

NORTH AMERICAN SOFTWOOD MARKET REPORT

Edition 35, # 27

July 9, 2010

HIGHLIGHTS

- Trading Fairly Upbeat on Markets
- Prices Firm Up
- Canadian Construction Sector Contracts
- Jobs Picture Improves in Canada
- Cdn. Softwood Lumber Output Increases

MARKET PULSE

Trading turned upbeat on **American markets** this week, thanks to the approaching mill shutdowns of most producers. Wholesalers and distributors made purchases in anticipation of shorter supplies of lumber over the next few weeks. As a result, prices gained over the course of the week.

Canadian markets also bounced back, particularly in relation to kiln-dried lumber, thus helping to firm up the prices of most products. In addition, some products became hard to come by.

As a result of the renewed vigor of markets, our Pribec composite price index jumped 3.8% this week, settling at \$309.29 Cdn.

Dimension lumber

Demand turned more robust for #1 **kiln-dried** products, in particular for #1 2x6. As well, 2x4x12 and 2x6x12 appeared to be in shorter supply.

On the whole, **green** products held steady from last week.

Studs

The prices of **kiln-dried stud** products trended upward, especially on American markets. In particular, 2x4x8 into the Great Lakes picked up \$15.

Green stud prices became a bit vulnerable, particularly on Toronto.

Other products

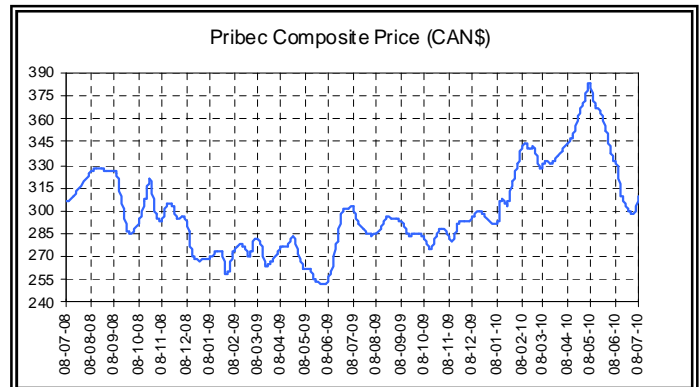
MSR prices registered gains throughout the week.

Sales of **finger-jointed lumber** were weak but prices nevertheless held even.

Futures contracts

Futures started out the week down but gradually managed to stabilize thereafter.

MAR KET IND ICATORS	This Week	Last Week	Last Year
U.S. Fe de ral Funds	0,25	0,25	0,25
U.S. 30-Ye ar Fixed -Rate Mortgage	4,57	4,58	5,50
Exchange rate CAN \$ / US\$	1,0438	1,0500	1,1565
Composite price			
- Pribec - CAN \$	309,29	298,05	302,38
- Toronto Inde x (Green) - CAN \$	260,96	262,93	243,65
- C olu mbus Inde x (KD) - US\$	304,49	289,76	270,42
Sources : National Bank of Canada ; C.C. Desjardins ; Pribec			



LUMBER FUNDAMENTALS

US : Economy and Construction

The Institute for Supply Management (ISM)'s **manufacturing sector** index was up in June, making for the sixth straight monthly rise. However, the slower than anticipated pace of growth represented the lowest rate since last February. From 55.4 in May, the index decreased to 53.8 in June. Note that a figure of over 50 indicates growth in the sector. June's performance is partly due to a decrease in the Employment Index, which fell from 57.1 to 54.4. In addition, the New Orders Index decreased from 57.1 to 54.4.

According to the US Department of Labor, 125,000 **jobs** were lost in June. At the same time, however, the unemployment rate dropped from 9.9% in May to 9.5% in June, as fewer people are currently seeking employment. The Mortgage Bankers Association (MBA)'s market composite index of **mortgage loan applications** last week rose 6.7% while the Purchase Index fell 2.0%.

Canada: Economy and Construction

According to the Canada Mortgage and Housing Corporation (CMHC), **housing starts** fell 3.1% from May to June, settling at 189,300 seasonally adjusted annual units (SAAR).

Specifically, the multi-family sector slid 5.8%, ending up at 89,200 units (SAAR) while the single-family sector nudged up 1.4%, topping out at 77,800 units (SAAR). On a region-by-region basis, construction tumbled 19.8% in the Maritimes and 17.4% in Ontario. On the other hand, the sector ticked up 11.6% in Quebec, 8.6% in the Prairies and 6.3% in British Columbia.

In other developments, the value of building permits in the **non-residential** sector tumbled 18.3% in May, reports Statistics Canada, settling at \$2.3 billion. The drop comes on the heels of three straight months of increases. Specifically, the commercial sector plunged 35.2% after having surged 30.7% in April. The institutional sector also dove 21.6%. On the other hand, the industrial sector skyrocketed 47.1%, making for the fifth consecutive monthly rise. Finally, 93,200 **jobs** were created in June. The unemployment rate thus fell from 8.1% to 7.9% from May to June – i.e., to its lowest level since January 2009.

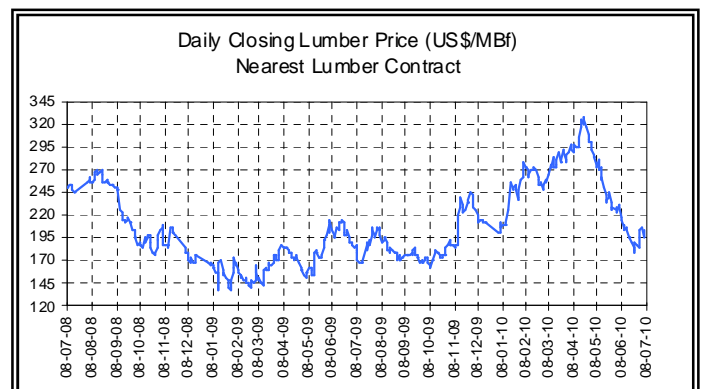
Cdn. Softwood Lumber Output Rises

According to the latest results of a Statistics Canada survey, the country's softwood lumber output from January to April climbed 18.2% over the level reported for the same period last year, topping out at 7.3 billion f.b.m. Most provinces came in for significant gains, with the exception of Ontario, whose output fell 11.9%.

Canada Housing Starts						
Provinces	SAAR ('000)			ACTUAL		
	05-10r	06-10p	%	05-09r	06-10p	%
CANADA	195,3	189,3	-3,1	13 668	17 528	28,2
Single-Detached *	76,7	77,8	1,4	5 716	7 834	37,1
British Columbia *	22,2	23,6	6,3	1 062	2 096	97,4
Prairies *	31,5	34,2	8,6	2 290	3 058	33,5
Ontario *	63,7	52,6	-17,4	4 440	4 956	11,6
Québec *	42,4	47,3	11,6	2 990	4 223	41,2
Maritimes *	11,6	9,3	-19,8	904	1 012	11,9
* Urban Centers p: preliminary r: revised						
Source: CMHC						

Canada Softwood Lumber Production			
- January to April -			
(MMBf)	2009	2010	Var.'09-10
British Columbia	3 086,5	3 832,4	24,2%
Alberta	924,7	996,5	7,8%
Ontario	494,1	435,4	-11,9%
Québec	1 280,6	1 550,1	21,0%
N.B. & N.S.	340,3	432,6	27,1%
CANADA	6 158,7	7 277,2	18,2%
Source: Statistics Canada, QFIC			

FUTURES MARKET (Chicago Mercantile Exchange)					
Settlement Prices as of July 8, 2010					
Month	High	Low	Close	Volume*	Open int.*
* Prior Day					
Lumber					
July-10	208,00	202,00	202,00	290	897
Sept-10	219,90	211,90	211,90	604	5 542
Nov-10	222,00	215,00	215,00	129	2 159
Jan-11	239,00	235,00	235,80	11	141
Canadian dollar					
Sept-10	0,9630	0,9529	0,9568	81 210	86 375
Source: Barchart.com					



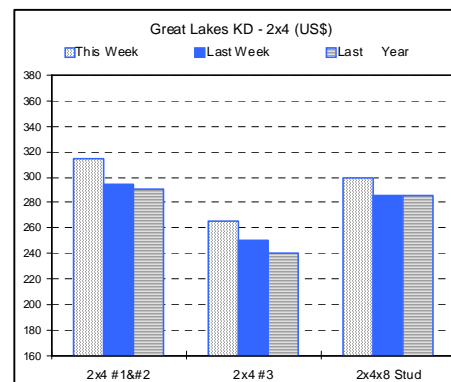
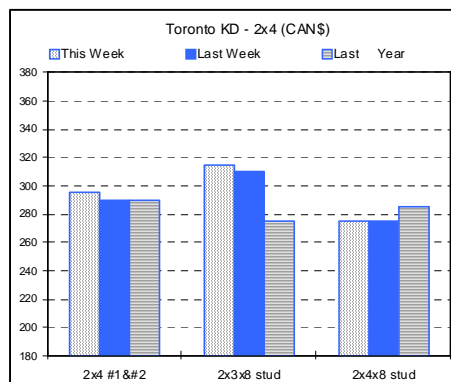
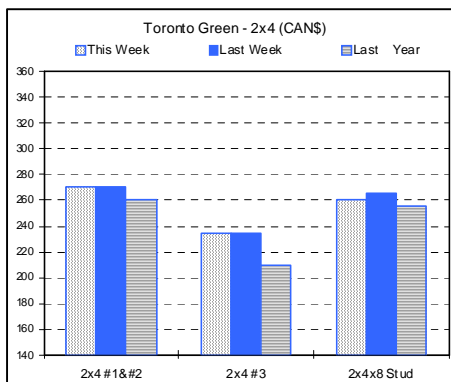
PRICES ARE PUBLISHED AS A GUIDE ONLY ©.

Eastern S-P-F, D4S, price per MBf delivered to wholesalers. MAR, MTL, TOR : CAN \$, excluding taxes; BOS, GL : US \$ *

Composite Prices		Toronto Green = 260,96 \$CAN Columbus KD = 304,49 \$US				PRIBEC = 309,29 \$CAN				
DATE : 08-07-10		Green lumber				KD lumber				
\$CA / \$US : 1,0438		MAR	MTL	TOR	MAR	BOS	GL	MTL	TOR	
# 1 & # 2 Random Lengths	2x4	275	260	270	305	305	315	295	295	
	2x6	290	290	290	305	315	320	310	310	
	2x8	290	290	290	300	315	320	310	300	
	2x10	310	310	310	360	365	370	365	355	
# 3	2x4	--	235	235	--	255	265	250	250	
	2x6	--	235	235	--	255	265	255	250	
	2x8	--	250	250	--	265	275	260	260	
Stud grade (PET)	2x3x6	--	270	270	--	320	330	300	300	
	2x3x7	--	265	265	--	305	300	270	295	
	2x3x8	270	265	270	310	320	330	305	315	
	2x4x6	--	235	235	--	300	300	270	265	
	2x4x7	--	235	235	--	280	285	260	260	
	2x4x7,5	--	--	235	--	280	285	260	260	
	2x4x8	275	260	260	290	300	300	275	275	
	2x4x9	--	260	255	--	285	300	260	270	
	2x4x10	--	240	245	--	280	285	250	260	
	2x6x8	290	270	280	330	345	350	320	320	
2x6x9	--	290	285	--	350	350	305	310		
2x6x10	--	255	265	--	310	315	290	285		
Economy	2x4	--	220	220	--	240	250	--	235	
	2x6	--	220	220	--	240	250	--	230	
	2x8	--	190	190	--	230	245	--	230	
	2x4x8	--	235	230	--	250	260	--	245	
Boards 10-15% Utility & Better 8'-16', NLGA Dimensions	1x3	--	--	280	--	375	380	--	--	
	1x4	--	--	280	--	335	340	--	--	
	1x6	--	--	280	--	360	355	--	--	
	1x2x8	--	--	270	--	360	--	--	--	
	1x3x8	--	--	270	--	355	360	--	--	
	1x4x8	--	--	270	--	325	325	--	--	
Specified Lengths	MTL (Green)				GL (KD)					
		10'	12'	14'	16'	10'	12'	14'	16'	
	#1 & #2	2x3	260	265	265	310	360	410	410	415
	#1 & #2	2x4	240	275	250	275	295	305	310	330
#1 & #2	2x6	255	290	265	295	315	320	305	330	
Specified Lengths	MTL (KD)				M.S.R. (GL) RL		1650f	2100f		
		10'	12'	14'	16'	2x3	430	440		
	#1 & #2	2x3	370	410	400	400	2x4	340	350	
	#1 & #2	2x4	270	300	295	300	2x6	350	375	
	#1 & #2	2x6	300	335	300	325	M.S.R. (GL)	1650f	2100f	
Eastern White Cedar Shingles	Extra	Clr	Sec Clr	U. 10/10	2x3x6		390	400		
	US \$ per square				2x3x7		390	400		
BOS (Regular)	92	82	60	44	2x3x8		390	400		
Cape (/ Resquared)	104	99	--	--	2x3x9		390	400		
KD Finger Jointed Stud GL SPS-3	2x3	2x4	2x6	2x4 SCANT	2x3x10		405	415		
	360	345	350	345	Tel. (418) 657-7916 -info@citq.qc.ca					

WEEKLY PRICES EVOLUTION

DATE : 08-07-10	Green - Toronto (CAN\$)			KD - Toronto (CAN\$)			KD - Great Lakes (US\$)			
	This Week	Last Week	Last Year	This Week	Last Week	Last Year	This Week	Last Week	Last Year	
# 1 & # 2 Random Lengths	2x4	270	270	260	295	290	290	315	295	290
	2x6	290	290	270	310	305	300	320	300	295
	2x8	290	290	265	300	300	300	320	300	290
	2x10	310	310	305	355	355	405	370	360	375
# 3 Random Lengths	2x4	235	235	210	250	245	---	265	250	240
	2x6	235	235	200	250	245	---	265	250	220
	2x8	250	250	225	260	250	---	275	265	220
STUDS (PET)	2x3 x6	270	270	210	300	300	250	330	320	260
	2x3 x7	265	265	205	295	290	240	300	300	245
	2x3 x8	270	270	225	315	310	275	330	315	265
	2x4 x6	235	235	220	265	265	230	300	290	250
	2x4 x7	235	235	220	260	260	225	285	280	245
	2 x4x7, 5	235	235	220	260	260	230	285	280	245
	2x4 x8	260	265	255	275	275	285	300	285	285
	2x4 x9	255	265	240	270	270	275	300	285	285
	2x4x10	245	250	225	260	255	270	285	270	280
	2x6 x8	280	290	250	320	320	300	350	335	285
	2x6 x9	285	295	245	310	300	290	350	340	285
	2x6x10	265	270	240	285	280	290	315	300	270



PRIBEC SUBSCRIPTION 2010 (CAN\$ - taxes not included)	Regular Member	Associate Member	Non member
A. SOFTWOOD MARKET REPORT	Free	260	370
B. HARDWOOD MARKET REPORT	Free	60	125
C. ADDITIONAL COPY (A or B)	60	60	125
D. PRICE REPORT	295	295	420
E. TWIN SUBSCRIPTION (A and D)	---	505	690
F. PRICES TRENDS	40	40	50
G. THE YEARBOOK	35	35	45
H. ADVERTISING - 2" x 3½"	Free	Free	100
I. ADVERTISING - Full Page	100	100	200

Visit our website : www.qfic.qc.ca

COPYRIGHT

We wish to inform you that the reproduction, transmission or retransmission of this document or the information included in it is prohibited without written permission from the Editor.

Information : info@cifq.qc.ca
Tel. : 418.657.7916, poste 477

Editor : François Gerdron - Economist



1175, avenue Lavigerie
Bureau 200
Sainte-Foy (Québec)
G1V 4P1

Tél. : (418) 657-7916
Télec. : (418) 657-7971

info@cifq.qc.ca
www.cifq.qc.ca