THE LUMBER DAILY

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Weekend Edition
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MARKET PULSE | Lumber $608 | S&P 7,384 (-2.6%) | 10yr 4.54% | CAD 1.39

WEEK IN REVIEW

Wall Street Sells Off as a Hot Jobs Report Lifts Yields

U.S. stocks fell hard on Friday after the stronger-than-expected May employment report pushed Treasury yields up and dimmed hopes for lower interest rates. The S&P 500 dropped 2.64% to 7,383.74, the Dow Jones Industrial Average lost 695.15 points, or 1.35%, to 50,866.78, and the Nasdaq Composite fell 4.18% to 25,709.43, its worst day since April 2025. A sell-off in semiconductor shares led the decline, with the chip group shedding roughly $1 trillion in market value over two sessions after a soft artificial-intelligence outlook from a major chipmaker. The 10-year Treasury yield jumped to about 4.54%, its highest since May 21, as the labor data, payrolls up 172,000 against forecasts near 80,000 and unemployment at 4.3%, reinforced the case that the Federal Reserve could hold rates high or raise them. Futures markets moved toward pricing in a rate increase by year-end. Higher yields feed directly into mortgage rates, a headwind for the single-family construction that drives framing-lumber demand.

Crude Slides Toward $90 on Weak Chinese Demand

WTI crude fell about 3% on Friday to near $90 a barrel, extending a decline that ran through the week, after data showed Chinese crude imports at their lowest level in roughly a decade. The pullback eased some of the pressure that had built earlier in the spring when Middle East tension lifted prices. For wood-products shippers the move matters at the margin: diesel and freight are a large, sticky part of delivered cost, and on-highway diesel has held above $5 a gallon all year. A softer crude tape, if it lasts, is a small offset to the input-cost squeeze that mills and distributors have carried, even as it signals the same cooling global demand that has weighed on export-oriented producers.

DEEP DIVE: PRESSURE-TREATED WOOD

The Rulebook: Use Categories and Retention

Treated wood is sold against a use-class system, not a single recipe. The American Wood Protection Association (AWPA) Use Category System sorts applications from interior dry framing through above-ground exterior, ground contact, and harsh below-ground or freshwater exposure up to marine pilings. Each step demands more preservative locked in the wood, measured as retention in pounds per cubic foot (pcf). The familiar consumer split is roughly 0.40 pcf for above-ground deck boards and railings versus about 0.60 pcf for ground-contact posts and joists under the older copper systems, with the newer micronized products certified at lower numbers for the same exposure. The end tag stapled to each piece states the category and retention, which is how a builder knows a board rated for a deck surface should never go in the ground. Southern yellow pine anchors the national treated market because its thick, permeable sapwood draws preservative deep and evenly, hitting target retention without much coaxing.

The Chemistry Changed Twice

For decades the workhorse preservative was chromated copper arsenate (CCA), until the industry agreed to pull it from residential use effective January 1, 2004 over arsenic concerns. Two copper-based replacements took over the backyard: alkaline copper quaternary (ACQ) and copper azole (CA). Both leaned harder on copper, which made the treated wood more corrosive to nails, joist hangers and fasteners and forced a move to hot-dipped galvanized and stainless hardware. The industry then shifted again to micronized copper azole (MCA), which grinds the copper into ultra-fine particles rather than dissolving it; the micronized form is gentler on fasteners and holds color better, and it now dominates the consumer aisle. CCA never left, it simply moved out of the yard: it remains the standard for industrial wood that the public does not handle, including utility poles, foundation pilings, bridge timbers and saltwater marine structures.

Why the West Treats Differently

Treatability is a species trait, and it splits the country. Southern yellow pine takes preservative readily, so most of the smooth, green-tagged lumber in a big-box rack started in the South. Douglas fir, the structural backbone of the West, is refractory: its tight grain resists waterborne chemistry, and to reach code retention it must be incised, run through rollers studded with knives that punch rows of small slits across the face so preservative can penetrate. Incising is standard on Douglas fir three inches and thicker, and Hem-Fir and spruce-pine-fir get the same treatment. The result is that Western ground-contact stock often carries the dotted scarring of incising that Southern pine does not, a visible tax on a harder-to-treat species. Copper is the dominant chemical cost in every formula, so preservative pricing tracks the metal, and treated volume swings with the spring-and-summer deck, fence and landscape season that runs alongside repair-and-remodel spending.

THE WEEK AHEAD

- **Consumer prices, Wednesday.** The May Consumer Price Index (CPI) lands June 10, the first inflation reading since Friday's hot jobs report; the March-April trend held near 3.8% on the year. Building-materials and shelter costs feed the index, and a firm print would harden the case for the Federal Reserve to stay put.

- **Producer prices and claims, Thursday.** The May Producer Price Index (PPI) and weekly jobless claims both print June 11. The producer index carries lumber, plywood and millwork components that flow straight into mill and dealer margins.
- **Chips set the tone.** After Friday's semiconductor-led selloff erased roughly $1 trillion in value over two sessions, artificial-intelligence and chip shares will steer the broader market's direction into the new week.
- **Housing starts, Tuesday, June 16.** May housing starts and building permits release June 16, the freshest gauge of residential construction and the single-family activity that sets framing, sheathing and millwork demand.
- **Federal Reserve decision, Wednesday, June 17.** The central bank concludes a two-day meeting June 16-17 with a rate decision, updated economic projections and a new rate-path dot plot. The benchmark has held at 3.50%-3.75% since April, and futures shifted toward pricing a hike by year-end after Friday's payrolls.
- **Retail sales, Wednesday, June 17.** May retail sales include building-materials and garden-equipment dealers, a monthly proxy for the repair-and-remodel and do-it-yourself demand that carries wood through a soft new-construction patch.

■ KNOW YOUR WOOD: SITKA SPRUCE

A Coastal Giant

Sitka spruce (*Picea sitchensis*) is the largest spruce in the world and one of the signature trees of the Pacific coast temperate rainforest. Its range is a narrow maritime ribbon that runs from the Kenai Peninsula in Alaska south to Cape Mendocino in Northern California, seldom straying far from salt water, where fog and heavy rainfall feed trees that can top 200 feet. It shares the wet coastal ground with Western hemlock and Western red cedar, and grows fast in the fertile fog belt. The commercial resource today sits chiefly in coastal British Columbia and Southeast Alaska.

Light and Strong

What sets Sitka apart is its combination of low weight and high strength. It carries one of the highest strength-to-weight ratios of any wood, with an average specific gravity around 0.37 and a Janka hardness near 510 pounds, soft to the touch yet stiff along the grain. The wood is straight-grained with a fine, even texture, creamy white sapwood shading to a light pinkish-brown heartwood. Clear pieces occasionally show a rippled figure known as bearclaw. Those traits, lightness, stiffness and uniformity, are exactly what makes the species valuable far out of proportion to its volume.

From Soundboards to Wing Spars

High-grade, knot-free Sitka is the benchmark tonewood of the acoustic world, cut into soundboards for guitars, pianos and violins because it transmits vibration cleanly and resonates evenly. The same strength-to-weight made it the structural wood of early flight: it framed the Wright brothers' first airplane and built the de Havilland Mosquito during the Second World War. Beyond music and aviation it has long gone into boat masts and spars, oars, ladders and, more recently, cores for wind-turbine blades. Each of those uses depends on long, clear, straight-grained wood with no hidden defects.

Grades and the Market

Most Sitka is milled into appearance products rather than framing, sorted into clears, shop and moulding stock under National Lumber Grades Authority (NLGA) rules, with separate export grades cut for Japan and other overseas buyers. The premium tiers depend on large, old, slow-grown logs with long defect-free sections, and those logs have grown scarce as coastal old-growth harvest has tightened across British Columbia and Alaska. Ordinary Sitka still moves as general softwood and pulp, but the instrument and aircraft grades trade in a thin, supply-constrained market where a single clear log can be worth many times an average one.

■ MARKET & RATE SNAPSHOT

INDICATOR	LEVEL	NOTE
CME lumber futures (June 5)	**~$608/MBF**	Highest since March; tight supply as Canadian imports lag
10-year Treasury (June 5)	**~4.54%**	Highest since May 21; up on the hot May payrolls
USD/CAD (June 5)	**~1.39**	Loonie near its 2026 lows
S&P 500 (June 5)	**7,383.74**	-2.64% on the day in a chip-led selloff
30-year mortgage (June 4)	**6.48%**	-5 bps for the week; 6.85% a year ago

■ THE BOTTOM LINE

Three things for your Sunday. First, the rate picture reset hard on Friday: a hot May payrolls report drove the 10-year yield to about 4.54% and pushed futures toward bracing for a Federal Reserve hike rather than the cut the market had leaned on, a direct headwind for mortgages and the single-family building that wood demand rides on. Second, supply is pulling the other way from demand, with lumber futures near a three-month high even as housing stays soft, because reduced Canadian shipments have left domestic mills short of filling the gap; for now the squeeze, more than end demand, is setting price. Third, the calendar does the talking this week, with May inflation out Wednesday and a Federal Reserve decision and fresh dot plot on the 17th, and treated-wood and appearance-grade producers head into the deck-and-remodel season watching the cost of money as closely as the cost of logs.
