

September 9, 2019

*ISRI's Weekly Market Report will not be published next week due to the annual Commodity Roundtables. We hope to see many of you in Chicago this week. The Weekly Market Report will return on September 23.*

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## This Morning

The Bloomberg Commodity Index was up 0.5% in early trading this morning as firmer crude oil prices more than offset mostly lower base and precious metal prices. Reuters reports that "Oil prices rose more than 1% on Monday after the new Saudi energy minister, Prince Abdulaziz bin Salman, confirmed expectations that there would be no radical change in his country's oil policy." In New York, NYMEX crude oil futures traded as high as \$57.82 per barrel this morning. Copper prices weren't fairing as well this morning with COMEX copper futures down around \$2.62 per pound while LME 3-mo. copper briefly dipped below \$5,800 per metric ton. Aluminum prices bucked the trend in base metal trading in London this morning, with LME 3-mo. aluminum recently up around \$1,800 per ton. In foreign exchange trading the dollar retraced recent gains with the euro buying \$1.106 while the British pound rebounded to \$1.235 this morning as investors shook off UK hard-Brexit and recession fears.

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## Selected Primary Commodity Prices: September 9, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Dec (\$/lb.)	2.6215	-0.013	-0.5%	2.634	2.63	2.633	2.614
COMEX Gold Dec (\$/to)	1,513.2	-2.3	-0.2%	1,515.5	1516.4	1,523.8	1,511.5
COMEX Silver Dec (\$/to)	18.16	0.0	0.2%	18.12	18.22	18.40	18.0
NYMEX Light Sweet Crude Oct (\$/bbl)	57.71	1.2	2.1%	56.52	56.8	57.82	56.58
SHFE Aluminum Nov (RMB/mt)	14,405	30	0.2%	14,375	14,385	14,675	14,225
SHFE Copper Nov (RMB/mt)	47,400	-140	-0.3%	47,540	47,420	47,560	47,290
SHFE Nickel Nov (RMB/mt)	140,290	-1,010	-0.7%	141,300	139,400	142,270	138,140
SHFE Zinc Nov (RMB/mt)	18,995	-130	-0.7%	19,125	18,960	19,105	18,895

## The Week Ahead

This week we'll get key readings on inflation including the U.S. consumer price and producer price indexes, along with new figures on U.S. job openings and labor turnover, retail sales, consumer credit, and consumer sentiment. The consensus forecasts are for modest gains in core PPI (+0.1%) and CPI (+0.2%), which investors and the Fed will be watching closely. Overseas, we'll also get Chinese inflation data, but European monetary policy and Brexit developments should remain in focus. The Financial Times reports, "The European Central Bank concludes its policy meeting on Thursday, when officials are expected to cut interest rates and outline plans for economic stimulus measures. In July, the ECB left its benchmark rates unchanged, but president Mario Draghi hinted officials could revive a quantitative easing program to boost a slowing economy. Mr. Draghi will speak at a press conference following the ECB's meeting, which comes a week before a rate decision by the U.S. Federal Reserve. The market also expects the Fed to lower rates." The ISRI Market Report will not be published next week due to this week's [ISRI Commodity Roundtables Forum](#) to be held in Chicago from Sep 11-13, 2019 where scrap market participants will have the opportunity to network and learn from our outstanding commodity, trade, and economic experts (see details below). We hope to see you there!

## U.S. Economic Calendar: September 9-13, 2019

Date	Time	Release	Period	Consensus	Prior
9-Sep	15:00 ET	Consumer Credit	Jul	\$18.2B	\$14.6B
11-Sep	08:30 ET	PPI	Aug	0.1%	0.2%
11-Sep	08:30 ET	Core PPI	Aug	0.1%	-0.1%
11-Sep	10:00 ET	Wholesale Inventories	Jul	0.2%	0.0%
12-Sep	08:30 ET	CPI	Aug	0.1%	0.3%
12-Sep	08:30 ET	Core CPI	Aug	0.2%	0.3%
12-Sep	08:30 ET	Initial Claims	7-Sep	218K	217K

12-Sep	08:30 ET	Continuing Claims	31-Aug	NA	1662K
12-Sep	14:00 ET	Treasury Budget	Aug	NA	-\$214.1B
13-Sep	08:30 ET	Retail Sales	Aug	0.2%	0.7%
13-Sep	10:00 ET	Business Inventories	Jul	0.3%	0.0%
13-Sep	10:00 ET	Univ. of Michigan Consumer Sentiment - Prelim	Sep	90.2	89.8

## Economic Week in Review

Last week's U.S. economic reports mostly underwhelmed as the Institute for Supply Management's reading on manufacturing PMI dropped into negative territory (49.1), the U.S. trade deficit was wider than expected (-\$54 billion), and the jobs report for August missed expectations (nonfarm payrolls +130,000 vs. consensus forecast of +160-170k). As for the manufacturing PMI report, "Respondents expressed slightly more concern about U.S.-China trade turbulence, but trade remains the most significant issue, indicated by the strong contraction in new export orders. Respondents continued to note supply chain adjustments as a result of moving manufacturing from China. Overall, sentiment this month declined and reached its lowest level in 2019," according to Timothy R. Fiore, Chair of the Institute for Supply Management's Manufacturing Business Survey Committee.

## U.S. Manufacturing Purchasing Managers Index

Category	AUG	JUL	JUN	MAY	APR
<b>Total Index</b>	<b>49.1</b>	<b>51.2</b>	<b>51.7</b>	<b>52.1</b>	<b>52.8</b>
Orders	47.2	50.8	50.0	52.7	51.7
Production	49.5	50.8	54.1	51.3	52.3
Employment	47.4	51.7	54.5	53.7	52.4
Deliveries	51.4	53.3	50.7	52.0	54.6
Inventories	49.9	49.5	49.1	50.9	52.9
Export Orders	43.3	48.1	50.5	51.0	49.5
Prices paid	46.0	45.1	47.9	53.2	50.0

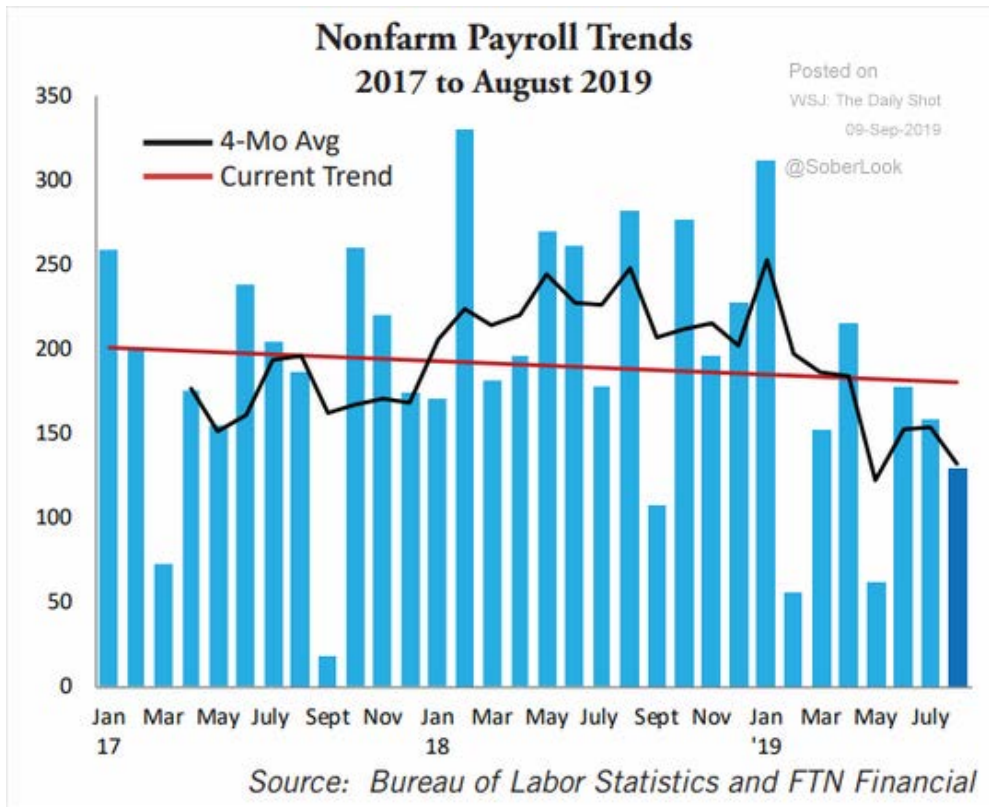
Here's what some of the survey respondents had to say:

- "Seeing some relief in the availability of electronic components in the marketplace, but there are still pockets of short supply, allocation, long lead times and the like. Tariffs continue to be a strain on the supply chain and the economy overall." (Computer & Electronic Products)
- "While business is strong, there is an undercurrent of fear and alarm regarding the trade wars and a potential recession." (Chemical Products)
- "Slowest month (July) this year so far in sales." (Transportation Equipment)
- "Slightly lower rate of incoming orders may be seasonal or a sign of a general slowdown. Monitoring closely." (Fabricated Metal Products)
- "Business is starting to show signs of a broad slowdown." (Machinery)
- "Generally, business remains steady. However, we continue to plan for a hard Brexit and a long trade war between the U.S. and China." (Miscellaneous Manufacturing)
- "The market for large building structures is slowing." (Nonmetallic Mineral Products)

- "Current business is OK, nothing to brag about. Under projections and slightly below last year, [but] margins are hanging in there." (Plastics & Rubber Products)

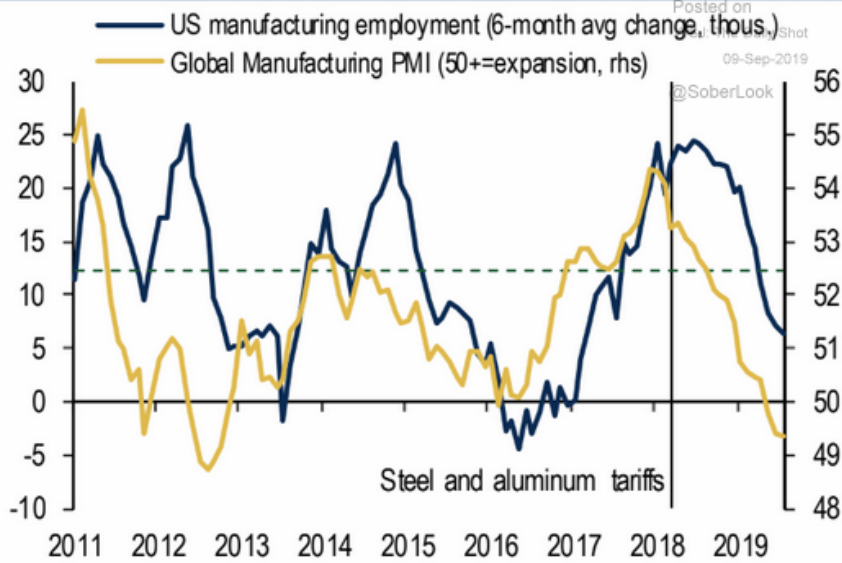
Source: Institute for Supply Management

As the WSJ's Daily shot reports, the trend in U.S. nonfarm payrolls has been trending lower:



And the trend in U.S. manufacturing employment and global manufacturing PMI does not bode well:

**Chart 3: Global manufacturing and US jobs**



Source: Bureau of Labor Statistics

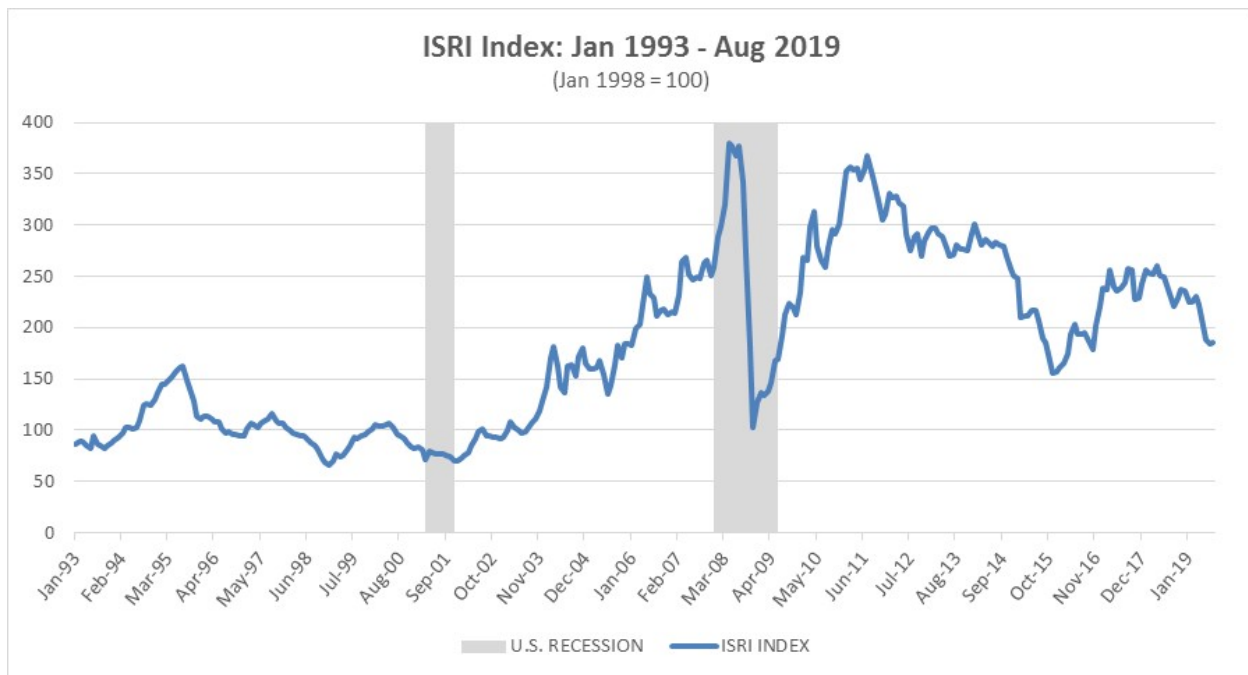
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## Commodity News

For U.S. scrap processors, it would be fair to say that the trend in primary and secondary commodity prices has not been entirely favorable this year. The ISRI Index, a composite index of ferrous, copper, aluminum, and paper scrap prices, is down 21 percent for the year-to-date (through August):



But there's good news in store for scrap market participants: they'll get to hear from some of the best-informed industry participants and market analysts at this week's [ISRI Commodities Roundtable Forum](#) starting this Wednesday in Chicago. Here's the current line-up of roundtable panelists:

### Wednesday, September 11

**1:00 p.m. – 2:30 p.m. Nickel Stainless Roundtable**

Moderator: Michael Friedman, President, Sustainable Management Corp.  
Panelists: Barry Hunter, Owner, Hunter Alloys, LLC;  
Fred Penha, Base & Ferrous Metals, INTL FCStone;  
Joe Pickard, Chief Economist & Director of Commodities, ISRI

**3:00 p.m. – 4:30 p.m. Ferrous Roundtable**

Moderator: Greg Dixon, CEO, Smart Recycling Management  
Panelists: Andreas Bokkenheuser, Analyst, UBS;  
Casper Burgering, Senior Commodity Economist, ABN AMRO Bank;  
Blake Hurtik, Editor, Argus Media

## Thursday, September 12

**9:00 a.m. – 10:30 a.m. Special Topic: The Next Boom Market**

Moderator: Randy Goodman, Executive VP – Greenland America, Inc.  
Panelists: Adina Renee Adler, Asst. VP- International Affairs, ISRI;  
Salim Bhabhrawala, Senior International Trade Specialist, US Dept. of Commerce;  
Joe Pickard, Chief Economist & Director of Commodities, ISRI

**11:00 a.m. – 12:30 p.m. Copper Roundtable**

Moderator: Randy Goodman, Executive VP – Greenland America, Inc.;  
Panelists: Darrell Fletcher, Sr. Managing Dir of Commodities, Huntington Bank;  
LeAnne Johnson, Nonferrous Sales Director, PSC Metals;  
Pat Boyle, VP & Director, Master of Metals, H. Kramer & Co.

## Friday, September 13

**9:00 a.m. – 10:30 a.m. Aluminum Roundtable**

Moderator: John Woehlke, Principal, JW Consulting  
Panelists: Karsten Faak, Director Recycling, TRIMET Aluminium SE;  
Doug Hilderhoff, Principal Analyst and Head, North America, Aluminum Research, CRU Group;  
Becky Proler, President, Southern Core Recycling.

### Ferrous –

Fastmarkets AMM reports that domestic ferrous scrap prices are down sharply this month: “The United States’ monthly ferrous scrap trade was moving swiftly toward completion on Friday September 6 as dealers did not hesitate to commit to lower-priced sales on fears that offer prices could fall further. Detroit settled quickly with prime scrap prices dropping by \$40 per gross ton and secondary scrap prices falling by \$30 per ton from August levels. Cleveland, Philadelphia and Pittsburgh mills followed the lead set by Detroit and negotiated a \$40-per-ton price decline on prime scrap and a \$30-per-ton price decline on cuts, shred and turnings.”

Slowing domestic manufacturing output, over-supplied markets, and softer overseas demand have not helped matters this year. According to the latest figures from the U.S. Census Bureau, YTD U.S. exports of ferrous scrap (through July, excluding stainless and alloy steel scrap) are down 2.2% this year as weaker shipments to Taiwan, Mexico, India, Egypt, Thailand have more than offset gains to other markets. U.S. ferrous scrap exports to Turkey reportedly slowed from 387,000 metric tons in June to 325,000 mt in July, but were still up 3.3% year-to-date according to the Census Bureau data:

### U.S. Ferrous Scrap Exports (ex-stainless and alloy steel scrap)

Metric tons

Country	2017	2018	Jan-Jul 2018	Jan-Jul 2019	YTD % CHG
Turkey	3,635,585	3,391,709	2,012,882	2,080,177	3.3%
Taiwan	1,256,025	1,833,189	1,032,009	910,848	-11.7%
Mexico	1,544,051	1,722,864	1,180,435	745,111	-36.9%
South Korea	523,367	885,485	378,787	732,081	93.3%
Vietnam	656,409	1,009,601	516,842	724,695	40.2%
Bangladesh	647,026	837,963	429,808	523,926	21.9%
India	655,413	831,950	605,446	501,635	-17.1%
Malaysia	193,861	470,397	209,002	446,814	113.8%
Canada	610,051	638,922	380,162	393,670	3.6%
Pakistan	629,003	373,561	230,701	256,576	11.2%
Egypt	400,273	805,028	423,079	249,140	-41.1%
Kuwait	426,332	387,143	308,143	235,791	-23.5%
Peru	444,086	379,136	218,205	221,297	1.4%
Thailand	537,647	496,423	289,242	199,783	-30.9%
Indonesia	85,791	450,349	223,969	183,081	-18.3%
Saudi Arabia	42,892	44,038	44,018	174,518	296.5%
<b>Others</b>	1,471,575	1,094,449	773,136	474,811	-38.6%
<b>Total:</b>	<b>13,759,387</b>	<b>15,652,207</b>	<b>9,255,866</b>	<b>9,053,954</b>	<b>-2.2%</b>

## Nonferrous –

Despite a 72 percent drop in exports to mainland China, the latest U.S. trade statistics show that U.S. copper and copper alloy scrap exports are down just 1.6% so far this year. Gains to Malaysia (+173%), India (76%), Hong Kong (+50%), Taiwan (+50%), Belgium (+48%), and others have largely offset the decline in direct shipments to mainland China.

## U.S. Copper and Copper Alloy Scrap Exports

Metric tons

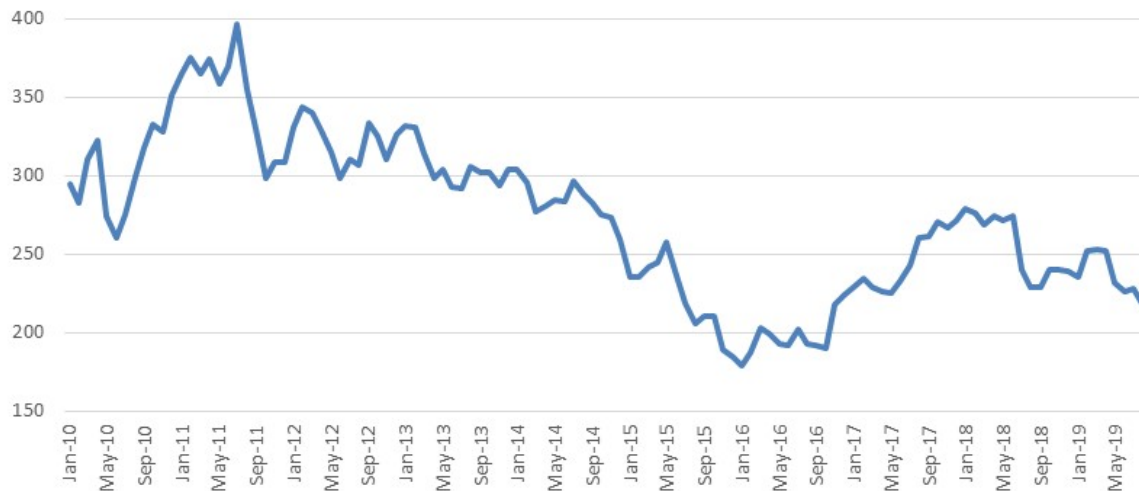
Country	2017	2018	Jan-Jul 2018	Jan-Jul 2019	YTD % CHG
Malaysia	5,553	119,573	46,795	127,882	173.3%
China	687,876	271,254	236,589	65,456	-72.3%
Canada	93,501	92,136	50,229	58,599	16.7%
South Korea	31,334	71,726	29,384	35,874	22.1%
Hong Kong	36,345	44,269	23,231	34,900	50.2%
India	24,869	48,260	19,204	33,734	75.7%
Japan	21,145	55,989	21,453	28,017	30.6%
Germany	30,657	37,269	20,812	25,156	20.9%
Taiwan	8,645	35,427	14,102	21,184	50.2%
Belgium	16,435	31,330	13,704	20,299	48.1%



Thailand	677	14,151	12,172	11,281	-7.3%
Pakistan	9,571	17,949	5,974	10,221	71.1%
Spain	7,501	10,824	5,992	6,814	13.7%
<b>Others</b>	<b>30,128</b>	<b>62,690</b>	<b>28,692</b>	<b>40,388</b>	<b>40.8%</b>
<b>Total:</b>	<b>1,004,237</b>	<b>912,848</b>	<b>528,332</b>	<b>519,804</b>	<b>-1.6%</b>

But as with other scrap commodities, copper scrap prices in the U.S. remain under pressure. Here's the trend in No. 2 copper scrap prices at refiners over the last decade:

**Refiners' No. 2 Copper Scrap Prices (cents/lb.)**  
Jan 2010 - Aug 2019



## Plastic –

Among the major scrap commodities, it shouldn't come as too much of a surprise that U.S. plastic scrap exports have had a particularly difficult time in 2019. According to U.S. Census Bureau data, plastic scrap exports from the U.S. are down nearly 46% by volume so far this year as shipments to China plunged 83% lower and were accompanied by weaker demand in Malaysia, Thailand, Vietnam, and Taiwan. In percentage terms, PVC plastic scrap exports have had the worst performance this year (-83%), followed by plastics other than PET (-48%), PET plastics (-38%), and polyethylene (-35%).

## U.S. Plastic Scrap Exports

Metric tons

Country	2017	2018	Jan-Jul 2018	Jan-Jul 2019	YTD % CHG
Canada	135,795	133,867	77,839	86,310	10.9%
India	123,116	133,299	80,921	77,418	-4.3%
Hong Kong	372,904	121,487	68,288	41,341	-39.5%
Malaysia	121,231	204,120	181,657	22,976	-87.4%

Mexico	46,375	45,712	27,483	21,803	-20.7%
South Korea	9,077	35,403	17,209	20,685	20.2%
Indonesia	29,175	27,385	10,377	20,201	94.7%
Taiwan	33,976	51,447	31,877	19,404	-39.1%
Turkey	14,482	23,666	13,169	17,378	32.0%
Thailand	32,862	106,853	92,215	13,288	-85.6%
Vietnam	137,042	74,396	72,096	11,251	-84.4%
Senegal	0	0	0	6,081	N/A
China	557,820	47,906	32,448	5,419	-83.3%
Philippines	3,617	6,378	3,557	5,036	41.6%
<b>Others</b>	50,370	61,273	35,898	35,168	-2.0%
<b>Total:</b>	<b>1,667,842</b>	<b>1,073,191</b>	<b>745,035</b>	<b>403,757</b>	<b>-45.8%</b>

## Transportation Costs: Containers

The WSJ's Daily Shot quotes Xeneta CEO Patrik Berglund as saying, "The chart shows the development of the short and long term market on Transpac Eastbound into LA ports. The spike between the two red boxes indicates the temporary effect of the tariffs/trade war as US importers stocked up their warehouses. What's interesting though, is how the market has 'normalized' on the right red box vs. the left red box - it's a 15-20% hike. If that level holds (or even rises), we're talking about billions of dollars of increases that either US importers or consumers will need to absorb."



## This Week's Story

One day God was looking down at Earth and saw all the inappropriate behavior that was going on. So He called one of his angels to go to earth for a time. The angel returned and told God "Yes, it is bad on earth: 95 percent are misbehaving and only 5 percent are not."

God thought for a moment and said, "Maybe I had better send down another angel to get a second opinion." So God called another angel and sent her to Earth for a time, too.

When the angel returned, she went to God and said, "Yes, it's true. The earth is in decline: 95 percent are misbehaving, but 5 percent are being good." God was not pleased.

So God decided to email the 5 percent who were being good, because He wanted to encourage them and help keep them going. Do you know what that email said?

No?? OK, just wondering. We didn't get one either.

## This Week's Quote

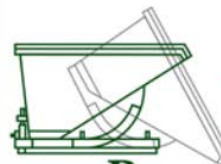
"An eye for an eye only ends up making the whole world blind."

-- Mahatma Gandhi

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