



Weekly Market Report

April 6, 2020

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This Morning

The Bloomberg Commodity Index was little changed in early trading this morning as retreating oil prices were offset by mostly firmer industrial and precious metal prices. In New York, NYMEX WTI crude oil futures were down nearly 4% to around \$27 per barrel this morning despite media reports that Russia and Saudi Arabia are “very, very close” to a deal on production cuts. In London, LME 3-mo. copper was trading higher around \$4,880/mt this morning, in-line with COMEX copper’s rise to around \$2.21 per pound. Gold futures advanced more than 1% early this morning to around \$1,665 per troy ounce. In equities trading, stocks advanced at the major European bourses today, with the Stoxx 600 up nearly 3 percent while U.S. stock futures were pointing to a higher open (markets in mainland China are closed today for the Qingming holiday). In foreign exchange trading, the dollar was little changed in early trading with the euro recently buying \$1.08 while the British pound was trading around \$1.23.

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Selected Primary Commodity Prices: April 6, 2020

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper May (\$/lb.)	2.209	0.016	0.7%	2.193	2.189	2.223	2.182
COMEX Gold Jun (\$/to)	1,664.5	18.8	1.1%	1,645.7	1647.7	1,670.2	1,638.2
COMEX Silver May (\$/to)	14.76	0.3	1.8%	14.49	14.54	14.84	14.4
NYMEX Light Sweet Crude May (\$/bbl)	27.28	-1.1	-3.7%	28.34	26.09	28.24	25.28
SHFE Aluminum* (RMB/mt)	NA	NA	NA	NA	NA	NA	NA
SHFE Copper* (RMB/mt)	NA	NA	NA	NA	NA	NA	NA
SHFE Nickel* (RMB/mt)	NA	NA	NA	NA	NA	NA	NA
SHFE Zinc* (RMB/mt)	NA	NA	NA	NA	NA	NA	NA

*SHFE closed for holiday.

The Week Ahead

The U.S. economic calendar slows down in this holiday-shortened trading week, so the initial unemployment claims numbers will again be the focus. The consensus forecast is for 5 million new unemployment claims for the week ending April 4th, although Briefing.com expects something closer to 6.5 million. Either way it's not expected to be pretty. Other U.S. releases out this week will cover job openings and labor turnover in February, producer prices in March, and the preliminary reading on consumer sentiment in April, which is expected to drop significantly. On the monetary policy front, investors will be paying attention to the release of the minutes of the last FOMC and European Central Bank meetings. In overseas developments, the Financial Times reports "Eurozone finance ministers meet on Tuesday to try to sort out how they will fund the measures planned to protect and restart an economy battered by the shutdowns Covid-19 has brought. Then later in the week we should have an OPEC+ meeting where it is hoped a deal can be reached to cut the global supply of crude after disagreement between Russia and Saudi Arabia at the last meeting led to a drastic fall in oil prices." Overseas economic releases will include German manufacturing orders, industrial production, and merchandise trade, along with Chinese PPI and CPI. Have a good week and a happy holiday season.

U.S. Economic Calendar: April 6-10, 2020

Date	Time (ET)	Release	Period	Consensus	Prior
7-Apr	10:00	JOLTS - Job Openings	Feb	NA	6.963M
7-Apr	15:00	Consumer Credit	Feb	\$14.0B	\$12.0B
8-Apr	7:00	MBA Mortgage Applications Index	4-Apr	NA	15.3%
9-Apr	8:30	PPI	Mar	-0.4%	-0.6%



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9-Apr	8:30	Core PPI	Mar	-0.1%	-0.3%
9-Apr	8:30	Initial Claims	4-Apr	5.0M	6.648M
9-Apr	10:00	Univ. of Michigan Consumer Sentiment - Prelim.	Apr	79.3	89.1
9-Apr	10:00	Wholesale Inventories	Feb	-0.4%	-0.4%

Economic Week in Review

For most U.S. businesses last week the key economic event of the week wasn't the dismal jobs numbers but the opening of the new SBA loans under the Paycheck Protection Program on Friday. ABC News reports, "Across the U.S. banking industry, officials scrambled overnight to stand up a massive new government-backed lending program to help small businesses ravaged by the coronavirus pandemic and many were unable to make it happen by the Friday deadline given that the Treasury Department released its guidelines for the loans late Thursday night. The \$350 billion federal program... was a key part of the recently-passed \$2 trillion COVID-19 stimulus package. The Paycheck Protection Program is a relief plan designed to extend loans, backed by the federal government, that become grants if the money is used for payroll and other overhead operating expenses... But across the U.S., at banks big and small, the program is simply not yet operational. And experts said it would be a week before the program was fully up and running." Frustrations mounted as small businesses became concerned that the program's funds would be exhausted before they could submit their applications. Guidance on the Paycheck Protection Program, along with a wealth of additional information, was presented at ISRI's Virtual Town Hall last week. Here's the link in case you missed it:

<https://videos.isri.org/isri-member-virtual-town-hall-the-covid-19-pandemic>



ISRI Member Virtual Town Hall: The COVID-19 Pandemic

ISRI hosted a member-only virtual town hall on how the COVID-19 global pandemic is affecting member... videos.isri.org

Unemployment Claims

As you may have seen, initial unemployment claims nearly doubled for the week ending March 28, 2020 to 6,648,000, on a seasonally adjusted basis, according to the Department of Labor. The prior week, ending March 21, 3,341,000 initial claims were filed. By comparison, typically weekly claims since March 2019 have hovered between 201,000-237,000. Taking out the seasonal adjustment, which was fairly predictable until COVID-19 hit, the actual number of claims filed in the week ending March 28, 2020 was 5,823,917, nearly double the previous week's 2.9 million claims. In a matter of two weeks, an astounding 8.7 million initial unemployment claims were filed (without the seasonal adjustment). Here are the states with over 200,000 claims for the week of March 28, 2020.

U.S. Initial Unemployment Claims for Week Ending March 28, States with +200,000 Claims

California	878,727
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Pennsylvania	405,880
New York	366,403
Michigan	311,086
Texas	275,597
Ohio	272,189
Florida	227,000
New Jersey	205,000

Source: US Department of Labor

Employment Situation

Also last week, the Bureau of Labor Statistics released the Employment Situation for March 2020. Non-farm employment decreased 701,000 in March 2020, a complete reversal of the nearly 500,000 boost in employment seen in January and February. Last month's numbers marked the biggest drop since the period between November 2008 and April 2009. The unemployment rate reflected the reversal in the job market, increasing 0.9% to 4.4%, the largest monthly increase since January 1975.

Monthly Change in U.S. Nonfarm Payrolls,

April 2019 - March 2020

Source: Bureau of Labor Statistics



According to the BLS, the national and local responses to containing COVID-19 drove these changes, with the leisure and hospitality sectors enduring the brunt of the effect. The employment changes for several broad US economic sectors are shown below. Only the Information sector showed a net increase in employment.

Employment Change by Industry Sector, March 2020

Leisure & Hospitality	-459,000
Education & Health Services	-76,000
Professional & Business Services	-52,000



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Trade, Transportation, Utilities	-49,000
Construction	-29,000
Manufacturing	-18,000
Mining & Logging	-7,000
Transportation/Warehousing	-4,900
Financial Activities	-1,000
Information	2,000

Source: Bureau of Labor Statistics

Note: The coronavirus introduced several abnormalities in the BLS collection process, from lower response rates to changing the method of collection (away from in-person interviews) and self-reporting inconsistency. In addition, the collection period was between March 8 and 14, before the increased response from states initiating their stay-at-home suggestions and directives.

Light Vehicle Sales

Last week Edmunds reported estimated sales for March 2020 to be 1,044,805, down over 23% from February 2020 and down over 35% from a year ago. On a seasonally adjusted annual rate, 11.9 million cars and trucks are estimated to have been sold. For the first quarter of 2020, 3,546,415 new cars and trucks were sold, down nearly 12% from the first quarter 2019. Edmunds sites COVID-19 crisis for causing these market disruptions: "The first two months of the year started off at a healthy sales pace, but the market took a dramatic turn in mid-March as more cities and states began to implement stay-at-home policies due to the coronavirus crisis, and consumers understandably shifted their focus to other things," said Jessica Caldwell, Edmunds' executive director of insights. "The whole world is turned upside down right now, and the auto industry is unfortunately not immune to the wide-ranging economic impacts of this unprecedented pandemic."

ISM Manufacturing PMI

The Institute for Supply Management released their latest set of manufacturing indicators last week and the manufacturing PMI dropped to 49.1% in March from 50.1% in February, indicating a contractionary phase for manufacturers. The new orders index, production index, and employment index all decreased in March and confirm that manufacturing is contracting.

Here's what some of the respondents said:

- "COVID-19 is impacting China's raw material supply chain. We are now seeing revenue impact in that region. Our operations team is reviewing plans for spread of the virus." (Computer & Electronic Products)
- "The two main issues affecting our business [are] COVID-19 and the oil-price war. We are in daily discussions and meeting constantly, updating tracking logs to document high risk concerns." (Chemical Products)
- "All North American manufacturing plants have ceased operations or drastically scaled back as a result of customer plant closings and other responses to COVID-19." (Plastics & Rubber Products)
- "COVID-19 impact has extended to Europe and North America. The virus escalation is affecting our purchasing and logistics operations. We have incurred air-shipment and production interruptions due to shortages of raw materials and components." (Transportation Equipment)

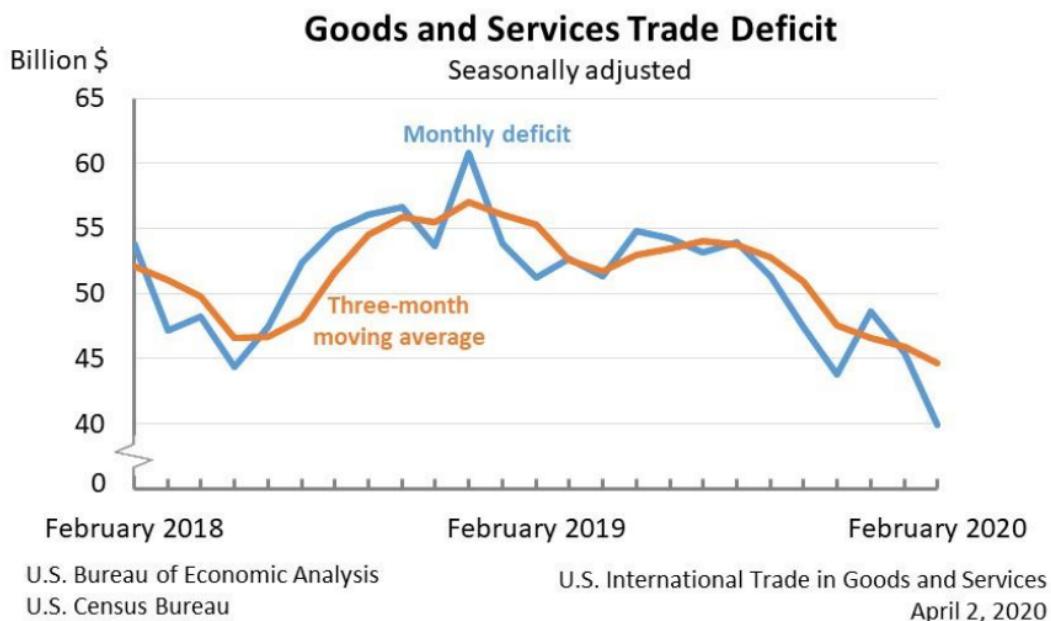


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- “COVID-19’s spread in the U.S. may start impacting our domestic business. As for Asian suppliers, they are starting to get back up to speed.” (Fabricated Metal Products)

February 2020 U.S. Trade

The U.S. trade deficit for goods and services declined 12.2 percent in February 2020 to \$39.9 billion, the lowest since September 2016 (\$39 billion) according to the U.S. Census Bureau. Exports were down slightly (0.4%) to \$207.5 billion. Imports declined 2.5 percent to \$247.5 billion. Compared to the same period a year ago, the deficit for YTD 2020 declined \$19.7 billion or 18.7 percent. In February, U.S. trade of all goods and services with China had a deficit of \$16.0 billion, the lowest since March 2009 (\$15.6 billion). Of note, the February petroleum trade surplus (\$0.9 billion) was the highest on record, based on the current definition of the petroleum series which was established in 1978. In next week’s Market Report, we’ll delve into the February 2020 scrap exports by major commodity and destination.



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Commodity Market Developments



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Ferrous

Last week the American Iron and Steel Institute reported that for the week ending on March 28, 2020, "domestic raw steel production was 1,670,000 net tons while the capability utilization rate was 71.6 percent. Production was 1,913,000 net tons in the week ending March 28, 2019 while the capability utilization then was 82.2 percent. **The current week production represents a 12.7 percent decrease from the same period in the previous year. Production for the week ending March 28, 2020 is down 9.8 percent from the previous week ending March 21, 2020** when production was 1,852,000 net tons and the rate of capability utilization was 79.4 percent."

As steel production volumes decline and market conditions continue to deteriorate, Fastmarkets AMM reports hot-rolled coil prices are falling fast: "Prices for hot-rolled coil in the United States have come down sharply, to a more-than-four-month low, while suppliers have been fighting each other for any orders on the market amid anticipated deteriorated demand. Fastmarkets' daily steel hot-rolled coil index, fob mill US was calculated at \$25.92 per hundredweight (\$518.40 per short ton) on Friday April 3, down by 2.7% from \$26.65 per cwt on Thursday April 2 and down by 16.1% from a year-to-date high of \$30.91 per cwt reached on January 15. Hot band prices are now at their lowest since mid-November of last year and are likely to drop further in the near term, sources said. Sellers - including both mills and service centers - have been trying to secure any orders on the spot market because it is widely anticipated that the steel demand will only get worse due to the spread of the novel coronavirus."

On the April scrap outlook, Argus Media reports "Scrap flows and generation of prime and obsolete grades have been decimated over the last two weeks due to the slew of closures from automakers and parts manufacturers, as well as shelter-in-place orders that have severely muted scrap collection rates. Temporary closures of stamping and machining plants have had an immediate impact on scrap flow with suppliers surveyed by Argus this week reporting prime scrap flows down between 60-75pc over the last two weeks, with turnings and borings witnessing similar sudden and steep drops... The slowdowns have shrunk prime inventories at dealer yards with fears that containment measures will only get stricter through April, suggesting that prime grades will become increasingly scarcer. Drops in cut grade and shredded scrap prices last month considerably slowed inflows to dealer yards, a trend that has intensified as many states and local governments encourage people to stay home, while some recyclers halt public purchases."

Nonferrous

LME official 3-mo. aluminum prices are down nearly 19% for the year-to-date, having dropped from around \$1,800 per metric ton (=82 cents/lb.) at the end of 2019 to \$1,486/mt (=67 cents/lb.) on Friday. Meanwhile, aluminum stocks in LME warehouses have increased by more than 245,000 mt over the last several weeks.



Amid falling primary aluminum prices, reduced mill product demand, smelter shutdowns, and severe retail business downturns, domestic aluminum scrap market participants are facing unprecedented challenges. Fastmarkets AMM reports “Aluminum scrap prices in the United States continued to trend flat to soft this past week as the novel coronavirus prompted industrial slowdowns through capacity reduction at smelters and manufacturing plants across the country. Prices for smelter-grade scrap mostly moved lower week on week due to sustained pressure resulting from automotive plant closures and reduced flows of peddler scrap as companies limit interactions with the public. Fastmarkets’ assessment of the aluminum scrap non-ferrous auto shred (90% Al) buying price realized the biggest decline, falling by 14.1% on Thursday April 2 to 35-38 cents per lb from 41-44 cents per lb previously... Fastmarkets’ assessment of the aluminium-copper radiators buying price fell to 103-108 cents per lb from 108-110 cents per lb at the last session.”

On the mill side, new orders for aluminum mill products had already gotten off to a difficult start to the year. The Aluminum Association reports “The Association’s ‘Index of Net New Orders of Aluminum Mill Products’ for February 2020 decreased 8.3 percent from January 2020. Orders for flat roll products (sheet, plate, can stock and foil) were off 7.6 percent from the previous month, while orders for extruded products were down 9.1 percent and orders for redraw rod dropped 21.4 percent. Compared to February 2019, total orders were down 6.7 percent. On average, orders recorded by domestic producers through February 2020 were off 6.7 percent from year-to-date 2019.”

Paper

RISI Seeking Input on Pricing Methodology:



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"SAN FRANCISCO, March 27, 2020 (PPI Pulp & Paper Week) - Fastmarkets RISI is inviting feedback from the industry on the pricing methodologies for North American Packaging Paper and Board and North American Recovered Paper, as part of its announced annual methodology review process.

This consultation, which is open until Apr. 24, 2020, seeks to ensure that our methodologies continue to reflect the physical market under indexation, in compliance with the International Organization of Securities Commissions (IOSCO) principles for Price Reporting Agencies (PRAs). This includes all elements of our pricing process, our price specifications and publication frequency.

Please send responses in writing, preferably in electronic format, to the following address: pricing.risi@fastmarkets.com. Please add the respective subject heading "NA PPB annual methodology review" or "NA RCP annual methodology review." Please specify whether your response is confidential. Opinions offered in confidential responses may be referenced but will not be attributed in any way.

Fastmarkets will publish the outcome of this methodology review by Apr. 30, 2020, including a summary of the feedback with the exception of those marked as confidential. Any proposals to make material changes, discontinue or launch prices will involve a separate market consultation, the length of which will depend on how substantial the change is."

Transportation Costs: Diesel Fuel

U.S. On-Highway Diesel Fuel Prices*(dollars per gallon)					
	03/16/20	03/23/20	03/30/20	Change from	
				week ago	year ago
U.S.	2.733	2.659	2.586	-0.073	-0.492
East Coast (PADD1)	2.789	2.724	2.671	-0.053	-0.456
New England (PADD1A)	2.918	2.849	2.793	-0.056	-0.403
Central Atlantic (PADD1B)	2.989	2.911	2.866	-0.045	-0.443
Lower Atlantic (PADD1C)	2.627	2.573	2.514	-0.059	-0.477
Midwest (PADD2)	2.591	2.499	2.432	-0.067	-0.552
Gulf Coast (PADD3)	2.504	2.438	2.363	-0.075	-0.509
Rocky Mountain (PADD4)	2.742	2.680	2.592	-0.088	-0.415
West Coast (PADD5)	3.322	3.248	3.126	-0.122	-0.415
West Coast less California	2.954	2.879	2.798	-0.081	-0.355
California	3.625	3.552	3.395	-0.157	-0.454

*prices include all taxes



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This Week's Story

A father and son were having breakfast one morning when the son says he has an important question.

"OK," says the father, "What's your important question?"

The son says, "Can you tell me the difference between confident and confidential?"

"Of course," the father replies. "For starters, you are my son. Of that I am confident. Do you understand what that means?"

The son replies, "I sure do."

"Very good," the father says. "Now listen, your friend Timmy is also my son. But that's confidential."

This Week's Quote

"Set your course by the stars, not by the lights of every passing ship."

-- Omar N. Bradley

CORONAVIRUS OPERATIONAL GUIDANCE

COVID-19

Best Wishes for a Safe and Joyous Passover and Easter