Weekly Market Wrap

Yaletown Lumber Industries Ltd.   Prepared by Vince Bulic

For Week Ending Friday April 26th, 2019					Cash prices as reported by Random Lengths		
Futures	Wk. Close	Change	High	Low	2x4 #2+Btr Base Price	**$323**	Composite
May	**347.90**	↑ 12.20	352.00	308.00	Compared to Futures	May $28 Prem	$ 351.00
July	349.20	↑ 12.80	354.00	310.20	Last Week	$312	Cdn $
Sep	352.50	↑ 11.40	357.30	317.00	Last Year	$565	1.3442

Cash: Activity picked up this week as news of production curtailments by Canfor late Wednesday and by Interfor late Thursday sparked the SPF market. Buyers were given a reason to pull out their PO books and cover upcoming needs. Mills were able to clean up some surpluses and build order files on some items but were also quick to raise prices which made some buyers skeptical. Secondaries took advantage of the pick-up in interest to sell from inventory lists. The busier pace was limited to the SPF market with the Composite Price Index only up $1 to $351.

Futures: May saw a $44 range this week. When we bottomed at $308 it was still a good $10 to $15 premium to where cash was then trading. Based on the weekly closing price we are now at a $28 premium to cash print. Futures will need continued cash activity next week to maintain these levels and possibly push to $360. It will be tough to push beyond that in the short run. This last three day rally has been short covering in nature. The industry will not buy at these levels so the only thing to push it higher is more short covering. Long term lasting rallies are not based on short covering. But with more curtailment announcements possible anything can happen.

Looking ahead: US mills have finally achieved what they have always wanted to see – make BC mills the marginal producer (i.e. the one with the highest costs that will curtail first). A 20% duty and a temporarily out of line stumpage rate are the reason for this. Activity picked up this week based on the B.C. curtailment news, but not across the whole market. Why - because we need curtailments to stem the oversupply. Curtailments will bring us back to equilibrium and the market (especially with all the customers now trained in the ease of switching species) doesn't care where they come from. Low prices are the cure for low prices, just like high prices are the cure for high prices. It is always pain at the extremes that brings us back to normal levels. The curtailments announced in December and January have all come and gone and the market did not miss the lost production. Hence, new curtailments are needed. What this market really needs is a higher dose of demand.

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May Daily Futures – testing the low $300's then bouncing hard on curtailment news……