Market View

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The views expressed in the “Market View” are those of the author and do not necessarily represent the views of the Aluminum Association

The NYMEX prompt-month natural gas contract has become more volatile over the past month, testing both the upper and lower bounds of the five-month trading range, but has yet to definitely break out of this channel. Leading the charge for the bulls has been a few early, albeit quick shots of cold air in November. The cold streaks increased residential and commercial heating demand, well above their seasonal norms. Natural gas storage levels have also added to the bullish sentiment. Total storage topped out at 3,790 Bcf, 255 Bcf below 2016’s end-of-injection-season total. While the 3,790 level is still a top-10 storage level of all time, it does put storage inventories at a disadvantage compared to the prior two winters. Combine the lowered inventories with winter forecasts calling for lower temperatures and increased heating demand compared to year-ago levels, and gas markets have had plenty of support for their recent rallies. Natural gas production, on the other hand, has been a significant bearish factor over the past month. Production has topped 77.0 Bcf/d several times over the past two weeks, setting daily production records in the process. The Energy Information Administration will not release their November production numbers for another week or two, but it is likely that November will become the highest production month of all time, topping April 2015’s average of 75.2 Bcf/d. Canadian imports are also higher compared to year-ago levels, helping add to the total supply. With temperatures getting colder, production will remain the largest bearish factor in the NYMEX gas market.

West Texas Intermediate (WTI) and Brent crude both traded to multi-year highs over the past month. The largest driver of the run-up was the expectations that OPEC/non-OPEC producers would extend their production cut agreement beyond the initial March 2018 end date, and those expectations became reality with the official announcement that the cuts will now run through the end of 2018. WTI crude has gained nearly $10.00 per barrel over the past month, topping out at $59.05 in late November, while Brent crude traded above $60.00 per barrel for the first time since July 2015. Growing global demand estimates for 2018 and political unrest in the Middle East also helped push pricing higher, while U.S. production, reaching multi-decade highs in November, added bearish sentiment to the largely bullish market.
November 29 – Preliminary estimates indicate that **aluminum demand** in the United States and Canada (shipments by domestic producers plus imports) totaled an estimated 20,664 million pounds through the third quarter of 2017, up 2.9 percent over the same period last year. Demand for semi-fabricated (mill) products totaled 14,922 million pounds, up 5.2 percent. Apparent consumption (demand less exports) in domestic markets totaled an estimated 18,418 million pounds, up 4.1 percent year-over-year.

November 30 – **New can stock (class) scrap receipts** totaled 60.1 million pounds during October 2017, an increase of 13.1 percent over the October 2016 total of 53.1 million pounds. Compared to the previous month, receipts rose 11.9 percent over the September 2017 total of 53.7 million pounds. Year-to-date receipts through October 2017 totaled 561.0 million pounds, off 3.0 percent from the 2016 year-to-date total of 578.2 million pounds.

November 30 – **Aluminum net shipments** (including exports) by domestic U.S. and Canadian facilities totaled an estimated 2,076 million pounds during October, up 5.3 percent over the October 2016 total of 1,972 million pounds. Shipments of aluminum mill products increased 7.0 percent over the previous year to 1,392 million pounds, while shipments of aluminum ingot for castings, exports and destructive uses were up 1.9 percent year-over-year, totaling 684 million pounds. Through the first ten months of 2017, preliminary producer shipments totaled 20,170 million pounds, an increase of 1.3 percent over year-to-date 2016. September inventory levels totaled an estimated 3,156 million pounds, up five-tenths of one percent over the previous month and an increase of 8.9 percent year-over-year.
December 1 – The U.S. aluminum industry purchased an estimated 729 million pounds of aluminum scrap during September 2017, according to aluminum recycling statistics published by the U.S. Geological Survey, Department of Interior, up eight-tenths of one percent over the September 2016 total of 723 million. USGS estimates that recovery of aluminum and aluminum alloys totaled 667 million pounds, an increase of 1.3 percent year-over-year. Through the third quarter of 2017, preliminary data indicate that recovery of aluminum from scrap totaled an estimated 6,070 million pounds, up 2.2 percent over the 2016 ytd total of 5,942 million pounds. U.S. exports of scrap, not included in the government’s consumption statistics, totaled 2,508 million pounds through September, up 12.6 percent over 2016.

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U.S. Secondary Recovery and Exports of Aluminum Scrap (Millions of Pounds)

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Not Seasonally Adjusted

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November 27 – Sales of new single-family houses in October 2017 were at a seasonally adjusted annual rate of 685,000, according to estimates released jointly today by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 6.2 percent above the revised September rate of 645,000 and is 18.7 percent above the October 2016 estimate of 577,000. The median sales price of new houses sold in October 2017 was $312,800. The average sales price was $400,200.

November 28 – Statistics Canada report that Canada’s Industrial Product Price Index (IPPI) increased 1.0 percent in October (113.3), following a three-tenths of one percent decrease in September (r). The growth in the IPPI was largely attributable to higher prices for motorized and recreational vehicles (+1.5%). The IPPI excl. energy and petroleum products rose nine-tenths of one percent. Alumina and aluminum production prices increased 3.2 percent from September, and were up 13.0 percent over a year ago. The overall IPPI rose 1.8 percent during the 12-month period ending in October, after posting a 1.5 percent increase in September.

November 29 – U.S. real gross domestic product increased at an annual rate of 3.3 percent in the third quarter of 2017 according to the "second" estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 3.1 percent. BEA emphasized that the third-quarter "second" estimate is based on source data that are incomplete or subject to further revision by the source agency. The acceleration in real GDP in the third quarter reflected an acceleration in private inventory investment, a downturn in imports, and smaller decreases in state and local government spending and in residential fixed investment that were partly offset by decelerations in PCE, in nonresidential fixed investment, and in exports.
December 1 – The U.S. Census Bureau of the Department of Commerce reported that the annual rate of construction spending during October 2017 totaled an estimated $1,241.5 billion, seasonally adjusted, an increase of 1.4 percent month-over-month, and up 2.9 percent over the October 2016 estimate of $1,206.6 billion. Residential construction ($523.9 billion seasonally adjusted annual rate) advanced four-tenths of one percent month-over-month, and was up 7.2 percent year-over-year. Nonresidential construction was at a seasonally adjusted annual rate of $717.6 billion in October, up 2.1 percent over September 2017 (0.0% y/y). Construction spending through October 2017 amounted to $1,029.6 billion, 4.1 percent above the $988.8 billion ytd in 2016.

December 1 – Statistics Canada reports that real GDP in Canada, increased two-tenths of one percent in September, after declining one-tenth of one percent in August. The output of goods-producing industries grew four-tenths of one percent in September, while services-producing industries edged up one-tenth of one percent. Total manufacturing output remained essentially unchanged month-over-month. Durable-goods manufacturing declined four-tenths of one percent led by a 2.4 percent decrease in primary metals, which was widespread across its industries.

December 1 – Preliminary data published by Ward’s Automotive show that actual U.S. light vehicle sales totaled 1.39 million units during November 2017, up 1.3 percent year-over-year. The daily sales rate in November was 55,329 over 25 days, 1.0 percent above the 2016 rate of 54,785 (25 days). Through November 2017, sales totaled 15.539 million units, 1.5 percent below like-2016’s 15.783 million. November’s seasonally adjusted annual rate of 17.3 million units was the third straight month in which the rate topped the 16.8 million SAAR the industry was tracking at through August. Drivers include strong economic fundamentals and an abundance of ’17 models on dealer lots, as incentives have been rising faster than average transaction prices.
December 1 – The Markit final U.S. Manufacturing Purchasing Managers’ Index (PMI) registered 53.9 in November, down from 54.6 in October. November survey data indicated improved operating conditions across the US manufacturing sector. The upturn was supported by solid, albeit slightly weaker, increases in output and new orders. Staffing levels meanwhile rose at a robust pace, despite the rate of job creation softening since October. However, signs of capacity pressures persisted, with backlogs of work rising again. Output charges rose at the fastest pace since December 2013. Input prices also rose at a quicker rate that was steep overall. Business confidence was robust, and reached its highest since January 2016.

December 1 – The Markit Canada Manufacturing Purchasing Managers’ Index (PMI) registered 54.4 in November, little-changed from October’s nine-month low of 54.3. Canadian manufacturers experienced another solid improvement in overall business conditions during November, but momentum remained softer than on average in the first half of this year. Reflecting this, manufacturing production growth eased to an 11-month low, while new order volumes expanded at one of the slowest rates seen in 2017 so far. A robust rate of job creation was maintained in November, reflecting continued efforts to boost operating capacity.

December 1 – The headline Markit Mexico Manufacturing PMI climbed from 49.2 in October to 52.4 midway through the final quarter, indicating an overall improvement in the health of the sector. The largest positive contribution to the PMI figure came from the new orders sub-component. November saw a sharp expansion in new work, one that was the strongest in one-and-a-half years. Panel members linked this robust rise to strengthening demand conditions and greater client bases. New export sales also expanded in November, but to a lesser extent than seen for total new orders. Lastly, the upbeat demand environment encouraged goods producers to scale up output.
Global Trends Continued...

December 1 – The Caixin China General Manufacturing PMI registered 50.8 in November, down from 51.0 in October. While remaining above the crucial 50.0 value, the index dipped to its lowest level for five months to signal only a marginal upturn in operating conditions. Output and new orders both rose only modestly, leading to a softer expansion in buying activity. At the same time, companies faced a further sharp increase in average input costs, that led to a notable rise in selling prices. Efforts to cut costs contributed to another fall in staffing levels, with the rate of decline quickening to a three-month record. Difficulties in obtaining inputs alongside higher raw material prices in international markets underpinned a further sharp rise in input costs faced by Chinese manufacturers.

December 1 – The headline Nikkei Japan Manufacturing PMI increased in November to 53.6, from 52.8 in October. This signaled the strongest improvement in manufacturing sector conditions since March 2014. New orders placed with Japanese manufacturers increased at the most marked pace for 44 months in November. New export orders rose at the quickest pace since February and stronger demand prompted businesses to raise production. In fact, output growth accelerated for the fourth month in succession to a 45-month high. In line with greater demand, Japanese manufacturers enhanced operating capacity by taking on more staff. The rate of job creation was solid and quickened to a six-month high.

December 1 – The final Markit Eurozone Manufacturing PMI rose to 60.1 in November, its best reading apart from April 2000’s series-record high. The headline PMI has now remained above the neutral 50.0 mark for 53 months, with the latest figure slightly above the earlier flash estimate of 60.0. The upturn in the euro area manufacturing sector continued to surge forward in November. Strong accelerated expansions in production and new orders, aided by series-record growth in new export business, underpinned the steepest increase in employment since the survey began in June 1997. November saw the upswing in the Eurozone manufacturing sector remain broad based by nation, with all of the countries covered by the survey reporting expansions for the sixth straight month.
According to this week's release by the Federal Reserve Board, the Nominal Broad Dollar Index closed the week at 119.24 on Friday, December 1, an increase of one-tenth of one percent from the previous week’s close of 119.07. As a result, the Index remained below its 30-day moving average for the third consecutive week. Over the last six months, the index is down 2.7 percent, while it’s off 6.4 percent over the last 12 months.

The nominal broad dollar index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a broad group of major U.S. trading partners.
The Aluminum Association, founded in 1933, works globally to aggressively promote aluminum as the most sustainable and recyclable automotive, packaging and construction material in today’s market. The Association represents North America and foreign-based primary producers of aluminum, aluminum recyclers, producers of semi-fabricated products and foundries as well as suppliers to the industry or distributors or jobbers.

The Aluminum Association's statistical programs provide industry information on primary aluminum production, new orders of mill products, industry shipments, end use market estimates, inventories, recycling and foreign trade on a monthly, quarterly and annual basis. Special surveys provide data on specific subjects such as primary capacity, flat roll capacity, inventories and castings shipments. Custom reports are available on a for-fee basis. Web briefings are also available upon request.

**Industry Overview**
- Aluminum Statistical Review (Annual Fact Book)
- Aluminum Highlights (Weekly)
- Aluminum Situation (Monthly)
- Summary of Producer Shipments and Inventories (Monthly)

**Primary Aluminum**
- Primary Aluminum Production – U.S. and Canada (Monthly)
- Primary Installed Capacity (Annual)
- Shipments of Primary Aluminum by Form (Quarterly)

**Mill Products**
- Index of Net New Order Receipts for Aluminum Mill Products (Monthly)
- Can Stock Shipments (Monthly)
- Electrical Conductor Shipments (Monthly)
- Extruded Products Shipments and Press Utilization (Monthly)
- Flat Roll Capacity (Annual)
- Foil Shipments (Monthly)
- Forging and Impacts Shipments (Monthly)
- Rod, Bar, and Wire Shipments (Monthly)
- Sheet and Plate Shipments (Monthly)

**End Use**
- Extrusion Shipments by End Use (Quarterly)
- Fin Stock Shipments by End Use (Quarterly)
- Foil Shipments by End Use (Monthly)
- Sheet and Plate Shipments by End Use (Quarterly)

**Castings**
- U.S. Foundry Castings Shipments (Quarterly)
- Canada Foundry Castings Shipments (Annual)

**Recycling**
- New Can Stock (Class) Scrap Receipts (Monthly)
- Used Beverage Can Reclamation (Annual)

**Foreign Trade** (based on government customs data)
- Summary of U.S., Canada and Mexico Imports and Exports (by Commodity), Monthly
- Foreign Trade Online Database - U.S., Canada and Mexico Exports & Imports of Aluminum (By Commodity, by Country)

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