

March 18, 2019

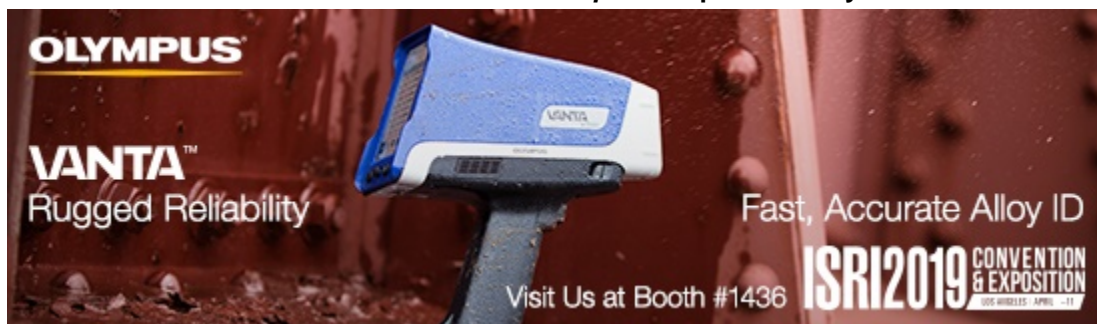
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This Morning

Base metal prices were little changed in early trading this morning with LME 3-mo. copper and aluminum edging up to around \$6,460/mt and \$1,898/mt, respectively, while 3-mo. nickel was holding up around \$12,955/mt. The firmness in LME copper prices comes despite a surge in closing copper stocks held in LME warehouses last week, which rose from around 111,775 mt early in the week to more than 186,000 mt late in the week as market participants continue to play their games with warehouse stocks. In New York, COMEX copper was firmer at \$2.92/lb. early this morning while NYMEX crude oil futures eased to \$58.70 per barrel after having posted solid gains last week. Reuters reports that concerns about a global economic slowdown continue to offset expectations for extended OPEC oil production cuts. In equities trading most of the major stock indexes were up in Asia this morning while European trading was mixed. In foreign exchange trading the euro was slightly firmer at \$1.1357 while the British pound dipped to \$1.326 ahead of another tricky week on the Brexit front.

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Selected Primary Commodity Prices: March 18, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper May (\$/lb.)	2.9210	0.015	0.5%	2.906	2.91	2.933	2.899
COMEX Gold Apr (\$/to)	1,305.0	2.1	0.2%	1,302.9	1302	1,305.6	1,298.0
COMEX Silver May (\$/to)	15.34	0.0	0.1%	15.32	15.32	15.36	15.2
NYMEX Light Sweet Crude Apr (\$/bbl)	58.70	-0.1	-0.2%	58.82	58.75	58.88	58.37
SHFE Aluminum May (RMB/mt)	13,595	-50	-0.4%	13,645	13,635	13,635	13,575
SHFE Copper May (RMB/mt)	49,180	220	0.4%	48,960	49,120	49,460	48,950
SHFE Nickel May (RMB/mt)	100,350	-140	-0.1%	100,490	100,740	100,960	99,600
SHFE Zinc May (RMB/mt)	21,600	-210	-1.0%	21,810	21,655	21,710	21,465

The Week Ahead

On the U.S. economic calendar this week, the Fed's Open Market Committee will take center stage as investors will be paying close attention to the Fed chairman's press conference, even as rates are widely expected to remain on hold for now. Key U.S. economic reports out this week will cover factory orders, existing home sales, the Conference Board's index of leading economic indicators, and the Treasury budget. Overseas, Brexit continues to loom large. The Financial Times reports, "International trade secretary Liam Fox has said the third Commons vote on Mrs. May's Brexit deal could be pulled this week if the government does not believe it can win. The vote is expected to take place on Tuesday or Wednesday if it does go ahead. The deal has been heavily defeated twice in the Commons after large-scale rebellions by Eurosceptic Conservative MPs and the persistent opposition of the Democratic Unionist party's 10 MPs. Mrs. May has said that if she could win parliament's backing for her deal this week, she would ask Brussels only for a three-month extension beyond the scheduled departure date of March 29, thus avoiding any need to take part in the European elections." Markets will also be paying attention to German releases on business sentiment, producer price inflation, and flash composite PMI. 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: March 18-22, 2019

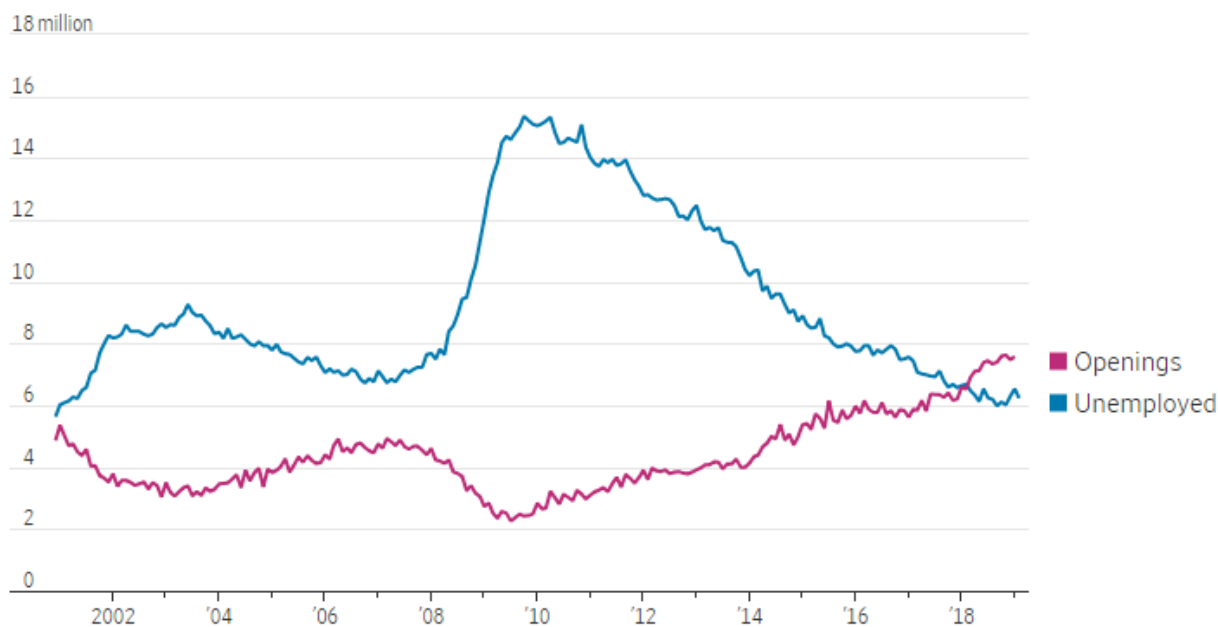
Date	Time	Release	Period	Consensus	Prior
Mar 18	10:00	NAHB Housing Market Index	Mar	63	62
Mar 19	10:00	Factory Orders	Jan	0.2%	0.1%
Mar 20	07:00	MBA Mortgage Applications Index	03/16	NA	2.3%
Mar 20	10:30	EIA Crude Oil Inventories	03/16	NA	-3.9M
Mar 20	14:00	FOMC Rate Decision	Mar	2.375%	2.375%
Mar 20	14:30	Fed Chair Press Conference	Mar	NA	NA
Mar 21	08:30	Initial Claims	03/16	223K	229K
Mar 21	08:30	Continuing Claims	03/09	NA	1776K
Mar 21	08:30	Philadelphia Fed Index	Mar	6.0	-4.1
Mar 21	10:00	Leading Indicators	Feb	0.2%	-0.1%
Mar 21	10:30	EIA Natural Gas Inventories	03/16	NA	-204 bcf

Mar 22	10:00	Existing Home Sales	Feb	5.10M	4.94M
Mar 22	10:00	Wholesale Inventories	Jan	NA	1.1%
Mar 22	14:00	Treasury Budget	Feb	-\$227.0B	-\$215.2B

Economic Week in Review

There were a number of positive U.S. economic reports out last week as retail sales increased 0.2% in January, inflation readings remained in check, durable goods orders increased 0.4% in January, construction spending advanced 1.3%, and the University of Michigan's reading on consumer sentiment improved to 97.8. In addition, the number of job openings in the United States rose to 7.58 million, exceeding the number of those unemployed:

Level of U.S. unemployment and job openings



Note: Seasonally adjusted

Source: Labor Department

Courtesy of The Wall Street Journal.

But for the manufacturing sector, the most recent data has been more troubling. According to the Federal Reserve, U.S. manufacturing output declined 0.4% in February, the second consecutive monthly decline as the manufacturing capacity utilization rate declined to 75.4 percent:

Category	FEB	JAN	DEC	NOV	OCT
U.S. Industrial Production					
Total Index	0.1%	-0.4%	0.1%	0.6%	0.1%
Manufacturing	-0.4%	-0.5%	0.6%	0.2%	-0.3%
Utilities	3.7%	-0.9%	-5.2%	2.4%	3.4%
Mining	0.3%	0.3%	1.4%	1.0%	0.2%
Capacity Utilization					
Total Industry	78.2%	78.3%	78.7%	78.8%	78.5%
Manufacturing	75.4%	75.8%	76.2%	75.9%	75.8%

Meanwhile in China, the National Bureau of Statistics reported that Chinese industrial production increased only 5.3 percent year-on-year for January and February combined, “down from 5.7 percent in December and below the consensus forecast of 5.5 percent. Separate year-on-year data for January and February are not published because of the impact of differences in the timing of lunar new year holidays,” the CME Group reports. For commodity markets, concerns about the health of the Chinese manufacturing sector remains paramount for both primary and secondary (scrap) suppliers.

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2018 Scrap Trade Flows

Despite a sharp decline in U.S. exports to China, total U.S. scrap exports increased 13 percent by value to \$20.3 billion and were up 7 percent by volume to 40.6 million metric tons in 2018. By commodity, ferrous scrap exports had the largest volume gain (+1.9 million mt to 15.6 million mt) while plastic scrap exports saw the sharpest decline (-36 percent to 1.1 million mt).

Total U.S. Scrap Exports, 2017 vs. 2018 (million metric tons and \$ billions)

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

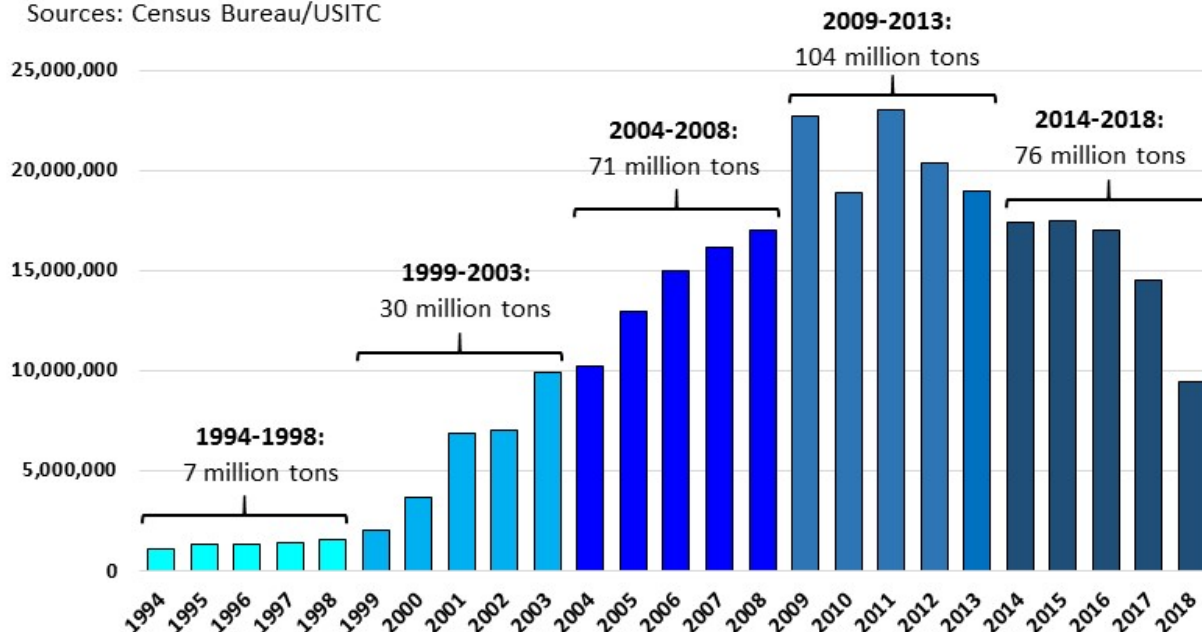
	Volume (million metric tons)			Value (\$ billions)		
	2017	2018	% CHG	2017	2018	% CHG
Ferrous Scrap (ex-stainless and alloy scrap)	13.8	15.6	14%	\$4.1	\$5.3	29%
Copper Scrap	1.0	0.9	-9%	\$2.8	\$3.2	15%
Aluminum Scrap	1.6	1.8	12%	\$2.3	\$2.6	11%
Recovered Paper and Fiber	18.3	19.1	4%	\$3.2	\$3.3	3%
Plastic Scrap	1.7	1.1	-36%	\$0.6	\$0.4	-30%
Other*	1.6	2.1	33%	\$4.9	\$5.4	11%
TOTAL	37.9	40.6	7%	\$17.9	\$20.3	13%

*Includes other base metal, precious metal, rubber, textile, and glass scrap

As China's import restrictions kicked in, U.S. exports of all scrap to mainland China declined 38 percent by value to \$3.5 billion in 2018, a decrease of nearly \$2.2 billion as compared to 2017. Including Hong Kong (which is treated as a separate export destination), the volume of U.S. exports to China fell to their lowest level since 2002:

U.S. Exports of All Scrap Commodities to China (incl. Hong Kong) 1994-2018 (metric tons)

Sources: Census Bureau/USITC



Even with the sharp decline in Chinese demand, China remained the biggest market for U.S. scrap exports. The top 5 markets in dollar value for U.S. scrap were as follows:

1. **China** – \$3.5 billion (-38%)
2. **Canada** – \$2.3 billion (+6%)
3. **India** – \$1.5 billion (+63%)
4. **Mexico** – \$1.4 billion (23%)
5. **South Korea** – \$1.2 billion (+60%)

As U.S. scrap exporters developed new markets in response to China's pullback, India became the largest growth market last year in terms of net gain in export sales by value. The top 5 overseas growth markets for U.S. scrap exporters last year were as follows:

1. **India**: up \$586 million to \$1.5 billion
2. **Malaysia**: up \$550 million to \$736 million
3. **Taiwan**: up \$498 million to \$1.1 billion
4. **South Korea**: up \$465 million to \$1.2 billion
5. **Germany**: up \$319 million to \$1.2 billion

Other top growth markets in 2018 included the **U.K., Mexico, Indonesia, Belgium, Japan, Vietnam, Egypt, Canada, Thailand, and Bangladesh.**

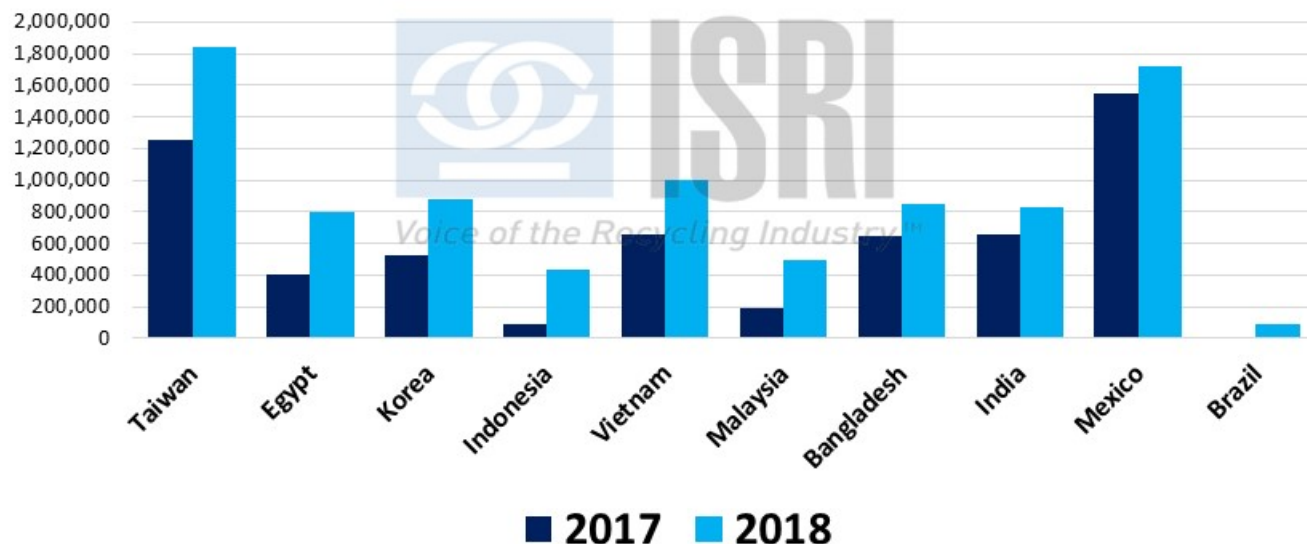
Ferrous – Among the major scrap commodity groups, U.S. ferrous scrap exports saw the largest gain last year, increasing nearly 14 percent to 15.6 million metric tons. Turkey remained the largest export market for U.S. ferrous scrap in 2018, importing more than 3.4 million metric tons, following by Taiwan, Mexico, Vietnam, and South Korea according to official trade statistics from the U.S. Census Bureau:

U.S. Ferrous Scrap Exports (ex- stainless and alloy steel scrap)				
Metric tons				
Sources: U.S. Census Bureau/U.S. International Trade Commission				
Country	2016	2017	2018	2017/2018 % CHG
Turkey	3,136,601	3,635,585	3,433,208	-5.60%
Taiwan	1,212,171	1,256,025	1,839,227	46.40%
Mexico	1,378,241	1,544,051	1,718,650	11.30%
Vietnam	368,242	656,898	999,298	52.10%
Korea	834,436	523,367	882,369	68.60%
Bangladesh	292,754	647,026	846,690	30.90%
India	1,001,891	655,413	830,912	26.80%
Egypt	120,420	400,273	801,639	100.30%
Canada	385,089	608,967	625,091	2.60%
Malaysia	27,440	193,861	489,506	152.50%
Thailand	427,827	537,647	482,161	-10.30%
Indonesia	58,767	85,791	430,827	402.20%
China	432,282	691,726	411,527	-40.50%
Kuwait	353,681	426,332	387,143	-9.20%
Peru	393,705	444,086	379,136	-14.60%
Others	779,999	1,451,486	1,092,605	-24.73%
Total:	11,203,546	13,758,534	15,649,989	13.75%

But last year's gains in ferrous scrap exports was not driven by Turkey. In fact, the largest net market gains (by volume) were in Taiwan (+583 kt), Egypt (+401 kt), S. Korea (+359 kt), Indonesia (+345 kt), Vietnam (+342 kt), Malaysia (+296 kt), and Bangladesh (+200 kt), along with gains to India, Mexico, and Brazil.

Largest Growth Markets for U.S. Ferrous Scrap Exports in 2018 (metric tons)

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



Nonferrous – U.S. nonferrous scrap exports last year were more clearly impacted by Chinese scrap import restrictions. According to the Census Bureau data, U.S. exports of copper and copper alloy scrap to mainland China declined 60 percent by volume last year to just under 275,000 metric tons, pulling U.S. copper scrap exports 9 percent lower last year despite gains to other markets.

U.S. Copper and Copper Alloy Scrap Exports by Major Destination, 2017 vs. 2018

Metric tons

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

Country	2017	2018	% CHG
China	687,894	274,668	-60.1%
Malaysia	5,553	118,877	2040.7%
Canada	93,461	90,587	-3.1%
Korea	31,334	71,237	127.4%
Japan	21,145	55,784	163.8%
India	24,869	48,428	94.7%
Hong Kong	36,345	43,200	18.9%
Germany	30,657	37,192	21.3%
Taiwan	8,645	35,167	306.8%
Belgium	16,435	31,307	90.5%
Pakistan	9,571	18,236	90.5%
Thailand	677	14,544	2049.7%
Spain	7,501	10,860	44.8%
Netherlands	8,376	10,310	23.1%
Greece	251	8,788	3399.6%

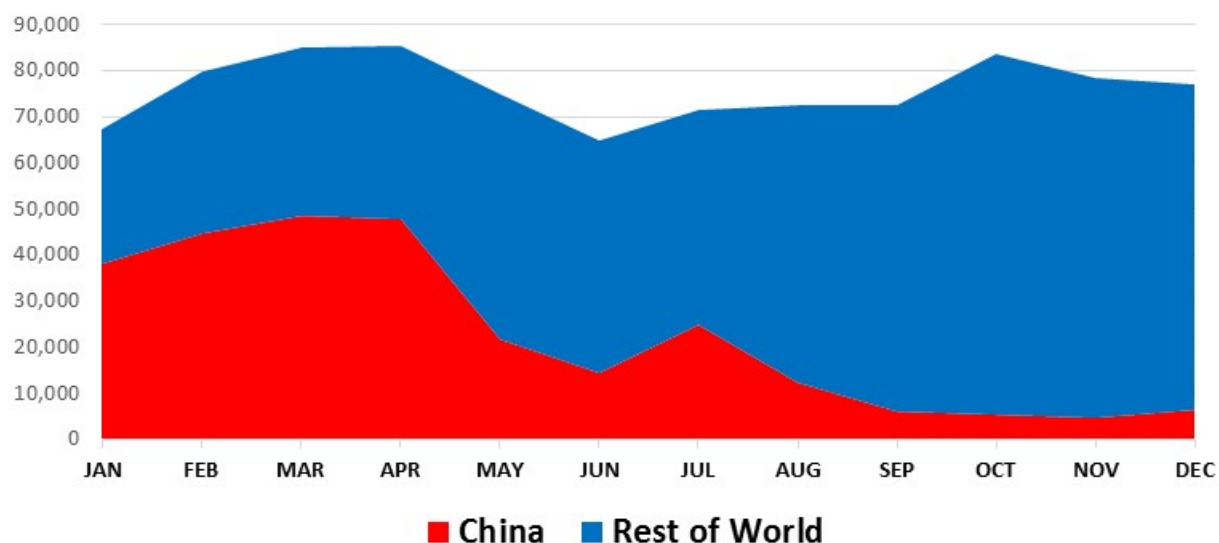
Indonesia	1,118	7,291	552.3%
Slovak Republic	7,921	5,161	-34.8%
Mexico	4,004	4,737	18.3%
Sweden	2,087	3,825	83.3%
Singapore	131	3,102	2272.5%
Others	6,240	19,522	212.9%
Total:	1,004,215	912,824	-9.1%

The downward trend in copper and copper alloy scrap exports to China was especially pronounced in the second half of 2018. As compared to the first quarter of 2018 when U.S. copper scrap exports averaged around 44,000 metric tons per month, by the 4th quarter of 2018 that volume was reduced to around 5,000 tons per month:

Monthly U.S. Copper Scrap Exports to China and RoW, 2018

Metric tons

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



U.S. aluminum scrap exports to China also slowed sharply over the course of 2018. But unlike copper, the Census Bureau trade data show that other markets more than made up for the drop-off in Chinese demand as total U.S. aluminum scrap exports (including UBCs and RSI) rose 12 percent last year to 1.76 million metric tons thanks in part to gains to India, Malaysia, Indonesia, Taiwan, and other markets:

U.S. Aluminum Scrap Exports by Major Destination, 2017 vs. 2018

Metric tons

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

Country	2017	2018	% CHG
China	830,626	505,021	-39.2%
Korea	180,971	240,753	33.0%
India	78,679	215,934	174.4%
Mexico	153,385	195,031	27.2%

Malaysia	52,505	172,314	228.2%
Canada	105,786	104,272	-1.4%
Indonesia	37,168	76,026	104.5%
Taiwan	30,171	69,240	129.5%
Hong Kong	40,329	41,415	2.7%
Japan	16,663	23,750	42.5%
Brazil	293	18,260	6129.8%
Thailand	3,179	15,028	372.7%
Pakistan	6,387	14,600	128.6%
Russia	3,368	11,985	255.8%
Belgium	2,188	11,759	437.3%
Germany	11,475	7,792	-32.1%
Philippines	2,157	5,224	142.2%
Denmark	0	5,097	N/A
Vietnam	568	4,381	671.6%
Netherlands	2,972	4,008	34.9%
Others	8,373	20,325	142.7%
Total:	1,567,245	1,762,213	12.4%

Paper and Plastic – U.S. export data for recovered paper and scrap plastics recently released by the U.S. Census Bureau show total U.S. recovered paper exports were up 4 percent by volume in 2018 while plastic scrap exports declined 36 percent. By RP grade, pulp substitutes (+49%) and OCC (+27%) enjoyed the largest gains:

U.S. Recovered Paper Exports by Grade

Scrap Type	2017	2018	% CHG
Pulp derived from RP	51,827	43,610	-16%
Corrugated/Board	8,979,920	11,363,669	27%
High Grade Deinking	906,776	1,029,315	14%
Pulp Substitutes	751,442	1,119,685	49%
News Grades	1,758,480	1,216,204	-31%
Groundwood Grades	2,337,483	1,670,194	-29%
Mixed Paper	3,527,233	2,643,462	-25%

The considerable declines in news, groundwood, and mixed paper grades can be attributed to China's import restrictions on recyclables. The restrictions account for virtually all of the increases made in corrugated/board grade exports of recovered paper as processors are readjusting their sort to create more OCC than SRPN or MP.

U.S. Recovered Paper Exports by Major Destination

Export Destination	2017	2018	% CHG
China	10,883,349	7,570,680	-30%
India	1,926,002	3,331,861	73%
Mexico	1,567,199	1,671,603	7%

Indonesia	440,418	1,167,725	165%
Korea	885,174	1,125,221	27%
Canada	737,675	866,191	17%
Vietnam	399,652	779,964	95%
Taiwan	280,927	694,206	147%
Thailand	282,221	468,004	66%
Italy	97,097	264,832	173%
Netherlands	113,219	139,867	24%
Malaysia	23,569	111,714	374%
Rest of the World	676,655	893,731	32%
Total U.S. RP Exports	18,313,157	19,085,599	4%

On the plastic scrap front, the Census Bureau data show exports to mainland China plummeted 91% last year, more than offsetting gains to Malaysia, India, Thailand, Taiwan, South Korea, and other markets. As a result, U.S. plastic scrap exports were down 36 percent by volume last year to less than 1.1 million metric tons while plastic scrap exports declined 30 percent in dollar value terms.

U.S. Plastic Scrap Exports by Major Destination

Export Destination	2017	2018	% CHG
Malaysia	121,125	201,136	66%
Canada	135,795	133,251	-2%
India	123,116	133,147	8%
Hong Kong	372,904	121,290	-67%
Thailand	32,862	106,595	224%
Vietnam	137,042	74,853	-45%
Taiwan	33,976	51,519	52%
China	557,820	48,160	-91%
Mexico	46,375	45,717	-1%
Korea	9,077	35,317	289%
Indonesia	29,175	27,087	-7%
Turkey	14,482	23,622	63%
Rest of the World	53,987	68,265	26%
Total Scrap Plastic Exports	1,667,736	1,069,959	-36%

For more information, please contact ISRI Research Analyst [Bernie Lee](#).

ISRI Convention Programming

There is simply no better way to get a leg up on the key scrap and commodity market developments than by attending this year's [2019 ISRI Convention & Expo](#) in Los Angeles. Here's an update on some of the commodity spotlights we're featuring this year:

Spotlight	Speakers/Moderators	Date and Time
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Nickel/Stainless	Doug Kramer (Kramer Metals and Spectrum Alloys), Markus Moll (SMR – Steel & Metals Market Research), Barry Jackson (Anglo American), Mitch Greenberg (Allied Alloys).	April 9, 2019. 2:00 – 3:30 p.m.
Ferrous	Tamara Lundgren, President and CEO, Schnitzer Steel.	April 9, 2019: 3:45 – 5:15 p.m.
Paper	Myles Cohen (Pratt Industries), Bill Moore (Moore & Associates), Susan Cornish (Moore & Associates).	April 10, 2019: 2:15 – 3:45 p.m.
Aluminum	Jason Schenker (Prestige Economics), Richard Mayenknecht (Nemak), Andy McKee (Schupan & Sons)	April 10, 2019: 2:15 – 3:45 p.m.
Plastics	Madeline Rohrbacher (CaraGreen Sustainable Architectural Materials), Eric DesRoberts (Ocean Conservancy), Mitch Ratcliffe (Earth911.com).	April 10, 2019: 4:00 – 5:15 p.m.
Copper	Randy Goodman (Greenland America), Tim Strelitz (California Metal-X), Jason Schenker (Prestige Economics), Jurgen van Gorp (Metallo).	April 10, 2019: 4:00 – 5:15 p.m.

This Week’s Story

Two ladies were playing golf. One of them was about to tee off when she noticed a funeral procession going by on the street.

The woman stopped in mid-swing, closed her eyes, and said a short prayer.

The other woman was truly inspired and after clearing her throat said, “Wow. That was one of the most beautiful things I’ve ever seen!”

“Well,” the first woman replied, “To be fair, I was married to him for 35 years.”

This Week’s Quote

“There is a very fine line between loving life and being greedy for it.”

-- Maya Angelou

ISRI 2019 **FEATURED SPEAKER** **Spotlight on Ferrous**
International Trade and Market Development
 April 9th 3:45 p.m. / L.A. Convention Center **Learn More**
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