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This Morning

The Wall Street Journal reports this morning that “China’s economic growth decelerated to its slowest pace in decades, weakened by trade tensions with the U.S. and businesses that held back from making big investments despite encouragement from Beijing. The economy grew by 6.2% in the second quarter, down from 6.4% in the period before.” And yet most of the major commodity indexes were up this morning as the Reuters/Jefferies CRB rose nearly 0.4% in early trading thanks to higher crude oil, precious metal, and base metal prices. In New York, NYMEX crude oil futures were up over \$60 per barrel, with Reuters reporting “Oil prices rose slightly on Monday as Chinese industrial output and retail data topped expectations but gains were capped by overall figures showing the country’s slowest quarterly economic growth in decades.” COMEX gold futures traded as high as \$1,421.60/to early this morning in New York. In London, LME 3-mo. copper and aluminum prices advanced to \$6,000/mt and \$1,830/mt, respectively, in early trading. In foreign exchange trading the euro edged up to \$1.128 while the British pound slipped to \$1.256.

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Selected Primary Commodity Prices: July 15, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Sep (\$/lb.)	2.7195	0.026	0.9%	2.694	2.70	2.722	2.686
COMEX Gold Aug (\$/to)	1,416.9	4.7	0.3%	1,412.2	1417.7	1,421.6	1,411.2
COMEX Silver Sep (\$/to)	15.36	0.1	0.8%	15.24	15.24	15.39	15.2
NYMEX Light Sweet Crude Aug (\$/bbl)	60.42	0.2	0.3%	60.21	60.25	60.47	59.85
SHFE Aluminum Sep (RMB/mt)	13,845	60	0.4%	13,785	13,790	13,900	13,780
SHFE Copper Sep (RMB/mt)	46,780	120	0.3%	46,660	46,540	47,020	46,530
SHFE Nickel Sep (RMB/mt)	105,510	1,820	1.8%	103,690	104,120	106,860	103,800
SHFE Zinc Sep (RMB/mt)	19,215	140	0.7%	19,075	19,105	19,320	19,090

The Week Ahead

New U.S. economic releases due out this week will cover retail sales, industrial production, housing starts & building permits, consumer sentiment, and the Conference Board's index of leading economic indicators. The consensus forecasts are for a 0.2% increase in industrial production in June, modest increases in housing starts and building permits, but a flat reading (0.0%) on leading economic indicators. Overseas, the Financial Times reports "Finance ministers and central bankers of the G7 meet in Chantilly, outside Paris, on Wednesday. The US-China trade war and global economic slowdown are likely to top the agenda, but the host nation wants the theme of this gathering to be making capitalism fairer. France is proposing more financing for Africa and has urged the G7 to accelerate its transition to low-carbon economies in order to combat climate change. More contentiously, for big companies, Paris is demanding a global minimum corporation tax, a crackdown on tax havens, and stricter regulation of international IT groups such as Facebook and Google." 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: July 15-19, 2019

Date	Time	Release	Period	Consensus	Prior
Jul 15	08:30	Empire State Manufacturing	Jul	5.0	-8.6
Jul 16	08:30	Retail Sales	Jun	0.2%	0.5%
Jul 16	08:30	Retail Sales ex-auto	Jun	0.2%	0.5%
Jul 16	08:30	Import Prices	Jun	NA	-0.3%
Jul 16	08:30	Export Prices	Jun	NA	-0.2%
Jul 16	08:30	Import Prices ex-oil	Jun	NA	-0.3%
Jul 16	08:30	Export Prices ex-ag.	Jun	NA	-0.2%
Jul 16	09:15	Industrial Production	Jun	0.2%	0.4%
Jul 16	09:15	Capacity Utilization	Jun	78.2%	78.1%
Jul 16	10:00	Business Inventories	May	0.4%	0.5%
Jul 16	10:00	NAHB Housing Market Index	July	62	64
Jul 17	08:30	Housing Starts	Jun	1270K	1269K

Jul 17	08:30	Building Permits	Jun	1300K	1294K
Jul 17	14:00	Fed's Beige Book	Jul	NA	NA
Jul 18	08:30	Initial Claims	07/13	215K	209K
Jul 18	08:30	Continuing Claims	07/06	NA	1723K
Jul 18	08:30	Philadelphia Fed Index	Jul	5.0	0.3
Jul 18	10:00	Leading Indicators	Jun	0.0%	0.0%
Jul 19	10:00	Univ. of Michigan Consumer Sentiment - Prelim	Jul	98.9	98.2

Economic Week in Review

As expected, monetary policy was squarely in focus last week as expectations for new stimulus measures were generally confirmed. The European Central Bank released the minutes of its last meeting and, as the Wall Street Journal reported, “European Central Bank officials signaled at their June policy meeting that they will consider injecting fresh stimulus into the eurozone economy through interest-rate cuts or the relaunch of a €2.6 trillion (\$2.9 trillion) bond-buying program, amid deep concerns over slowing global growth and trade disputes.”

Here in the U.S., Fed Chairman Powell testified before the House Financial Services Committee on Wednesday and the Senate Banking Committee on Thursday. As reported by the Financial Times, “Jay Powell, chairman of the Federal Reserve, has cemented the case for the U.S. central bank to cut interest rates based on mounting risks to the US economic outlook, in dovish testimony to Congress that fueled expectations for a rate cut this month. Despite a strong jobs report for the month of June and last month’s new truce in the trade war between the U.S. and China, Mr. Powell said ‘uncertainties about the outlook have increased in recent months’, particularly internationally. ‘Economic momentum appears to have slowed in some major foreign economies, and that weakness could affect the U.S. economy. Moreover, a number of government policy issues have yet to be resolved, including trade developments, the federal debt ceiling, and Brexit. And there is a risk that weak inflation will be even more persistent than we currently anticipate,’ Mr. Powell said in prepared remarks.”

Not surprisingly, investors cheered the monetary policy statements, pushing the Dow Jones Industrial Average to all-time highs above 27,300.

Dow Jones Industrial Average (^DJI)

DJI - DJI Real Time Price, Currency in USD

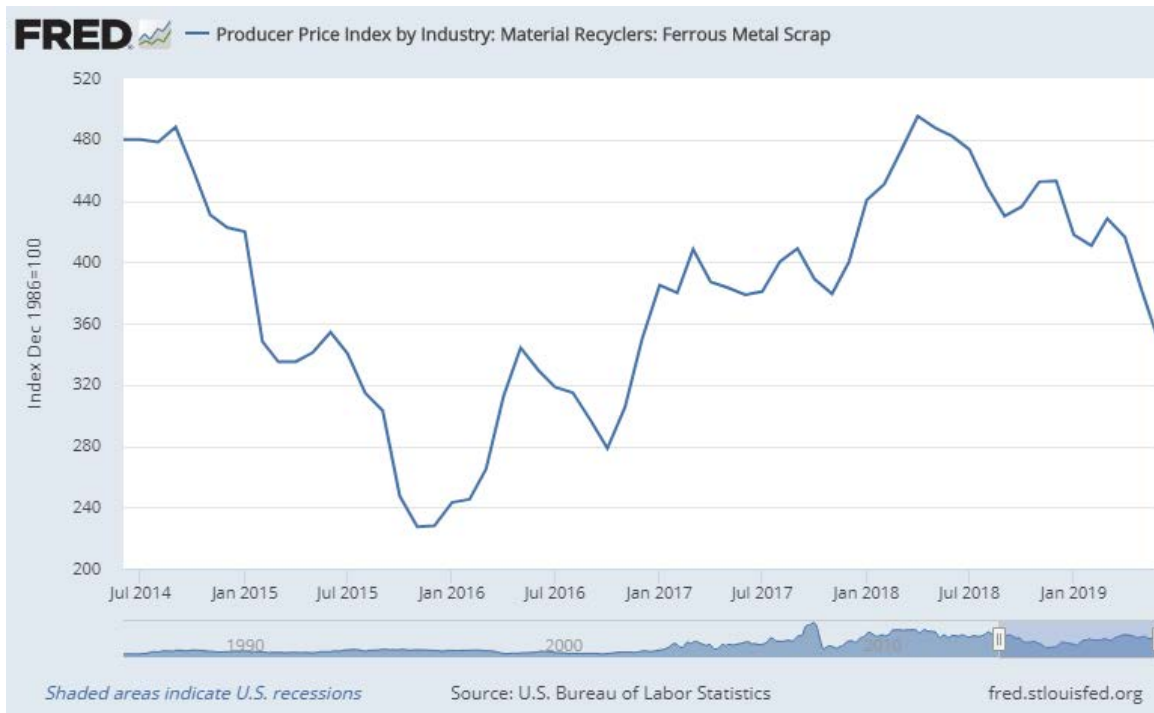
27,332.03 +243.93 (+0.90%)

At close: July 12 5:07PM EDT



Of note, core (excluding food and energy) consumer and producer price indexes in the United States in June were up 0.3% month-on-month, and as Briefing.com reports, “The key takeaway from the {PPI} report is that the Producer Price Index for June, like the Consumer Price Index for June, didn’t exactly support the case for a 50-basis points cut in July. Some might argue, too, that it didn’t event support the case for a 25-basis points cut in July, yet that’s almost a moot (and mute) argument given the subtext of

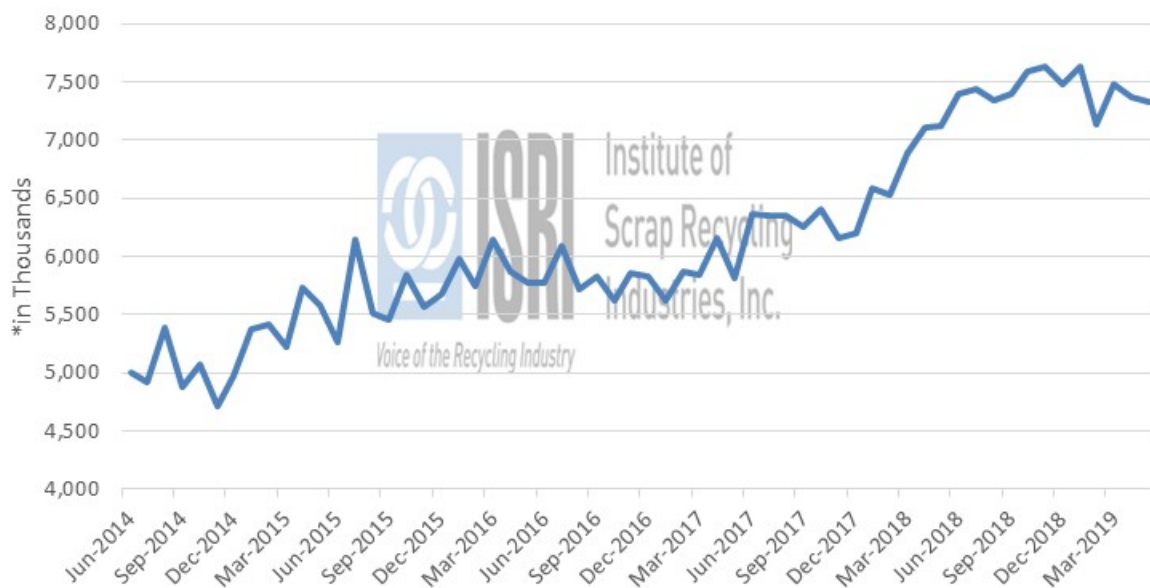
Mr. Powell's remarks in his semiannual monetary policy testimony." Here's the trend in the producer price series for ferrous scrap over the last five years, which, suffice it to say, has been less than stellar recently:



Last but not least, the Job Openings and Labor Turnover Survey came out with a lower than expected level of job openings for May at 7.32 million. April was also revised lower to 7.37 million but hires were revised higher to 5.99 million. While still better than this time last year, the spread between openings and hires in May grew to 1.6 million from 1.38 million in April.

U.S. Job Openings, 2014-2019 (Thousands)

Source: Bureau of Labor Statistics



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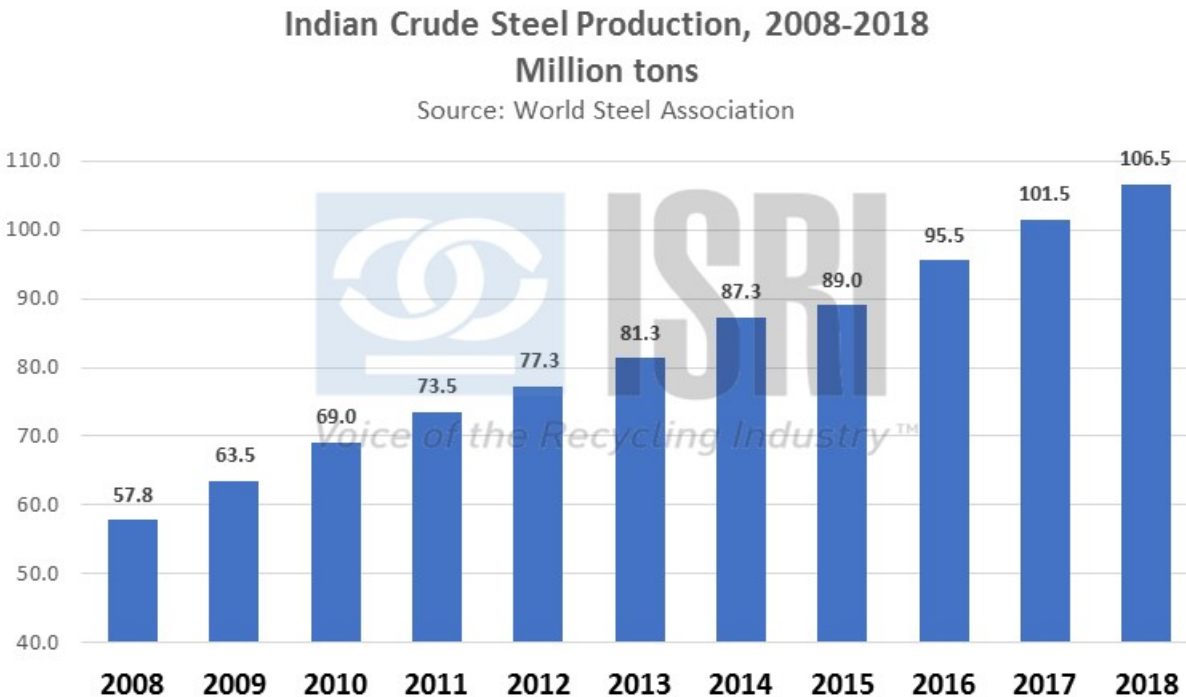
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Commodity News

Perhaps the most exciting commodity news out last week was the opening of registration for the 2019 ISRI Commodities Roundtable Forum to be held in Chicago from September 11-13, 2019. You are not going to want to miss this opportunity to join professionals and experts from around the world as they share their views and insights into the global scrap markets. Please join us for [in-depth discussions](#) and networking opportunities in order to gain a better understanding of where regional and global scrap markets are today, and where they are headed going forward.

Ferrous –

For iron and steel market participants, India, and south Asia generally, has become a key market. Here's the recent trend in Indian steel production according to figures from the World Steel Association:

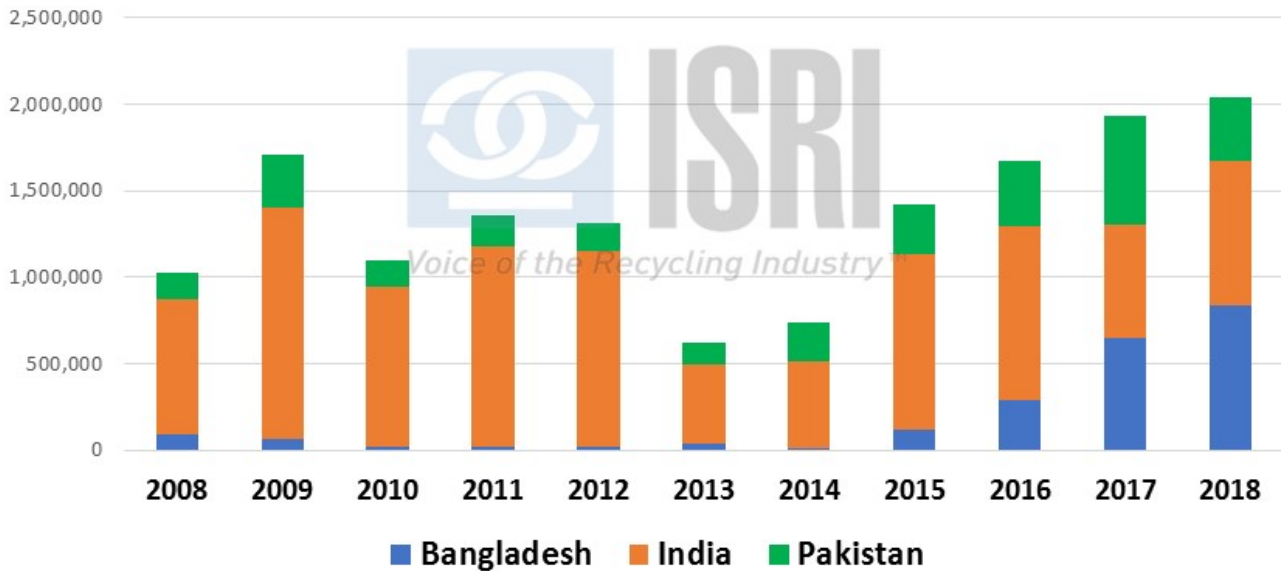


While Indian steel production has increased sharply, Indian demand for U.S. ferrous scrap has been somewhat more volatile. In 2018, U.S. ferrous scrap exports to India were up 27% to more than 830,000 metric tons. But according to the latest trade data from the Census Bureau, U.S. ferrous scrap exports to India during Jan-May 2019 were down 49% year-on-year to around 265,000 metric tons. Meanwhile, ferrous scrap shipments to Bangladesh have surged 22% higher so far this year to more than 347,000

tons through May. In 2014, the U.S. shipped less than 9,000 tons of ferrous scrap to Bangladesh. By comparison, U.S. ferrous scrap shipments to Bangladesh in 2018 approached 834,000 metric tons. Here's the trend in U.S. ferrous scrap shipments to the major south Asian markets going back to 2008:

U.S. Ferrous Scrap Exports to India, Pakistan, and Bangladesh, (ex-stainless and alloy scrap), 2008-2018, Metric tons

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



Clearly, south Asia is going to be a growth market for ferrous scrap as steel production in the region ramps up. ISRI looks forward to working with our counterparts in the region to make sure that our scrap specifications help to facilitate the trade of high-quality iron and steel scrap between buyers and sellers.

Nonferrous –

As reported by Reuters and others last week, “The China Solid Waste and Chemicals Management Bureau, a unit of the Ministry of Ecology and Environment, issued import quotas for another 124,450 tonnes of high-grade copper scrap and 306,930 tonnes of high-grade aluminum scrap. The quotas included allocations for the key metal-recycling province of Guangdong, which had previously received no quotas, as well as quotas for 5,500 tonnes of steel scrap.” (We told you there’d be more quotas coming.)

More remarkable has been how the global flow of aluminum scrap has outpaced the movement of material to mainland China (-28%). Aluminum scrap exports to India are up more than 90 percent this year, along with significant gains to South Korea (+30%), Malaysia (+39%), Indonesia (+123%), Taiwan (+73%), and Mexico (+21%). Overall, U.S. aluminum scrap exports are up nearly 17% this year:

U.S. Aluminum Scrap Exports by Major Destination, Metric tons

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

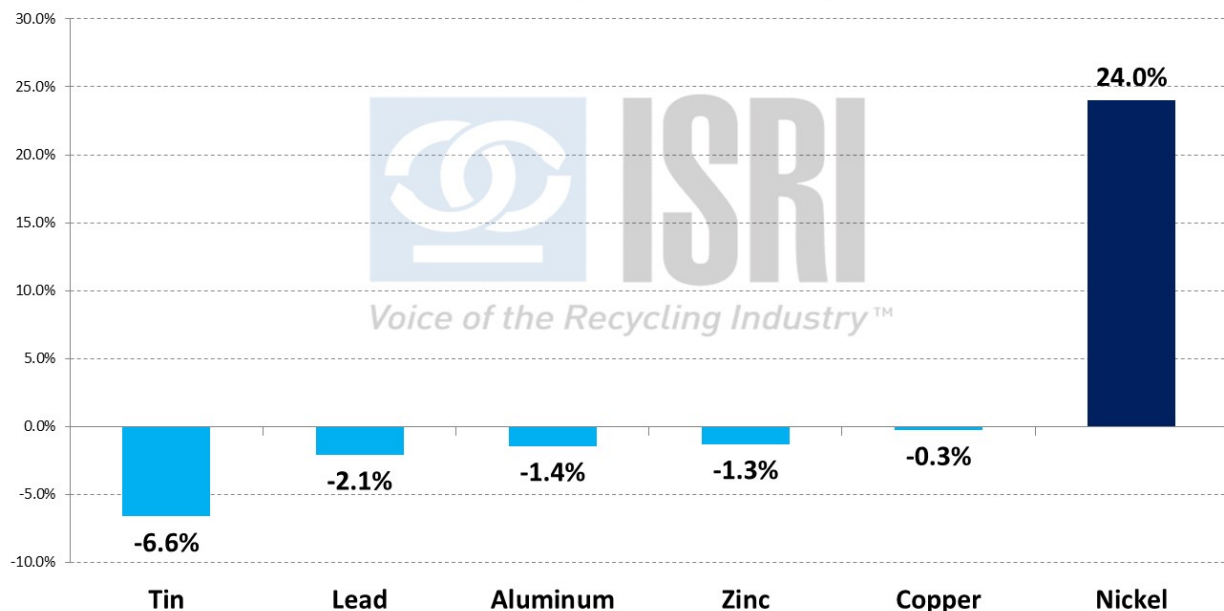
	2017	2018	Jan-May 2018	Jan-May 2019	YTD % CHG
China	830,524	493,761	267,151	191,291	-28.4%
South Korea	180,805	240,073	88,042	114,445	30.0%
India	78,679	215,651	56,134	107,229	91.0%

Malaysia	52,505	182,630	55,824	77,566	38.9%
Mexico	113,028	137,970	49,997	60,541	21.1%
Indonesia	36,907	75,474	20,220	45,176	123.4%
Hong Kong	40,329	42,292	12,685	40,293	217.6%
Canada	103,456	102,011	42,515	38,166	-10.2%
Taiwan	30,151	69,005	17,537	30,253	72.5%
Brazil	152	15,898	4,349	9,011	107.2%
Pakistan	6,387	14,743	3,618	6,327	74.9%
Thailand	3,179	15,028	5,016	6,061	20.8%
Japan	16,548	23,687	8,049	5,789	-28.1%
Philippines	2,157	5,104	946	4,552	381.2%
Germany	11,475	7,792	3,974	4,116	3.6%
Belgium	2,188	11,759	1,347	3,433	154.9%
Singapore	60	2,242	117	3,420	2822.9%
Others	15,140	43,040	18,117	17,161	-5.3%
Total:	1,523,672	1,698,160	655,640	764,828	16.65%

For the year-to-date, only nickel prices are in positive territory in London, with the LME official 3-mo. nickel asking price at \$13,300 per ton on Friday, up 24% from the start of the year. Looking forward, Macquarie is bearishly forecasting average 2020 prices of \$5,600 per ton for copper, \$1,803 per ton for aluminum, \$2,063 per ton for zinc, \$1,725 per ton for lead, and \$13,250 per ton for nickel.

Paper and Plastic –

YTD 2019 Percentage CHG in LME Official 3-Mo. Nonferrous Metal Asking Prices through July 12, 2019 (%)



Far West Recycling is testing out the viability of [a secondary MRF system that will take their residuals](#), and those of four other area MRFs, to run through additional sorting to try and capture more of the difficult materials in their stream. The secondary MRF equipment is being provided by Titus MRF Services, based in Los Angeles, CA. Potential developments out of this type of relationship may include capturing enough marginal profit to help MRFs upgrade their facilities and dispersing risk more evenly throughout the system.

Transportation Costs: Diesel Fuel

For the week ending July 8, 2019, the U.S. Energy Information Administration reports that average on-highway diesel fuel prices in the United States were up \$0.013 per gallon from the preceding week to \$3.055/gallon. The highest diesel fuel prices in the nation were in California at \$3.953/gallon and were the lowest in the Gulf Coast region at \$2.804 per gallon. But as compared to this time last year, average U.S. diesel prices were down 18.8 cents per gallon.

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon)					
				Change from	
	06/24/19	07/01/19	07/08/19	week ago	year ago
U.S.	3.043	3.042	3.055	↑ 0.013	↓ -0.188
East Coast (PADD1)	3.079	3.080	3.081	↑ 0.001	↓ -0.157
New England (PADD1A)	3.136	3.135	3.134	↓ -0.001	↓ -0.145
Central Atlantic (PADD1B)	3.258	3.270	3.275	↑ 0.005	↓ -0.130
Lower Atlantic (PADD1C)	2.946	2.941	2.940	↓ -0.001	↓ -0.172
Midwest (PADD2)	2.926	2.924	2.968	↑ 0.044	↓ -0.208
Gulf Coast (PADD3)	2.797	2.803	2.804	↑ 0.001	↓ -0.200
Rocky Mountain (PADD4)	3.030	2.998	2.980	↓ -0.018	↓ -0.390
West Coast (PADD5)	3.631	3.628	3.624	↓ -0.004	↓ -0.125
West Coast less California	3.206	3.205	3.208	↑ 0.003	↓ -0.263
California	3.968	3.963	3.953	↓ -0.010	↓ -0.017

*prices include all taxes

This Week's Story

A retired gentleman went to the Social Security office to apply for his benefits. After waiting in line for a very long time, he finally got to the counter. The woman behind the counter asked him for his driver's license to verify his age.

He looked inside his pockets and realized he had left his wallet at home. He told the woman that he was very sorry, but he seemed to have left his identification at home.

"Will I have to go home and come back now?" he asked. The woman replied, "Please unbutton your shirt." So he opened his shirt, revealing lots of silver, curly hair. She said, "That silver hair on your chest is proof enough for me." And she processed his social security application right away.

When he got home, the man excitedly told his wife all about his experience at the social security office.

Not missing a beat, his supportive wife told him, "You should have dropped your pants too, you might have qualified for disability."

This Week's Quote

"Gentleness, self-sacrifice, and generosity are the exclusive possession of no one race or religion."

-- Mahatma Gandhi

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