



# Weekly Market Wrap

Yaletown Lumber Industries Ltd. Prepared by Vince Bulic

For Week Ending Friday November 9, 2018					Cash prices as reported by Random Lengths		
Futures	Wk. Close	Change	High	Low	2x4 #2+Btr Base Price	\$330	Composite
Nov	<b>332.60</b>	↓ 7.40	342.00	325.50	Compared to Futures	Nov \$6 prem	\$ 337.00
Jan	356.00	↑ 15.00	363.80	335.90	Last Week	\$312	Cdn \$
March	365.60	↑ 19.20	371.70	345.20	Last Year	\$467	1.3197

**Cash:** A strong finish last week allowed mills to raise prices on most items and aggressively on 2x4 SPF. Although market activity was not frantic it was steady throughout the week. Buyers pulled out their PO books and searched for any left-over deals. Others, feeling that the market may have run its course to the downside, purchased their immediate needs plus a little bit more. The BC sawmill labour union and the southern employers group have agreed to start an arbitration process on November 14<sup>th</sup>. The Random Length Lumber Composite Index was unchanged at \$337.

**Futures:** The buyers that were locked out all day Friday came back Monday morning pushing futures higher. However, after the open and after the labour news described above became known prices pulled back and made what turned out to be the lows of the week. For the rest of the week we had a range bound trade that on Friday broke out to the upside on what looked to be some buy stop orders getting hit. November expiry is coming up this Thursday so will be very interesting to see how that plays out. The chart

is at a crossroad, but does look friendly to more upside over the next few months (see below).

**Looking ahead:** We've just seen our best batch of business since the early August forest fire bounce. Given that we've hit levels that have induced curtailments one could easily argue that we've put in a bottom that will hold into the spring of 2019. There is still some problem wood out there, but not as much as there was a month ago. The thing that could push us higher as we hit Q1 2019 is a repeat of railcar shortages. In western Canada oil producers will pay more for the equipment, while farmers are better connected politically – so sawmills get the residual capacity, which as we saw last year was not enough. The other thing that is positive for SPF prices is that we are now the cheap kid on the block. Have a look at the attached chart showing the price spread between 2x4 SPF and 2x4 Southern Yellow Pine. The same buyers who last year switched from SPF to SYP will now be switching back.

Vince Bulic, Yaletown Lumber, Tel: 604-688-1037

**Lumber Futures Weekly Chart:** a 2-3 month rally up to the 50 day exponential moving average (\$430's) looks plausible.



# 2x4 W.SPF R/L - 2X4 W.SYP BASE PRICES

