

November 25, 2019

In this Issue:

- **This Morning**
- **The Week Ahead**
- **Economic Week in Review**
- **Commodity News**
- **Indonesia Scrap Import Regulations**
- **Upcoming Events: ISRI2020 Convention and 2020 Market Outlook Webinar**
- **This Week's Story**
- **This Week's Quote**

This Morning

The Bloomberg Commodity Index was down 0.4% this morning as mostly softer energy and metals prices more than offset firmer agriculture futures. In London, LME 3-mo. aluminum and nickel futures dipped below \$1,740 per metric ton and \$14,600 per mt, respectively, this morning. In London, COMEX copper futures were little changed around \$2.65 per pound while NYMEX crude oil futures fell below \$57.40 per barrel. Market sentiment continues to be shaped by a potential U.S.-China trade deal, with Reuters reporting "U.S. national security adviser Robert O'Brien on Saturday said that an initial trade agreement with China was still possible by the end of the year. Chinese daily Global Times on Monday cited experts close to trade talks as saying that China and the United States have reached a broad consensus on the first phase of the trade deal, though some differences remain over the removal of tariffs." In Shanghai, most-actively traded SHFE copper futures settled 0.4% higher earlier today. In foreign exchange trading, the dollar was practically unchanged against the euro (\$1.102) but firmer to 108.88 Japanese yen.

This Week's ISRI Market Report is Sponsored by:



VANTA™ Handheld XRF Analyzers

OLYMPUS™

Stop Waiting.
Same-Day Shipping Now Available

https://www.olympus-ims.com/en/vanta-same-day-shipping/?utm_source=Scrap_Magazine_Nov_2019&utm_medium=Newsletter_Sponsorship&utm_campaign=ANI_Vanta

Selected Primary Commodity Prices: November 25, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Dec (\$/lb.)	2.646	-0.003	-0.1%	2.648	2.65	2.670	2.637
COMEX Gold Dec (\$/to)	1,459.6	-4.0	-0.3%	1,463.6	1461	1,462.0	1,453.9
COMEX Silver Dec (\$/to)	16.92	-0.1	-0.5%	17.00	16.96	16.96	16.8
NYMEX Light Sweet Crude Jan (\$/bbl)	57.37	-0.4	-0.7%	57.77	57.92	58.08	57.21
SHFE Aluminum Jan (RMB/mt)	13,835	-5	0.0%	13,840	13,850	13,880	13,800
SHFE Copper Jan (RMB/mt)	47,070	170	0.4%	46,900	47,010	47,180	46,950
SHFE Nickel Feb (RMB/mt)	114,710	570	0.5%	114,140	112,960	115,800	112,800
SHFE Zinc Jan (RMB/mt)	18,040	-20	-0.1%	18,060	17,950	18,120	17,885

The Week Ahead

Despite the holiday-shortened week in the U.S., a number of important economic releases are due out this week covering personal income and spending, inflation, new home sales, durable goods orders, consumer confidence, and the revised reading on third quarter GDP. The consensus forecasts are for an unchanged estimate of 3rd quarter real GDP (+1.9%) and for 0.3% monthly gains in both personal income and spending. Investors will also be paying attention to Fed Chair Jay Powell's speech at the Greater Providence Chamber of Commerce Annual Dinner in Providence, Rhode Island tonight, and the release of the Fed's Beige Book on current economic conditions by Fed district. Overseas, India releases GDP figures late in the week, and the expectations are low. The Financial Times reports, "Over the past year the {Indian} economy has been slowly losing momentum as promised jobs have failed to materialize and anxious consumers have tightened their belts. The country's economy grew at a six-year low of 5 per cent in the second quarter — far lower than India needs to grow to absorb the estimated 12m people entering the job market each year." Other international economic releases will cover Japanese industrial production, retail sales, and the unemployment rate, along with German consumer price inflation and unemployment. Have a great week and best wishes for a Happy Thanksgiving!

U.S. Economic Calendar: November 25-29, 201

Date	Time	Release	Period	Consensus	Prior
26-Nov	08:30 ET	Adv. Intl. Trade in Goods	Oct	NA	-\$70.4B
26-Nov	08:30 ET	Adv. Retail Inventories	Oct	NA	0.3%
26-Nov	08:30 ET	Adv. Wholesale Inventories	Oct	NA	-0.3%
26-Nov	09:00 ET	FHFA Housing Price Index	Sep	NA	0.2%
26-Nov	09:00 ET	S&P Case-Shiller Home Price Index	Sep	2.6%	2.0%
26-Nov	10:00 ET	Consumer Confidence	Nov	126.9	125.9

26-Nov	10:00 ET	New Home Sales	Oct	710K	701K
27-Nov	08:30 ET	Personal Income	Oct	0.3%	0.3%
27-Nov	08:30 ET	Personal Spending	Oct	0.3%	0.2%
27-Nov	08:30 ET	PCE Price Index	Oct	0.2%	0.0%
27-Nov	08:30 ET	Initial Claims	23-Nov	219K	227K
27-Nov	08:30 ET	GDP - Second Estimate	Q3	1.9%	1.9%
27-Nov	08:30 ET	Durable Orders	Oct	-0.7%	-1.1%
27-Nov	08:30 ET	Durable Goods –ex transportation	Oct	0.2%	-0.3%
27-Nov	10:00 ET	Pending Home Sales	Oct	0.9%	1.5%
27-Nov	14:00 ET	Fed's Beige Book	Dec	NA	NA
29-Nov	09:45 ET	Chicago PMI	Nov	47.1	43.2

Economic Week in Review

U.S.-China trade negotiations remained in focus last week, with the Reuters reporting “U.S. President Donald Trump and Chinese counterpart Xi Jinping on Friday expressed a desire to sign an initial trade deal and defuse a 16-month tariff war that has lowered global growth. However, concern remains that events in Hong Kong, riven by months of anti-government unrest, could undermine progress in trade talk.”

“All the uncertainty around U.S.-China (trade relationship) is putting a damper on investments. You don’t know where the world’s two largest economies are going and what the investment environment is going to be,” Paul Gruenwald, chief economist at S&P Global Ratings, told CNBC on Monday. “We’ve been arguing for some time that China slowing from a 7-8% back then to a 5.5% is a broadly healthy development,” Gruenwald told CNBC’s “Squawk Box,” adding that China’s labor force is currently “either flat or shrinking,” therefore the GDP per capita growth is still strong. In fact, the strained trade relationship is putting a greater dent on global growth than the direct impacts of tariffs he argued.”

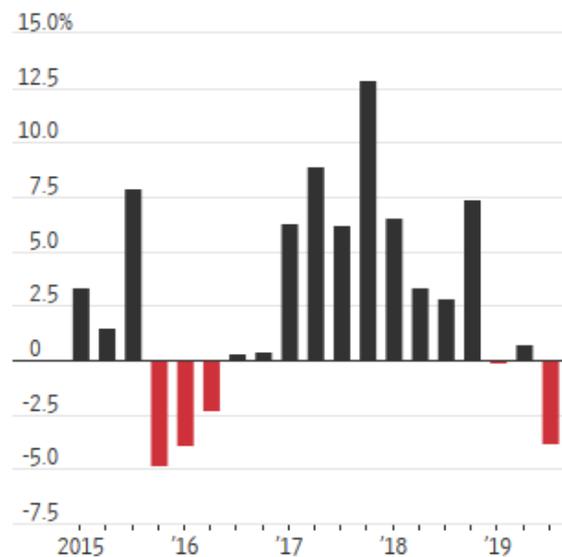
The Wall Street Journal reports that the escalation of the U.S.-China trade war coincided with a downturn in U.S. equipment investment: “Companies slow capital investment for a variety of reasons, and few have explicitly tied their cutbacks to trade, typically citing slowing demand or project delays instead. Still, economists and analysts point to timing: The pullback began in third-quarter 2018, just as the U.S. and China began threatening and then imposing significant tariffs on one another’s goods.”

The trade conflicts and signs of slower global economic growth have been cited by the Federal Reserve as major sources of concern going forward, hence the need to reduce rates. According to the minutes of the last FOMC meeting released last week: “Many participants continued to view the downside risks surrounding the

Tapping the Brakes

Government data show the quarterly change in total equipment investment has slowed.

Change from the prior quarter



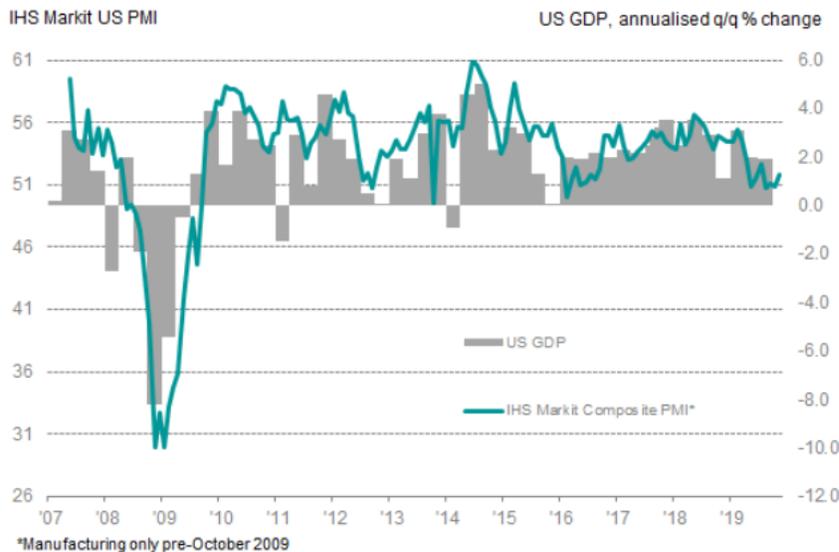
Note: Reflects non-residential fixed investment in equipment, including industrial, transportation and computers.

Source: Bureau of Economic Analysis

economic outlook as elevated, further underscoring the case for a rate cut at this meeting. In particular, risks to the outlook associated with global economic growth and international trade were still seen as significant despite some encouraging geopolitical and trade-related developments over the intermeeting period.”

There have been some more encouraging indicators on the U.S. manufacturing and service sectors as well lately. IHS Markit reported on Friday that their flash U.S. composite output index rose to a 4-month high of 51.9 in November (up from 50.9 in October) while the flash U.S. Manufacturing PMI rose to a 7-month high of 52.2. According to the IHS Market press release, “At the same time, both manufacturers and service providers indicated a rise in workforce numbers. The overall increase in employment followed two successive months of payroll cuts.”

IHS Markit Composite PMI and U.S. GDP

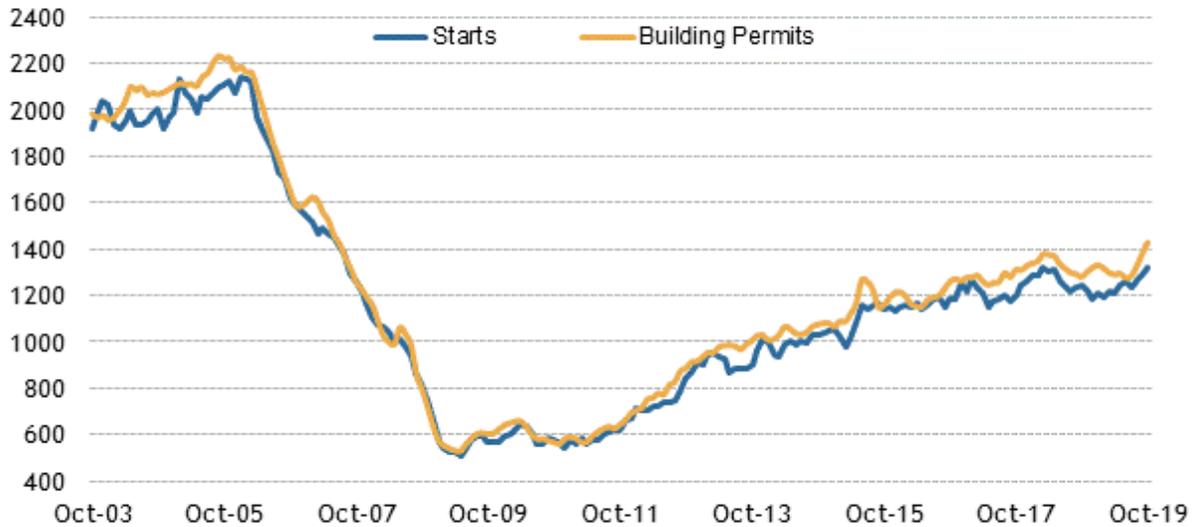


Sources: IHS Markit, U.S. Bureau of Economic Analysis

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit, said: “A welcome upturn in the headline index from the flash PMI adds to evidence that the worst of the economy’s recent soft patch may be behind us. Output of the combined manufacturing and service sectors rose in November at the fastest rate since July, spurred by improved inflows of new business. Encouragingly, firms took on staff again after two months of headcount reductions, primarily to help deal with rising backlogs of work.”

There were also positive readings on the U.S. housing market last week as the Census Bureau reported “Privately-owned housing units authorized by **building permits** in October were at a seasonally adjusted annual rate of 1,461,000. This is 5.0 percent above the revised September rate of 1,391,000 and is 14.1 percent above the October 2018 rate of 1,281,000. Privately-owned **housing starts** in October were at a seasonally adjusted annual rate of 1,314,000. This is 3.8 percent above the revised September estimate of 1,266,000 and is 8.5 percent above the October 2018 rate of 1,211,000. Briefing.com notes, “There was a sizable jump in starts (+8.6%) and permits (+8.2%) for multi-unit dwellings, yet the key takeaway from the report is that starts (+2.0%) and permits (+3.2%) increased for single-family units in an inventory-constrained environment for single-family homes.”

**Housing Starts and Building Permits 3-Month Moving Average
(thousands, SAAR)**



Source: Census Bureau; updated 11/19/19

Briefing.com

However, some leading economic indicators are still signaling sluggish U.S. economic growth in the near-term. The Conference Board's Index of Leading Economic Indicators fell 0.1% in October 111.7, the third consecutive monthly decline.

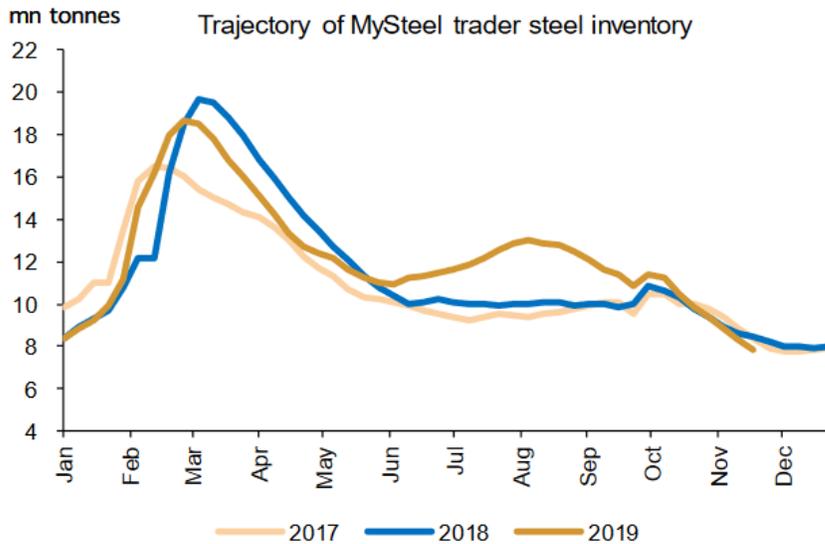
24-Nov-19 22:53

SHFE Steel Rebar Futures (Jan 2020)



Macquarie reports “China steel prices increased by 1%~4% last week, led by rebar. As reported traders steel inventory fell to three years’ low and mills steel inventory dropped to be lower YoY, market realized that steel demand is better than they expected, thanks to resilient property investment and improving infrastructure FAI, and that construction sites have been ramping up construction after October disruption, ahead of the arrival of cold weather, which can also be shown by the estimated apparent rebar consumption. Calculated integrated steel mills margin has recovered to Rmb400~700/t, and EAF mills margin also grew from a loss to breakeven or small positive margin of Rmb100/t, thus we are seeing a recovery in EAF production while integrated mills production remains largely flat WoW. The momentum in demand is expected to continue over the next 3~4 weeks, but we expect inventory to gradually become stable after the recovery in steel supply.”

Traders steel inventory is now three years' low



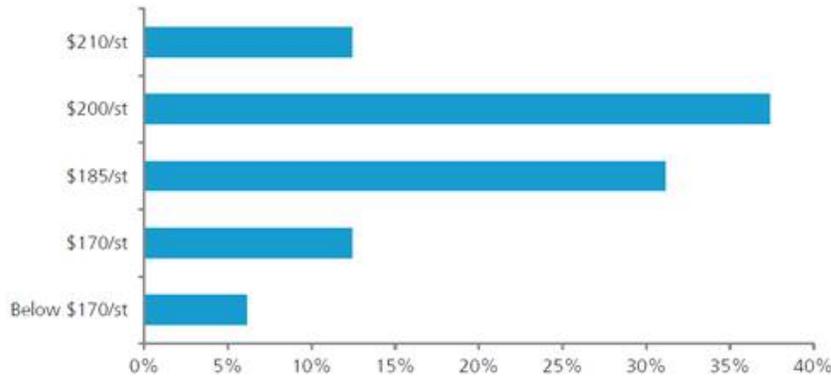
Source: Platts, Mysteel, Macquarie Commodities Strategy, Nov 2019

As for the U.S. steel market, UBS' U.S. steel sector survey had some interesting takeaways, including:

- “Respondents expect HRC prices to rise in the near term (from US\$482/st in October), possibly due to recent mill price hikes and the scrap price recovery.
- But 57% of US steel industry operators expect a decline in end-product demand over the next three months, while only 19% expect an increase.
- 70% of respondents expect US HRC prices to increase over the next three months, versus only 16% expecting a decline.
- However, buyers expect to receive a ~US\$24/st discount for bulk orders of >1,000 st (vs. ~US\$15/st previously).
- Moreover, 52% of respondents believe capacity cuts are needed to trigger a sustainable steel price recovery.

Looking forward, UBS reports “US\$185-200/st is the perceived floor for shredded scrap prices versus US\$215/st spot.”

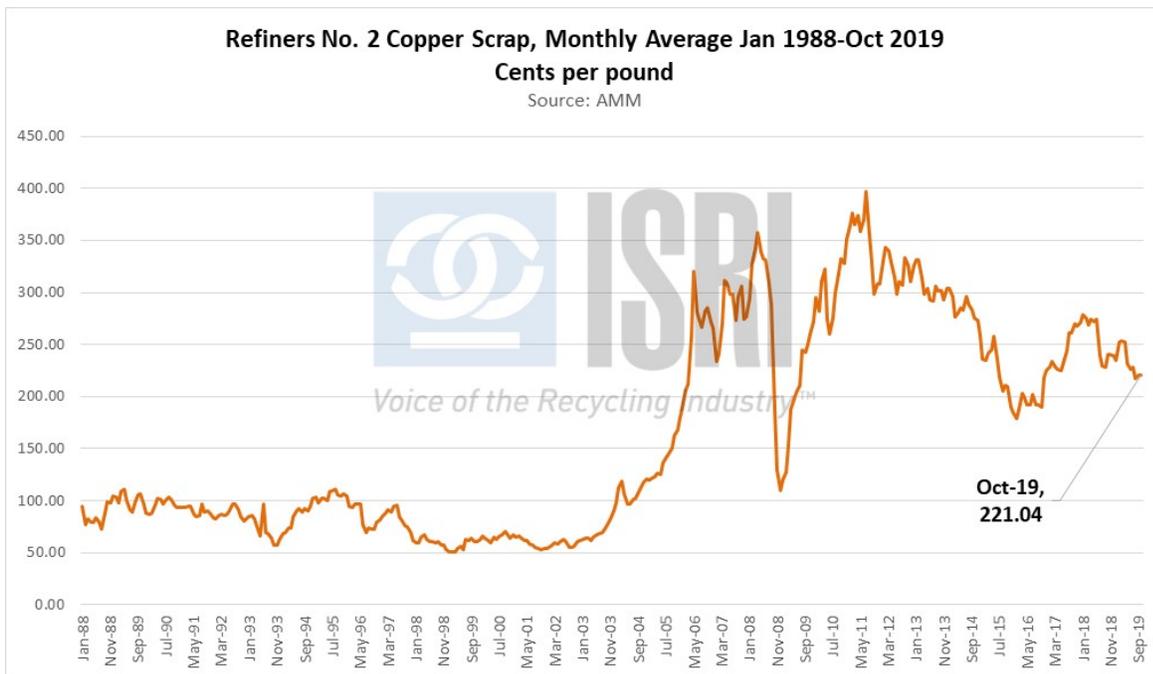
Figure 15: Floor price for US shredded scrap (versus ~\$215/st spot)?



Source: UBS Steel Survey
 Note: 17 respondents replied *no opinion*

Nonferrous –

Refined copper prices in New York mostly bounced around between \$2.616 and \$2.666/lb. last week. As our good friend Ed Meir reported, “Metals finished mostly higher on Friday, but we are not seeing much follow-through today, as apart from copper and tin, the rest of the group is broadly lower, with lead doing the worst. In fact, our chart... shows that on a general index basis, the LME group is down so far this month, this despite all the positive trade talk we have been hearing about so far in November. Indeed, there have been additional pronouncements over the past 72 hours and although this has given global equity markets the usual boost, we are not seeing the buying spilling over into any other commodity complexes outside of metals either.” Copper scrap prices haven’t had much support lately either.



But as reported by FM Metal Bulletin today, there is some exciting news in the U.S. copper scrap market: "A new secondary copper smelter that will produce copper cathode and other elements from scrap raw material is in the works in the US state of Ohio.

Middletown, Ohio-based Cohen Recycling will be the main supplier of this "metal recovery facility," a source close to the project confirmed to Fastmarkets on Friday November 22.

Details such as the capacity of the smelter and the start date for production were not immediately available.

Fastmarkets also has learned that another scrap company in the United States intends to expand its operations and produce copper cathodes from secondary material."

Indonesia Scrap Import Regulations

As reported by ISRI last week, the Government of Indonesia has finalized import regulations for all scrap commodity imports. The rule is available only in the local language, but our contacts have provided an initial analysis that describes a policy that is so restrictive as to potentially halt trade. The policy is counter to what ISRI was told would be policy during our visit to Indonesia in September. ISRI expects to receive an English translation soon, but our contacts inform us of the following requirements:

- Only direct shipments will be allowed, defined as direct from the United States to Indonesia, i.e., no transshipment via Singapore, for example.
- The exporter must be listed on documentation so that the exporter can occasionally be verified. And the exporter can only send from their own country.
- The government may be considering prohibiting shipments from brokers and traders – that material can be sourced/exported only from processors.
- The impurity threshold may still be at zero.

The last point contradicts what ISRI learned during a visit to Indonesia in September: that the impurities threshold would be 2% at the outset and transition to 0.5% in two years. Additionally, the regulation appears to already be in effect, but KSO-Sucofindo – the government agency responsible for overseeing its implementation, including pre-shipment inspections – is unprepared. Thus, the agency has ordered a temporary moratorium on imports, and the pre-shipment inspection agencies, including Cotecna in the United States, has informed its customers that "all shipments with inspection date after Nov. 22 need to be stopped...That means last inspection date will be Nov. 22."

We spoke to our contacts at Cotecna, but they have very little information about the regulation, implementation or when they will resume inspections. Our contacts within the Indonesian Government have not responded to several inquiries. We have also asked U.S. Government officials in Washington and Jakarta to help us obtain information as well as to help communicate our concerns with the new rules. For more information please contact [Adina Renee Adler](#).

Upcoming Events: ISRI2020 Convention and 2020 Market Outlook Webinar

ISRI2020 Registration is Now Open

ISRI2020 is back in Las Vegas with the largest exhibit floor of any recycling event during the year, commodity spotlight sessions focused on domestic and international market trends, and educational workshops addressing the industry's most pressing topics.



Weekly Market Report

Whether you are looking to expand your knowledge and professional skills, make informed business decisions, continue to grow your ISRI family, or experience the unmatched pride of our industry, ISRI2020 has something for everyone. Join us in Las Vegas, April 27-30, 2020.

To [register](#), you will need your email or Member ID handy.

ISRI Member Webinar: 2020 Forecast and What You Can Expect in the New Year: Tuesday, November 26, 2019 at 2:00 pm ET

The U.S. economy has posted some of the lowest unemployment figures in years. This hasn't translated into stronger scrap markets and events such as the long standing U.S.-China Trade War have been weighing heavily on decision makers. How these and other events are impacting the economy has added a level of uncertainty that is causing many to pull back and wait out the storm. To make sense of it all, ISRI's Chief Economist, Joe Pickard will run through the major drivers and forces that are impacting scrap markets. After registering, you will receive a confirmation email containing information about joining the webinar.

Please note: You must be logged into the website to register for this event. Login [here](#).

This Week's Story

One year, a young Ojibwe boy was given the task of ensuring the entire village had enough wood for winter. This was the first time he had been given such an honor and he wanted to do it right. Before he went to work he decided to call the weatherman to ask what kind of a winter was to be expected. The weather man told him it was going to be a warm and uneventful winter. The boy thought to himself, 'this is great. I won't have to work too hard and I'll be able to look good in front of the whole tribe.'

Just to be safe, he gathered a few of his friends and they went to work for a week. At the end of the week, after chopping and piling the wood, the boy decided to give the weatherman a second call. The weatherman told him it was going to be a very cold winter. Shocked at this sudden change and not wanting to disappoint the elders of his village, he gathered more of his friends and they went to work. For two weeks they cut and piled wood, hoping that it would be enough to last the whole winter.

Once again the boy called the weatherman and this time the weatherman told him, "Son, it's going to be a very bitter, cold and long winter. Maybe the worst winter on record."

Exasperated, the boy had to ask, "What makes you say that sir?"

The weatherman replies, "The Indians are gathering wood like crazy!"

This Week's Quote

"What is the use of a house if you haven't got a tolerable planet to put it on?"

-- Henry David Thoreau

Also sponsored by:



Weekly Market Report

A promotional banner for the ISRI 2020 Convention & Exposition. On the left is a portrait of Gary Vaynerchuk. The text reads: 'ISRI 2020 CONVENTION & EXPOSITION', 'GARY VAYNERCHUK | Featured Speaker', 'LAS VEGAS | APRIL 27-30', and a yellow button that says 'REGISTER TODAY'.

ISRI 2020 CONVENTION & EXPOSITION
GARY VAYNERCHUK | Featured Speaker
LAS VEGAS | APRIL 27-30
REGISTER TODAY

ISRI2020.org

HAVE A HAPPY THANKSGIVING!