

May 18, 2020

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## This Morning

Commodity prices mostly started the week in positive territory this morning as crude oil futures jumped more than 10 percent higher and nonferrous metals advanced, helping to pull the Bloomberg Commodity Index nearly 3 percent higher. Rebounding Chinese oil demand helped to push NYMEX crude oil futures as high as \$32.75 per barrel, near the pre-lockdown level, Bloomberg reports. In London, base metal prices were trading higher across the board this morning with LME 3-mo. copper and aluminum recently trading around \$5,334/mt and \$1,500/mt, respectively. In foreign exchange trading the dollar was softer this morning as the euro advanced to \$1.088 while the British pound was buying \$1.2205. On Wall Street, stocks rallied higher this morning with the Dow Industrials up more than 3.5% following solid gains at most of the major European bourses.

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## Selected Primary Commodity Prices: May 18, 2020

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Jul (\$/lb.)	2.401	0.071	3.0%	2.331	2.338	2.404	2.334
COMEX Gold Jun (\$/to)	1,744.8	-11.5	-0.7%	1,756.3	1757.5	1,775.8	1,733.6
COMEX Silver Jul (\$/to)	17.52	0.4	2.6%	17.07	17.23	17.99	17.1
NYMEX Light Sweet Crude Jul (\$/bbl)	32.68	3.2	10.7%	29.52	29.81	32.75	29.55
SHFE Aluminum Jul (RMB/mt)	12,685	125	1.0%	12,560	12,580	12,830	12,520
SHFE Copper Jul (RMB/mt)	42,910	100	0.2%	42,810	42,750	43,220	42,580
SHFE Nickel Jul (RMB/mt)	99,090	-680	-0.7%	99,770	98,810	100,360	98,150
SHFE Zinc Jul (RMB/mt)	16,555	145	0.9%	16,410	16,415	16,735	16,365

## The Week Ahead

Housing market data will feature prominently in the U.S. this week with new releases due out on housing starts & building permits, mortgage applications, and existing home sales. The consensus forecasts are for slowdowns in all the April housing market indicators. Other U.S. releases out this week will cover initial unemployment claims (consensus: 2.4 million), the Philadelphia Fed Index (consensus: -43), and the Conference Board's leading economic index (consensus: -5.3%). On the monetary policy front, Fed Chair Jay Powell testifies before the Senate Banking Committee on Tuesday and the Fed and European Central are subsequently scheduled to release the minutes of their last meetings. Overseas, the National People's Congress convenes in Beijing on Friday after several delays, with the Financial Times reporting "President Xi Jinping's politburo has already announced an array of priorities for protection including employment and supply chains. Analysts increasingly expect at least some type of large-scale support program after the People's Bank of China did not repeat its time-honored vow to refrain from 'flood-like' stimulus to support growth in its monetary policy statement last week." Of course, the week's big event is [ISRI's Virtual Copper Spotlight](#) to be held on May 20 at 1 p.m. Eastern when moderator Christine Gneiding from Intrametco will be joined by Edward Meir from ED&F Man Capital and Uwe Schmidt from Montanwerke Brixlegg for what should be a fascinating discussion about copper. We hope you can join us and hope you have a great week!

## U.S. Economic Calendar: May 18-22, 2020

Date	Time (ET)	Release	Period	Consensus	Prior
18-May	10:00	NAHB Housing Market Index	May	34	30
19-May	8:30	Housing Starts	Apr	950K	1216K
19-May	8:30	Building Permits	Apr	1000K	1353K
20-May	7:00	MBA Mortgage Applications Index	16-May	NA	0.3%

21-May	8:30	Initial Unemployment Claims	16-May	2.4M	2.981M
21-May	8:30	Philadelphia Fed Index	May	-43	-56.6
21-May	10:00	Existing Home Sales	Apr	4.32M	5.27M
21-May	10:00	Leading Indicators	Apr	-5.3%	-6.7%

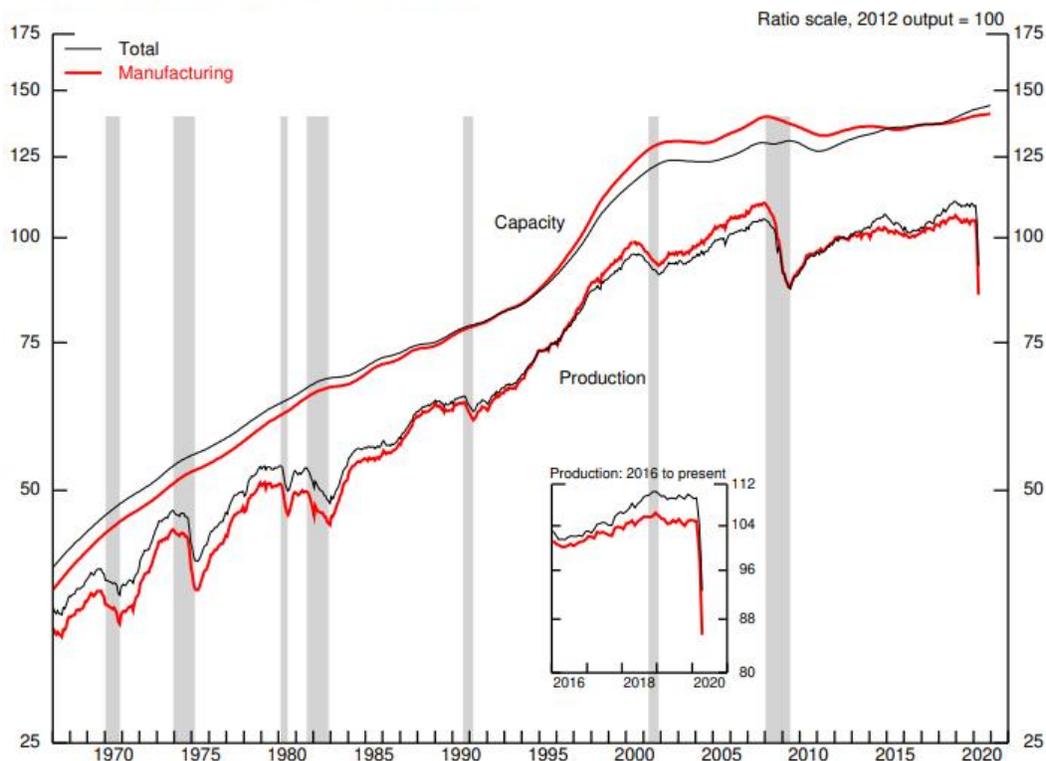
## Economic Week in Review

Last week's releases on industrial production, retail sales, consumer and producer price indexes, initial claims, and consumer sentiment supported/confirmed what is going on in the economy with respect to COVID-19. Shelter in place put a large volume of employees working from home and fewer in the work place, weighing on output, spending, and prices.

### Industrial Production

The Federal Reserve reported last week that U.S. industrial production fell 11.2% in April, including declines of 13.7% for manufacturing, 6.1% in mine output, and 0.9% for utilities. The drop in industrial production marked the largest monthly drop in the 101-year history of the index, according to the Fed's press release.

#### 1. Industrial production, capacity, and utilization



### Retail Sales

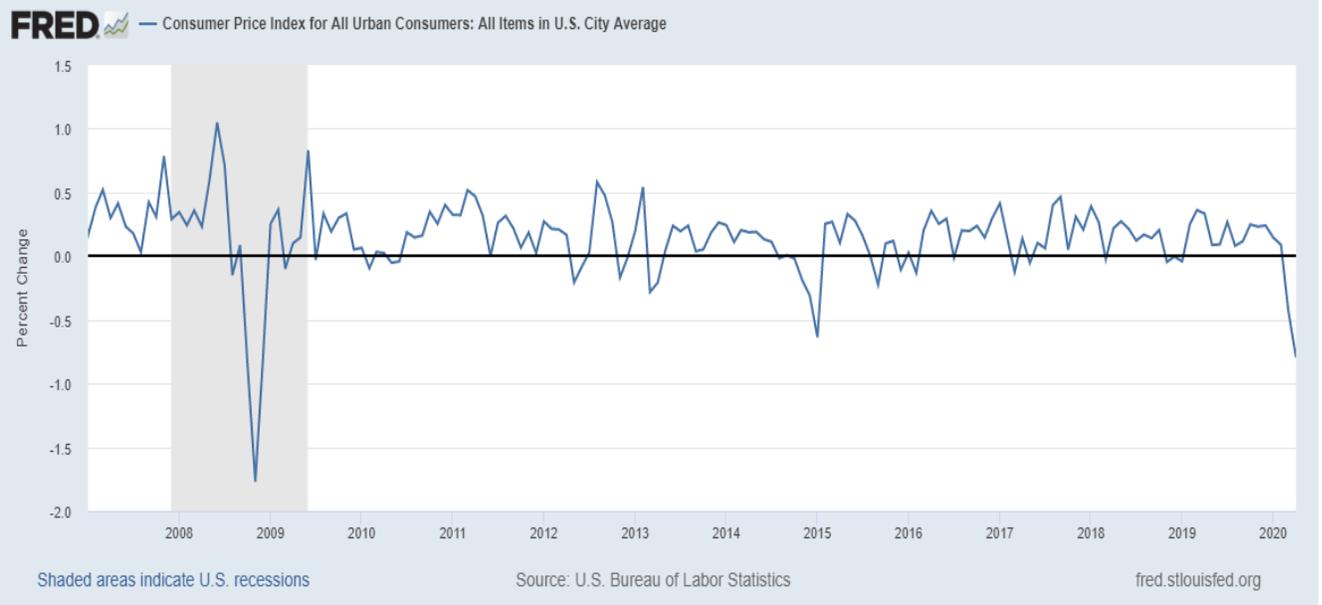
U.S. retail sales plunged to \$403.9 billion in April, a decline of 16.4% from March and down 21.6% as compared to one year ago, according to Census Bureau data. While e-retailing/non-store sales were up 8.4% for the month, that was more than offset by steep drops in auto and auto part sales (-12.4%), gasoline stations (-28.8%), clothing (-78.8%), and other sales categories in April. Briefing.com reports

“The key takeaway from the report is that the broad-based weakness is a representation of the adverse spending shock that resulted from shutdown measures, announced pay cuts, and the massive jump in unemployment.”

Category	APR	MAR	FEB	JAN	DEC
Retail Sales	-16.4%	-8.3%	-0.4%	0.8%	0.1%
Excluding Autos	-17.2%	-4.0%	-0.5%	0.8%	0.5%
<b>Durable goods</b>					
Building Materials	-3.5%	-0.5%	-1.8%	3.4%	1.5%
Autos/parts	-12.4%	-25.7%	-0.4%	0.8%	-1.6%
Furniture	-58.7%	-21.1%	-0.1%	4.0%	-1.9%
<b>Nondurable goods</b>					
General Merchandise	-20.8%	7.1%	-0.1%	0.5%	0.1%
Food	-13.1%	26.9%	-0.1%	-0.2%	0.3%
Gasoline stations	-28.8%	-16.5%	-2.9%	-0.6%	1.2%
Clothing	-78.8%	-49.4%	-1.6%	-0.6%	2.8%
e*retailing/non-store	8.4%	4.9%	1.2%	0.9%	-0.3%

## Consumer Price Index

The consumer price index fell 0.8 percent on a seasonally adjusted basis in April 2020, double the amount the preceding month and its biggest one month decline since December 2008, according to the Bureau of Labor Statistics. To exemplify the magnitude of this decline, April 2020 is the fifth largest one month decrease since this series began in January 1947. In April 2020, the following areas incurred some of the largest declines from the previous month: gasoline (all types) fell 20.6 percent, car and truck rental fell 16.6 percent, motor vehicle insurance down 7.2 percent, airline fares down 15.2 percent lodging away from home decreased 7.1 percent and apparel down 4.7 percent. Many areas showed increased pricing during April 2020 from the previous month: food at home increased 2.6 percent with meats, poultry, fish and eggs up 4.3 percent – with eggs up 16.1 percent, hospital service up 0.5 percent, and health insurance increased 1.1 percent. Less food and energy, the index fell 0.4 percent, the smallest twelve-month change in the history of this index, which began in 1957.



## Producer Price Index

The producer price final-demand index decreased in April 2020 by 1.3 percent on a seasonally adjusted basis, and the largest monthly decrease since the inception of this index in 2009, according to the Bureau of Labor Statistics.

As compared to the prior month, final demand for **goods** decreased 3.3 percent; final demand for **services** edged downward by 0.2 percent; final demand for foods was down slightly at 0.5 percent; the final demand for energy was down 19.0 percent; and trade services, that measure the changes in margins received by wholesalers and retailers, increased 1.6 percent.

**Specific to the recycling industry** (as shown in the table below), April 2020 saw increases for recovered paper and aluminum base scrap for the month (aluminum scrap was still down 20% as compared to one year ago), while ferrous, nonferrous, and copper scrap all realized month-on-month decreases.

<b>Recycling Industry Producer Price Percent Changes</b>				
<b>(not seasonally adjusted unless noted)</b>				
	<b>% Change from preceding month</b>			<b>% change from April 2019</b>
	<b>Apr-20</b>	<b>Mar-20</b>	<b>Feb-20</b>	<b>Apr-20</b>
<b>Final Demand (a)</b>	-1.3	-0.2	-0.6	-1.2
<i>Commodities</i>				
<b>Aluminum base scrap (a)</b>	5.0	-3.2	-1.9	-20.2
<b>Copper base scrap</b>	-3.1	-7.8	-5.2	-21.3
<b>Iron and Steel Scrap</b>	-15.6	3.2	-7.1	-27.6
<b>Nonferrous scrap</b>	-4.3	-1.1	-0.3	0.4
<b>Plastic resin and materials</b>	-4.1	0.2	-0.2	-6.9
<b>Wastepaper</b>	50.4	14.8	4.7	40.2
<i>Wholesaling of:</i>				
<b>Metals, minerals, and ores</b>	-5.6	3.0	-0.5	-0.4
<b>Chemicals and allied products</b>	2.2	1.2	0.3	3.7
<b>paper and plastics products</b>	1.3	0.9	-0.3	5.3
<b>(a) seasonally adjusted</b>				
<b>Source: Bureau of Labor Statistics</b>				

## University of Michigan Surveys of Consumers

Providing a glimmer of hope for the future, the U of M Consumer Sentiment Index surprised most everyone by increasing in May 2020 to 73.7, up from 71.8 in April, which was the lowest index number since December 2011 and above Wall Street's consensus of 67.4. The Current Economic Conditions

Index rose in May to 83.0, up from 74.3 in April. And the Index of Consumer Expectations declined slightly to 67.7 in May, from 70.1 in April.

Richard Curtin, chief economist for the Surveys of Consumers, stated, “Confidence inched upward in early May as the CARES relief checks improved consumers' finances and widespread price discounting boosted their buying attitudes. Despite these gains, personal financial prospects for the year ahead continued to weaken, falling to the lowest level in almost six years, with declines especially sharp among upper income households.”

And he added further insight into consumers' top concerns: “The health threat dominated in both months, cited by 61% in April and 57% in May. The original hypothesis was that as their primary concerns shifted from health to finances, consumers would become less accepting of constraints on reopening the economy. Those that cited damages to their finances as their top concern fell to 17% in May from 22% in the prior month. Surprisingly, it was greater concerns about social isolation that increased, cited as the top concern by 21% in May up from 14% in April. While these shifts were quite small, they indicate the growing costs of social isolation and its potential to shift opinions about reopening the economy.”

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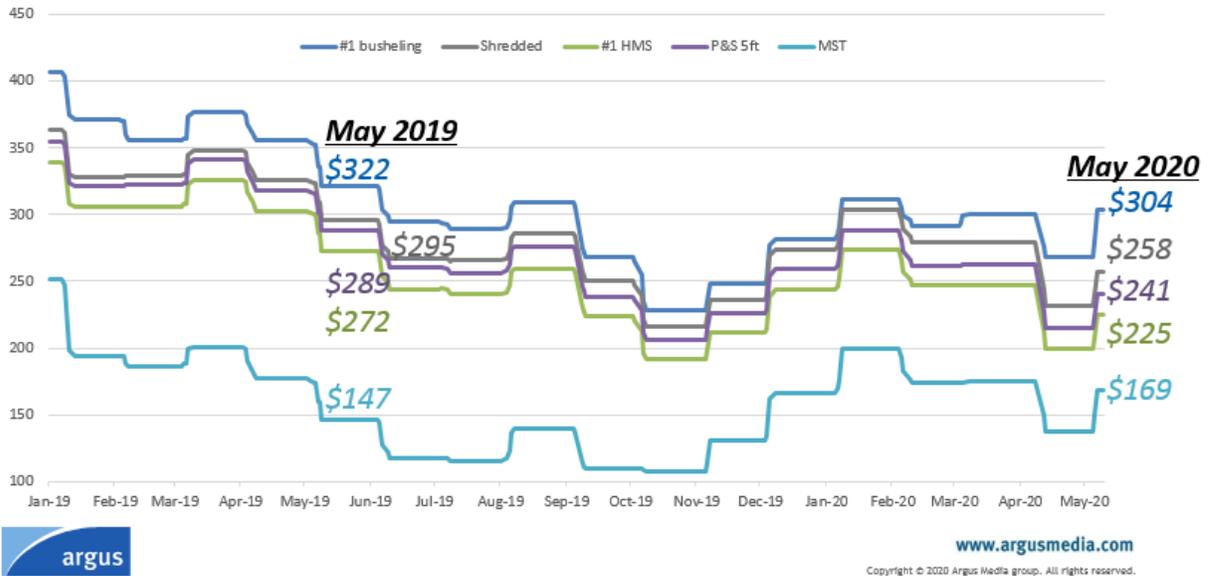
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## Commodity Market Developments

### Ferrous

Thanks to everyone who joined us for our virtual ferrous spotlight last week (here's the recording if you missed it, or just want to relive the experience one more time: <https://videos.isri.org/isri-virtual-event-spotlight-on-ferrous>) and especially to our moderator Brandi Harleaux and guest speaker Blake Hurtik, who both did a fantastic job. Two slides of particular interest from Mr. Hurtik's presentation covered the recent price development for the major scrap grades, including the strength in prime scrap prices:

## US average ferrous scrap prices, del mill \$/gt



And here are the planned restarts for the major auto makers, including restarts from the big 3 scheduled for today:

## Status of US auto restarts

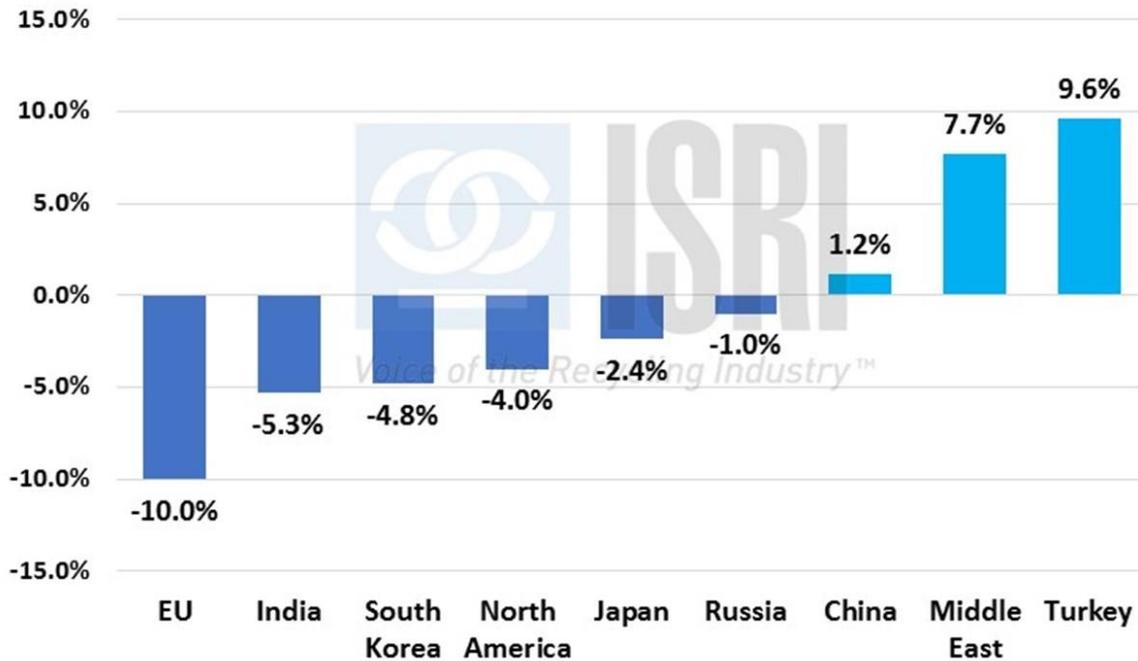
Source: Company reports, Elon Musk's Twitter account

Company	# of plants	Restart date	Company	# of plants	Restart date
GM	10	May 18	BMW	1	May 4
Ford	8	May 18	Hyundai	1	May 4
Fiat Chrysler	6	May 18	Kia	1	May 4
Honda	4	May 11	Subaru	1	May 11
Toyota	4	May 11	Tesla	1	May 11
Mercedes	2	Apr 27/May 4	Volkswagen	1	May 17
Nissan	2	TBA	Volvo	1	May 11

As for first quarter global steel production, here are the year-to-date changes by major producer/scrap consumer, including the nearly 10% increase in year-to-date Turkish steel production

## Change in Steel Production by Major Country/Region: Q1 2019 vs. Q1 2020

Source: Worldsteel



In corporate news, Reuters reports that “German conglomerate Thyssenkrupp is in talks with international rivals about consolidating its loss-making steel business, a person familiar with the matter said. The talks, to be announced as part of a strategy revamp later on Monday, follow a 372 million euro (\$402 million) loss that Thyssenkrupp Steel Europe, Germany’s largest steelmaker, reported in the first half of the group’s fiscal year. The update is expected to accelerate Thyssenkrupp’s dismantling, a process that started last year when the group essentially put most of its divisions, including car parts, warships and plant building on the block. Shares in Thyssenkrupp, which have lost nearly two-thirds of their value over the past 12 months after a raft of profit warnings and dwindling investor confidence, were 7% higher at 1147 GMT.”

### Nickel, Stainless, Alloy Scrap Exports

According to trade data from the Census Bureau, U.S. exports of nickel-based scrap increased more than 12% by volume during Jan-Mar 2020 as compared to the first quarter of 2019. Stainless steel scrap exports were reportedly up 3.5% in the first quarter (see details below), while alloy steel scrap exports (excluding stainless) declined nearly 21% year-on-year due to sharply reduced volumes to Canada, Hong Kong, India, and other markets.

The reported increase in U.S. stainless steel scrap exports stemmed from increased shipments to India and Mexico, which more than offset weaker trade flows with Taiwan and Canada. Stainless scrap exports to India – currently the largest overseas market for U.S. stainless scrap – increased 31% during the first quarter of 2020 to more than 37,000 metric tons, while shipments to Mexico reportedly jumped to nearly 25,000 metric tons. Exports to Pakistan reportedly approached 10,000 tons, although as our readers have pointed out previously, there’s no known stainless production within Pakistan, throwing into question the validity of some of these numbers.

### U.S. Stainless Steel Scrap Exports by Major Destination

Metric tons

Country	2017	2018	2019	Jan-Mar 2019	Jan-Mar 2020	YTD % CHG
India	44,271	85,319	139,731	28,597	37,474	31.04%
Mexico	25,419	42,367	37,816	314	24,814	7802.55%
Taiwan	98,729	99,897	124,466	36,727	15,180	-58.67%
Canada	124,479	261,097	91,122	27,010	15,111	-44.05%
Pakistan	57,653	37,152	25,895	2,548	9,709	281.04%
Malaysia	1,694	6,621	9,600	1,310	1,686	28.70%
South Korea	8,007	8,034	9,519	2,047	1,238	-39.52%
Japan	9,225	8,202	5,499	882	1,115	26.42%
Thailand	531	2,819	3,538	627	1,010	61.08%
Hong Kong	13,615	3,181	2,686	663	945	42.53%
All Others	102,476	98,285	23,934	5,530	1,730	-68.72%
TOTAL	486,099	652,974	473,806	106,255	110,012	3.54%

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

## Plastic

Plastic scrap exports decreased nearly 17 percent in the 1<sup>st</sup> quarter 2020 from the same period a year ago. The volume of plastic scrap exported was 141,147 metric tons, down 28,371 metric tons from a year ago. The concentration of the top 15 countries receiving U.S. exports increased in Q1 2020 to 92.4 percent, up from 89.7 percent in 1<sup>st</sup> quarter 2019. Canada remains the top country followed by Malaysia, Hong Kong, and Vietnam. As U.S. companies continue to adjust to foreign market changes, three countries are in the top 15 this year that weren't there last year: Pakistan, Ecuador, and Latvia. And three countries dropped out of the top 15 this year: China, Senegal, and Philippines.

## U. S. Plastic Scrap Exports, Top 15 Countries

Country	Ranked by 1st Quarter YTD 2020					YTD % CHG
	(In actual metric tons)					
	2017	2018	2019	2019 YTD	2020 YTD	
Canada	135,795	133,867	149,089	36,970	36,879	-0.3%
Malaysia	121,231	204,120	60,474	10,368	24,545	136.7%
Hong Kong	372,904	121,487	72,619	17,214	11,494	-33.2%
Vietnam	137,042	74,396	21,620	2,341	11,454	389.2%
Mexico	46,375	45,712	35,763	9,867	9,702	-1.7%
Turkey	14,482	23,666	29,223	4,897	7,441	52.0%
South Korea	9,077	35,403	30,843	9,252	5,112	-44.7%
Taiwan	33,976	51,447	34,606	6,411	4,591	-28.4%
India	123,116	133,299	85,383	36,829	4,421	-88.0%
Indonesia	29,175	27,385	24,339	6,806	3,455	-49.2%
Thailand	32,862	106,853	27,195	6,469	3,325	-48.6%
Pakistan	2,779	4,200	4,976	1,495	2,653	77.5%
El Salvador	5,570	6,039	7,250	1,883	2,155	14.4%
Latvia	15	101	993	0	1,795	N/A
Ecuador	3,513	6,834	6,408	1,196	1,338	11.9%
<b>Top 15 Country Share</b>	<b>1,067,912</b>	<b>974,807</b>	<b>590,781</b>	<b>151,998</b>	<b>130,361</b>	<b>-14.2%</b>
<b>Rest of the World</b>	<b>599,930</b>	<b>98,383</b>	<b>71,786</b>	<b>17,519</b>	<b>10,786</b>	<b>-38.4%</b>
<b>Total U.S. Plastic Scrap Exports</b>	<b>1,667,842</b>	<b>1,073,191</b>	<b>662,567</b>	<b>169,518</b>	<b>141,147</b>	<b>-16.7%</b>

Sources: U.S. International Trade Commission; ISRI

## U.S. Plastic Scrap Exports by Commodity Type

The two largest types of plastic scrap, PE and PET, fell over 21 percent in the 1<sup>st</sup> quarter 2020 to a combined 99,644 metric tons, accounting for nearly 71 percent of total U.S. plastic scrap exports. (Down from an 81 percent share a year ago.) PVC scrap exports reportedly boomed in the 1<sup>st</sup> quarter 2020 to 16,809 metric tons, up 141 percent from a year ago.

U.S. Plastic Scrap Exports						
	By Commodity Type					YTD % CHG
	(metric tons)					
	2017	2018	2019	2019 YTD	2020 YTD	
<b>PE Scrap</b>	635,741	414,074	263,090	75,792	56,699	-25.2%
<b>PS Scrap</b>	44,577	26,610	37,681	8,109	8,343	2.9%
<b>PVC Scrap</b>	160,401	140,986	50,093	6,973	16,809	141.1%



# Weekly Market Report

<b>PET Scrap</b>	223,176	116,899	84,033	17,775	16,351	-8.0%
<b>Other Plastic Scrap</b>	603,947	374,621	227,671	60,869	42,945	-29.5%
<b>Total U.S. Plastic Scrap Exports</b>	1,667,842	1,073,191	662,567	169,518	141,147	-16.7%

Sources: U.S. International Trade Commission; ISRI

## Transportation Costs: Diesel Fuel

For the week ending May 11<sup>th</sup>, the U.S. Energy Information Administration reports on-highway diesel fuel prices in the United States averaged \$2.394 per gallon, little changed from the prior week but down nearly 77 cents per gallon as compared to one year ago. Diesel fuel prices started to edge up in the Gulf Coast region and on the West Coast (excluding California), while prices were down slightly in most of the other major regions.

<b>U.S. On-Highway Diesel Fuel Prices*(dollars per gallon)</b>					
				<b>Change from</b>	
	<b>04/27/20</b>	<b>05/04/20</b>	<b>05/11/20</b>	<b>week ago</b>	<b>year ago</b>
<b>U.S.</b>	2.437	2.399	2.394	-0.005	-0.766
<b>East Coast (PADD1)</b>	2.545	2.510	2.498	-0.012	-0.678
<b>New England (PADD1A)</b>	2.677	2.652	2.630	-0.022	-0.608
<b>Central Atlantic (PADD1B)</b>	2.711	2.688	2.680	-0.008	-0.685
<b>Lower Atlantic (PADD1C)</b>	2.406	2.360	2.348	-0.012	-0.687
<b>Midwest (PADD2)</b>	2.287	2.248	2.240	-0.008	-0.806
<b>Gulf Coast (PADD3)</b>	2.208	2.169	2.178	0.009	-0.727
<b>Rocky Mountain (PADD4)</b>	2.434	2.370	2.346	-0.024	-0.835
<b>West Coast (PADD5)</b>	2.934	2.899	2.900	0.001	-0.890
<b>West Coast less California</b>	2.593	2.545	2.557	0.012	-0.798
<b>California</b>	3.214	3.191	3.182	-0.009	-0.954

\*prices include all taxes

## This Week's Quote

"The greatest glory in living lies not in never falling, but in rising every time we fall."

-- Ralph Waldo Emerson



# Weekly Market Report

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