

April 29, 2019

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This Morning

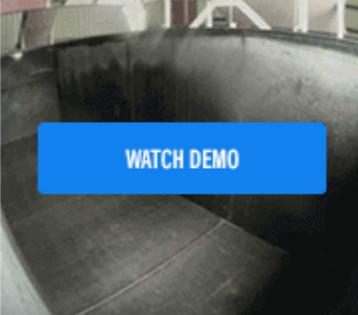
The major commodity indexes started the week in negative territory as softer energy, precious and industrial metal prices were partially offset by rising agriculture futures. In London, LME 3-mo. copper and aluminum dipped to around \$6,370/mt and \$1,830/mt, respectively, while LME 3-mo. nickel traded as low as \$12,380/mt (= \$5.62/lb.) this morning. Reporting from LME Asia Week 2019, Metal Bulletin notes that "Nickel prices face considerable downside pressure from increasing supply of two nickel-containing stainless steel raw materials – nickel pig iron (NPI) and nickel plate – as well as an abundance of stainless steel stocks in China." In New York, most-actively traded COMEX copper futures eased to \$2.88/lb. in morning trading after having lost ground over the course of last week. NYMEX crude oil futures slipped to around \$63 per barrel this morning following last week's rally. Reuters reports "oil prices fell on Monday, extending the Friday decline that halted a weeks-long rally, after President Donald Trump demanded that producer club OPEC raise output to soften the impact of U.S. sanctions against Iran." In foreign exchange trading, dollar appreciation was on hold this morning with the euro trading around \$1.115 and the British pound little changed at \$1.292 ahead of policy announcements this week by the Federal Reserve and Bank of England.

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Selected Primary Commodity Prices: April 29, 2019

	Last	CHG	% CHG	Prior	Open	High	Low
COMEX Copper Jul (\$/lb.)	2.8780	-0.016	-0.6%	2.894	2.89	2.905	2.874
COMEX Gold Jun (\$/to)	1,282.6	-6.2	-0.5%	1,288.8	1289	1,289.1	1,281.8
COMEX Silver Jul (\$/to)	15.01	-0.1	-0.6%	15.09	15.12	15.12	15.0
NYMEX Light Sweet Crude Jun (\$/bbl)	63.12	-0.2	-0.3%	63.30	62.95	63.19	62.46
SHFE Aluminum Jun (RMB/mt)	14,170	-25	-0.2%	14,195	14,135	14,230	14,095
SHFE Copper Jun (RMB/mt)	48,880	20	0.0%	48,860	48,950	49,020	48,790
SHFE Nickel Jun (RMB/mt)	98,050	340	0.3%	97,710	97,650	98,660	97,200
SHFE Zinc Jun (RMB/mt)	21,650	110	0.5%	21,540	21,750	21,765	21,535

The Week Ahead

We have a packed economic calendar this week with central bank meetings, trade talks, jobs numbers, and manufacturing PMI reports all on the schedule. In the U.S., the Federal Reserve meets this week with no change in rates expected, while the U.S. jobs report due out on Friday is expected to show nonfarm payrolls increased by around 200,000 as the unemployment rate held steady at 3.8%. Other key U.S. reports out this week cover personal income and spending (for both Feb and Mar), manufacturing PMI, construction spending, and factory order. On the trade front, the Financial Times reports “U.S. Treasury secretary Steven Mnuchin and trade representative Robert Lighthizer travel to Beijing as the world’s two largest economies continue trade talks, which are now nearing the final stretch. Another round of negotiations is scheduled in Washington the following week and U.S. president Donald Trump has said he expects to know by May if a deal will materialize.” Investors will also be paying close attention to Chinese manufacturing PMI numbers, German PMI and retail sales, the Bank of England’s monetary policy committee meeting, and European GDP growth. Have a great week and don’t miss next week’s ISRI Market Report for a recap of the week’s key economic, commodity, and scrap market highlights!

U.S. Economic Calendar: April 29-May 3, 2019

Date	Time	Release	Period	Consensus	Prior
Apr 29	08:30	Personal Income	Feb	0.3%	-0.1%
Apr 29	08:30	Personal Spending	Feb	0.3%	0.1%
Apr 29	08:30	Personal Income	Mar	0.4%	NA
Apr 29	08:30	Personal Spending	Mar	0.7%	NA
Apr 30	08:00	S&P Case-Shiller Home Price Index	Feb	3.1%	3.6%
Apr 30	08:30	Employment Cost Index	Q1	0.8%	0.7%
Apr 30	09:45	Chicago PMI	Apr	58.2	58.7
Apr 30	10:00	Consumer Confidence	Apr	127.3	124.1
Apr 30	10:00	Pending Home Sales	Mar	1.1%	-1.0%
May 01	08:15	ADP Employment Change	Apr	170K	129K
May 01	10:00	Construction Spending	Mar	0.1%	1.0%

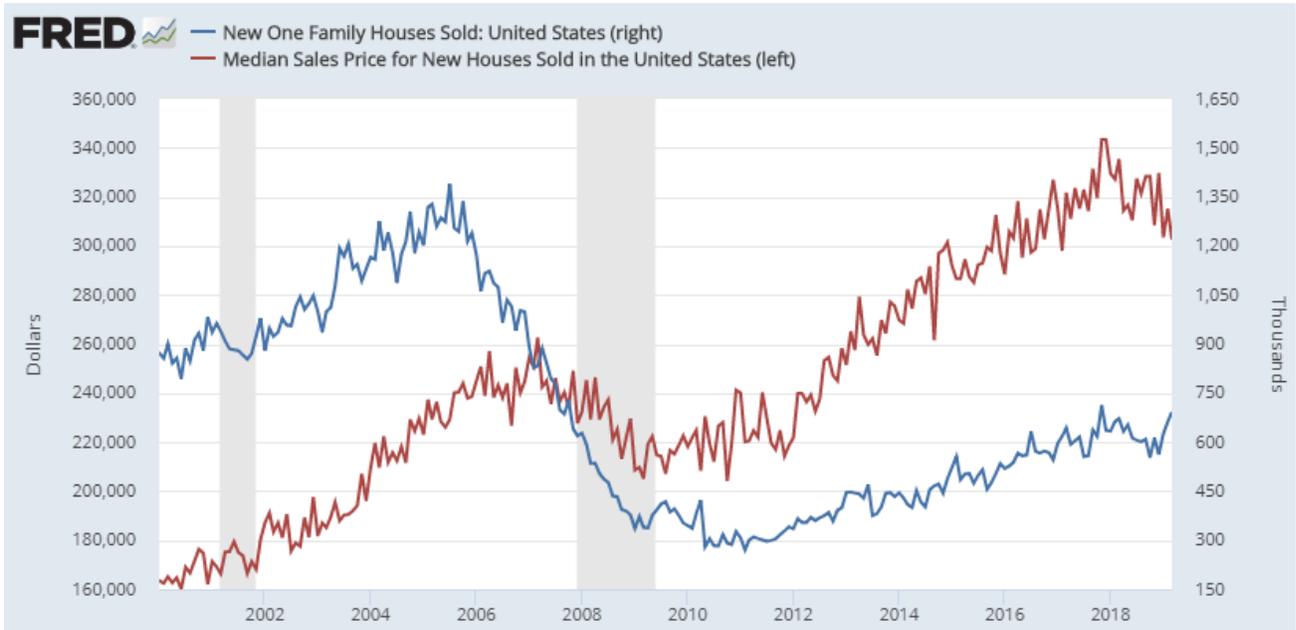
May 01	10:00	ISM Manufacturing Index	Apr	55.0	55.3
May 01	14:00	FOMC Rate Decision	May	2.375%	2.375%
May 02	08:30	Initial Claims	04/27	212K	230K
May 02	08:30	Continuing Claims	04/20	NA	1655K
May 02	08:30	Productivity-Prel	Q1	NA	1.9%
May 02	10:00	Factory Orders	Mar	1.6%	-0.5%
May 03	08:30	Nonfarm Payrolls	Apr	200K	196K
May 03	08:30	Nonfarm Private Payrolls	Apr	180K	182K
May 03	08:30	Avg. Hourly Earnings	Apr	0.3%	0.1%
May 03	08:30	Unemployment Rate	Apr	3.8%	3.8%
May 03	08:30	Average Workweek	Apr	34.5	34.5
May 03	08:30	Adv. Intl. Trade in Goods	Mar	NA	-\$79.5B
May 03	10:00	ISM Non-Manufacturing Index	Apr	57.4	56.1

Economic Week in Review

The big U.S. economic report out last week was the advance estimate of first quarter real GDP growth from the Bureau of Economic Analysis, which came in much better than expected at 3.2%, as compared to the consensus forecast for 1.9% growth. The BEA reports “The acceleration in real GDP growth in the first quarter reflected an upturn in state and local government spending, accelerations in private inventory investment and in exports, and a smaller decrease in residential investment. These movements were partly offset by decelerations in {personal consumption expenditures} and nonresidential fixed investment, and a downturn in federal government spending. Imports, which are a subtraction in the calculation of GDP, turned down” 3.7%.

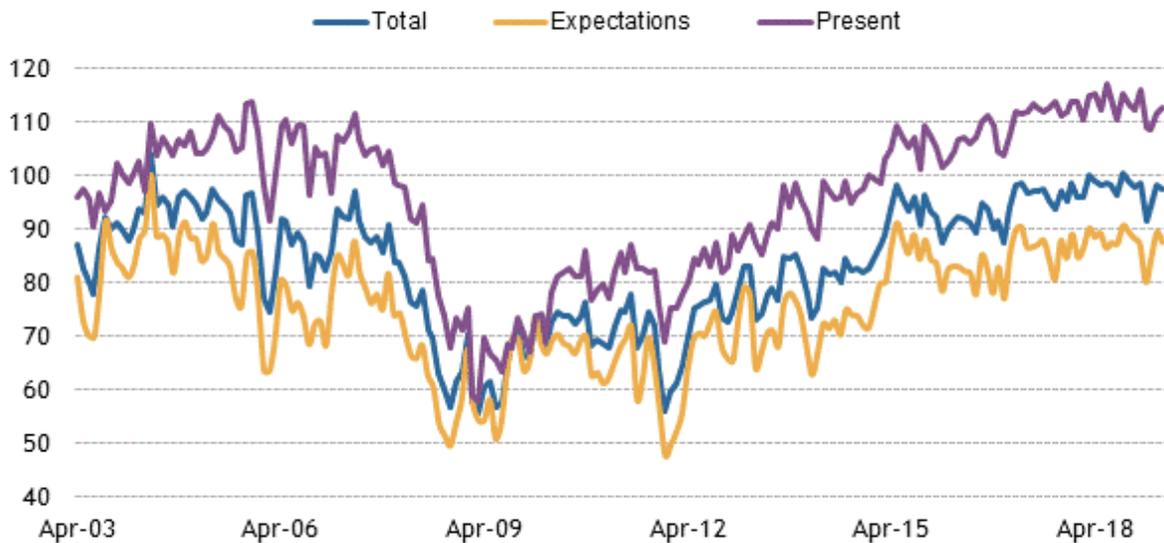
Category	Q1	Q4	Q3	Q2	Q1
GDP	3.2%	2.2%	3.4%	4.2%	2.2%
Inventories (change)	\$128.4B	\$96.8B	\$89.8B	-\$36.8B	\$30.3B
Final Sales	2.5%	2.1%	1.0%	5.4%	1.9%
PCE	1.2%	2.5%	3.5%	3.8%	0.5%
Nonresidential Inv.	2.7%	5.4%	2.5%	8.7%	11.5%
Structures	-0.8%	-3.9%	-3.4%	14.5%	13.9%
Equipment	0.2%	6.6%	3.4%	4.6%	8.5%
Intellectual Property	8.6%	10.7%	5.6%	10.5%	14.1%
Residential Inv.	-2.8%	-4.7%	-3.6%	-1.3%	-3.4%
Net Exports	-\$899.3B	-\$955.7B	-\$949.7B	-\$841.0B	-\$902.4B
Export	3.7%	1.8%	-4.9%	9.3%	3.6%
Imports	-3.7%	2.0%	9.3%	-0.6%	3.0%
Government	2.4%	-0.4%	2.6%	2.5%	1.5%
GDP Price Index	0.9%	1.7%	1.8%	3.0%	2.0%

In other news, new home sales soared over expectations to a 692,000 annualized rate which exceeded consensus expectations. This is the highest monthly reading since November 2017 and some analysts believe was prompted by the reduction in mortgage rates that began in the fall of last year. Existing home sales were on the lower end of the consensus range and continue a downward trend that began in the fall of 2017. The Federal Housing Finance Agency’s (FHFA) House Price Index (HPI) has been showing house price declines since March 2018 with a sharper year-over-year decline for February. It’s likely that lagging new home prices reflect the need to provide sharper discounts in order to move inventory. Here’s the trend in new one-family houses sold and the median sales price for new houses:



Of note, there signs that [industrial space is starting to open up](#) for warehousing. Availability rates have declined for nearly a decade but the past quarter (Q1 2019) saw a flattening that may be due to increased warehouse capacity. In other economic news, U.S. **durable goods orders** rose by a better-than expected 2.7% in March while the University of Michigan’s final reading on consumer sentiment in April remained elevated at 97.2:

University of Michigan Consumer Sentiment



Source: University of Michigan; updated 04/26/19

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Commodity News

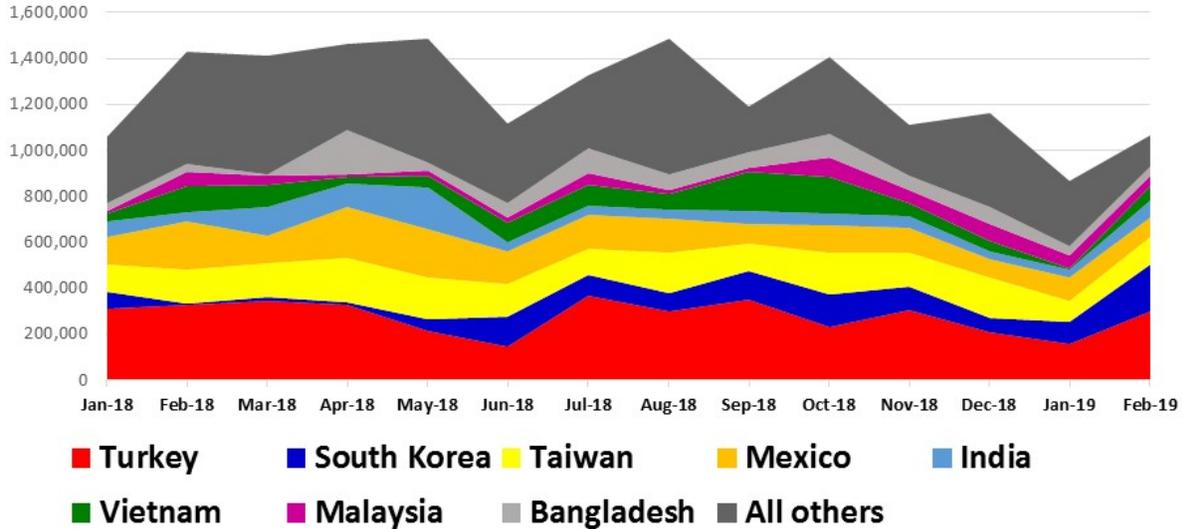
Oil markets surged to a six-month high on news that sanction waivers on Iranian crude oil will be ending on May 2. The surge in oil prices [created other effects in the marketplace](#). The Russian ruble and Colombian peso were buoyed by the shift. Heavy crude importing countries such as India and Turkey saw their currencies decline. Iran has threatened to close the Strait of Hormuz which is responsible for carrying 20% of the world's shipped crude oil. For scrap recyclers, this may be particularly concerning since [China and Turkey were two countries that were given waivers for the U.S. sanctions on Iran](#). As those waivers expire, increased tensions may impact trade and the negotiations of a U.S.-China trade deal. France, Germany, and the UK established a payment channel that helped them circumvent the sanctions. This may drive China and India towards more European engagement.

Ferrous – Fastmarkets AMM reported late last week that “One US East Coast exporter carved out a deal to sell a cargo of ferrous scrap to Turkey on Friday April 26, with that transaction priced \$4.50 per tonne lower than the previous US sale. The news of a deal being concluded eased fears that the sharp fall in the Turkish lira this past week may have priced US scrap out of the market...The East Coast exporter agreed to ship 22,000 tonnes of an 80:20 mix of No. 1 and No. 2 heavy melting scrap (HMS) at \$308 per tonne cfr, 5,000 tonnes of shredded scrap at \$313 per tonne cfr and 3,000 tonnes of bonus-grade scrap at \$318 per tonne cfr.”

Trade data from the Census Bureau show that U.S. ferrous scrap exports (excluding stainless and alloy steel scrap) increased from 866,000 tons in January to 1.063 million metric tons in February thanks in part to improved Turkish demand. The major ferrous scrap export markets in February were Turkey (298,000 mt), S. Korea (206,000 mt), Taiwan (120,000 mt), Mexico (85,000 mt), India (70,000 mt), Vietnam (64,000 mt), Malaysia (46,000 mt), and Bangladesh (39,000 mt). U.S. ferrous scrap shipments to China were negligible at 2,300 tons in February.

**Monthly U.S. Ferrous Scrap Exports (ex-stainless and alloy scrap)
Jan 2018 - Feb 2019, metric tons**

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



Macquarie reported last week that “Our latest China steel survey shows sentiment has improved further this month, underpinned by a surprise jump in domestic orders (Note: after seasonal adjustment). Construction and machinery drove the uptick in sales; auto is still struggling, but there’s some evidence that even this sector has now found a bottom. Overall, demand for long products remains notably stronger than that of flats. Mills have lifted their capacity utilisation rate as margins improved and their steel inventory stayed low. With crude steel production now on the rise, appetite for raw materials is growing, pointing to more restocking of both iron ore and coking coal in the coming weeks.”

Nonferrous – Macquarie also reports that “Our latest China copper survey shows sentiment remains positive regarding the copper market out the next three months, and there is a strong growth in end-user demand for copper, as shown by the general sales improvement among smelters, traders and fabricators, led by power, construction and white goods sectors. Traders also showed increased appetite in restocking copper inventory. Smelters lifted capacity utilisation rate for the second month, and said that their concentrate inventory in usage days dipped over the past month, as they reported plans to increase concentrate purchase in the near term.”

As we reported earlier, U.S. exports of copper and copper alloy scrap edged up to 73.9 thousand tons in February (up from 66.2 thousand tons in January) according to trade figures released by the Census Bureau. Improved sales to Malaysia, Hong Kong, and mainland China accounted for most of the gains.

Year-to-Date U.S. Copper and Copper Alloy Scrap Exports by Major Destination

Metric tons

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

Country	2018	Jan-Feb 2018	Jan-Feb 2019	% CHG
Malaysia	118,877	7,580	35,221	364.7%
Canada	90,587	14,160	14,512	2.5%
China	274,668	82,627	13,693	-83.4%
South Korea	71,237	5,389	11,385	111.2%
Japan	55,784	5,753	11,094	92.8%
Hong Kong	43,200	6,342	8,699	37.2%
India	48,428	3,106	8,046	159.1%
Germany	37,192	5,126	6,219	21.3%
Taiwan	35,167	2,830	5,666	100.2%
Belgium	31,307	1,861	5,462	193.5%
Thailand	14,544	2,405	3,687	53.3%
Greece	8,788	431	2,295	432.4%
Others	83,043	9,664	14,067	45.6%
Total:	912,824	147,274	140,046	-4.9%

Here's the more positive trend in U.S. aluminum scrap exports (in metric tons) which shows total exports are up 19% for the year-to-date as more material is moving to India, Malaysia, Indonesia, Taiwan, Hong Kong, and South Korea, more than offsetting the 33% drop in shipments to mainland China:

U.S. Aluminum Scrap Export Destinations	2018	Jan-Feb 2018	Jan-Feb 2019	% CHG
China	505,021	110,809	73,791	-33%
South Korea	240,753	31,285	43,874	40%
India	215,934	16,080	35,543	121%
Mexico	195,030	24,937	33,660	35%
Malaysia	172,314	13,879	23,940	72%
Indonesia	76,026	7,606	17,131	125%
Canada	104,272	16,765	15,401	-8%
Taiwan	69,240	5,199	14,546	180%
Hong Kong	41,415	3,508	10,160	190%
Brazil	18,260	486	3,520	624%
Rest of World	123,948	13,289	17,662	-100%
Total	1,762,213	243,844	289,229	19%

Last but not least, here are the official trade numbers on U.S. stainless steel scrap exports by major destination so far this, which continue to show a ramp up in export sales but, as with all trade data, may be less than perfectly accurate:

U.S. Stainless Steel Scrap (metric tons) Destinations	2018	Jan-Feb 2018	Jan-Feb 2019
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Canada	383,876	8,343	24,550
Taiwan	101,953	13,952	22,336
India	85,102	8,327	16,197
South Korea	8,034	1,266	1,633
Pakistan	37,152	12,397	1,500
Bangladesh	2,012	121	1,021
Malaysia	6,621	187	845
Japan	8,202	2,154	768
Spain	306	0	636
Hong Kong	3,201	866	411
Others	141,167	6,215	1,857
TOTAL	777,626	53,828	71,754

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

Plastics – As global awareness on ocean plastics, hard-to-recycle plastics, and landfill diversion issues have gained prominence in public policy spaces, the trade of scrap plastic recyclables continues to decline. U.S. plastic scrap exports have declined but the breakdowns by polymer may be more instructive.

YTD U.S. Plastic Scrap Exports by Polymer (metric tons)

Polymer Export Category	2018	2018 Jan-Feb	2019 Jan-Feb	% CHG
PE Scrap	415,122	71,720	49,764	-31%
PS Scrap	26,653	4,883	4,632	-5%
PVC Scrap	137,385	24,760	4,600	-81%
PET Scrap	117,678	19,007	11,539	-39%
Mixed Plastic Scrap	373,121	80,054	39,174	-51%
Total Plastic Scrap	1,069,959	200,424	109,709	-45%

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

Industry sources have reported that HDPE and LDPE scrap is dealing with a domestic supply crunch. This would track with a continued 31% decline in PE scrap exports. The more severe decline in Mixed Plastic scrap exports may be due to more domestic buying to capture PE scrap through secondary processing as well as import restrictions coming online from Vietnam, Thailand, and other alternative markets. The Vietnamese restriction on scrap imports also explains a severe drop in PVC exports as Vietnam was an important destination for PVC scrap.

As PET scrap imports have remained steady despite a dramatic slowdown in exports, PET processing in the U.S. appears to be seeing some investment. CarbonLITE has adjusted their plans to build a recycling plant in Central PA, a project that was announced last fall for the Lehigh Valley. Nestle Waters has a business relationship with CarbonLITE and operates bottling facilities there.

Adidas is developing what they call a “[fully recyclable running shoe](#)” that will be made of thermoplastic polyurethane. This is likely to bring up questions about acceptability into curbside programs as polyurethane isn’t accepted into any known curbside programs. This could be an interesting opportunity to promote consumer behavior that would help develop new sorts of collection programs or even a new retail end user-to-processor relationship.

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

Legislative Update

While most states have been shying away from massive rewrites of their metals theft laws in recent years, several states are considering amendments that could greatly impact purchases of ferrous and nonferrous scrap. We've outlined a few of the most pressing amendments below, but you can use the [materials theft](#) or [scrap metal](#) reports on [ISRI's State Resources and Tracking Pages](#) to find out more and view the bill profile pages and text.

Passed to Date

- SD HB 1082: \$100 cash payment threshold for nonferrous metal property.
- IN SB 471: penalties for damaging a "critical infrastructure facility"; includes changes to the penalties for theft of valuable metal.
- AR SB 365: eliminates the requirement that the operator of the reporting database report a list of all scrap recyclers in a county that have not filed a daily electronic record of scrap metal purchases.

Pending Legislation of Concern

- KS SB 219: transfers the reporting database (currently set for 2020) from the AG to the Kansas Bur. Of Inv., modifies recordkeeping and registration. Formerly included a weight based excise tax on purchases of over 100 lbs. of metal. Legislators will decide on final language during the first week of March.
- MO SB 492: copper peddler licensing, Payment restrictions, reporting, and hold on copper property & HVAC; Recordkeeping and retention requirements; Required registration with ScrapTheftAlert.com; Purchase restrictions on high voltage transmission cables, historical markers, new materials and tools used by contractors, HVAC components, and catalytic converters.
- TX HB 1530 / SB 616: for metal recycling entity registration, authorizes criminal history checks from FBI & fingerprinting.
- LA HB 233: removes payment restrictions for secondhand dealers, but not for scrap metal recyclers
- New York: several active bills

Go deeper: If you'd like to find out what changes could impact your company, visit [ISRI's State Policy](#) page or contact [Danielle Waterfield](#) if you have any questions about the system or legislation impacting your state. ISRI has also added live legislative and regulatory reports to the [State Resources and Tracking](#) pages to make keeping up-to-date in your state easier.

This Week's Story

A guy goes hunting and wants to hire a dog to retrieve the catch.

"I have just the dog for you, sir." says the gamekeeper. "He's called Salesman and he is brilliant."

Off they go and every time the hunter shoots a bird the dog runs off and brings the bird back just as he was hired to do; a great success.

The following year, the same guy goes back and asks for Salesman as he was so good last year.

"Ah, I'm sorry, sir, but it won't work anymore. Someone had the bright idea of calling him Sales Manager - now he just sits at his desk and barks all day."

This Week's Quote

"For every complex problem there is an answer that is clear, simple, and wrong."

-- H. L. Mencken