

November 18, 2019

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## Today's News

The Bloomberg Commodity Index was down nearly 1% today as weaker crude oil and industrial metal prices more than offset firmer gold and precious metal prices. In New York, NYMEX crude oil futures were down 1.9% to \$56.75 per barrel in late day trading while COMEX copper futures dipped below \$2.62 per pound. "U.S. crude oil output from seven major shale formations is expected to rise about 49,000 barrels per day in December to a record 9.13 million bpd, the U.S. Energy Information Administration said in a monthly forecast on Monday," Reuters reports. Earlier in the day, nickel prices at the Shanghai Futures Exchange settled 1.7% lower and in London, Macquarie reports that "Stocks for both LME nickel and zinc have dwindled to post-GFC lows in 2019." In foreign exchange trading the British pound advanced to \$1.295 today while the euro was recently trading around \$1.107. On Wall Street, the Dow Industrials gained 0.11% on the day to finish at 28,036.22.

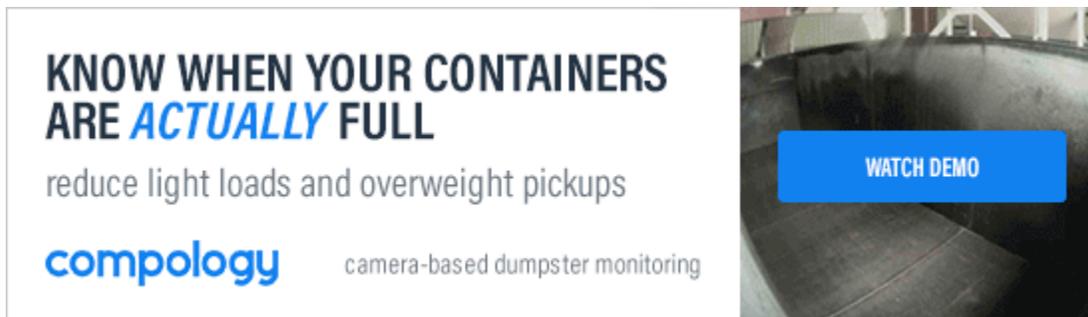
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## Selected Primary Commodity Prices: November 18, 2019

|                                      | Last    | CHG    | % CHG | Prior   | Open    | High    | Low     |
|--------------------------------------|---------|--------|-------|---------|---------|---------|---------|
| COMEX Copper Dec (\$/lb.)            | 2.619   | -0.02  | -0.7% | 2.638   | 2.64    | 2.649   | 2.614   |
| COMEX Gold Dec (\$/to)               | 1,472.7 | 4.2    | 0.3%  | 1,468.5 | 1467.8  | 1,474.4 | 1,456.6 |
| COMEX Silver Dec (\$/to)             | 17.02   | 0.1    | 0.4%  | 16.95   | 16.95   | 17.03   | 16.7    |
| NYMEX Light Sweet Crude Jan (\$/bbl) | 56.75   | -1.1   | -1.9% | 57.83   | 57.97   | 58.17   | 56.69   |
| SHFE Aluminum Jan (RMB/mt)           | 13,700  | 15     | 0.1%  | 13,685  | 13,675  | 13,800  | 13,635  |
| SHFE Copper Jan (RMB/mt)             | 46,900  | 30     | 0.1%  | 46,870  | 46,890  | 47,030  | 46,750  |
| SHFE Nickel Feb (RMB/mt)             | 117,350 | -1,980 | -1.7% | 119,330 | 118,230 | 119,250 | 115,020 |
| SHFE Zinc Jan (RMB/mt)               | 18,325  | -20    | -0.1% | 18,345  | 18,330  | 18,415  | 18,200  |

## The Week Ahead

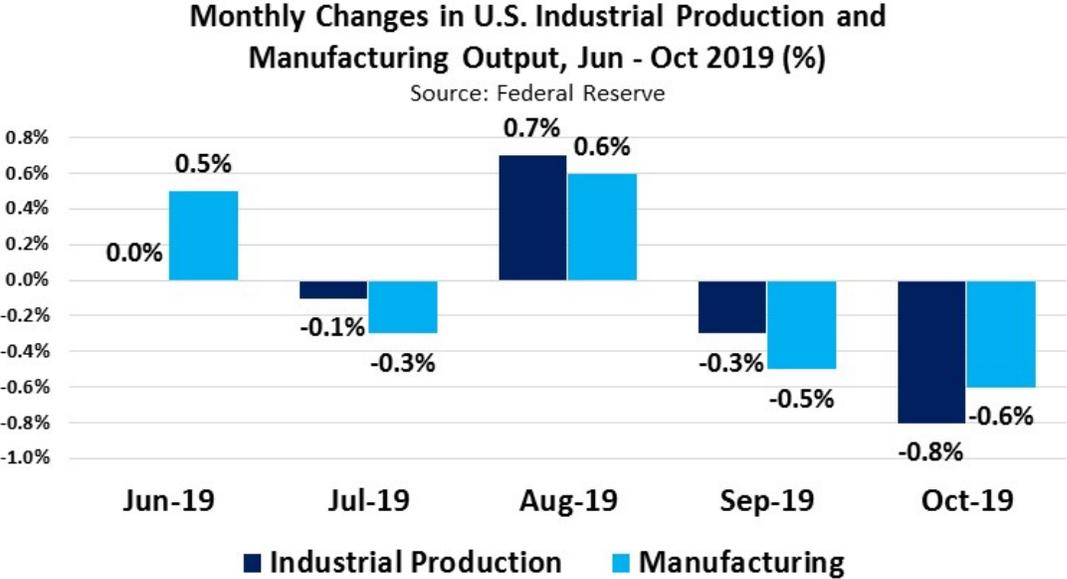
On the U.S. economic calendar this week, we'll get new figures on housing starts & building permits, existing home sales, the Conference Board's index of leading economic indicators, and the University of Michigan's reading on consumer sentiment. Investors will be paying close attention to the release of the minutes from the last Federal Reserve and European Central Bank meetings. Also of note, the Financial Times reports "The ECB's new head Christine Lagarde holds her first meeting of the governing council, its top policymaking body, on Wednesday, where she is expected to face calls for an overhaul of how the central bank decides monetary policy... and follows all this up on Friday with her first major speech since taking the helm." 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: November 18-22, 2019

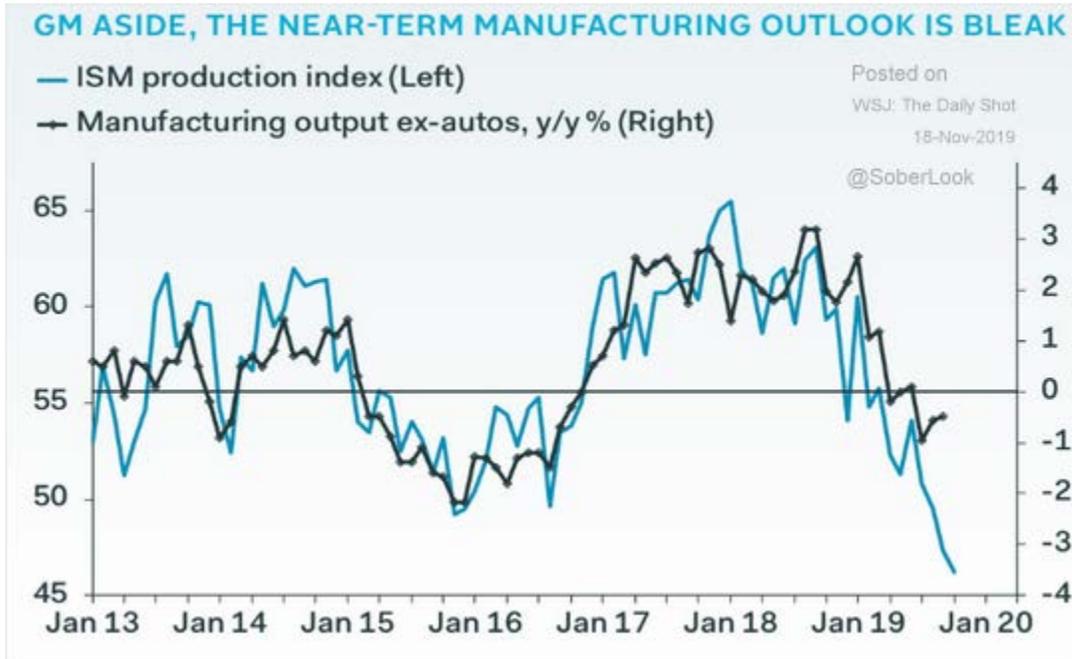
| Date   | Time     | Release                                      | Period     | Consensus | Prior    |
|--------|----------|--|------------|-----------|----------|
| 18-Nov | 10:00 ET | NAHB Housing Market Index                    | Nov        | 71        | 71       |
| 18-Nov | 16:00 ET | Net Long-Term TIC Flows                      | Sep        | NA        | -\$41.1B |
| 19-Nov | 08:30 ET | Housing Starts                               | Oct        | 1300K     | 1256K    |
| 19-Nov | 08:30 ET | Building Permits                             | Oct        | 1365K     | 1387K    |
| 20-Nov | 10:30 ET | EIA Crude Oil Inventories                    | 16-Nov     | NA        | +2.2M    |
| 20-Nov | 14:00 ET | FOMC Minutes                                 | Oct. 29-30 | NA        | NA       |
| 21-Nov | 08:30 ET | Initial Claims                               | 16-Nov     | 216K      | 225K     |
| 21-Nov | 08:30 ET | Philadelphia Fed Index                       | Nov        | 5.5       | 5.6      |
| 21-Nov | 10:00 ET | Existing Home Sales                          | Oct        | 5.50M     | 5.38M    |
| 21-Nov | 10:00 ET | Leading Indicators                           | Oct        | -0.1%     | -0.1%    |
| 21-Nov | 10:30 ET | EIA Natural Gas Inventories                  | 16-Nov     | NA        | +3 bcf   |
| 22-Nov | 10:00 ET | Univ. of Michigan Consumer Sentiment – Final | Nov        | 94.9      | 95.5     |

# Economic Week in Review

Last week, the Federal Reserve reported U.S. industrial production declined 0.8% in October and manufacturing output dropped 0.6%, the third drop in the last 4 months. According to the Fed, “Much of this decline was due to a drop of 7.1 percent in the output of motor vehicles and parts that resulted from a strike at a major manufacturer of motor vehicles. The decreases for total industrial production, manufacturing, and motor vehicles and parts were their largest since May 2018, April 2019, and January 2019, respectively. Excluding motor vehicles and parts, the index for total industrial production moved down 0.5 percent, and the index for manufacturing edged down 0.1 percent. Mining production decreased 0.7 percent, while utilities output fell 2.6 percent.”



And as the Wall Street Journal points out, the slowdown in U.S. shale-drilling activity is also creating headwinds for domestic manufacturers: “Manufacturers have reported sales declines in recent weeks as lower energy prices prompted a slowdown in domestic production growth. The number of new wells in the U.S.—known as the drilling-rig count—fell by 20% in October from last year, hitting a two-year low,” and contributing to the rather bleak short-term outlook for U.S. manufacturing:

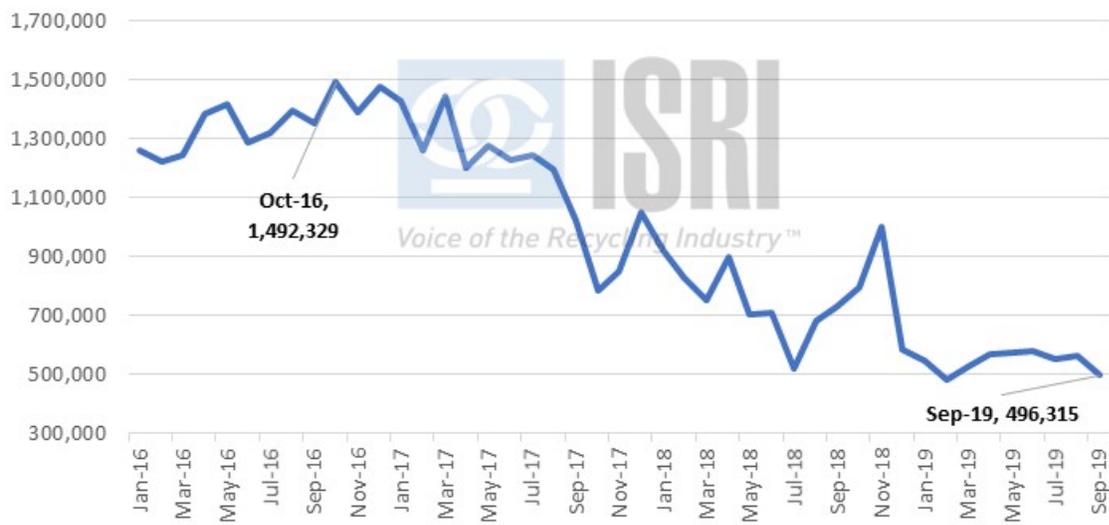


Data released on

Chinese industrial production, retail sales, and fixed asset investment were also disappointing last week. CNBC reports, “China’s industrial output grew significantly slower than expected in October, as weakness in global and domestic demand and the drawn-out Sino-U.S. trade war weighed on activity in the world’s second-largest economy. Industrial production rose 4.7% year-on-year in October, data from the National Bureau of Statistics released on Thursday showed, below the median forecast of 5.4% growth in a Reuters poll. Indicators showed other sectors also slowing significantly and missing forecasts with retail sales growth back near a 16-year trough and fixed asset investment growth the weakest on record.” As China’s economic growth has cooled and scrap import restrictions have come into effect, the monthly volume of total U.S. scrap (including ferrous scrap, nonferrous scrap, paper, plastics, etc.) exports to mainland China has dropped from around 1.5 million tons per month back in 2016 to less than 500,000 tons per month currently.

### 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



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## Commodity News

### Ferrous –

In line with reports of slower U.S. manufacturing growth, Fastmarkets AMM reports that domestic hot-rolled coil dipped on Friday amid slower orders for December: “Hot-rolled coil prices in the United States went down slightly on Friday November 15, with some mills filling holes in their December order books at lowered prices, according to market participants. Fastmarkets’ daily steel hot-rolled coil index, fob mill US was calculated at \$26.33 per hundredweight (\$526.60 per short ton) on Friday, down by 0.3% from \$26.41 per cwt on November 14 due to certain deals for December delivery being concluded at discounted prices. “

Raw steel production in the United States for the week ending November 9, 2019 was down 2.2% year-on-year and down 1.4% from the prior week to 1.862 million net tons according to figures from the American Iron and Steel Institute. For the year-to-date, AISI reports “Adjusted year-to-date production through November 9, 2019 was 83,461,000 net tons, at a capability utilization rate of 80.3 percent. That is up 2.4 percent from the 81,484,000 net tons during the same period last year, when the capability utilization rate was 78.1 percent.”

But Fastmarkets also reports that Turkish steel buys have helped to underpin scrap tags this month: “Turkish steel mills continued their deep-sea scrap purchases for December deliveries during the week ended November 15, while prices were largely stable. Over the course of the week, mills booked five deep-sea cargoes from the United States, the Baltic Sea and the European Union, totaling around 180,000 tonnes. Despite these bookings at steady prices, market participants were still worried about the limited demand for long steel. The daily index for steel scrap, HMS 1&2 (80:20 mix), Northern Europe origin, cfr Turkey ended the week at \$253.26 per tonne on November 15, compared with \$255.01 per tonne on November 11. The daily index for steel scrap, HMS 1&2 (80:20 mix), US origin, cfr Turkey was \$260.03 per tonne on Friday, slightly down from \$261.79 per tonne on Monday.”

In Asia, Macquarie reports that “Mysteel weekly data showed China finished steel products continued destocking week by week post-Oct holiday. In this week, total inventory at traders and mills respectively destocked to 8.3Mt (-6% WoW; -3% YoY) and 4.4Mt (-4% WoW; +1% YoY). In the same period (Oct till now), sample mills’ finished steel weekly production has peaked in late-Oct and slowly decreased to 10.2Mt in this week (flat YoY), according to the same source. China’s NBS released production data for October today: Crude steel and finished steel production MoM further slowed to 81.5Mt (-0.6% YoY) and 102.6Mt (+3.5% YoY); dragging cumulative output YoY growth to 7.4% and 9.8% respectively.”

### Nonferrous –

Despite a nearly 22% drop in shipments to mainland China, total U.S. aluminum scrap exports during Jan-Sep 2019 were up 13 percent year-on-year to more than 1.4 million metric tons according to figures

from the U.S. Census Bureau. Significant gains to South Korea (+17%), India (+41%), Malaysia (+34%), Hong Kong (+196%), Indonesia (+53%), and Taiwan (+25%) more than offset the decline in Chinese demand and reduced trade flows with our NAFTA partners.

## U.S. Aluminum Scrap Exports, Including UBCs and RSI, by Major Destination

Metric tons

| Country        | 2017             | 2018             | Jan-Sep 2018     | Jan-Sep 2019     | YTD % CHG    |
|----------------|------------------|------------------|------------------|------------------|--------------|
| China          | 830,526          | 493,772          | 383,677          | 300,485          | -21.7%       |
| South Korea    | 180,970          | 240,073          | 173,181          | 203,345          | 17.4%        |
| India          | 78,679           | 215,651          | 139,016          | 196,317          | 41.2%        |
| Malaysia       | 52,505           | 182,630          | 130,532          | 175,465          | 34.4%        |
| Mexico         | 153,385          | 195,128          | 140,661          | 140,027          | -0.5%        |
| Hong Kong      | 40,329           | 42,292           | 27,976           | 82,734           | 195.7%       |
| Indonesia      | 37,168           | 76,068           | 48,654           | 74,540           | 53.2%        |
| Canada         | 105,791          | 104,312          | 76,926           | 70,459           | -8.4%        |
| Taiwan         | 30,171           | 69,044           | 38,431           | 47,880           | 24.6%        |
| Thailand       | 3,179            | 15,028           | 9,766            | 21,305           | 118.2%       |
| Brazil         | 293              | 18,277           | 11,964           | 17,560           | 46.8%        |
| Japan          | 16,663           | 23,836           | 17,029           | 11,108           | -34.8%       |
| Pakistan       | 6,387            | 14,743           | 8,876            | 10,776           | 21.4%        |
| Philippines    | 2,157            | 5,104            | 2,975            | 8,557            | 187.6%       |
| Germany        | 11,475           | 7,792            | 5,789            | 5,909            | 2.1%         |
| Belgium        | 2,188            | 11,759           | 6,709            | 5,323            | -20.7%       |
| Italy          | 1                | 1,300            | 614              | 5,216            | 749.7%       |
| Singapore      | 60               | 2,242            | 365              | 4,899            | 1241.4%      |
| United Arab Em | 663              | 2,939            | 1,365            | 4,420            | 223.8%       |
| Russia         | 3,368            | 11,985           | 9,523            | 4,292            | -54.9%       |
| Others         | 11,190           | 27,193           | 20,057           | 25,889           | 29.1%        |
| <b>Total:</b>  | <b>1,567,149</b> | <b>1,761,166</b> | <b>1,254,086</b> | <b>1,416,504</b> | <b>13.0%</b> |

Here in the U.S., AMM was recently listing secondary aluminum prices at 32-35 cents for old cast, 33-35 cents for old sheet, 36-38 cents for painted siding, and 38-40 cents per pound for MLC.

### Recovered Paper and Fiber –

Unlike with other scrap commodities, China remains the largest market for U.S. export sales of recovered paper and fiber. According to U.S. Census Bureau trade data, the U.S. exports nearly \$808 million of recovered paper to mainland China during Jan-Sep 2019, following by India (\$385 million), Mexico (\$236 million), Canada (\$125 million) and South Korea (\$116 million). Overall, U.S. RP exports during the first 9 months were down 6.5% year-on-year to \$2.2 billion and were down 6.7% by volume to 13.0 million metric tons (14.3 million short tons).

### U.S. Export Sales of Recovered Paper and Fiber by Major Destination (\$)

| Country | 2017 | 2018 | Jan-Sep 2018 | Jan-Sep 2019 | YTD % CHG |
|---------|------|------|--------------|--------------|-----------|
|---------|------|------|--------------|--------------|-----------|

|                |                        |                        |                        |                        |              |
|----------------|------------------------|------------------------|------------------------|------------------------|--------------|
| China          | \$1,719,764,665        | \$1,362,859,319        | \$972,704,882          | \$807,640,824          | -17.0%       |
| India          | \$377,891,413          | \$531,552,901          | \$401,849,462          | \$385,483,776          | -4.1%        |
| Mexico         | \$345,096,924          | \$367,996,375          | \$269,836,919          | \$236,257,381          | -12.4%       |
| Canada         | \$167,635,915          | \$172,784,036          | \$125,952,384          | \$124,771,414          | -0.9%        |
| South Korea    | \$170,247,740          | \$190,348,542          | \$136,055,657          | \$115,728,239          | -14.9%       |
| Indonesia      | \$76,837,166           | \$149,278,118          | \$102,039,276          | \$100,734,523          | -1.3%        |
| Vietnam        | \$58,125,566           | \$112,469,273          | \$87,302,995           | \$94,392,852           | 8.1%         |
| Taiwan         | \$45,863,666           | \$95,279,899           | \$67,007,422           | \$93,444,085           | 39.5%        |
| Thailand       | \$42,022,625           | \$58,366,126           | \$34,375,339           | \$45,353,272           | 31.9%        |
| Italy          | \$24,261,360           | \$49,553,613           | \$32,874,043           | \$28,914,281           | -12.0%       |
| Netherlands    | \$28,712,894           | \$30,818,638           | \$23,435,997           | \$25,948,069           | 10.7%        |
| Colombia       | \$15,405,460           | \$20,835,792           | \$15,221,815           | \$21,062,848           | 38.4%        |
| Malaysia       | \$4,423,641            | \$17,801,478           | \$13,038,870           | \$19,169,947           | 47.0%        |
| Saudi Arabia   | \$10,025,160           | \$12,944,248           | \$10,021,295           | \$15,983,734           | 59.5%        |
| United Arab Em | \$2,358,106            | \$6,286,802            | \$4,677,735            | \$13,394,471           | 186.3%       |
| Germany        | \$14,746,478           | \$17,426,561           | \$13,005,864           | \$10,912,835           | -16.1%       |
| Japan          | \$18,141,955           | \$17,958,036           | \$13,557,970           | \$10,749,996           | -20.7%       |
| El Salvador    | \$11,209,015           | \$12,430,974           | \$9,400,778            | \$9,573,057            | 1.8%         |
| Ecuador        | \$8,770,876            | \$12,569,709           | \$8,131,921            | \$7,937,370            | -2.4%        |
| Chile          | \$8,030,748            | \$5,974,464            | \$3,317,590            | \$7,845,258            | 136.5%       |
| Argentina      | \$525,651              | \$3,247,740            | \$688,776              | \$7,694,547            | 1017.1%      |
| Guatemala      | \$5,643,168            | \$8,096,529            | \$5,483,224            | \$7,052,958            | 28.6%        |
| Pakistan       | \$4,257,430            | \$3,999,914            | \$3,190,244            | \$4,725,269            | 48.1%        |
| Peru           | \$15,665,866           | \$4,966,625            | \$3,049,913            | \$4,643,840            | 52.3%        |
| Belgium        | \$3,194,582            | \$5,059,065            | \$3,765,199            | \$4,640,775            | 23.3%        |
| Burma          | \$0                    | \$61,394               | \$61,394               | \$4,564,024            | 7334.0%      |
| Others         | \$27,950,569           | \$44,970,178           | \$32,716,582           | \$29,579,328           | -9.6%        |
| <b>Total:</b>  | <b>\$3,206,808,639</b> | <b>\$3,315,936,349</b> | <b>\$2,392,763,546</b> | <b>\$2,238,198,973</b> | <b>-6.5%</b> |

## Transportation Costs: Diesel Fuel

| U.S. On-Highway Diesel Fuel Prices* (dollars per gallon) |          |          |          |             |          |  |
|--|----------|----------|----------|-------------|----------|--|
|  |          |          |          | Change from |          |  |
|  | 11/04/19 | 11/11/19 | 11/18/19 | week ago    | year ago |  |
| U.S.   | 3.062    | 3.073    | 3.074    | ↑ 0.001     | ↓ -0.208 |  |
| East Coast   | 3.041    | 3.050    | 3.053    | ↑ 0.003     | ↓ -0.242 |  |
| New England  | 3.034    | 3.042    | 3.049    | ↑ 0.007     | ↓ -0.298 |  |
| Central Atlantic   | 3.244    | 3.245    | 3.246    | ↑ 0.001     | ↓ -0.220 |  |
| Lower Atlantic   | 2.905    | 2.919    | 2.922    | ↑ 0.003     | ↓ -0.243 |  |
| Midwest  | 2.955    | 2.972    | 2.971    | ↓ -0.001    | ↓ -0.245 |  |

|                            |       |       |       |  |          |          |
|----------------------------|-------|-------|-------|--|----------|----------|
| Gulf Coast                 | 2.795 | 2.795 | 2.792 |  | ↓ -0.003 | ↓ -0.253 |
| Rocky Mountain             | 3.166 | 3.203 | 3.232 |  | ↑ 0.029  | ↓ -0.128 |
| West Coast                 | 3.746 | 3.758 | 3.756 |  | ↓ -0.002 | ↓ -0.011 |
| West Coast less California | 3.413 | 3.435 | 3.444 |  | ↑ 0.009  | ↓ -0.031 |
| California                 | 4.011 | 4.014 | 4.003 |  | ↓ -0.011 | ↑ 0.003  |

*\*prices include all taxes*

## This Week's Story

A guy asks a girl to go to a dance.

She agrees, and he decides to rent a suit. The rental place has a long line, so he waits and waits, and finally he gets his suit.

He decides to buy flowers, so he goes to the flower shop. The flower shop has a long line, so he waits and waits, until he finally buys flowers.

He picks up the girl and they go to the dance. There is a long line into the dance, so they wait and wait.

Finally, they get into the dance, and the guy offers to get the girl a drink. She asks for punch, so he goes to the drink table, and there is no punch line.

## This Week's Quote

"When one begins to live by habit and by quotation, one has begun to stop living."

-- James Baldwin

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