

Wood Markets

Highlights

- › **Softwood Lumber:**
Prices are still sliding down but a floor should show up soon.
- › **Hardwood Lumber:**
Strong domestic demand; prices are low enough to bring back Chinese buyers in the market.
- › **Housing:**
U.S. Housing shows weaknesses since June in starts and resale; Quebec's housing starts could be slowing down next year.

Softwood Lumber

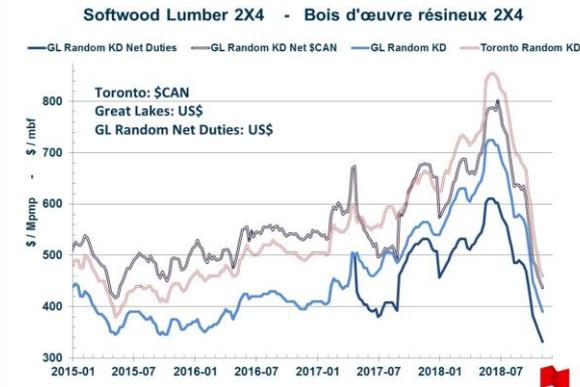
The deep correction occurring in N-A pricing since June is fuelled by a series of deceiving news in U.S. Housing. Actual level is near the producing cost for many U.S. sawmills. Canadians exporters are favored by the currencies exchange rate and are still generating some profits although the duties, at least for the most productive ones.

We should see a floor soon. Some Western sawmills (U.S. and B-C) with high log costs announced downtimes or going back to two shifts.

Hardwood Lumber

N-A demand is still strong and Chinese buyers are back in the market now that recent price adjustments are mostly compensating for U.S and Chinese tariffs. Export to Vietnam and Indonesia are also rising.

U.S. economy is really active. Domestic demand for industrial lumber shows no signs of weakness. But the meltdown in the softwood lumber prices will remove a lot of the pressure that was pushing on hardwood cants and pallet lumber.





Housing



Housing starts fell 5.3% in September to an annualized 1,201K with declines for both singles (-0.9% to 871K) and multi-units (-15.2% to 330K).

While a hurricane was responsible for the weakness in the South, rising interest rates are a more structural hurdle. In fact, **sales of newly built homes** slumped 5.5% m/m in September to an annualized 553K units, their lowest level since December of 2016. This followed a downwardly revised print in August. September's result extended the negative streak to four months. Altogether, new-home sales have dropped 15.3% in the past four months, their worst sequence since 2013.

As a result of these weaker sales over this period, the **ratio of new homes available** on the market to monthly sales has shot up from a relatively balanced 6.5 months to 7.1, its highest level since March 2011. This will probably have negative effects on housing starts this winter.

United States: Starts decreased further in Q3

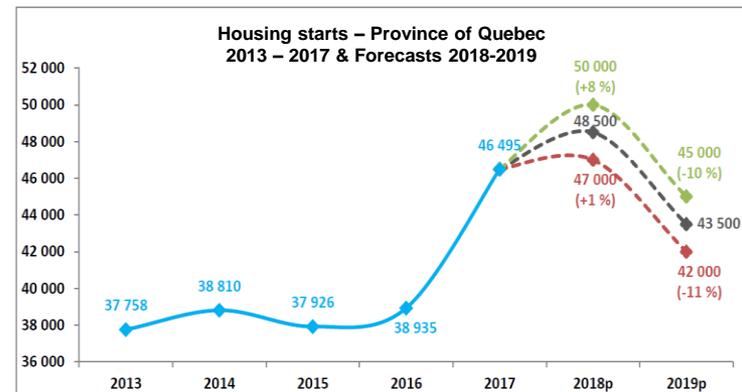


NBF Economics and Strategy (Source: U.S. Commerce Department via Datastream and Freddie Mac via St. Louis Fed FRED)



Quebec' Association of Building Contractors (APCHQ) is forecasting 48 500 housing starts in 2018, a 4 % increase compared to 2017. For 2019, the Association foresees 43 500 starts, a 10 % drop vs 2018 caused by an economical slow down, less job creation and interest rates hikes. Growth in these 2 years should concentrate in multifamily dwellings, mostly for rental.

With the «RenoVert» incentive program, reconfirmed in the last provincial budget, remodeling expenses should stay at relatively high levels and even show a 5 p.c. increased this year. For 2019, APCHQ forecast a 4 p.c. hike if the program is maintained.



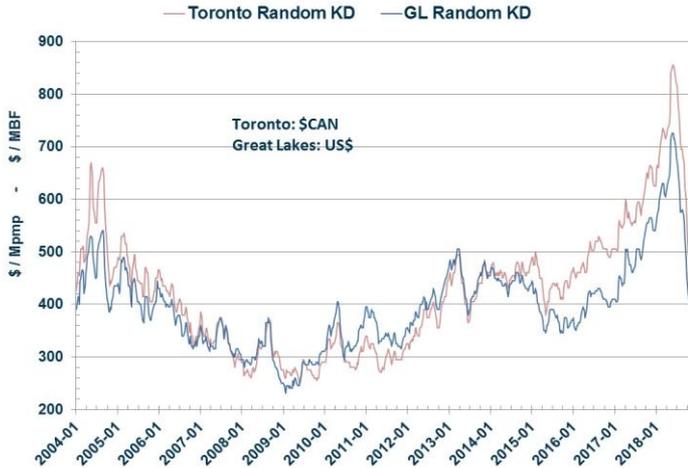
Source : Prévisions APCHQ et Mises en chantier : SCHL (Relevé des mises en chantier et des achèvements)

[To consult the complete report](#)



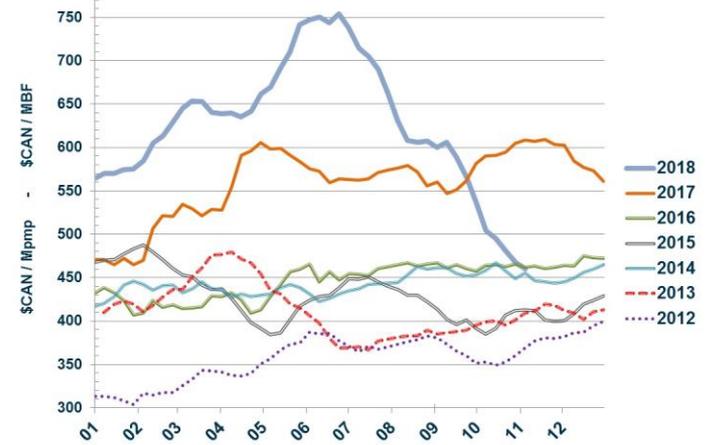
Market Dynamics

Softwood Lumber - Bois d'œuvre résineux



*Back to 2016 levels.
Or is it 2014??*

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Bois d'œuvre résineux - Softwood Lumber

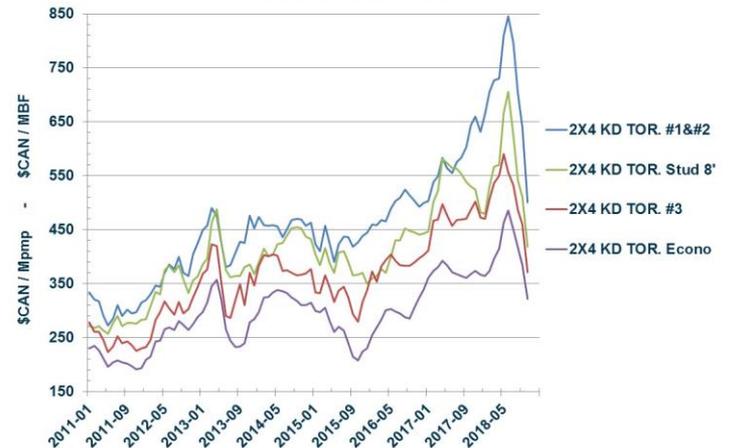


Softwood Lumber - Bois d'œuvre résineux



*Second processors will
enjoy a well deserved
break.*

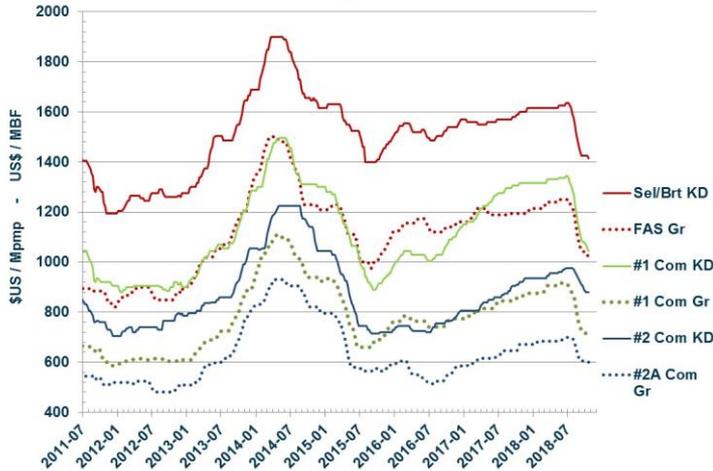
Bois d'œuvre résineux
Softwood Lumber





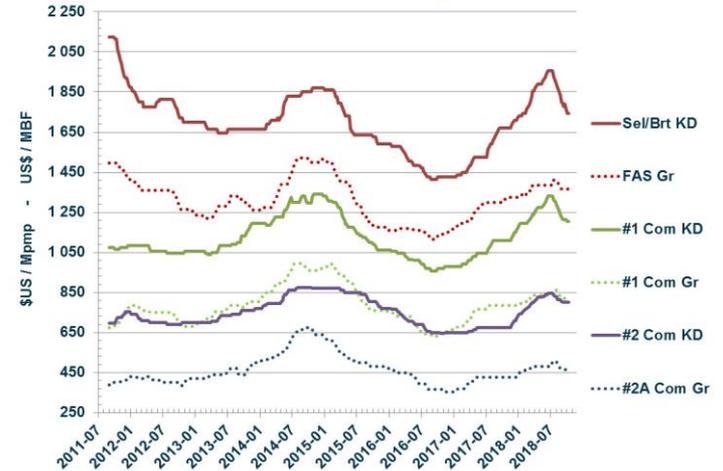
Market Dynamics

Chêne rouge / Red Oak

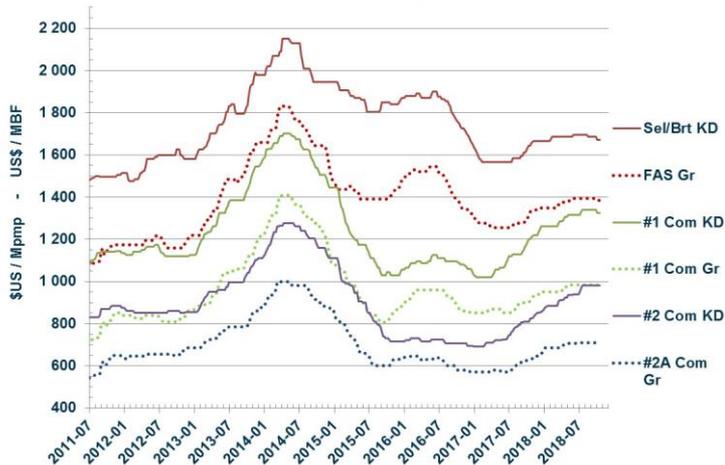


Prices are low enough to ease for duties and reinitiate some exports to China.

Cerisier / Cherry



Érable dur / Hard Maple Sap



Domestic demand is still strong. Less exported species are moving well and steady.

Tremble / Aspen

