



Weekly Market Report

April 15, 2019

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This Morning

Copper futures started the week in positive territory in China this morning as most-actively traded SHFE copper settled 0.7% higher in Shanghai, although copper prices in London and New York got off to a sluggish start. At the LME, 3-mo. copper was trading around \$6,495/mt early today while 3-mo. aluminum and nickel futures were little changed around \$1,864/mt and \$13,010/mt, respectively. In New York, COMEX May copper futures dipped below \$2.94 per pound in early trading while NYMEX crude oil futures retreated below \$63.50 per barrel. Reuters reports "Oil prices edged lower on Monday after international benchmark Brent hit a fresh five-month high in the previous session, but concerns over global supplies kept prices well supported." In foreign exchange trading the U.S. Dollar Index eased slightly as the euro advanced to \$1.132 while the British pound was buying \$1.31 early this morning.

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Selected Primary Commodity Prices: April 15, 2019

| | Last | CHG | % CHG | Prior | Open | High | Low |
|---|---------|-------|-------|---------|---------|---------|---------|
| COMEX Copper May (\$/lb.) | 2.9360 | -0.01 | -0.3% | 2.946 | 2.95 | 2.948 | 2.929 |
| COMEX Gold Jun (\$/to) | 1,290.1 | -5.1 | -0.4% | 1,295.2 | 1294 | 1,295.2 | 1,288.7 |
| COMEX Silver May (\$/to) | 14.89 | -0.1 | -0.5% | 14.96 | 14.93 | 14.95 | 14.9 |
| NYMEX Light Sweet Crude May (\$/bbl) | 63.46 | -0.4 | -0.7% | 63.89 | 63.76 | 63.84 | 63.41 |
| SHFE Aluminum May (RMB/mt) | 13,860 | 25 | 0.2% | 13,835 | 13,845 | 13,910 | 13,830 |
| SHFE Copper Jun (RMB/mt) | 49,540 | 330 | 0.7% | 49,210 | 49,720 | 49,750 | 49,400 |
| SHFE Nickel Jun (RMB/mt) | 101,140 | -10 | 0.0% | 101,150 | 101,490 | 101,650 | 100,310 |
| SHFE Zinc Jun (RMB/mt) | 22,485 | 130 | 0.6% | 22,355 | 22,465 | 22,635 | 22,380 |

The Week Ahead

There are plenty of interesting economic releases due out this week including new reports on U.S. industrial production and capacity utilization, trade, retail sales, housing starts & building permits, and leading economic indicators. The consensus forecasts are that U.S. industrial production increased 0.2% in March while the Conference Board's index of leading economic indicators is expected to rise 0.4%. Investors will also be paying attention to the release of the Fed's Beige Book and a number of scheduled speeches from regional Fed Bank presidents. Overseas, China releases new figures on real GDP, industrial production, and retail sales. The consensus forecast is that China's economy grew 6.3 percent in the first quarter of 2019. In Europe, we'll get new figures on euro zone inflation and trade, along with new data on German producer prices and economic sentiment. Have a great week and we hope you all enjoy wonderful Passover and Easter holidays!

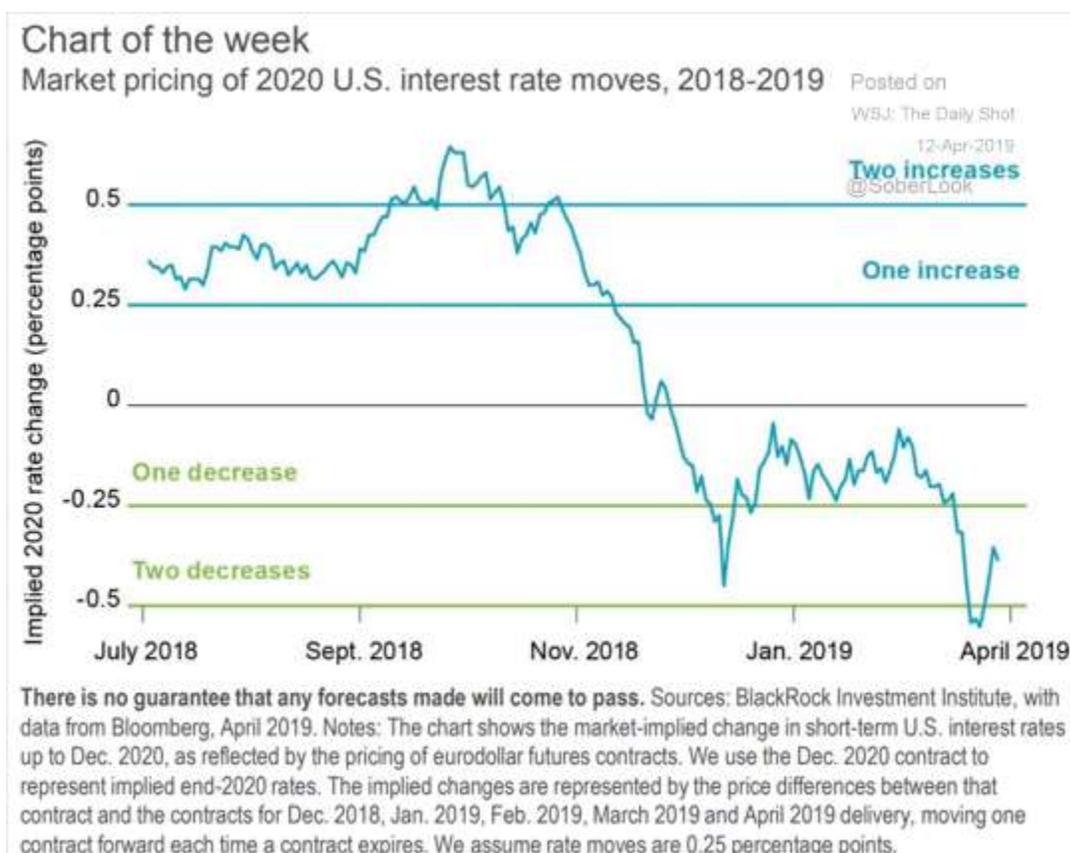
U.S. Economic Calendar: April 15-19, 2019

| Date | Time | Release | Period | Consensus | Prior |
|--------|-------|----------------------------|--------|-----------|----------|
| Apr 15 | 08:30 | Empire State Manufacturing | Apr | 9.0 | 3.7 |
| Apr 15 | 16:00 | Net Long-Term TIC Flows | Feb | NA | -\$7.2B |
| Apr 16 | 09:15 | Industrial Production | Mar | 0.2% | 0.1% |
| Apr 16 | 09:15 | Capacity Utilization | Mar | 79.1% | 78.2% |
| Apr 16 | 10:00 | NAHB Housing Market Index | Apr | 63 | 62 |
| Apr 17 | 08:30 | Trade Balance | Feb | -\$54.0B | -\$51.1B |
| Apr 17 | 10:00 | Wholesale Inventories | Feb | 0.4% | 1.4% |
| Apr 17 | 10:30 | EIA Crude Oil Inventories | 04/13 | NA | +7.0M |
| Apr 17 | 14:00 | Fed's Beige Book | Apr | NA | NA |
| Apr 18 | 08:30 | Retail Sales | Mar | 0.9% | -0.2% |
| Apr 18 | 08:30 | Retail Sales ex-auto | Mar | 0.7% | -0.4% |
| Apr 18 | 08:30 | Initial Claims | 04/13 | 208K | 196K |
| Apr 18 | 08:30 | Continuing Claims | 04/06 | NA | 1713K |

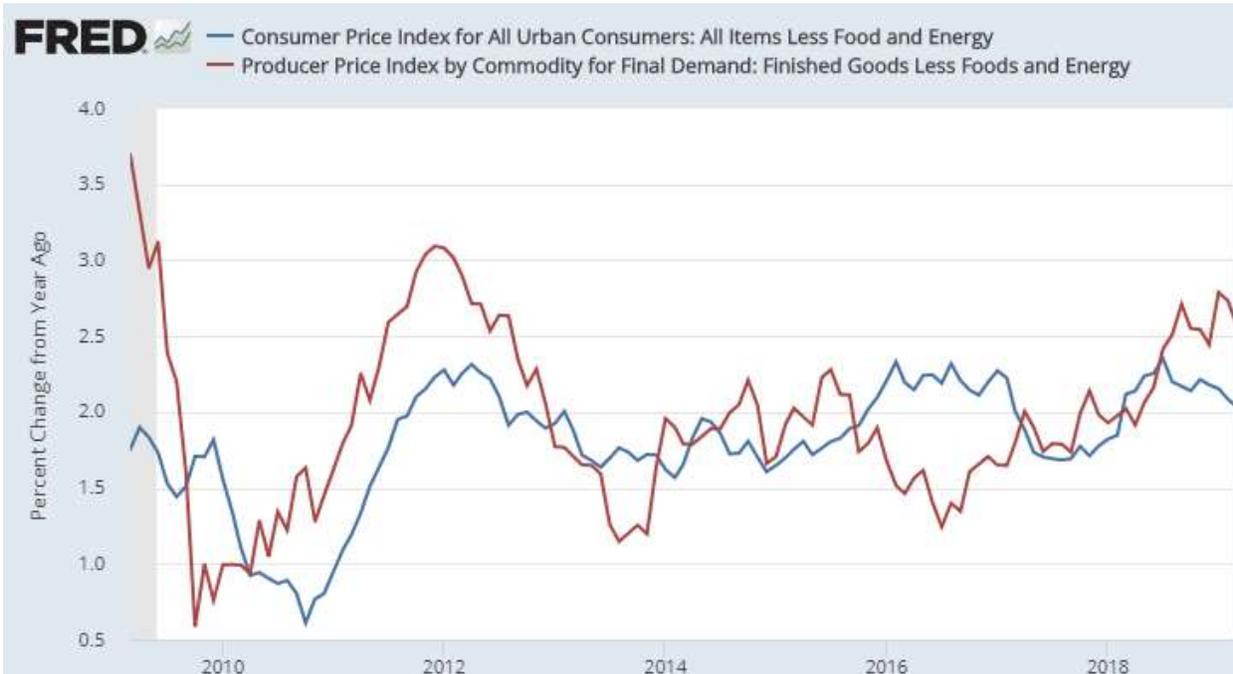
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|--------|-------|------------------------|-----|-------|-------|
| Apr 18 | 08:30 | Philadelphia Fed Index | Apr | 11.0 | 13.7 |
| Apr 18 | 10:00 | Business Inventories | Feb | 0.4% | 0.8% |
| Apr 18 | 10:00 | Leading Indicators | Mar | 0.4% | 0.2% |
| Apr 19 | 08:30 | Housing Starts | Mar | 1247K | 1162K |
| Apr 19 | 08:30 | Building Permits | Mar | 1300K | 1296K |

Economic Week in Review

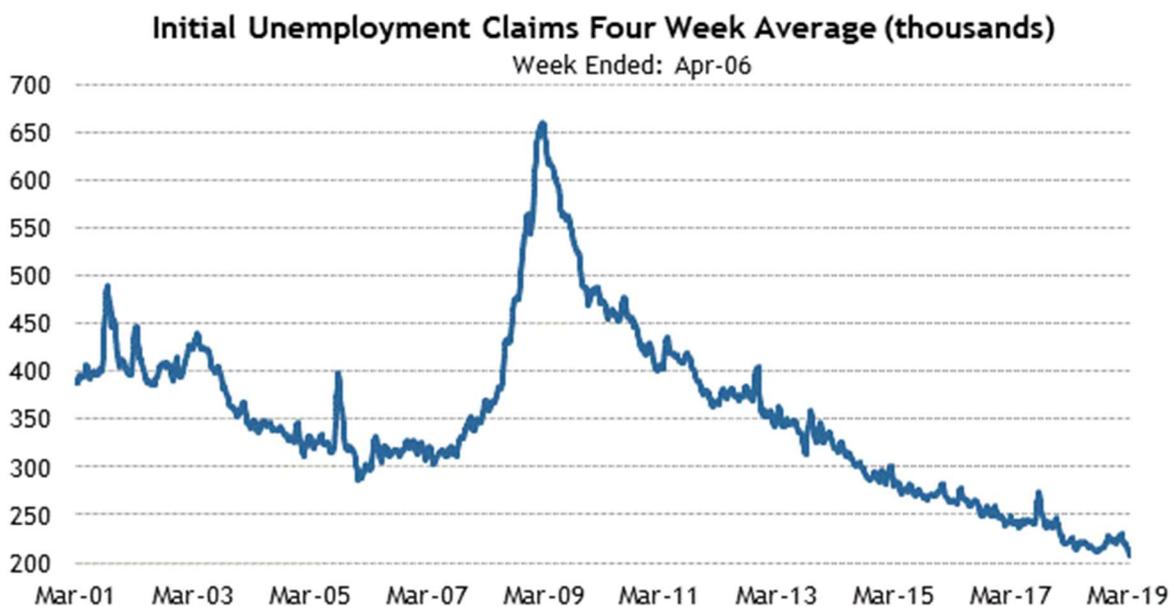
The Dow Jones Industrial Average advanced 1.03% on Friday to finish the week at 26,412.30 as markets took the news of extended Brexit deadlines, mixed inflation numbers, and steady monetary policy largely in stride. The minutes from the last Fed meeting released last week indicated: “With regard to the outlook for monetary policy beyond this meeting, a majority of participants expected that the evolution of the economic outlook and risks to the outlook would likely warrant leaving the target range unchanged for the remainder of the year.” But looking into next year, analysts are increasingly expecting rate cuts ahead:



The rate cut expectations come in spite of inflation readings that are close to the Fed’s target levels and extremely low levels of unemployment. Here’s the recent trend in year-on-year changes in the core (ex-food and energy) U.S. consumer and producer price indexes, which are still holding above 2% for now:



Meanwhile, the Labor Department reported last week that initial unemployment claims for the week ending April 6th declined to 196,000. As Briefing.com explains, “The key takeaway from this leading-indicator report is that it clearly shows employers are reluctant to let go of employees, either because they can’t find other qualified workers or because they see demand being strong enough to justify the size of their existing work force.”



Source: Department of Labor; updated 04/11/19

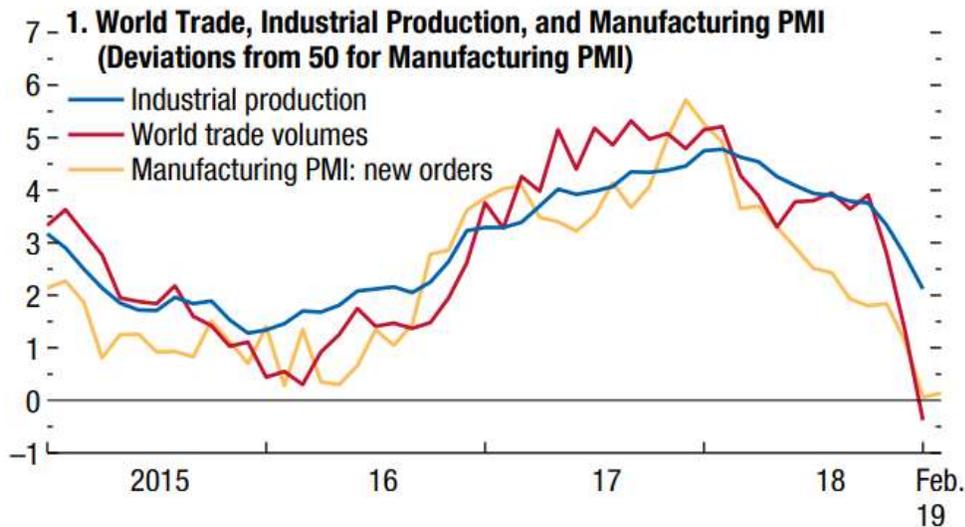
Briefing.com

Of note, since our last Market Report the International Monetary Fund has updated its economic projections, with key indicators signaling slower growth ahead. The IMF now expects global economic growth will slow from 3.6% in 2018 to 3.3% in 2019, a downward revision of 0.2 percentage points.

Figure 1.1. Global Activity Indicators

(Three-month moving average; year-over-year percent change, unless noted otherwise)

Indicators of global activity have generally softened since the second half of 2018.



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Commodity News

Ferrous –

The American Iron and Steel Institute reported last week that for the month of February, “U.S. steel mills shipped 7,744,304 net tons, a 4.2 percent decrease from the 8,079,757 net tons shipped in the previous month, January 2019, and a 2.9 percent increase from the 7,525,590 net tons shipped in February 2018. Shipments year-to-date in 2019 are 15,824,061 net tons, a 4.4 percent increase vs. 2018 shipments of 15,161,931 net tons for two months. A comparison of February shipments to the previous month of January shows the following changes: hot rolled sheets, up 2 percent, cold rolled sheets, down 3 percent, and hot dipped galvanized sheets and strip, down 4 percent.”

Fastmarkets AMM reports that HRC prices rebounded late last week after having started the week in negative territory: “Hot-rolled coil prices continued to mount a modest recovery in the United States after dropping close to \$34 per hundredweight (\$680 per ton) at the outset of the week. Fastmarkets AMM’s daily hot-rolled coil index stood at \$34.51 per cwt on Thursday April 11, up by 0.7% from \$34.27 per cwt a day earlier and up by 1.1% from \$34.15 per cwt on April 8.”

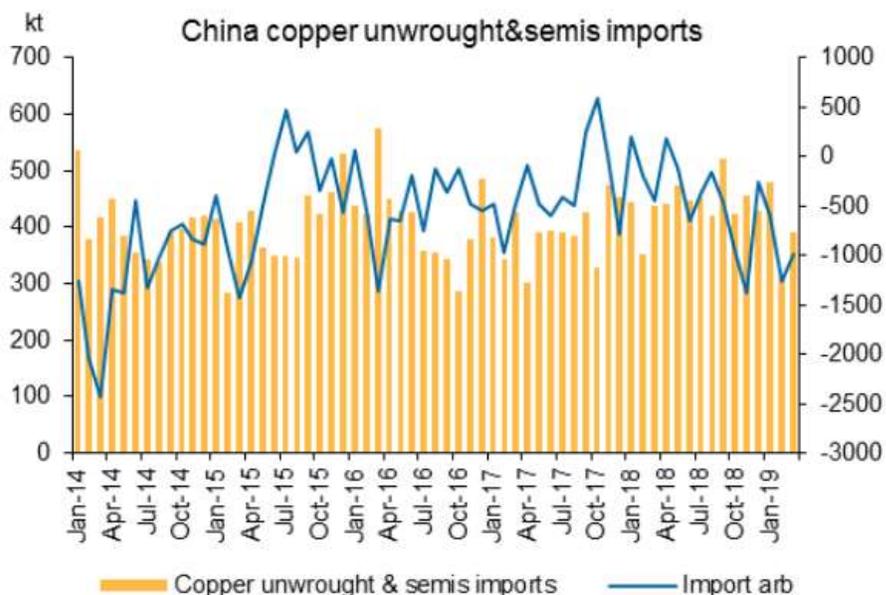
On the scrap export front, Turkish buying interest was reportedly negligible last week amid reports that demand for Turkish steel products has waned even as the value of the Turkish lira has depreciated:



Nonferrous –

China’s copper import figures were underwhelming last month. Macquarie reports “China imported 391kt of unwrought/semis in the last month, down 11%YoY. Year-to-date imports were 1.2Mt, 4% less YoY. Besides, according to NBS, accumulative domestic copper semis production has sustained double-digit growth since Jun-18. In Jan-Feb 19, the total copper semis output was reported at 2.1Mt (+14.6%YoY).

Fig 5 Cu unwrought & semis imports weakened...



Source: China Customs, LME, SHFE, Macquarie Commodities Strategy, April 2019

COMEX copper prices were bumpy last week, with May copper futures slipping as low as \$2.8835/lb. on Thursday before rebounding to close at \$2.946/lb. on Friday. At our copper spotlight in Los Angeles last week, Jason Schenker from Prestige Economics projected choppy sideways trading for the red metal between \$2.75 - \$3.25 per pound in the near future.

On the corporate front, it was announced last week that the Wieland Group would acquire the outstanding shares of Global Brass & Copper (which includes Olin Brass, Chase Brass and A.J. Oster). AMM reports, "The transaction is expected to be finalized in the second half of 2019 and combines two of the largest copper fabrication producers... Competition for brass ingot makers could also increase due to the merger. Brass ingot participants have indicated that supply for red brass remains tight, which - combined with a higher Comex copper price - has helped to elevate scrap prices over the past week."

Paper and Plastic –

The Residential Recycling Summit was a featured track at the 2019 ISRI Convention. As residential recycling has a large impact on the visibility of recycling and the paper and plastics markets, the summit provided an important look into an array of factors that are complicating paper and plastics recycling. Bill Moore and Susan Cornish of Moore & Associates presented their full study on the Impact of E-commerce on Residential Recycling, with additional input from Dennis Colley, President & CEO of the Fibre Box Association. The primary takeaway from this session for paper and plastics recyclers is that the composition of this stream reacts rapidly to consumer sentiment and the volumes are only going to grow larger. The Fibre Box Association commissioned a study on how to improve the collection of corrugated from the residential stream and provided the comparison that commercial/industrial sources capture 95% of recoverable OCC, while residential systems have a much lower rate of around 35%. This is a paradigm shift as consumers eschew the brick and mortar store for many products ordered through online retail outlets, particularly Amazon.

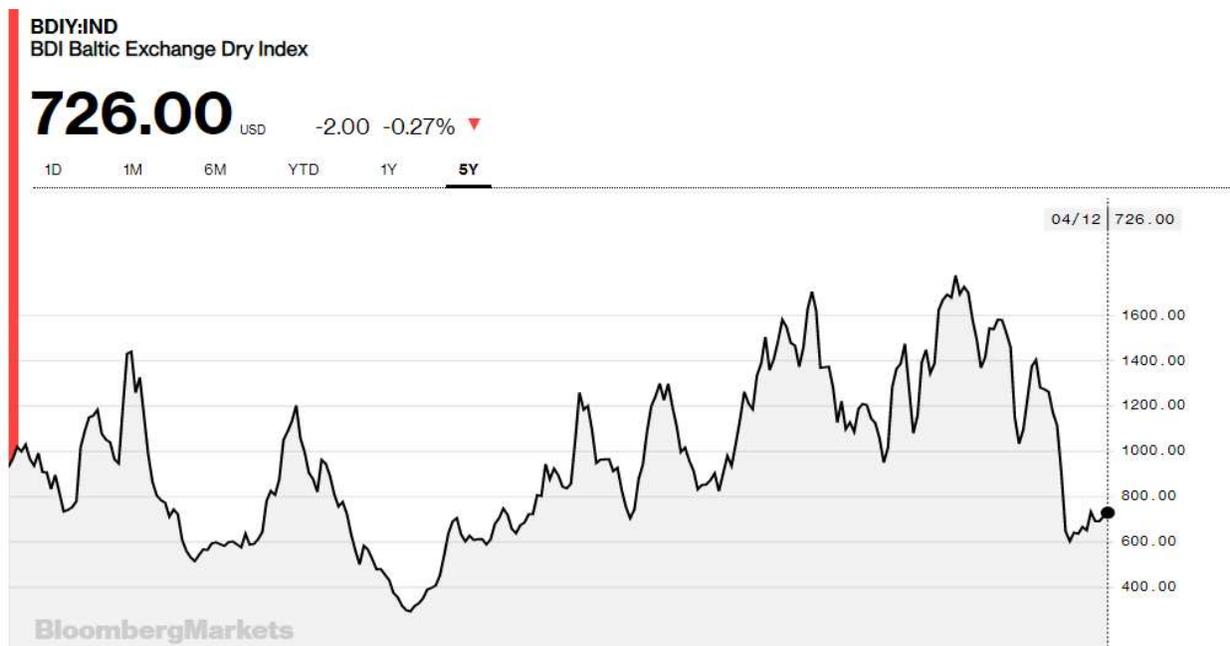
Private sector businesses, particularly growing mid-cap enterprises, react more quickly to market shifts than more entrenched municipal or larger governmental operations. But some of those large governmental operations have a more holistic or systems-based way of thinking that can provide

remarkable insights. Tom Day, the Chief Sustainability Officer of the US Postal Service, provided an interesting review of their sustainability operations and gave some remarks about how he sees coming changes in the stream. One takeaway is that instead of exact solutions to each problem, larger governmental organizations can provide a basic framework to encourage recycling. What is evident is that changes are coming, but a cooperative environment is more likely to make the road less bumpy.

For more information, please contact ISRI Research Analyst Bernie Lee at blee@isri.org.

Transportation -- WSJ: Ship Scrappage Driven by Falling Dry Cargo Freight Rates

The Wall Street Journal reports that "A sharp decline in dry cargo ship freight rates in the first quarter sent more giant ships to scrapyards in Southeast Asia in the first three months of the year." According to data from Bloomberg Markets, the Baltic Exchange Dry Index is down 43 percent for the year-to-date, incentivizing more ship owners to scrap their vessels. According the WSJ, "ship-broker BTIG said in a report that 107,000 deadweight metric tons of ship steel were recycled in the first three months of this year, up 35% from 78,000 metric tons in the same period a year ago. Of 23 vessels scrapped, 16 were capesize vessels, the biggest cargo ships that move products such as iron, aluminum, coal and cement from mines in Australia and Latin America to China." But improved Chinese demand for iron ore and other bulk commodities is expected to contribute to a slowdown in the volume of ship scrappage later this year, the Journal reports.



This Week's Story

The Pope met with his cardinals to discuss a proposal from the Prime Minister of Israel.

"Your Holiness," said one of the cardinals, "the Prime Minister wants to play you in a game of golf to show the friendship and ecumenical spirit shared by our faiths."

The Pope thought this was a good idea, but he had never played golf. "Do we have a cardinal who plays who can represent me?" he asked. "None that play well," the cardinal replied.

"But there is a man named Jack Nicklaus, an American golfer who is very devout. We can offer to make him a cardinal, then ask him to play as your personal representative. Besides showing our spirit of cooperation, we'll win the match."

Everyone agreed it was a good idea and the call was made. Of course, Nicklaus was honored and agreed to play. The day after the match, Nicklaus came to the Vatican to report to the Pope. "I have some good news and some bad news, your Holiness," the golfer told the Pope.

"Tell me the good news first, Cardinal Nicklaus."

"I don't like to brag, but even though I've played some great golf in my life, this was the best I've ever played, by far. I must have been inspired from above. My drives were long and true, my irons accurate and purposeful, and my putting perfect. With all due respect, my play was truly miraculous."

"And there's bad news?" asked the Pope.

"Yes," Nicklaus sighed. "I lost by three strokes to Rabbi Woods."

This Week's Quote

"There exist limitless opportunities in every industry. Where there is an open mind, there will always be a frontier."

-- Charles Kettering

HAVE A HAPPY PASSOVER AND EASTER!