



Weekly Market Report

May 14, 2019

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This Morning

The Bloomberg Commodity Index rebounded 0.7% this morning as higher crude oil prices pulled the major commodity indexes higher. Reuters reports that "oil prices rose on Tuesday after the world's top oil exporter Saudi Arabia said explosive-laden drones had attacked two pumping stations belonging to state oil company Aramco." In New York, NYMEX crude oil futures traded as high as \$62 per barrel this morning while COMEX copper futures were little changed around \$2.72 per pound. In London, base metal prices were mostly firmer this morning with LME 3-mo. copper recently trading around \$6,040/mt as 3-mo. aluminum and nickel edged up to \$1,835/mt and \$11,860/mt, respectively. In foreign exchange trading the euro slipped to \$1.1214 while the British pound was down to \$1.292 as trade jitters continue to ripple through the forex markets.

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Selected Primary Commodity Prices: May 14, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Jul (\$/lb.)	2.7220	0.003	0.1%	2.719	2.72	2.738	2.714
COMEX Gold Jun (\$/to)	1,299.9	-1.9	-0.1%	1,301.8	1300.8	1,304.2	1,296.6
COMEX Silver Jul (\$/to)	14.83	0.0	0.3%	14.78	14.78	14.85	14.7
NYMEX Light Sweet Crude Jun (\$/bbl)	61.57	0.5	0.9%	61.04	60.86	62.00	60.69
SHFE Aluminum Jun (RMB/mt)	14,205	10	0.1%	14,195	14,225	14,260	14,165
SHFE Copper Jul (RMB/mt)	47,510	-210	-0.4%	47,720	47,550	47,640	47,350
SHFE Nickel Jun (RMB/mt)	96,220	-400	-0.4%	96,620	96,360	97,500	95,310
SHFE Zinc Jul (RMB/mt)	20,635	-210	-1.0%	20,845	20,750	20,775	20,490

The Week Ahead

Investors will again be focused on any new developments on U.S.-China trade front this week, but a number of key economic releases will also be in focus. In the United States, we'll get new figures on industrial production, retail sales, housing starts and building permits, the Conference Board's index of leading economic indicators (LEI), and the preliminary report on consumer sentiment in May. The consensus forecasts are that U.S. industrial production edged up 0.1% in April while retail sales rose 0.2%. The LEI is expected to signal continued growth ahead (0.2%). Overseas, we'll also get industrial production and retail sales figures from China, while the flashing reading on German real GDP is expected to show a 0.4% rebound in the first quarter. 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: May 13-17, 2019

Date	Time	Release	Period	Consensus	Prior
May 14	06:00	NFIB Small Business Optimism Index	Apr	NA	101.8
May 14	08:30	Import Prices	Apr	NA	0.6%
May 14	08:30	Export Prices	Apr	NA	0.7%
May 14	08:30	Import Prices ex-oil	Apr	NA	-0.2%
May 14	08:30	Export Prices ex-ag.	Apr	NA	0.7%
May 15	07:00	MBA Mortgage Applications Index	05/11	NA	2.7%
May 15	08:30	Retail Sales	Apr	0.2%	1.6%
May 15	08:30	Retail Sales ex-auto	Apr	0.6%	1.2%
May 15	08:30	Empire State Manufacturing	May	7.7	10.1
May 15	09:15	Industrial Production	Apr	0.1%	-0.1%
May 15	09:15	Capacity Utilization	Apr	78.8%	78.8%
May 15	10:00	Business Inventories	Mar	0.0%	0.3%
May 15	10:30	EIA Crude Oil Inventories	05/11	NA	-4.0M
May 15	16:00	Net Long-Term TIC Flows	Mar	NA	\$51.9B
May 16	08:30	Initial Claims	05/11	222K	228K

May 16	08:30	Continuing Claims	05/04	NA	1684K
May 16	08:30	Housing Starts	Apr	1200K	1139K
May 16	08:30	Building Permits	Apr	1280K	1269K
May 16	08:30	Philadelphia Fed Index	May	7.5	8.5
May 16	10:30	EIA Natural Gas Inventories	05/11	NA	+85 bcf
May 17	10:00	Leading Indicators	Apr	0.2%	0.4%
May 17	10:00	Univ. of Michigan Consumer Sentiment - Prelim	May	96.9	97.2

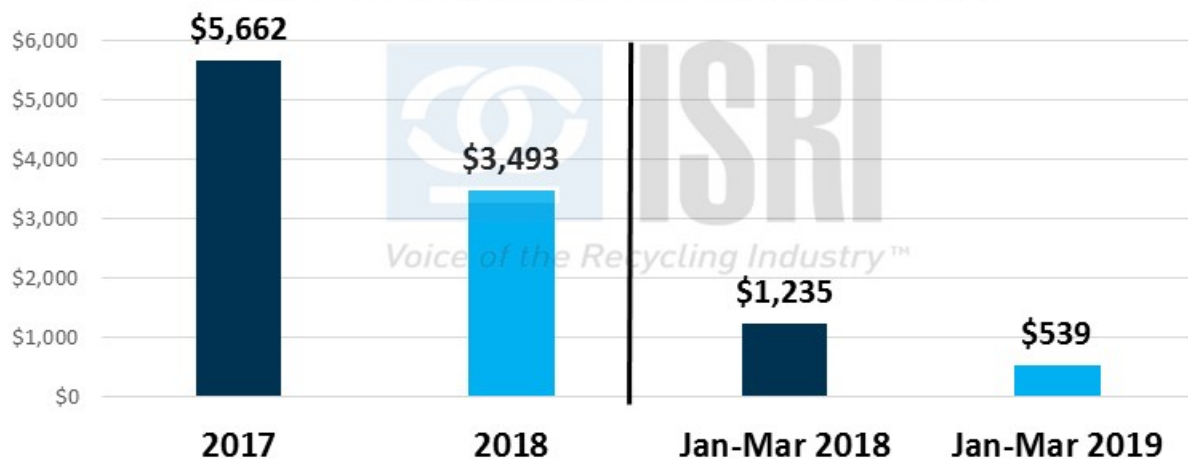
Economic Week in Review

The failure of China and the U.S. to reach a trade agreement last week continues to roil markets as the Dow Jones Industrial Average plunged 617 points lower on Monday. As reported by Bloomberg and other news outlets, “The U.S. prepared to hit China with new tariffs even as President Donald Trump said he’ll meet his Chinese counterpart, Xi Jinping, at next month’s G-20 summit, an encounter that could prove pivotal in a deepening clash over trade. The U.S. Trade Representative’s office Monday released a list of about \$300 billion worth of Chinese goods including children’s clothing, toys, mobile phones and laptops that Trump has threatened to hit with a 25% tariff. If Trump proceeds with the tariffs, it would see almost all imports from China covered by punitive import duties. It also would turn the president’s trade wars into a tangible reality for many Americans as he seeks re-election. At the same time, Trump is sounding optimistic about the chances of a deal. ‘When the time is right we will make a deal with China. My respect and friendship with President Xi is unlimited but, as I have told him many times before, this must be a great deal for the United States or it just doesn’t make any sense,’ he tweeted on Tuesday. Under a process outlined by U.S. officials, the new tariffs would not take effect until late June at the earliest.”

On a related note, the Census Bureau reported last week that the U.S. trade deficit widened in March to \$50 billion (from \$49.3 billion in February) as imports increased by \$2.8 billion to \$262 billion, more than offsetting the \$2.1 billion gain in exports. For U.S. scrap exporters, the drop-off in shipments to China continues to take a toll. In 2018, U.S. scrap exports to China fell declined by more than \$2.1 billion to just under \$3.5 billion and that trend is continuing in 2019. According to Census Bureau trade figures, U.S. scrap exports to China decreased to less than \$540 million in 1Q 2019, down from \$1.2 billion in the first quarter of last year:

FAS Value of Total U.S. Scrap Exports to Mainland China, 2017 - YTD 2019 (US\$ millions)

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

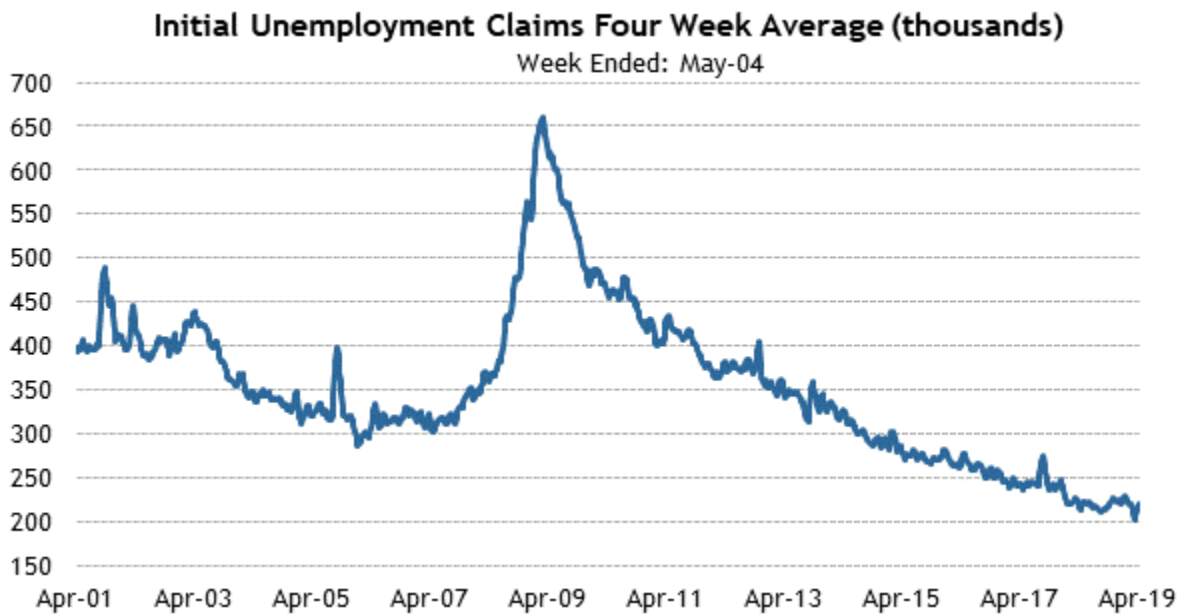


Unlike last year, other countries have not made up for the Chinese shortfall so far this year, with total U.S. scrap exports to all countries down 10% year-on-year in the first quarter of 2019 to \$4.6 billion, according to the Census Bureau figures.

In other economic news last week, U.S. producer prices saw moderate growth in April. While food and energy were the primary drivers for price growth, trade services seemed to be the stagnating factor.

U.S. Producer Price Index - Final Demand	Consensus	Consensus Range	Actual	Previous
PPI-Final Demand - M/M change	0.30%	0.1% to 0.5%	0.20%	0.60%
PPI-Final Demand - Y/Y change	2.40%	2.3% to 2.4%	2.20%	2.20%
PPI-Final Demand less food & energy - M/M change	0.20%	0.1% to 0.3%	0.10%	0.30%
PPI-Final Demand less food & energy - Y/Y change	2.50%	2.4% to 2.5%	2.40%	2.40%
PPI-Final Demand less food, energy & trade services - M/M change	0.20%	0.2% to 0.3%	0.40%	0.00%
PPI-Final Demand less food, energy & trade services - Y/Y change			2.20%	2.00%

The number of job openings rose to 7.5 million at the end of March according to the Bureau of Labor Statistics' JOLTS report. BLS reports that "Over the month, hires and separations were little changed at 5.7 million and 5.4 million, respectively. Within separations, the quits rate was unchanged at 2.3 percent and the layoffs and discharges rate was little changed at 1.1 percent." In other labor market news, the 4-week moving average of initial unemployment claims remains extremely low at 220,000, another indicator of tight labor market conditions:



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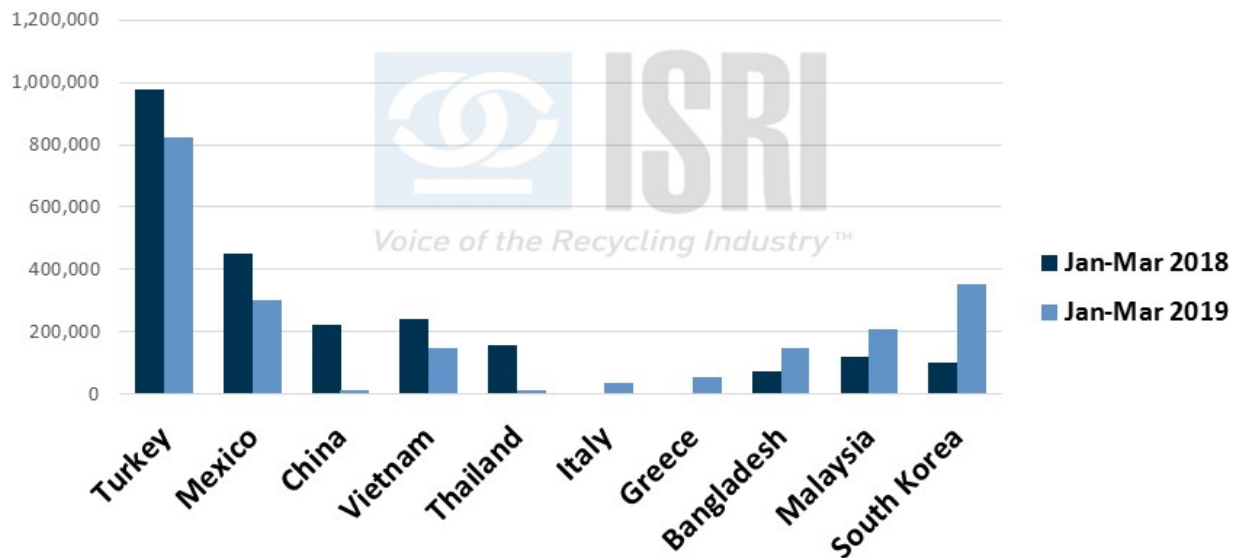
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Commodity News

Ferrous – On the ferrous front, the latest U.S. trade data show U.S. exports of ferrous scrap (excluding stainless steel and alloy steel scrap) were down 16% year-on-year in the first quarter of 2019 on slower shipments to Turkey (-16%), Mexico (-34%), and China (-94%), more than offsetting gains to S. Korea, Malaysia, Bangladesh, and certain European markets:

Largest YTD Market Losses and Gains for U.S. Ferrous Scrap Exports, Jan-Mar 2018 vs. Jan-Mar 2019 (metric tons)

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



Here's the breakdown of U.S. ferrous scrap exports by major grade so far this year, including weaker exports of cut plate & structural (-42%), shredded steel (-28%), and No. 1 HMS (-15%):

U.S. Ferrous Scrap Exports	2018	Jan-Mar 2018	Jan-Mar 2019	YTD % CHG
Cast Iron	797,452	228,958	233,206	2%
Tinned Iron	61,395	14,941	19,710	32%
No. 1 Bundles	24,476	7,636	5,191	-32%
No. 2 Bundles	3,501	2,143	54	-97%
Borings, Shovelings, Turnings	8,582	1,523	4,724	210%
Shavings, Chips, etc	70,817	20,126	10,936	-46%

No. 1 HMS	5,266,643	1,327,250	1,129,485	-15%
No. 2 HMS	774,080	167,206	173,759	4%
Cut Plate and Structural	543,306	150,993	87,544	-42%
Shredded Steel	5,682,677	1,485,304	1,073,304	-28%
Other Ferrous Scrap	2,417,060	495,112	534,676	8%
Total	15,649,989	3,901,192	3,272,589	-16%

On the domestic front, the American Iron and Steel Institute reports that for "...the week ending on May 11, 2019, domestic raw steel production was 1,927,000 net tons while the capability utilization rate was 82.8 percent... The current week production represents a 6.6 percent increase from the same period in the previous year. Production for the week ending May 11, 2019 is up 0.6 percent from the previous week ending May 4, 2019 when production was 1,915,000 net tons and the rate of capability utilization was 82.3 percent."

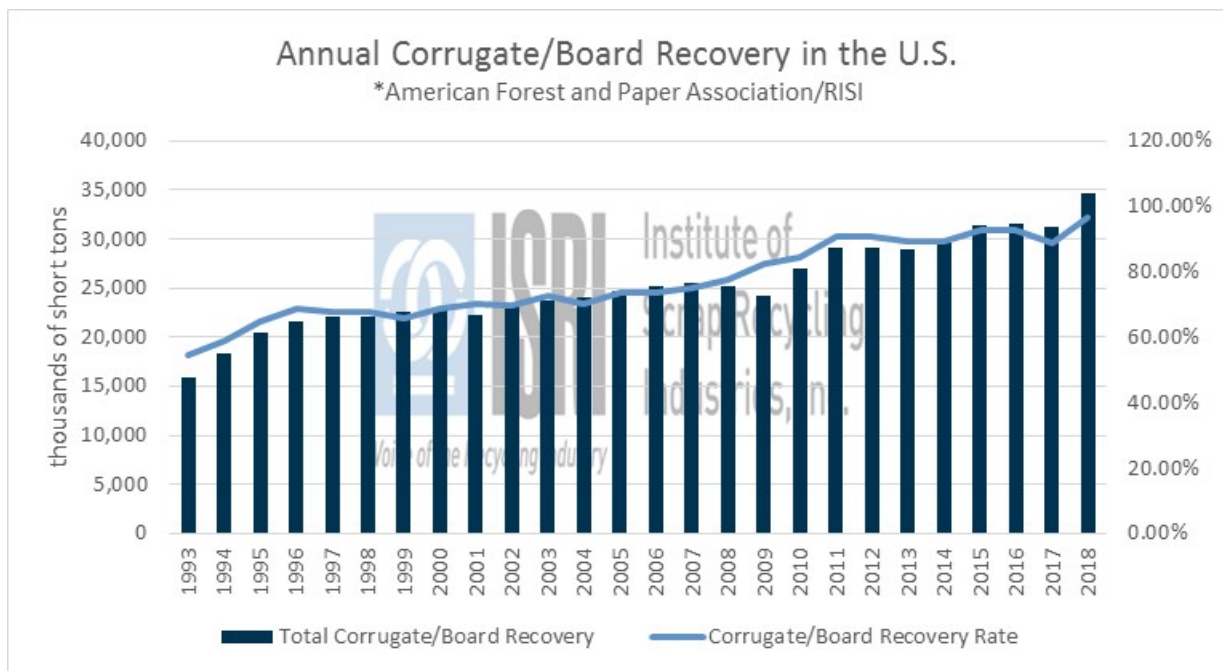
Nonferrous – Not surprisingly, reduced traded flows with China have had an especially pronounced impact on U.S. nonferrous scrap exports so far this year. YTD shipments on copper & copper alloy scrap to China are down 81% this year to less than 25,000 tons, as compared to the more than 130,000 tons of copper scrap shipped to China in the first quarter of last year. While copper scrap demand from Malaysia, South Korea, India, Japan, Taiwan, Belgium, and Hong Kong improved in the first quarter, YTD U.S. copper scrap exports are still down 4% year-on-year. Here's the breakdown in our nonferrous scrap exports by grade so far this year:

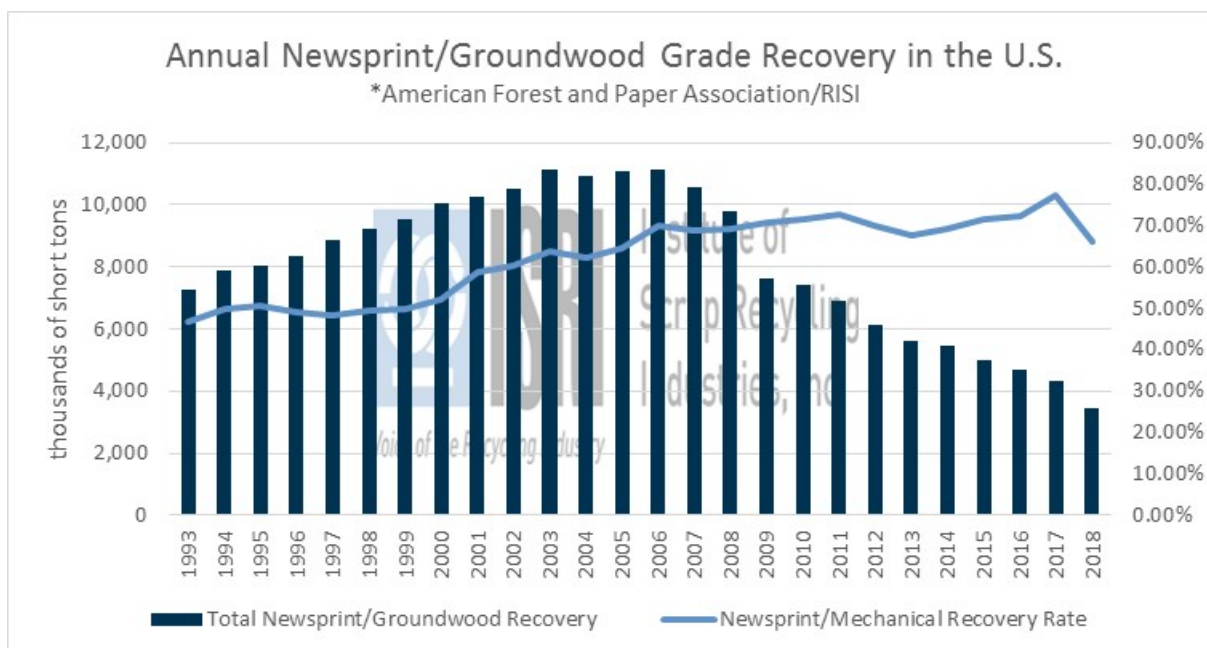
U.S. Nonferrous Scrap Exports	2018	Jan-Mar 2018	Jan-Mar 2019	YTD % CHG
Total Copper	912,824	232,178	222,648	-4%
<i>No. 1 Copper (Bare Bright)</i>	47,159	11,188	12,273	10%
<i>No. 1 Copper (ex Bare Bright)</i>	128,880	39,255	24,113	-39%
<i>No. 2 Copper</i>	135,464	37,459	29,103	-22%
<i>Refined Copper</i>	198,282	52,055	42,374	-19%
<i>Red/Semi-Red Brass, Pb>0.3%</i>	9,691	1,978	3,764	90%
<i>Red/Semi-Red Brass, Pb<0.3%</i>	10,684	1,786	2,567	44%
<i>Yellow Clippings, Pb>0.3%</i>	836	69	149	116%
<i>Yellow Clippings, Pb<0.3%</i>	8,543	2,783	2,678	-4%
<i>Yellow Brass, Pb>0.3%</i>	21,781	4,805	7,291	52%
<i>Yellow Brass, Pb<0.3%</i>	20,413	4,692	4,810	3%
<i>Copper Alloys</i>	49,366	12,390	12,152	-2%
<i>Mixed Copper, Solids and Turnings</i>	30,255	9,596	5,671	-41%
<i>Other Mixed Copper</i>	251,470	54,123	75,703	40%
Total Nickel/Stainless	1,696,126	215,621	336,335	56%
<i>Stainless Steel</i>	777,626	84,786	106,255	25%
<i>Alloy Steel</i>	882,514	122,895	222,687	81%
<i>Nickel Scrap</i>	35,986	7,940	7,393	-7%
Total Aluminum	1,762,213	386,910	452,457	17%
<i>Remelt Aluminum Ingots</i>	62,748	15,374	12,222	-21%
<i>UBCs</i>	41,565	6,136	7,284	19%
<i>Aluminum Scrap</i>	1,657,899	365,400	432,951	18%

Here in the U.S., hopefully you saw ISRI's Member Alert last week on mutilated coins, which explains: "After only a little over a year of resumed operations, the U.S. Mint again suspended the Mutilated Coin

Redemption Program for an indefinite period. The U.S. Mint receives large bundles of coins that have been mutilated or damaged in the recycling process of used cars, vending machines, etc. The Mutilated Coin Redemption Program has been operated by the U.S. Mint for many decades. Several years ago, the U.S. Mint suspended this important program while pursuing litigation. In the meantime, scrap recyclers were forced to store these recovered but unusable coins for over three years with no alternatives. ISRI worked with the U.S. Mint to resume operations of this program and worked to offer suggestions to protect the integrity of the nation's currency. Very recently, ISRI learned that the program was again suspended. ISRI is trying to learn more details about the suspension and when the program may be resumed again." For more information please contact [Billy Johnson](#).

Paper and Plastic – AF&PA have recently published their paper recycling statistics for 2018. Paper recovery rates hit a thirty year high of 68.1%. It is important to note that the paper recycling rate has always maintained an upward trajectory but, after the Great Recession, the supply of news has dramatically declined while corrugated has steadily risen. The rise in recycling of corrugated and board grades tracks with market research on the growth of e-commerce, decline of brick & mortar outlets, and warehousing distribution through a hub & spoke system.





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

Transportation

There's an interesting confluence of events that may be affecting transportation. [The International Maritime Organizations' low-sulfur bunker fuel mandate](#), [draft restrictions increasing on the Panama Canal](#), [increased truck congestion at ports with new fees being introduced](#). The "too long, didn't read" (tl:dr) version is that trucks are likely to get slapped with fees as they'll be stuck trying to get into ports where fewer ships will be docking and taking smaller loads to further exacerbate problems.

The environmental policies that are being put into place by a large swath of industrialized European nations fail to engage with the most active trade relationship in the world between the U.S. and China. Operations and supply logistics may need to consider new scheduling routines in order to move and process materials to maximize off-peak periods or look into adopting new warehousing solutions.

Of note on the trucking front, the Commercial Carrier Journal reports that a truck driver in Texas was recently awarded \$80 million after having been forced to falsify his logs. The CCJ report, "A truck driver who fell asleep while driving along I-59 in Alabama in 2015 was awarded \$80 million by a Texas jury after suing his bosses for forcing him to falsify his logs and continue driving when he should have taken his 34-hour restart. The Hidalgo County, Texas, jury fined three companies – JNM Express, ANCA Transport and Omega Freight Logistics, all owned by Jorge Marin – \$25 million each for exemplary damages, as well as an additional \$5 million for compensatory damages. The damages are to be awarded to trucker Lauro Lozano. According to court documents, on May 3, 2015, Lozano was at home after delivering a load and needed to take his 34-hour break. A few hours after being at home, he received a call from Marin, who told him to take another load brokered by Omega Freight, which Marin also owned. Lozano said he told Marin he could not safely or legally take the load, but Marin told him to alter his log book to make it look like he had taken his 34-hour break and to return to the yard in McAllen, Texas, the next morning to take the load to Maryland. Court documents state that during the early morning hours of May 6, while driving north on I-59 in Alabama, Lozano fell asleep at the wheel and struck another tractor-trailer from behind... The lawsuit also states that the three companies didn't carry workers' compensation insurance, which opened them up to the lawsuit over Lozano's injuries.

This Week's Story

Several men are in the locker room of a private golf club. A cell phone rings on the bench. A man picks it up and puts it on speaker. Everyone else in the room stops to listen. The man says: "Hello."

The woman on the other end says: "Honey, it's me. Are you at the club?" He says: "Yes."

She says: "I'm at the mall now and found this beautiful leather coat. It's only \$1,000. Is it OK if I buy it?"

He pauses, and then responds: "Sure... if you like it that much, go right ahead."

Then she says: "I also stopped by the Mercedes dealership and saw the new 2019 models. I saw one I really liked." The man asks: "Well, how much is it?" She says: "\$95,000." The man says "OK, but for that price I want it with all the options."

She responds: "Great! Oh, and one more thing. The house we wanted last year is back on the market. They're asking \$1,950,000." He says: "Well, then go ahead and make them an offer, but try to keep it under \$2,000,000."

The woman says: "Okay!! I'll see you later! I love you!" The man responds: "Bye, I love you, too."

The man hangs up. The other men in the locker room look at him in complete astonishment. Then he flashes them a smile and asks: "Does anyone know whose phone this is?"

This Week's Quote

"Adopt the pace of nature: her secret is patience."

-- Ralph Waldo Emerson

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