selected Primary Commodity Prices: July 6, 2020

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Sep (\$/lb.)	2.777	0.029	1.0%	2.749	2.729	2.781	2.724
COMEX Gold Aug (\$/to)	1,794.5	4.5	0.3%	1,790.0	1787	1,799.0	1,779.2
COMEX Silver Sep (\$/to)	18.60	0.3	1.5%	18.32	18.34	18.78	18.2
NYMEX Light Sweet Crude Aug (\$/bbl)	40.63	0.0	0.0%	40.65	40.31	41.08	40.15
SHFE Aluminum Aug (RMB/mt)	14,075	80	0.6%	13,995	14,060	14,155	14,005
SHFE Copper Aug (RMB/mt)	48,890	-250	-0.5%	49,140	48,900	49,220	48,480
SHFE Nickel Oct (RMB/mt)	105,880	1,510	1.4%	104,370	106,030	107,500	104,560
SHFE Zinc Aug (RMB/mt)	16,720	0	0.0%	16,720	16,695	16,820	16,615

The Week Ahead

- Following last week's major reports on U.S. jobs, manufacturing, trade and more, the economic calendar isn't nearly as full this week.
- Investors will be looking at the latest U.S. producer price inflation numbers, along with initial unemployment claims and ISM's non-manufacturing (service sector) index.
- The consensus forecast is that the producer price index increased 0.4% in June while core PPI (excluding volatile food and energy prices) edged up just 0.1%.
- Overseas, we'll get new industrial production reports from Germany, France, Italy, and India, along with releases on German manufacturers' orders and merchandise trade, Japanese household spending and machinery orders, and Chinese producer and consumer price indexes.
- Please be safe and have a great week!

Economic Calendar: July 6-10, 2020

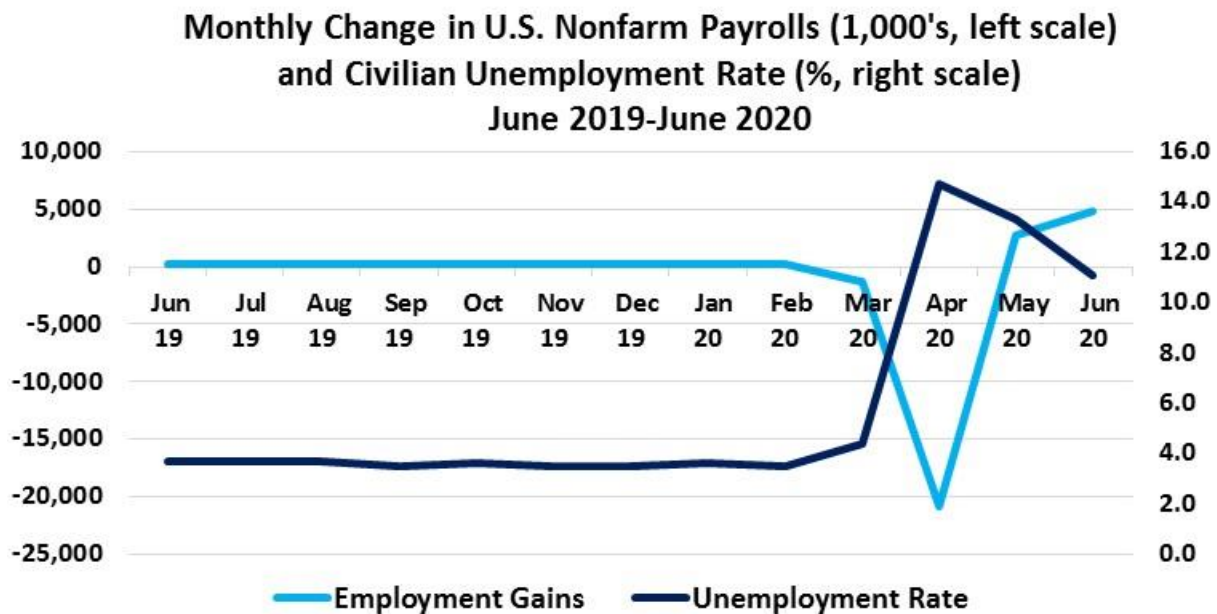
Date	Time (ET)	Release	Period	Consensus	Prior
6-Jul	10:00	ISM Non-Manufacturing Index	Jun	49.0	45.4
7-Jul	8:30	JOLTS - Job Openings	May	NA	5.046M
8-Jul	7:00	MBA Mortgage Applications Index	4-Jul	NA	-1.8%
8-Jul	15:00	Consumer Credit	May	-\$22.0B	-\$68.7B

9-Jul	8:30	Initial Claims	4-Jul	1.350M	1.427M
9-Jul	8:30	Continuing Claims	27-Jun	NA	19.29M
9-Jul	10:00	Wholesale Inventories	May	-1.2%	0.3%
10-Jul	8:30	PPI	Jun	0.4%	0.4%
10-Jul	8:30	Core PPI	Jun	0.1%	-0.1%

Economic Week in Review

Monthly Jobs Report

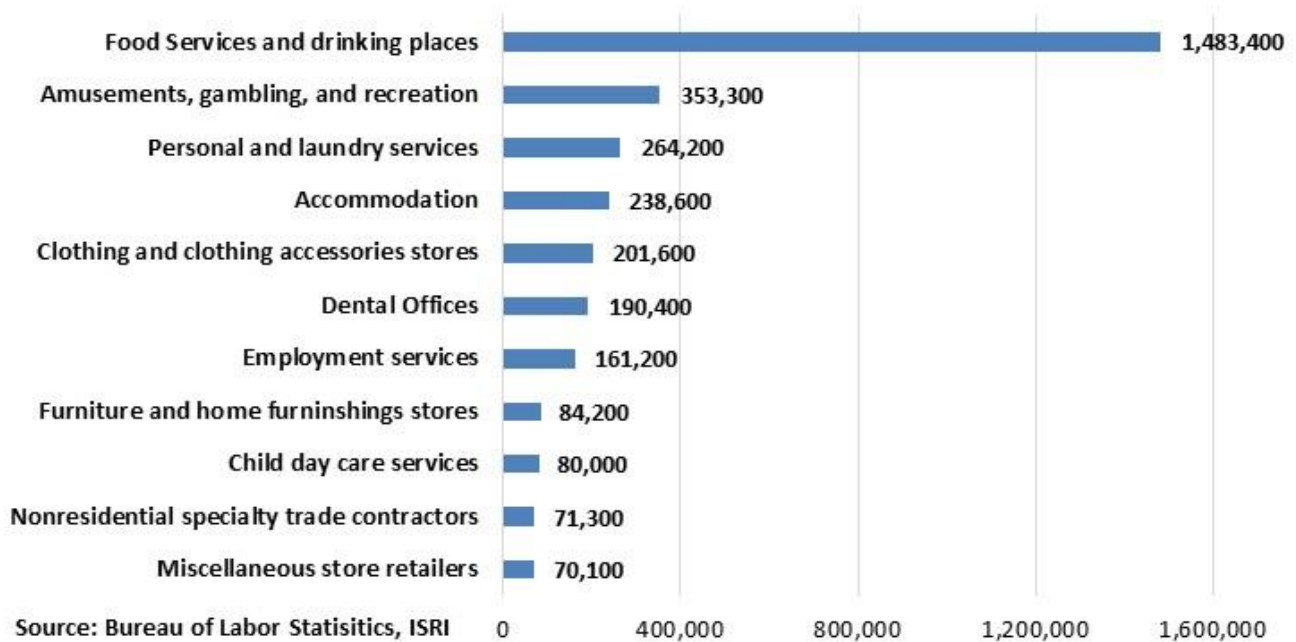
- According to last week's Employment Situation Report released by the Bureau of Labor Statistics, U.S. employment gains in June shattered May's historic record of employment gains for a single month.
- Nonfarm employment increased by 4.8 million (SA) in June 2020, as more states advanced to phases 2 and 3, allowing for greater numbers of employees to return to work.
- The unemployment rate declined to 11.1 percent in June 2020, a 2.2 percentage point drop from May and down from 14.7 percent in April.



- The private sector added 4.767 million jobs, while government (all levels) added 33,000 jobs, reversing the 585,000 jobs lost in May.
- Eighty-nine percent of private sector job gains in June 2020 (4.263 million jobs) were in the service providing sector, while the goods producing sector added over a half million jobs (504,000).
- Job growth was led by some of the same service- sector industries that were most effected by the coronavirus pandemic: leisure and hospitality (2.088 million), trade, transportation and utilities (903,000), retail trade (739,800), and education and health services (568,000).

- Manufacturing added 356,000 jobs (but is down by 757,000 since February) and professional and business services added 306,000 jobs.
- The mining & logging industry was the only sector with job losses in June 2020, down 10,000 jobs. In May, four industry sectors realized job losses.
- Average hours worked decreased in June to 34.5 in June, 0.2 hours lower than May. However, they remain above April's average and one year ago.

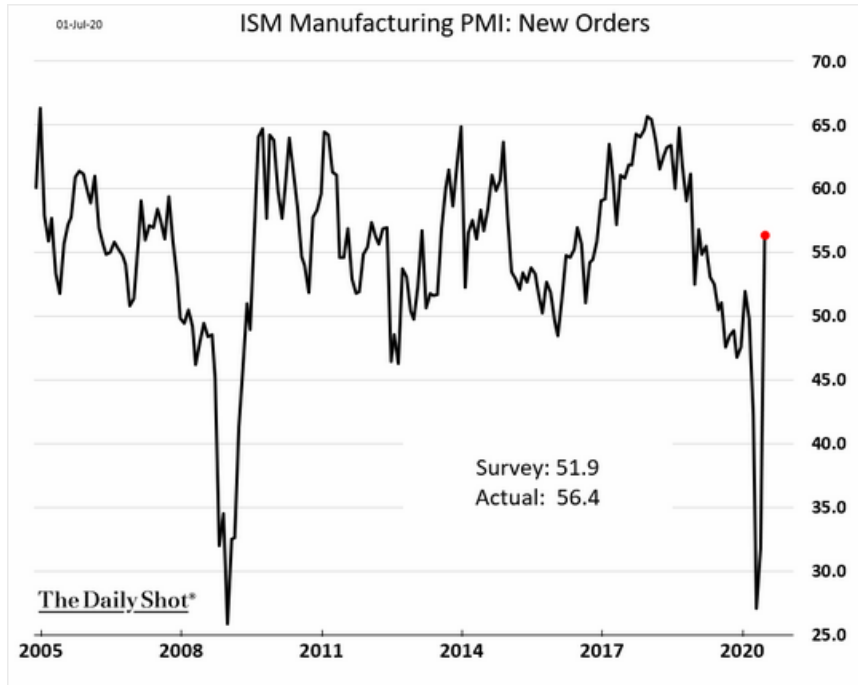
Top Job Growth Industries, June 2020



Manufacturing PMI

- In line with the reported gain in manufacturing jobs last month, the Institute for Supply Management reports their manufacturing Purchasing Managers Index (PMI) rose by 9.5 points to 52.6 in June.

- ISM's manufacturing Employment index rose from 32.1 in May to 42.1 in June, while the New Orders index surged from 31.8 in May to 56.4 last month.



- According to Timothy R. Fiore, Chair of ISM's Manufacturing Business Survey Committee, "June signifies manufacturing entering an expected expansion cycle after the disruption caused by the coronavirus (COVID-19) pandemic. Comments from the panel were positive (1.3 positive comments for every one cautious comment), reversing the cautious trend which began in March. The manufacturing sector is reversing the heavy contraction of April, with the PMI® increasing month-over-month at a rate not seen since August 1980, with several other indexes also posting gains not seen in modern times."

Here's what some of the ISM survey respondents had to say:

- "Gradually ramping production back in our plants. Most of our supply base continued to operate during COVID-19, so we are not seeing a significant supply risk. Will be monitoring supply chain financial health closely." (Transportation Equipment)
- "Thankfully, we are in quite a few industries, so impact wasn't as harsh on us and more stable. However, during the last two weeks, our bookings have grown, and supply seems to be more readily available." (Fabricated Metal Products)
- "Market demand for refined products has increased as statewide quarantines have been lifted, but it is still below normal volumes." (Petroleum & Coal Products)
- "Orders have picked up and are trending toward normal production requirements [volume similar to 2019 production]." (Plastics & Rubber Products)
- "We are seeing an increase in orders as the economy starts to get rolling again. Slow and steady, sales are increasing. So far, so good." (Primary Metals)
- "Looks like May was the bottom in terms of orders. June is stronger, and our order books are rebuilding." (Machinery)

- “Demand is down significantly due to COVID-19 but is starting to stabilize. We are hopeful for recovery in the second half of the year.” (Miscellaneous Manufacturing)

Source: *Institute for Supply Management*

Weekly Initial Unemployment Claims

- In contrast to the bullish monthly job gains, the Labor Department also reported last week that initial unemployment claims increased by 1.445 million for the week ending June 27 (NSA), down one percent from the previous week.
- The number of people claiming unemployment insurance in state programs totaled 17.9 million for the week ending June 20, up 1.5 percent from the previous week.
- There were 31.5 million people claiming benefits in all programs for the week ending June 13. This was an increase of over 900,000 from the previous week.

Persons Claiming Unemployment Insurance Benefits in ALL* Programs (NSA), Week Ending June 13, 2020

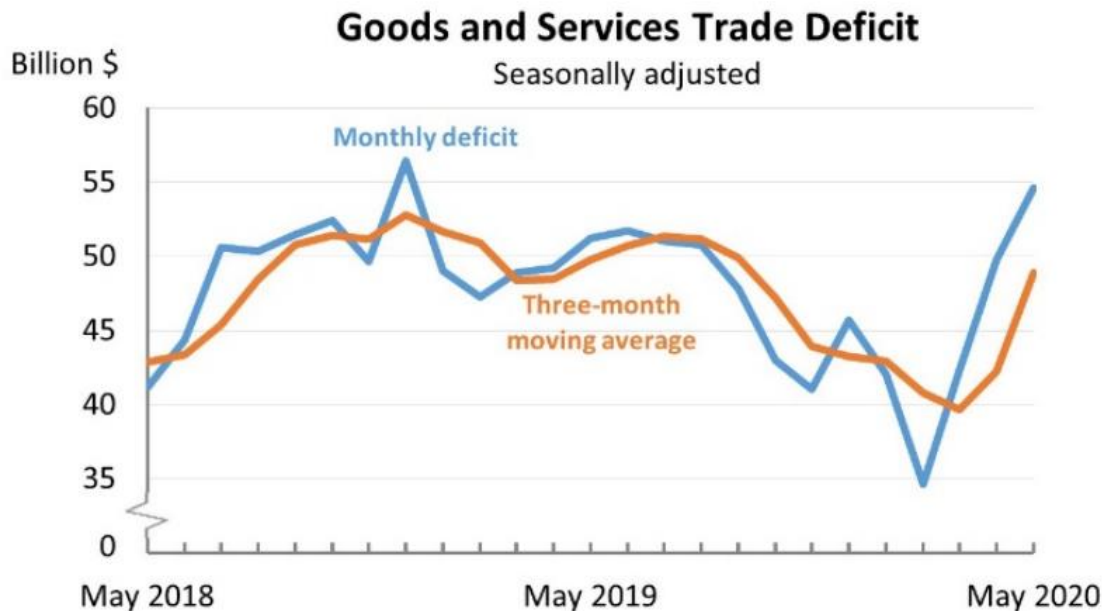
Regular State	17,552,224
Federal employees	14,645
Newly Discharged Veterans	12,637
Pandemic Unemployment Assistance	12,853,163
Pandemic Emergency UC	749,703
Extended Benefits	2,615
State Additional Benefits	2,128
STC/Workshare	304,512
TOTAL	31,491,627

*Footnotes not shown. For details, contact ISRI.

Source: Department of Labor

Trade Balance

- Last but not least, the Census Bureau reported last week that the U.S. trade deficit widened to \$54.6 billion in May, up \$4.8 billion from the revised \$49.8 billion in April
- Exports in May were \$144.5 billion, \$6.6 billion less than April exports.
- Imports in May were \$199.1 billion, \$1.8 billion less than April imports.
- The U.S. deficit in goods widened by \$4.2 billion to \$76.1 billion while the services surplus narrowed by \$0.6 billion to \$21.5 billion.



U.S. Bureau of Economic Analysis
U.S. Census Bureau

U.S. International Trade in Goods and Services
July 2, 2020

Commodity Market Developments

Ferrous

- For the week ending June 27th, the American Iron and Steel Institute reports that "...domestic raw steel production was 1,240,000 net tons while the capability utilization rate was 55.4 percent. Production was 1,863,000 net tons in the week ending June 27, 2019 while the capability utilization then was 80.1 percent. **The current week production represents a 33.4 percent decrease from the same period in the previous year. Production for the week ending June 27, 2020 is up 1.3 percent from the previous week** ending June 20, 2020 when production was 1,224,000 net tons and the rate of capability utilization was 54.6 percent."
- As for finished steel prices, BMO Capital Markets reports that "The decline in US HRC prices resumed on Thursday on short lead times and uneven demand, with Fastmarkets' US HRC index declining 0.6% d/d to \$477/st (-0.2% w/w), while Platts TSI US HRC index declined 0.1% d/d to \$475/st (-1.7% w/w, -5.0% m/m)."
- Following recent Turkish buys from European suppliers, Fastmarkets AMM reports their "daily index for steel scrap, HMS 1&2 (80:20 mix), North Europe origin, cfr Turkey was calculated at \$250.73 per tonne on Monday, down by \$3.76 per tonne compared with Friday's index. The daily index for steel

scrap, HMS 1&2 (80:20 mix), US origin, cfr Turkey was \$256.31 per tonne, down by \$4.81 per tonne day on day. This put the premium for US material over European scrap at \$5.58 per tonne on July 6, compared with \$6.63 per tonne on July 3.”

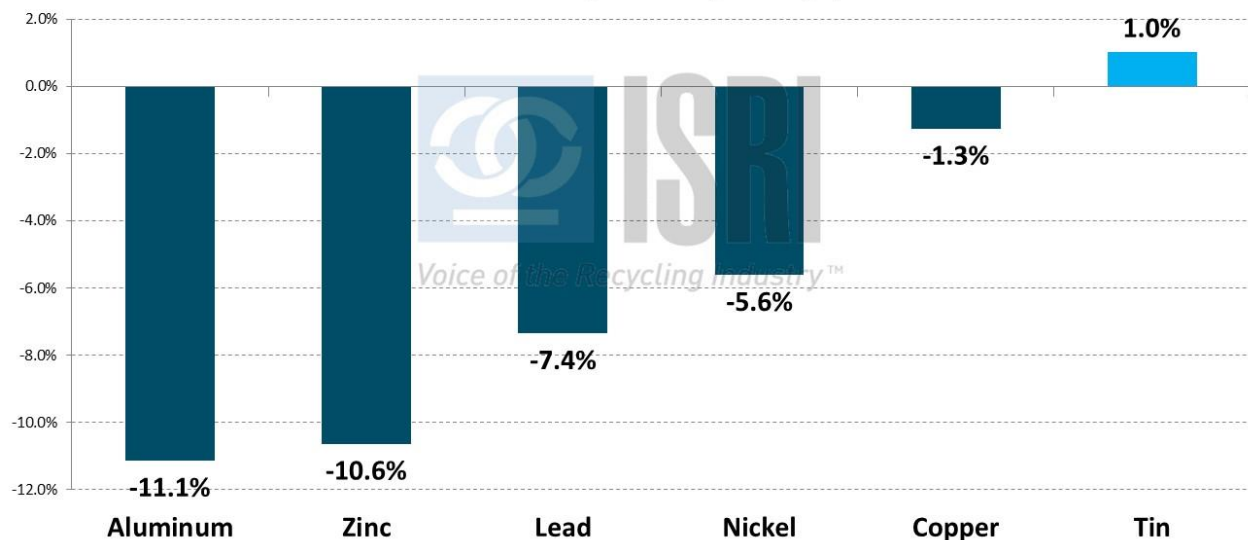
Nonferrous

Macquarie reports that copper prices are becoming increasingly sensitive to developments in Chile: “Recent copper price action seems very attentive to events in Chile, the world’s largest mining country with 28% of annual supply. The country has experienced one of the most challenging outbreaks of COVID-19, catching up fast to second-placed Peru in the South American region. On top of this, many miners have contracted the virus and some have died, which has led to growing calls to restrict production activity to safeguard workers. On the other hand, as Codelco’s CEO pointed out last week, the country will need the revenues generated by its overseas copper sales to help pay for its massive welfare and recovery stimulus, and set Chile back on the road to economic stability.”

Fastmarkets reports today that “Copper prices are poised to move above the \$7,000-per-tonne level next year as the supply impacts of the Covid-19 pandemic last well beyond this year and the market enters a prolonged period of structural undersupply, the chief executive officer of Eurasian Resources Group (ERG) said. According to Benedikt Sobotka, around 700,000 tonnes of mined copper output has been lost to date due to disruptions related to the pandemic, with further disruptions looming in South America - especially in Chile. Capital expenditure cuts have also been made by copper miners while the project pipeline is shrinking due to Covid-19 lockdown-related delays, he noted. Visible copper inventories are down by a third year on year, copper concentrate treatment and refining charges (TC/RCs) have narrowed to the lowest level since 2012 and cif Shanghai cathode premiums firmed to multi-year highs in May, Sobotka said.”

Copper prices in London traded as high as \$6,143/mt on Monday but the LME official 3-mo. copper asking price was still off 1.3% for the year-to-date as of this morning:

YTD 2020 Percentage CHG in LME Official 3-Mo. Nonferrous Metal Asking Prices through Jun 30, 2020 (%)



And in case you missed it from the top of today’s report, “China approved a large import block of copper/aluminum/steel scrap, the largest since 1Q20, probably a response to a scrap shortfall that emerged during lockdown. The China Solid Waste and Chemicals Management Center (CSWCMC)

approved additional imports of 176.7kt of high-grade copper scrap; 209.7kt of aluminum scrap and 5kt of steel scrap. Approvals so far in 2020 (9 separate directives) total 718.5kt copper (7% of China's 2020e total supply); 693.7kt aluminum (2%), 16.5kt steel scrap (tiny contribution; most scrap generated locally). Scrap flows have been scrutinized since 2017 by both the CSWCMC and China's Ministry of Ecology and Environment, to limit imports of polluting materials," Macquarie reports.

Plastics: Malaysian "export accreditation" and U.S Plastic Exports

As per ISRI's e-mail last week, "As a result of several member inquiries about obtaining a letter of accreditation from ISRI to export to Malaysia, we have come to learn the purpose of this requirement. The Malaysian Government is now requiring that importers of plastic scrap must have an 'export accreditation' from their foreign suppliers. In other words, companies exporting plastics to Malaysia must be 'accredited' by their government before they can export the material. Most governments can do this, but as you may know, the U.S. Government does not do this – and the Malaysian Government understands that and is willing to accept an 'accreditation certificate' from ISRI. To that end, ISRI has gained approval by the Malaysian Government that our letter serves that purpose.

Important things to note:

- These letters will be done for ISRI members – upon request – only. It is a unique value proposition for members.
- The letters **MUST** be signed by ISRI VP of Membership Brianna Gianti to be official.
- This is for plastic scrap exports only.
- This is for U.S. exporters only – companies, affiliates and partners in other countries must get the letter from their home government.

Also for special mention – the Malaysian Government is already enforcing the Basel Convention's new trade restrictions. This means that they are keeping a strict eye on the quality and content of plastics that arrive at ports. The accreditation requirement is for all plastics exports, but it does not provide a guarantee of clearance by customs. Material that is clean and mostly homogenous will have the greater chance of being cleared by Malaysian customs."

Please contact Adina Renee Adler, VP Advocacy for further assistance.

Also of note:

- U.S. plastic scrap exports to Malaysia through April 2020 more than doubled to 32,204 metric tons, or 17.6 percent of all U.S. plastic scrap exports.
- Among U.S. plastic scrap export markets, Malaysia ranks second, behind Canada.
- By plastic scrap commodity, Malaysia ranks between 1 and 4. Nearly 56 percent of U.S. PVC scrap was exported to Malaysia through April 2020, making it the number one country for this commodity.
- See table below for all five commodities exported to Malaysia along with the market rank and share.

**U.S. Exports to Malaysia, 2017 to YTD April 2020 Ranked by YTD 2020 Exports
(In Metric Tons)**

Commodity	2017	2018	2019	Jan-Apr 2019	Jan-Apr 2020	YTD % CHG	Market Rank	Mark Share
PE Scrap	46,461	54,008	21,776	7,680	12,721	65.6%	1	17.7%
PS Scrap	1,936	1,363	3,955	325	1,088	235.2%	3	11.0%
PVC Scrap	12,418	54,470	17,666	63	12,284	19,345.2%	1	55.6%
PET Scrap	14,630	19,800	4,978	1,549	2,012	29.9%	4	9.8%

Other Plastic Scrap	45,787	74,479	12,098	4,732	4,099	-13.4%	2	6.9%
U.S. Plastic Scrap Exports to Malaysia	121,231	204,120	60,474	14,349	32,204	124.4%	2	17.6%
Total U.S. Plastic Scrap Exports	1,667,842	1,073,191	662,567	233,445	183,286	-21.5%		

Sources: U.S. International Trade Commission; ISRI

Transportation Costs: Diesel Fuel

U.S. On-Highway Diesel Fuel Prices*(dollars per gallon)

	06/15/20	06/22/20	06/29/20	Change from	
				week ago	year ago
U.S.	2.403	2.425	2.430	▲ 0.005	▼ -0.612
East Coast (PADD1)	2.501	2.515	2.524	▲ 0.009	▼ -0.556
New England (PADD1A)	2.628	2.631	2.648	▲ 0.017	▼ -0.487
Central Atlantic (PADD1B)	2.673	2.694	2.704	▲ 0.010	▼ -0.566
Lower Atlantic (PADD1C)	2.359	2.370	2.377	▲ 0.007	▼ -0.564
Midwest (PADD2)	2.256	2.289	2.299	▲ 0.010	▼ -0.625
Gulf Coast (PADD3)	2.174	2.197	2.194	▼ -0.003	▼ -0.609
Rocky Mountain (PADD4)	2.346	2.353	2.343	▼ -0.010	▼ -0.655
West Coast (PADD5)	2.930	2.945	2.948	▲ 0.003	▼ -0.680
West Coast less California	2.579	2.591	2.586	▼ -0.005	▼ -0.619
California	3.218	3.237	3.246	▲ 0.009	▼ -0.717

*prices include all taxes

This Week's Quote

"It has been my experience that folks who have no vices have very few virtues."

-- Abraham Lincoln



Weekly Market Report

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