THE LUMBER DAILY

Thursday, June 18, 2026
Remodeling Edition
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MARKET PULSE | Lumber $630 | WTI $77 | S&P 7,420 (-1.2%) | 10yr 4.49%

TOP STORIES

Fed Holds Rates but Signals a Possible Hike in Warsh's First Meeting

The Federal Reserve left its benchmark interest rate unchanged at 3.50% to 3.75% on June 17, the first decision under new Chair Kevin Warsh, on a 12-0 vote. The larger story was the shift in the outlook. In the committee's quarterly Summary of Economic Projections (SEP), nine of 18 Federal Open Market Committee (FOMC) participants now project at least one rate increase before the end of 2026 and six see two quarter-point hikes; three months ago the median projection was for a quarter-point cut this year. The policy statement was sharply shorter and dropped earlier language pointing toward future cuts, and Warsh, a longstanding critic of the projections, did not submit one. Officials cited inflation running at a three-year high. For wood products, the message is that the cost of financing construction is set to stay high, and could rise, through the second half of the building year.

U.S. Softwood Log Exports Jump as Asian Buyers Outbid Canada

U.S. trade data released this month show softwood log exports reached $57.0 million in April, up 40.7% from $40.5 million in March. Volume barely moved, holding near 385,000 cubic meters in both months, so the gain came from price. The average value rose from $105 to $148 per cubic meter, a 41% jump driven by a shift toward higher-paying Asian buyers. Japan, China and South Korea together took 73.5% of the total, while Canada's share fell from 35.7% in March to 10.6% in April. Japan alone bought $21.9 million at about $199 per cubic meter, and South Korea paid roughly $305. Most U.S. softwood log exports move through Pacific Northwest ports and draw on Western species such as Douglas fir and hemlock, so the Asian bid competes directly with domestic mills for the same Western logs.

May Retail Sales Rise 0.9%, Nearly Double Expectations

Retail and food-services sales rose 0.9% in May to $763.7 billion, the Census Bureau reported on June 17, up 6.9% from a year earlier and close to double the gain economists expected. Retail trade alone rose 1.0% on the month. Nonstore, or online, sales were up 12.2% from a year ago, and food services and drinking places rose 2.7%. The control group that feeds into economic-growth estimates rose 0.7%. Households leaned into motor-vehicle and other purchases even as they paid more at the pump, though economists cautioned that the lift from larger spring tax refunds will fade. The print reinforced the picture of a consumer that is still spending, which matters for the repair-and-remodel work that carries a large share of wood-products consumption.

■ DEEP DIVE: THE REMODELING BACKSTOP

Why Remodeling Holds Up When New Construction Slows

Remodeling demand leans on forces that keep working even when new building stalls. Owners who locked in low mortgage rates have stayed put rather than move and refinance at today's levels, and that lock-in keeps pushing households to improve the home they have. Home equity sits near record levels, giving owners the means to spend, and the housing stock keeps aging: the median U.S. home was 31 years old in 2006 and reached 41 years old by 2023. May's 0.9% rise in retail sales is one more sign the consumer behind these projects is still active. Repair and remodel work accounts for roughly 40% of U.S. lumber demand, so the channel matters to mills as much as new construction does.

The Product Mix Favors the Finish End

Remodels pull a different basket than framing a new house. Kitchen and bath projects, floor replacements and trim work draw moulding, interior doors, cabinets, hardwood flooring and appearance-grade boards rather than the dimension lumber that fills a new wall. Decking and outdoor living, another remodel staple, lean on cedar, treated softwood and composite. These appearance and finish products price off look and quality more than off housing-starts volume, so a slow year for new homes reaches them less directly than it reaches structural framing. Mills weighted toward millwork, hardwoods and specialty items see steadier pull from the remodel channel than commodity producers do.

The Headwind Runs Through the Same Rate Path

The remodel channel is not insulated from the Federal Reserve. The largest projects, additions and full gut renovations, are often financed with home-equity lines of credit (HELOCs) or cash-out refinancing, and those costs move with the rate path the Fed just signaled could rise. The National Association of Home Builders (NAHB) projects residential remodeling growth near 3% in 2026 and 2% in 2027 in inflation-adjusted terms, but more recent reads put repair-and-remodel (R&R) activity closer to flat as higher rates and energy costs weigh on budgets, and the Harvard Joint Center for Housing Studies expects only modest growth through the rest of 2026. The same higher-for-longer path that caps new construction trims the biggest remodels, leaving the steadiest demand in smaller, equity-funded repair work.

WHAT YOU MISSED YESTERDAY

Wednesday, June 17 - business, markets, and the broader economy.

- U.S. stocks fell after the Federal Reserve's rate decision. The Dow Jones Industrial Average dropped 507 points, or 1.0%, to 51,492.55 after touching an intraday record, the S&P 500 lost 1.2% to 7,420.10, and the Nasdaq Composite fell 1.3% to 26,021.66.
- Large technology stocks led the decline, with Microsoft, Meta, Alphabet and Amazon all closing lower as investors repriced the odds of higher rates.
- The 10-year Treasury yield rose to about 4.49% as the Fed's projections pointed toward a possible hike rather than the cut markets had expected earlier in the year.
- WTI crude traded near $77 a barrel, up more than 1.5% on the day after renewed warnings of possible strikes on Iran, though it held close to its lowest levels since early March.

■ MARKETS & TRADE SNAPSHOT

INDICATOR	VALUE	TREND
Federal funds target	**3.50%-3.75%**	Held June 17; 9 of 18 officials see a hike by year-end
May retail sales	**+0.9% M/M**	Near double expectations; +6.9% from a year ago
Softwood log export price (Apr)	**$148/m3**	+41% M/M as Asia took 73.5% of volume
CME lumber (front month)	**~$630/MBF**	Near an eight-month high on tight supply
10-yr Treasury	**4.49%**	Rose after the Fed signaled possible hikes
30-yr fixed mortgage	**6.52%**	June 11 survey; up from 6.48% a week earlier
USD/CAD	**1.40**	Loonie near 2026 lows; USD/JPY about 160.7

■ THE BOTTOM LINE

Three things for your Thursday. First, the Federal Reserve's hold came with a clear signal that rates could move up rather than down this year, which keeps the cost of financing both new construction and large remodels elevated into the second half. Second, the demand picture is split: the consumer is still spending, as May's retail sales showed, yet that strength flows more readily into repair and remodel work than into rate-sensitive new building. Third, the supply side stays firm on its own terms, with lumber futures near an eight-month high and softwood logs pulled offshore by Asian buyers paying well above domestic values. The steadiest wood demand this summer sits in the remodel channel and the appearance and millwork grades it favors, while framing-tied volume waits on rates the Fed just told the market may not fall.