



Weekly Market Wrap

Yaletown Lumber Industries Ltd. Prepared by Vince Bulic

For Week Ending Friday October 5, 2018					Cash prices as reported by Random Lengths		
Futures	Wk. Close	Change	High	Low	2x4 #2+Btr Base Price	\$342	Composite
Nov	350.20	↑ 5.80	372.00	331.60	Compared to Futures	Nov \$11 Prem	\$ 389.00
Jan	358.70	↑ 6.00	376.80	343.20	Last Week	\$350	Cdn \$
March	370.60	↑ 21.80	385.50	357.20	Last Year	\$436	1.29224

Cash: This week SPF prices halted their slide as the potential for labour disruptions became a reality with the union representing workers at 13 northern BC mills issued a 72 hour strike notice on Wednesday. It is understood that a strike will not occur while negotiations are underway – and talks are scheduled to resume next week on Wednesday. A futures market trading at a premium brought in some fresh buying, but not as much as one would expect. Many throughout the pipeline are struggling with offside lumber, hence the enthusiasm for new purchases has been low. The composite price index fell \$16 for the week.

Futures: Last week we had convergence, this week we saw November trading at a premium to cash with the back months at a further premium. This price structure gives the market a positive outlook. This positive outlook was definitely helped with the strike notice news. It's tough to be short after such a price collapse and with a potential strike. Friday saw new highs for this bounce, but also saw an end of day sell-off. It is a tug of war between a futures chart that is giving glimmers of hope, a cash market that is still struggling with a bit of excess inventory, and an uncertain news cycle. However, at times the selling has been relentless – news of a labour agreement reached will bring back the selling in full force.

Looking ahead: How do you plan ahead in this market? The June/July slide had not run its course but was halted in the 2nd week of August due to real concerns that Quesnel might be evacuated. Had the wind changed direction it would have. Fortunately, the winds cooperated but buyers bought more thinking we had bottomed. We obviously did not. Now here we are asking ourselves again have we bottomed? If there is a strike then we definitely have a good bounce coming. No strike and we could go lower yet. As I was told this week- whether or not there is a strike will just “come down to the egos in the room”. So there you have it – in the last few months you either successfully or not could have and can plan your market positioning based on your opinion of wind direction and the human ego. Regardless, failing a strike the market still has to deal with some excesses. Just as higher prices are a cure for high prices, so are lower prices a cure for low prices. Slow down the Euro wood coming in because of low prices, get a few mills to curtail because of low prices, get a few more projects on the go because of low prices and all of the sudden prices are off their lows. In the meantime, plan your lumber purchases around your business needs and be prepared for the market to continue to be unpredictable.

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November Daily Futures Chart: Is it forming a base to go higher, or just breathing before pushing lower?

