



Futures Team

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Security

Softwood Lumber

View

Bullish

Investment

LBON5 Commodity
Lumber Future Contract,
expiring July 15th, 2025

Lumber Contract Details

- The contract size is 27,500 feet of softwood boards
 - The boards are 2x4 by dimension, varying between 8 and 20 feet in length
 - The boards are made of various different softwoods
- Our team has until **July 15th** to sell the contract
 - If we do not sell, we will receive a notice in ten days, then the following day the lumber would be shipped



Thesis Points
and Risks



Supply



Demand



Technicals



Position
Overview

Thesis

- President Trump's tariff threats will constrict the lumber supply
- Canada has started to decrease production of softwood
- Strong demand for U.S housing
- California wildfires has destroyed softwood trees and buildings
- Future interest rate cuts will spur more demand for housing

Thesis Risks

- President Trump could end the trade war at any time
- Decreases in demand for paper products would hurt the price of softwood lumber
- President Trump has threatened to use federal lands for increasing lumber supply
- Foreign lumber suppliers could start to export more wood and increase supply

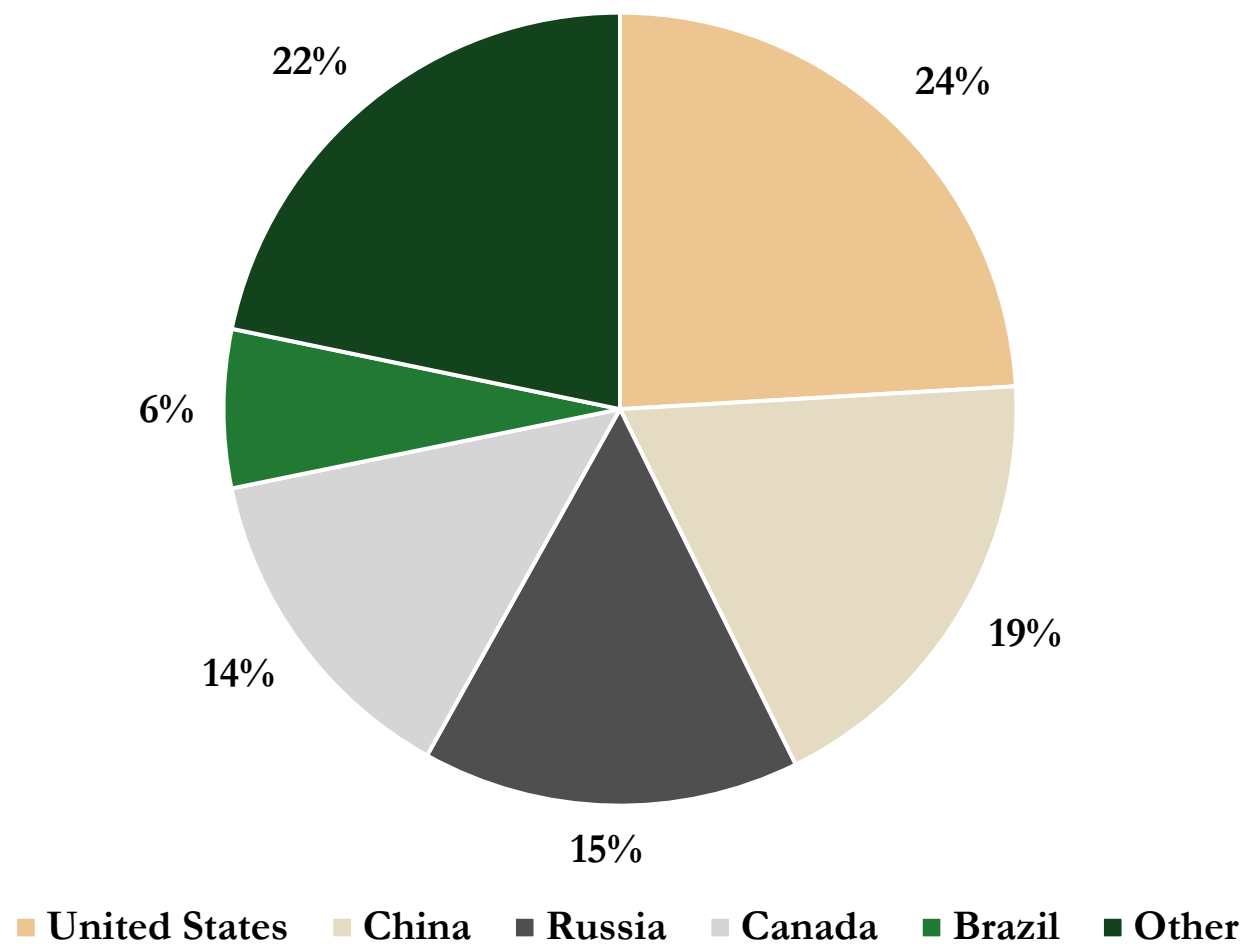
What is Softwood

- Softwood is a type of wood coming from evergreens
 - Some examples being pine, cedar, fir, and spruce
- Softwood compared to hardwood is lighter, easier to work with, and more affordable
- Overall, softwood is used more than hardwood
- Top uses of softwood include: construction, furniture, interior design, and paper & packaging

Lumber Industry

Supply

Top Producers of Lumber

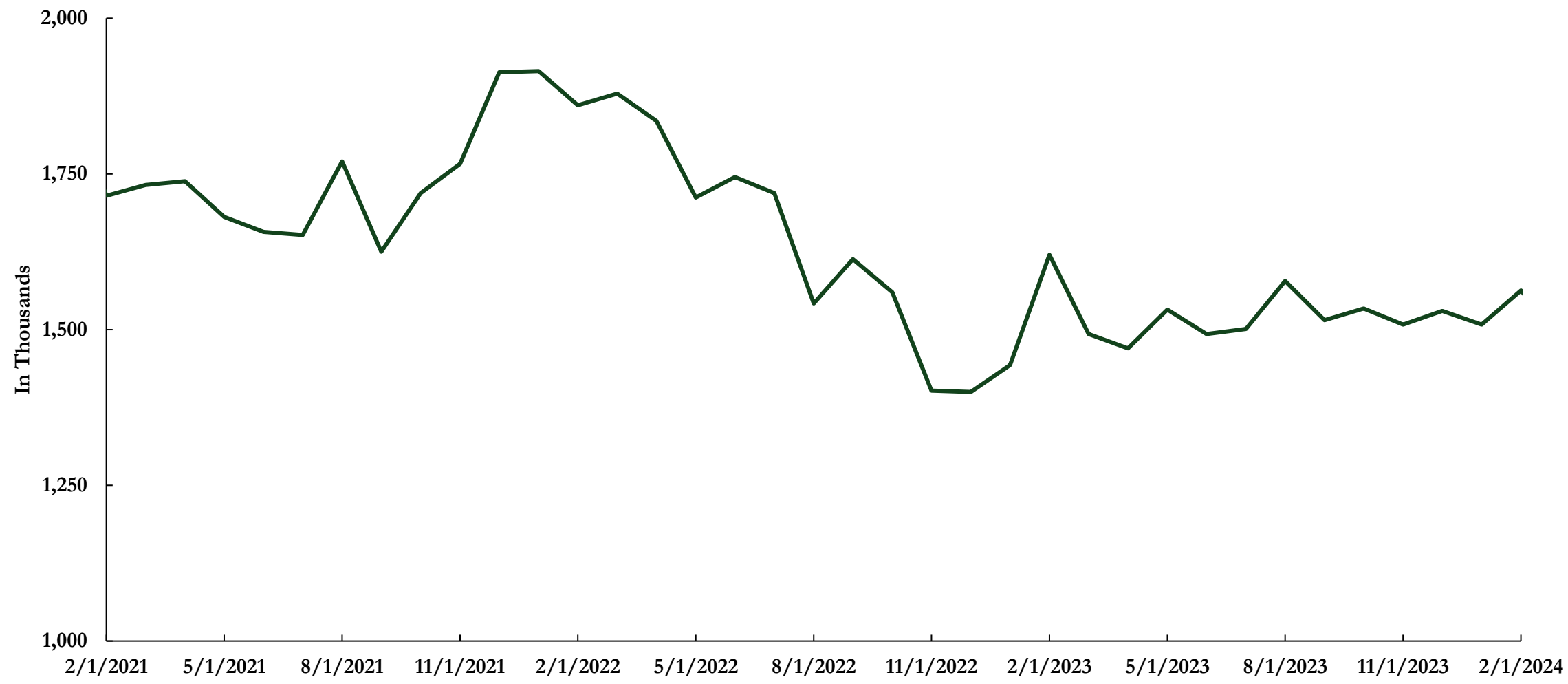


US Lumber Production

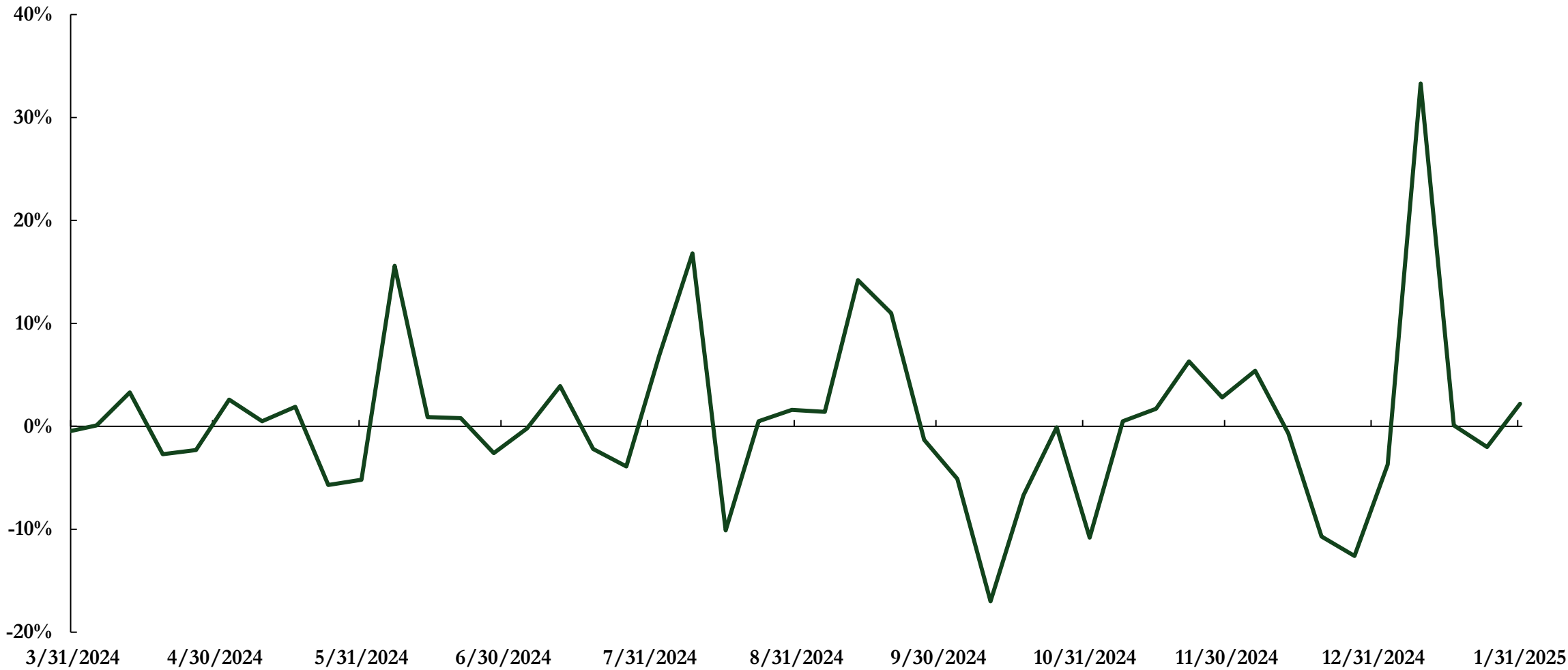
- These companies do not exclusively produce their lumber in the U.S.
- Reading the Earnings Calls from these companies a common theme is uptick in **demand**

Company	Soft Wood Lumber Produced (Billions)
Weyerhaeuser	4.62
West Fraser	3.46
Sierra Pacific Industries	3.27
Interfor	3.11
Georgia-Pacific Co.	2.8
Canfor	2.3
Hampton Affiliates	1.74
Idaho Forest Group	1.52
PotlatchDeltic	1.13
Biewer Lumber	0.91
Total U.S. Production	47.12

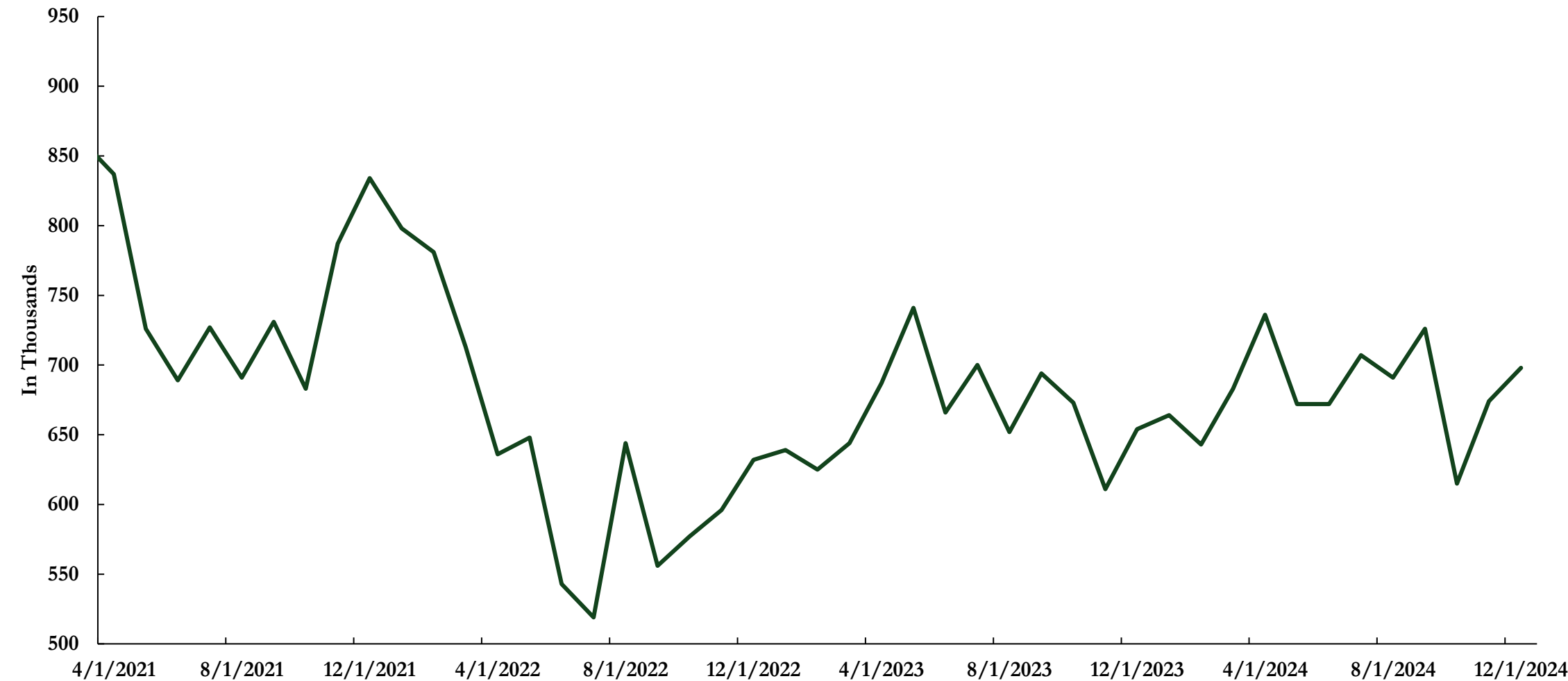
U.S. New Building Permits



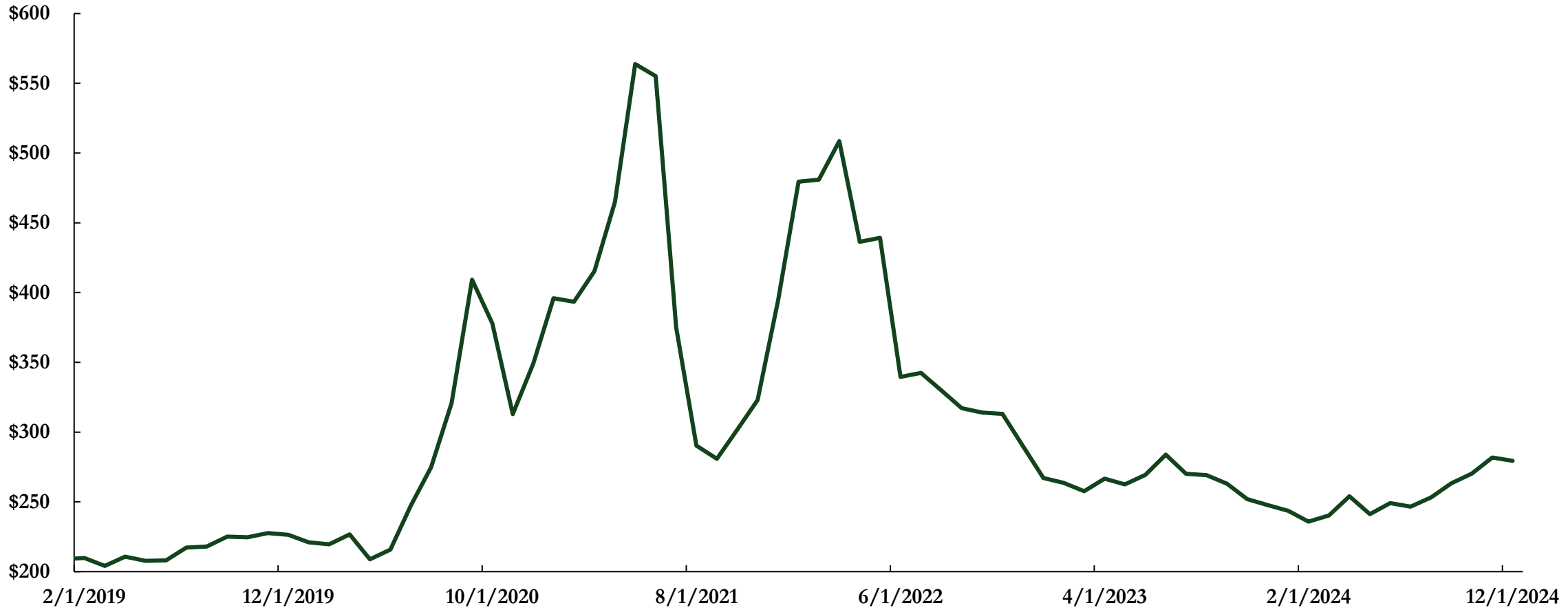
MBA Mortgage Application (Monthly)



New Homes Sold



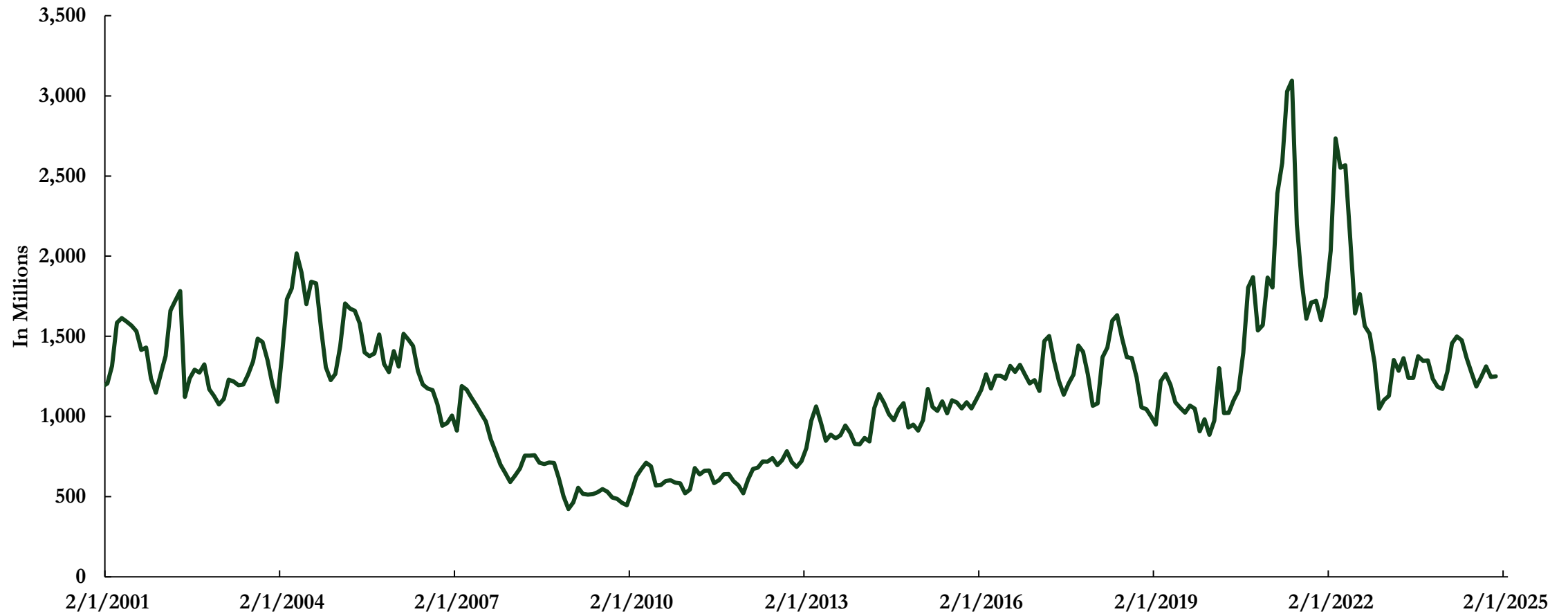
US PPI – Softwood Lumber



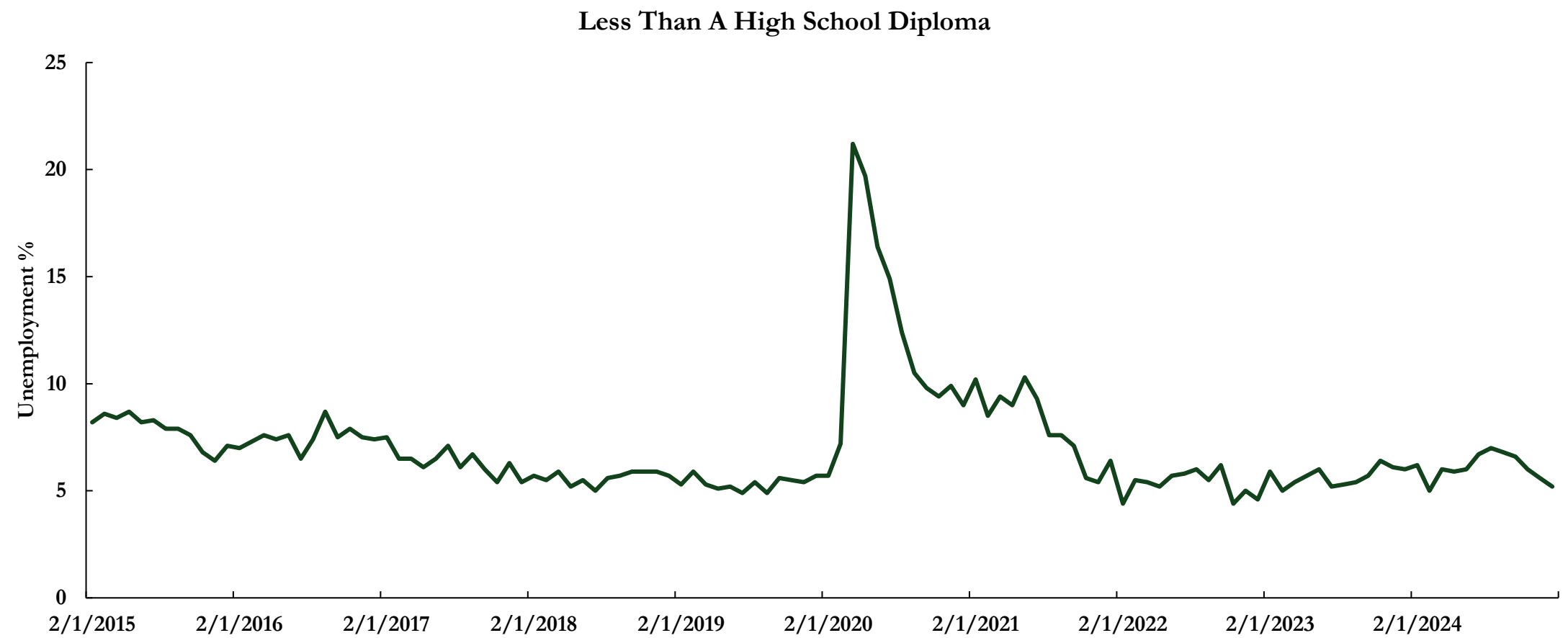
US Sawmill Capacity/Production Update

- US sawmills are already operating at around 83% utilization, which is near the previous decade high of 85%
- Deportations may further deplete the US Sawmill workforce
 - Construction is estimated to be the industry with the highest percentage of undocumented/illegal immigrant workers
- If sawmills are forced to replace illegal workers with US citizens, prices of lumber could increase regardless of external changes in supply or demand
 - If sawmills cannot replace lost workers, supply would likely decrease

Canada Production Decline



US Labor Market Impact Workforce

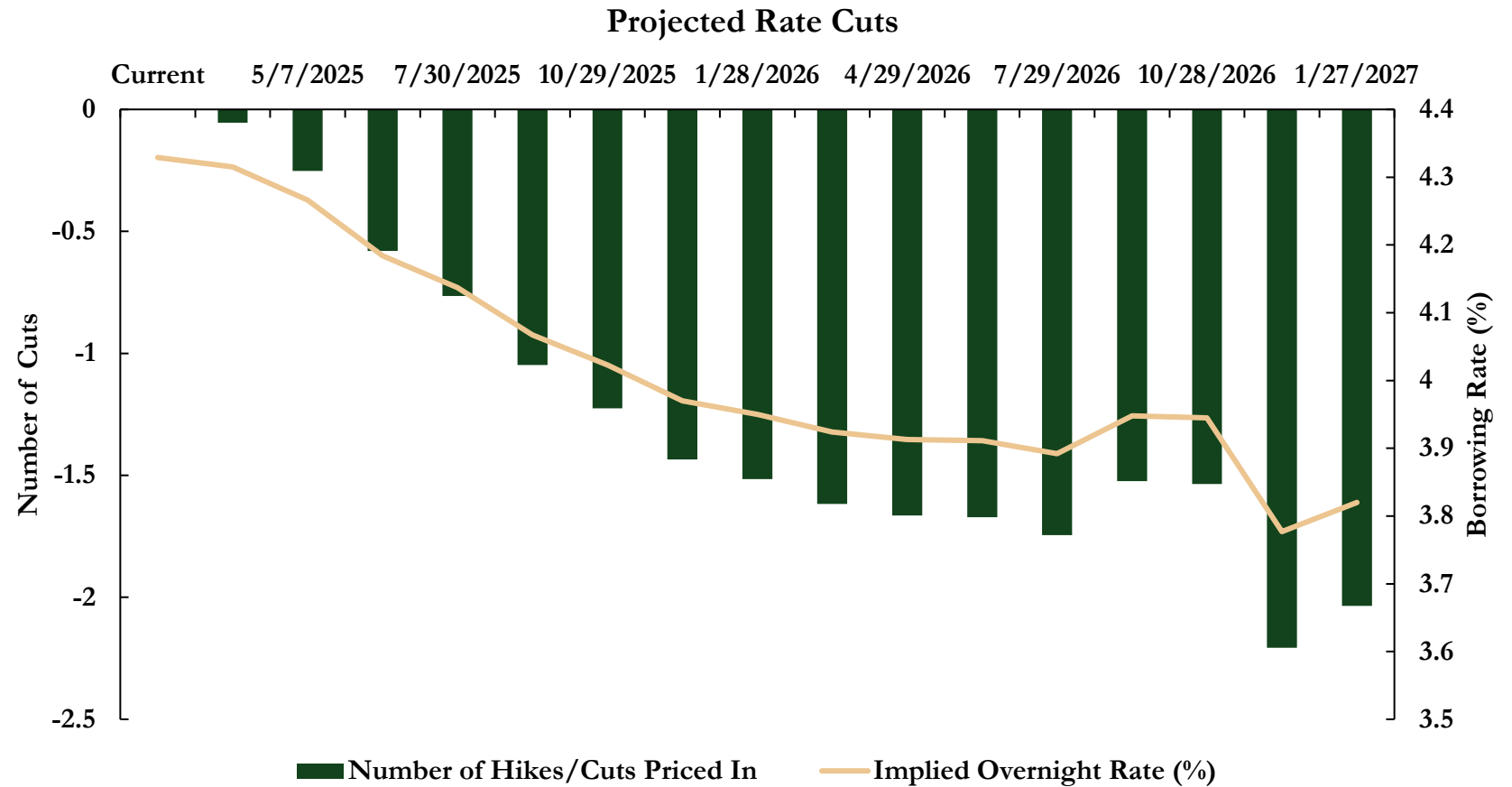


Lumber Industry

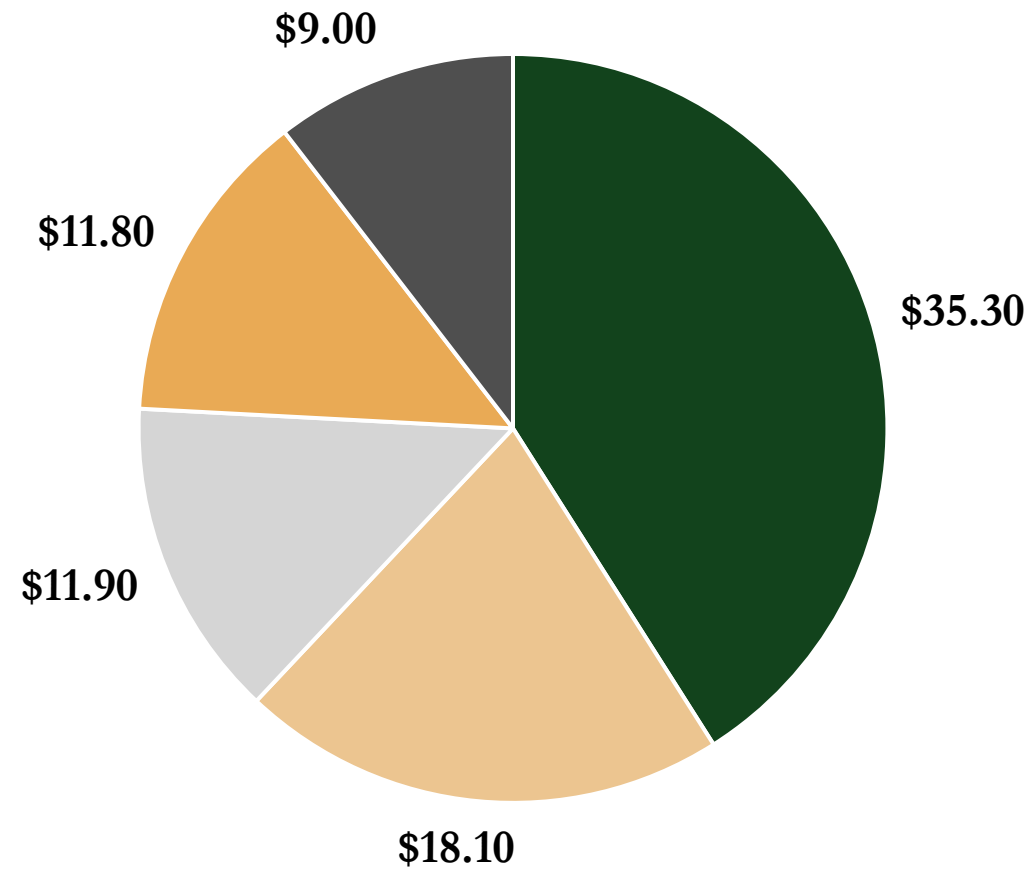
Demand

Fed Updates

- Current rate is 4.5%
- Next meeting is March 19th
- Lower rates lead to lower mortgage, spurring more emphasis to build homes



Top Importers of Lumber (Billions)



■ United States ■ China ■ Germany ■ Japan ■ United Kingdom

Tariffs

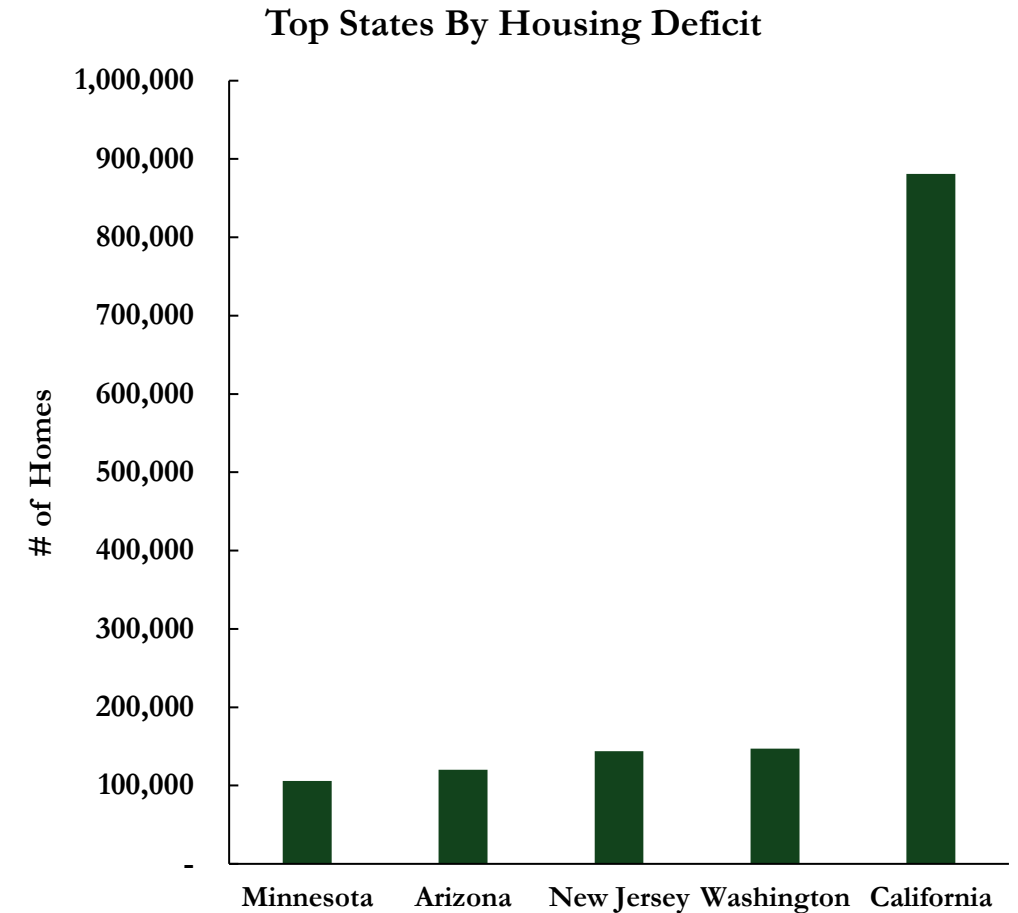
- Trump already implemented 10% tariffs on all Chinese goods
- The proposed 25% tariff against Canada would include lumber
 - 30% of softwood lumber is imported from Canada
- China tariffs against the US recently **did not** include lumber
- On Monday, Trump imposed a 25% tariff on all steel & aluminum imports

Legislative Action

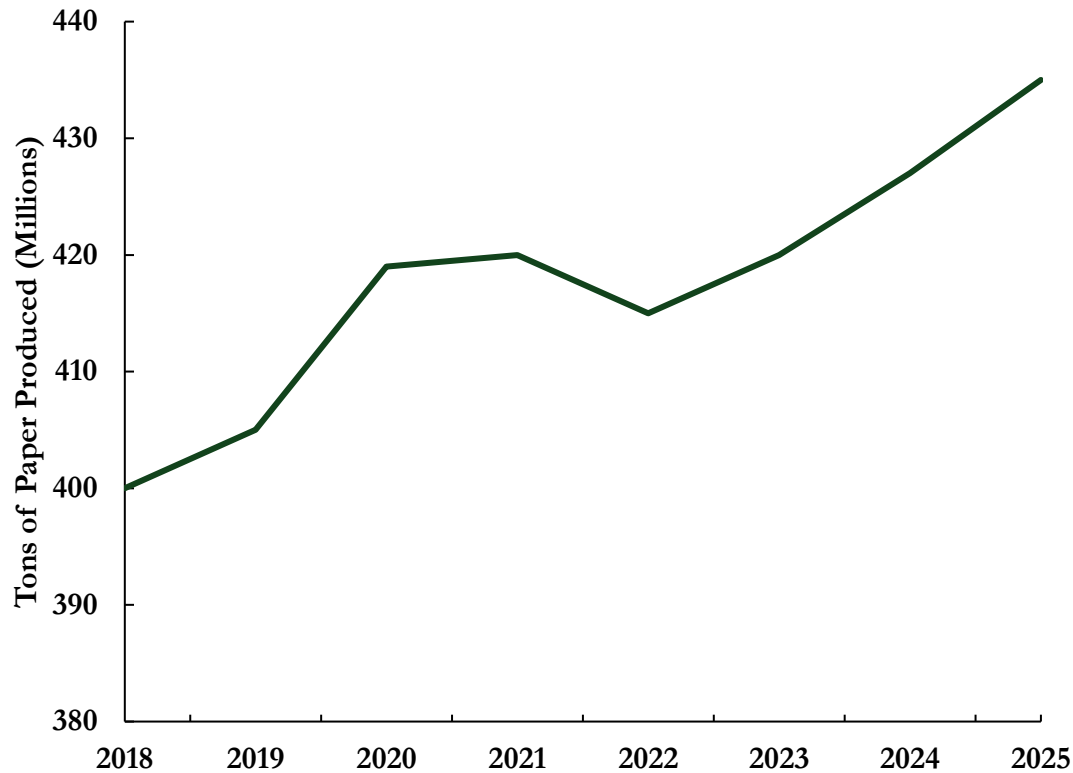
- The “**Strengthen Wood Products Supply Chain Act of 2024**” is a bill that was introduced in the US Senate at the beginning of 2024
 - This bill aims to “fix federal agency mismanagement” that has delayed processing of wood imports
- In the past (beginning in 1982), Canada and the United States have argued over Canadian lumber prices, with the US claiming that Canadian lumber was effectively subsidized
 - The Canadian and American lumber trade relationship has been turbulent for decades
 - A modern period of raised tariffs began in 2017 with Trump’s first presidency and remains at 14.5% on imports as of today
 - Proposed 25% tariffs would be **additional** to already existing tariffs (~40% duty rate)

California Wildfires

- The California wildfires destroyed 15,000+ homes
- To rebuild these homes, lumber consumption will intensively increase in the Los Angeles region
 - Assuming new homes built in LA are of average size, reconstructing these buildings will account for at least 750 million board feet this year
 - The United State's total residential lumber consumption was roughly 19 billion board feet in 2024
- California is already the state with the largest home deficit in the United States



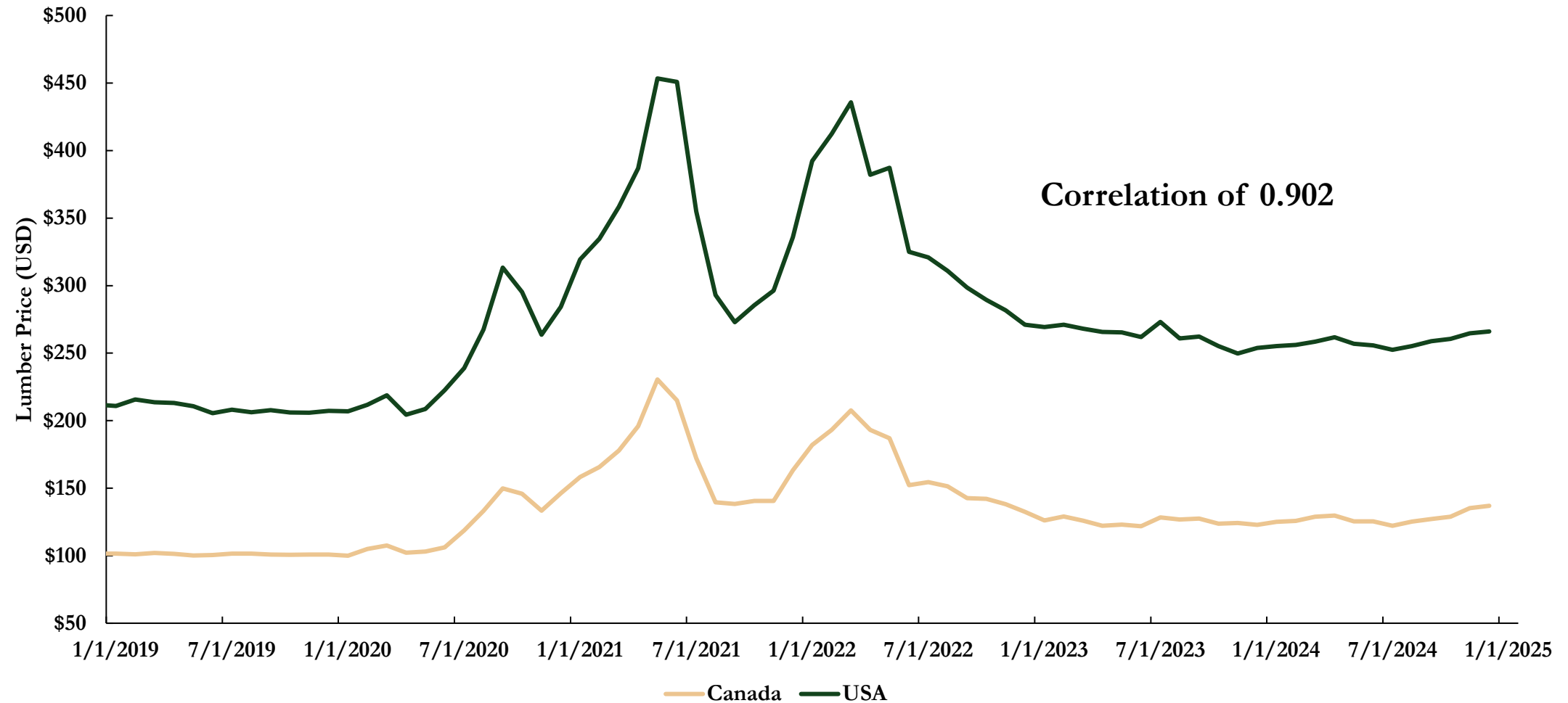
Paper Production



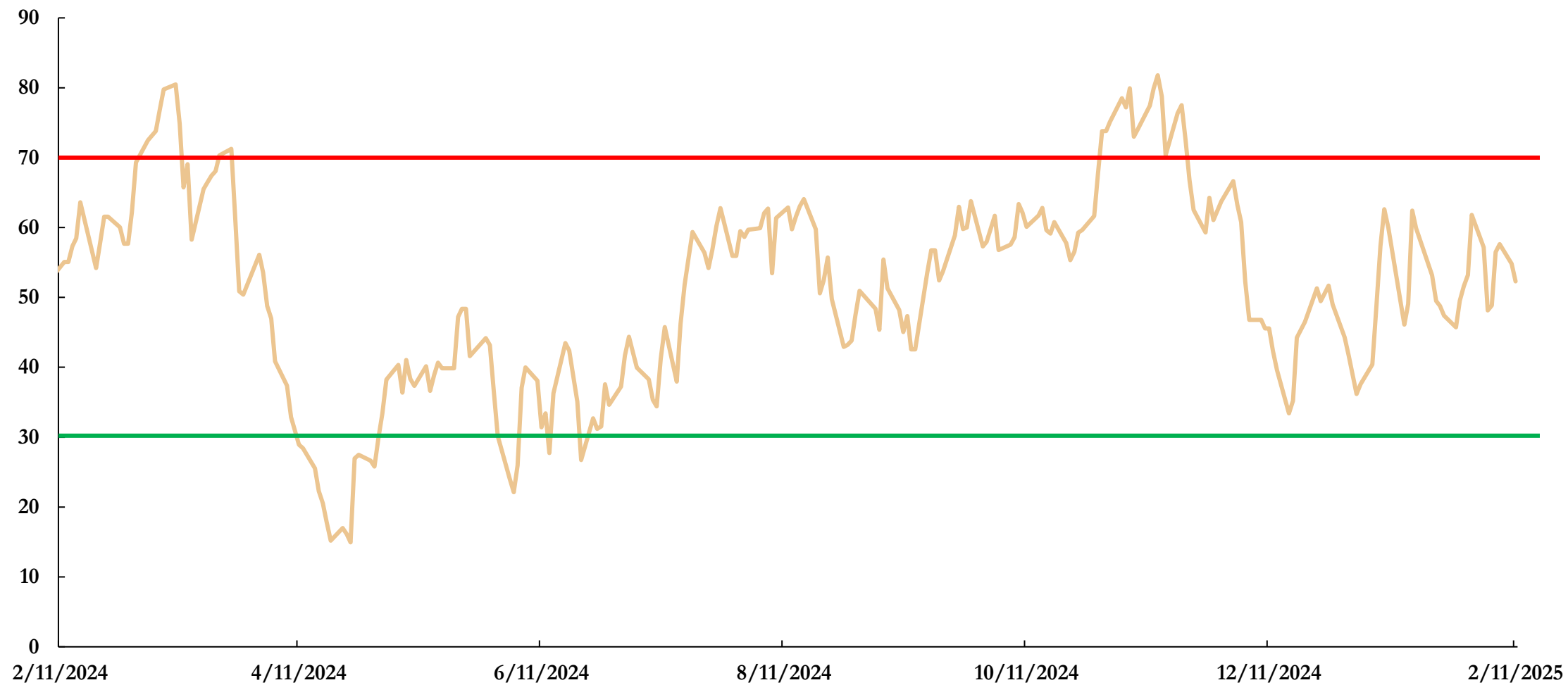
- Paper production accounts for 40-50% of softwood consumption
- While paper demand stagnated from 2020-2022, it is again on the rise and is expected to continue increasing over the timespan of our play
- Packaging is the primary growth factor for paper consumption

Technical Analysis

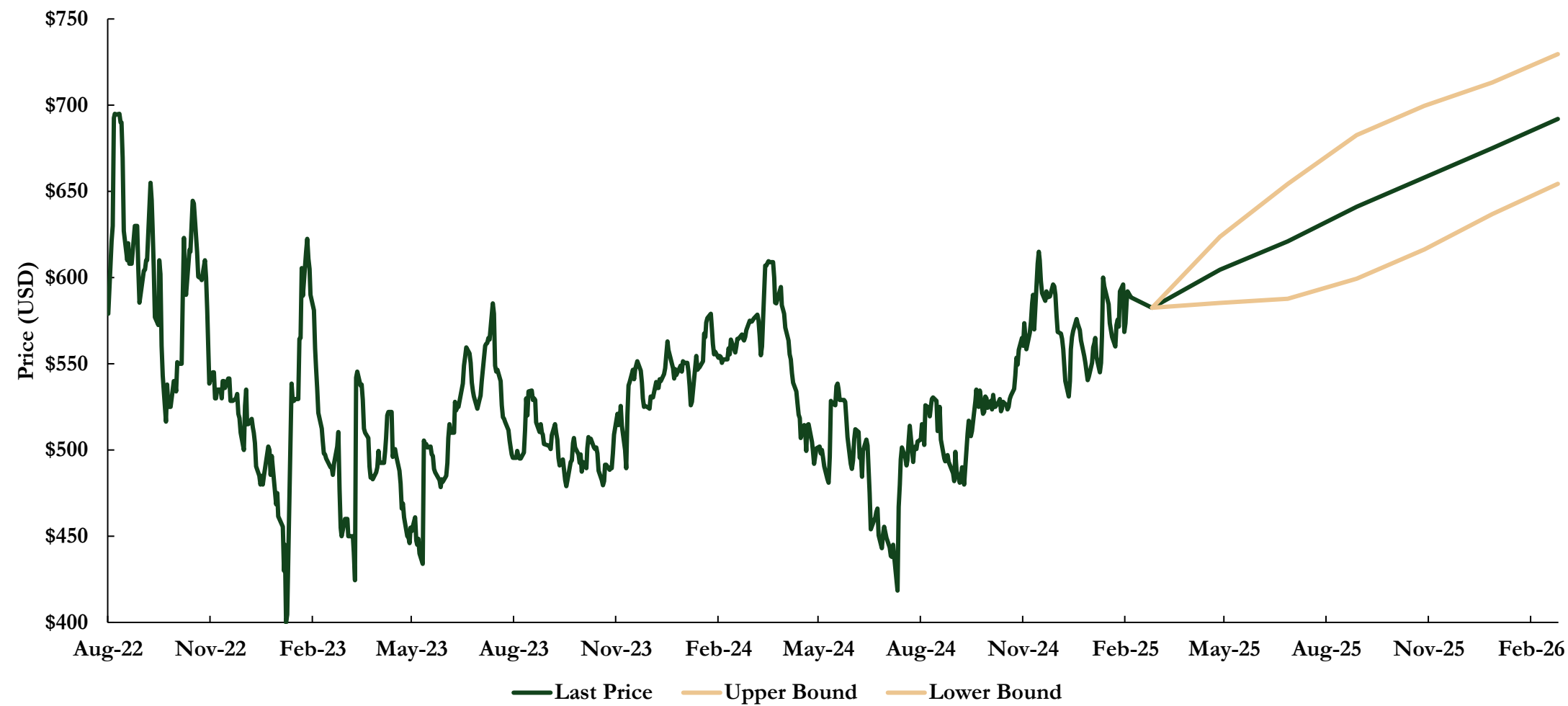
Canada Vs USA Lumber Prices



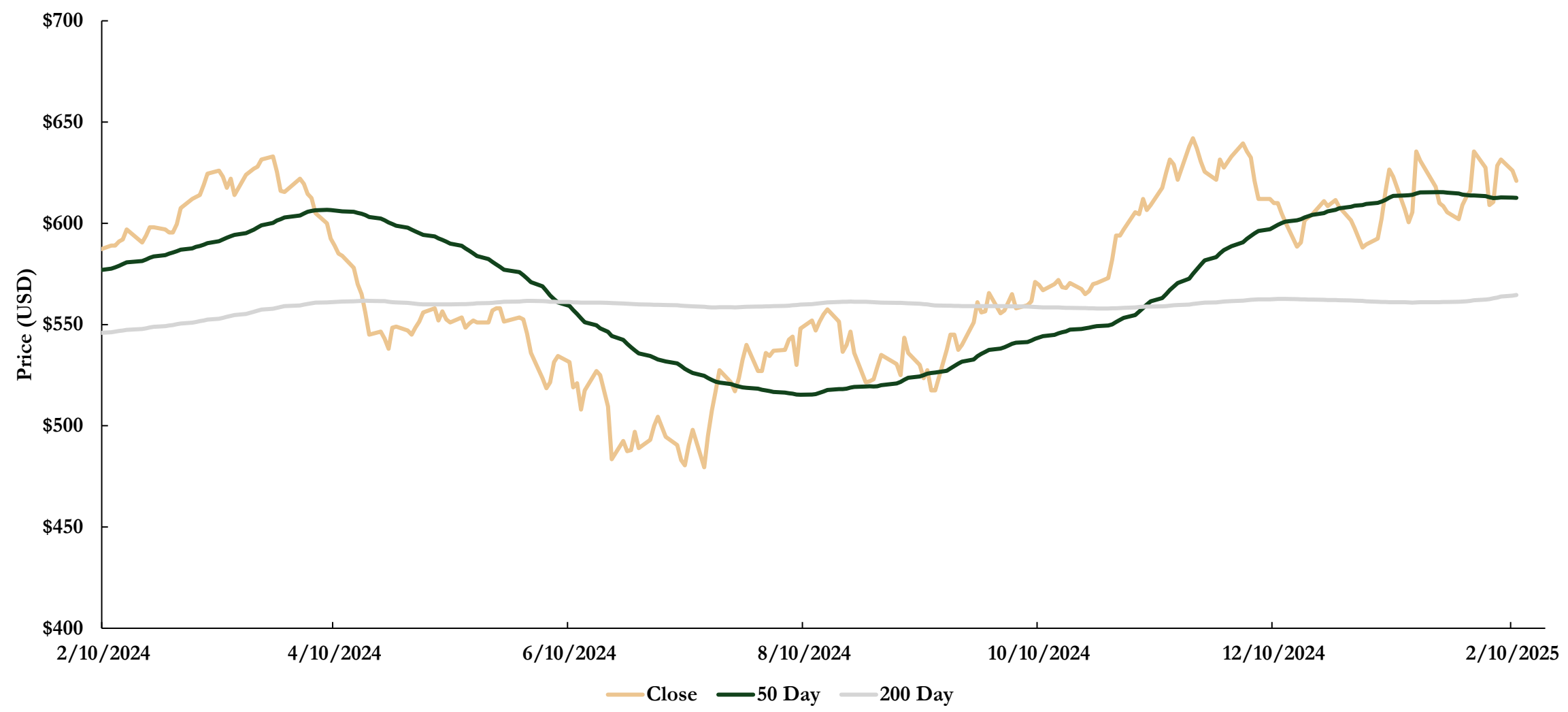
RSI



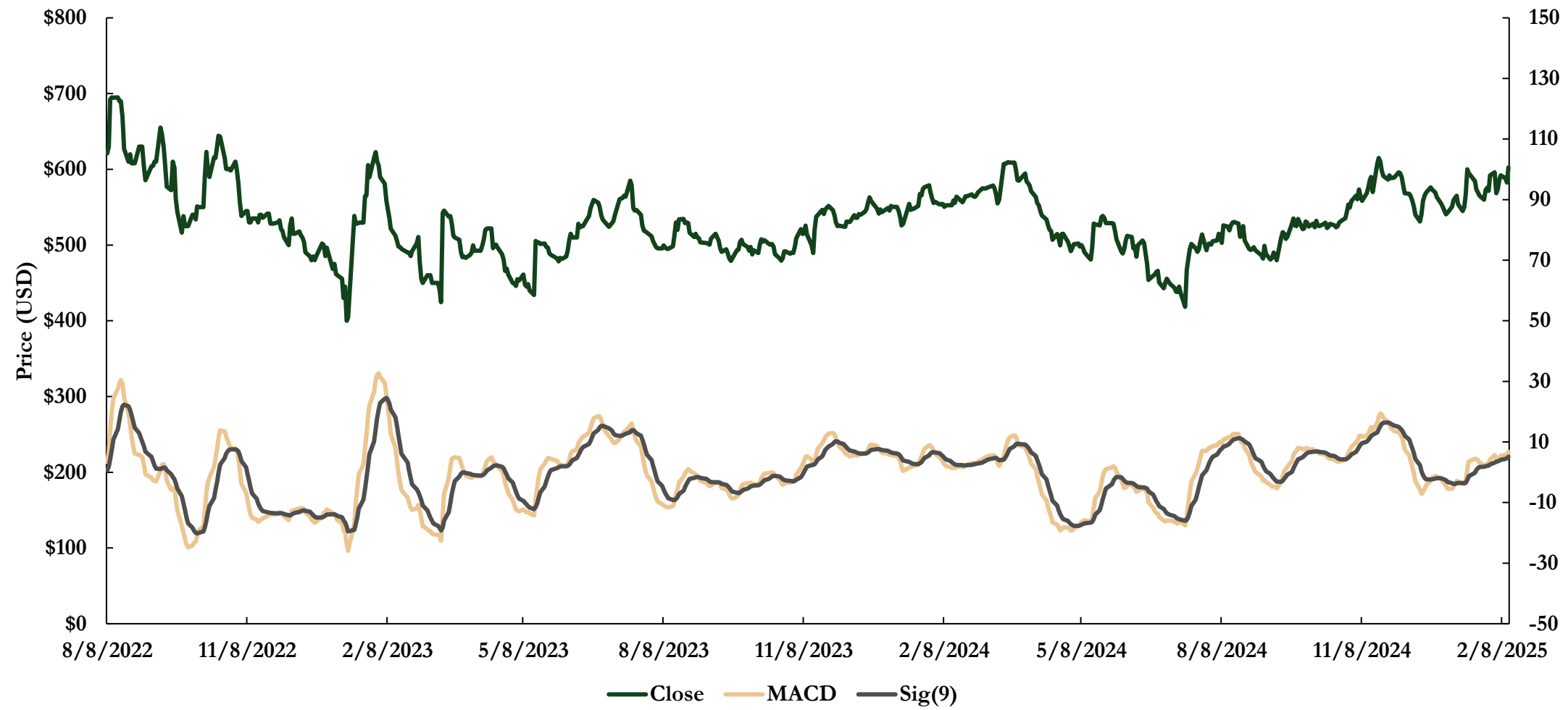
Softwood Lumber Spot Price



Simple Moving Averages



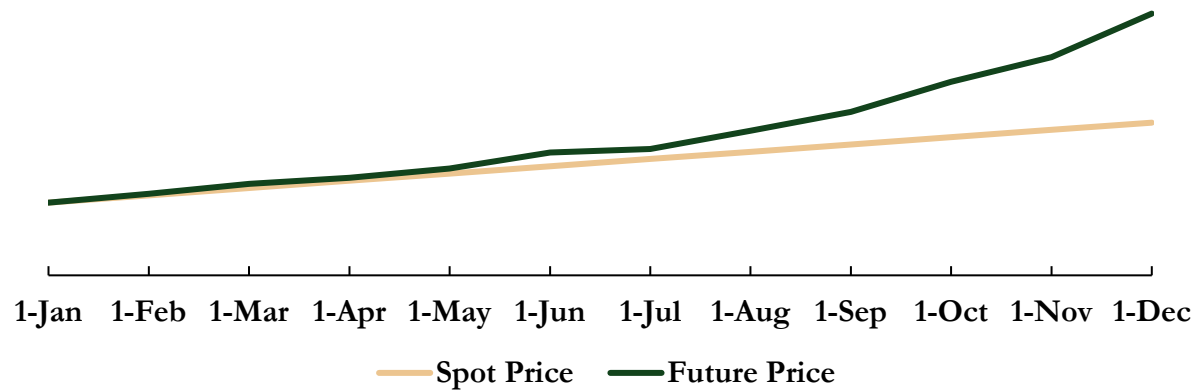
MACD



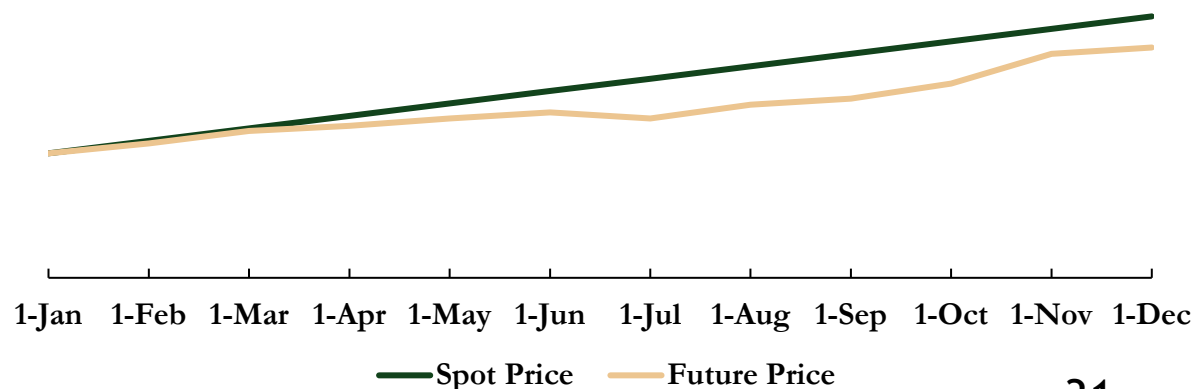
Position Overview

Normal Backwardation VS Contango

Contango Example

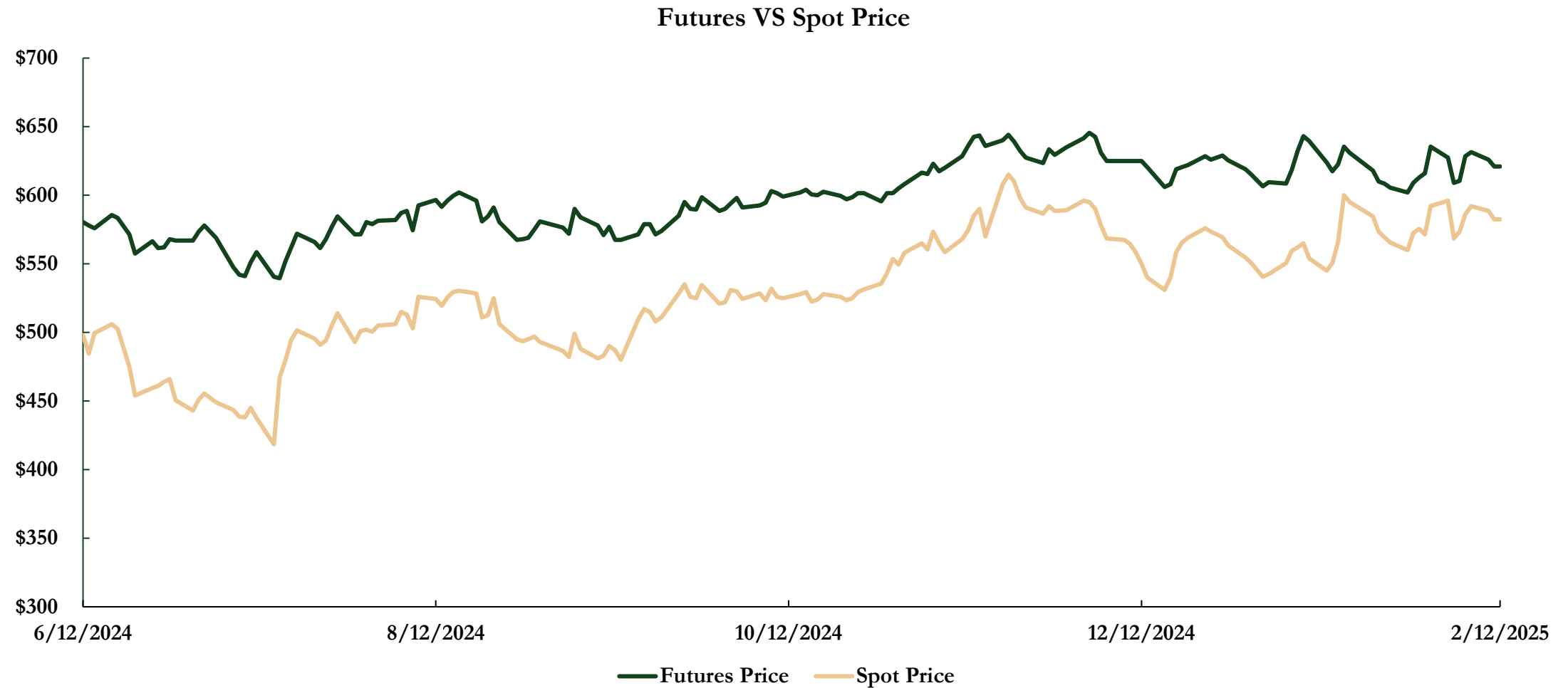


Backwardation Example



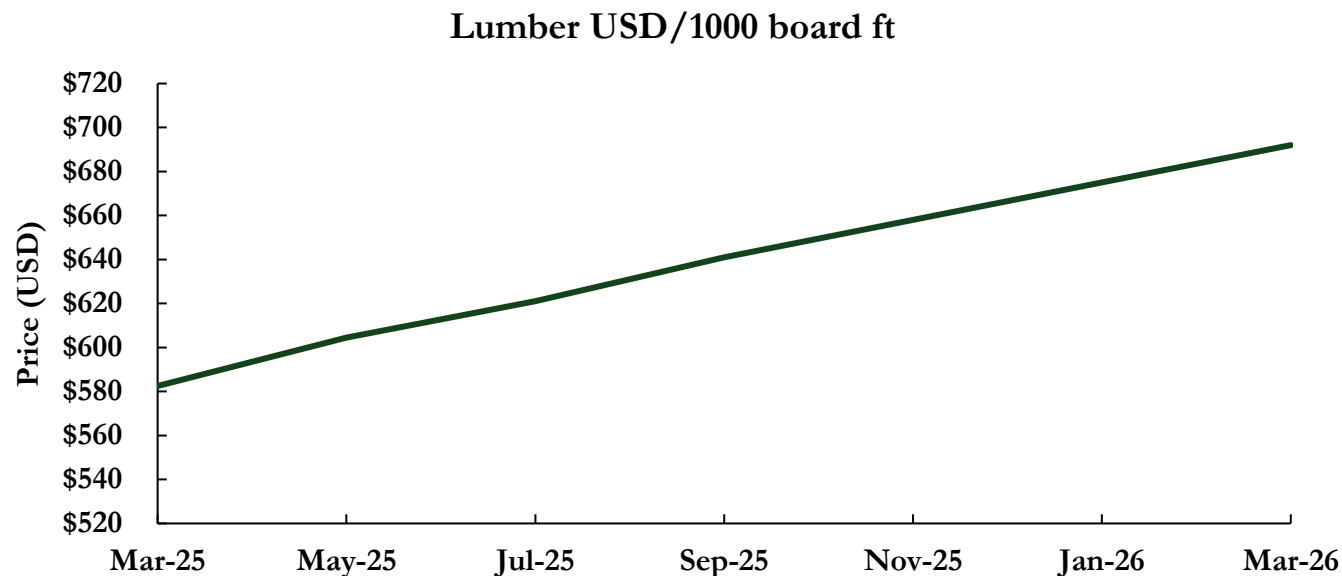
- Contango is when the futures price is above the spot price
 - This shows the market is projecting an increase in price
- Normal Backwardation is when the futures price is below the spot price
 - This occurs when the market expects a decrease in price

July Futures Contract VS Spot Price



Contract Specs

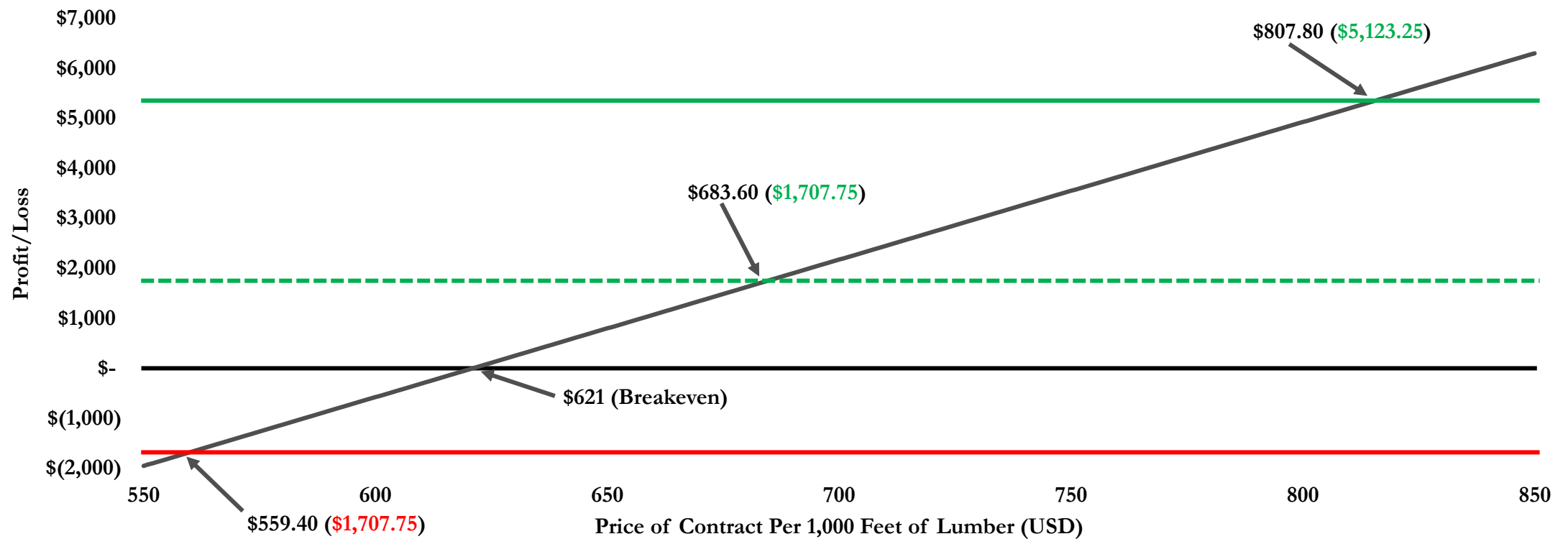
- The contract size is 27,500 board feet
- The settle price is per 1,000 boards
 - This makes the contract worth \$17,077.50



Settle Price	\$621.00
Ask Price	\$649.50
Bid Price	\$616.50
Open Interest	472
Volume	12

Profit/Loss Graph

- If President Trump resumes tariffs on Canada, we will raise our price target to 30%



Margin Calendar – 10%

- This futures contract requires margin to purchase
 - We will use \$10,000 in margin, and pay the rest (\$7,077.50) in cash
- As we have a stop loss of \$1,707.75, or 10%, we would not get margin called
 - Only \$1,000 would be lost in our margin account, and 10% is not close enough to be forced to close our position
- Futures contracts often require margin so the seller is forced to cover the contracts in the event of a loss

Appendix

Voting















Futures Table (2/7)

LUMBER FUTURES - QUOTES

VENUE: GLOBEX

  AUTO-REFRESH IS OFF Last Updated 07 Feb 2025 12:24:11 PM CT. Market data is delayed by at least 10 minutes.

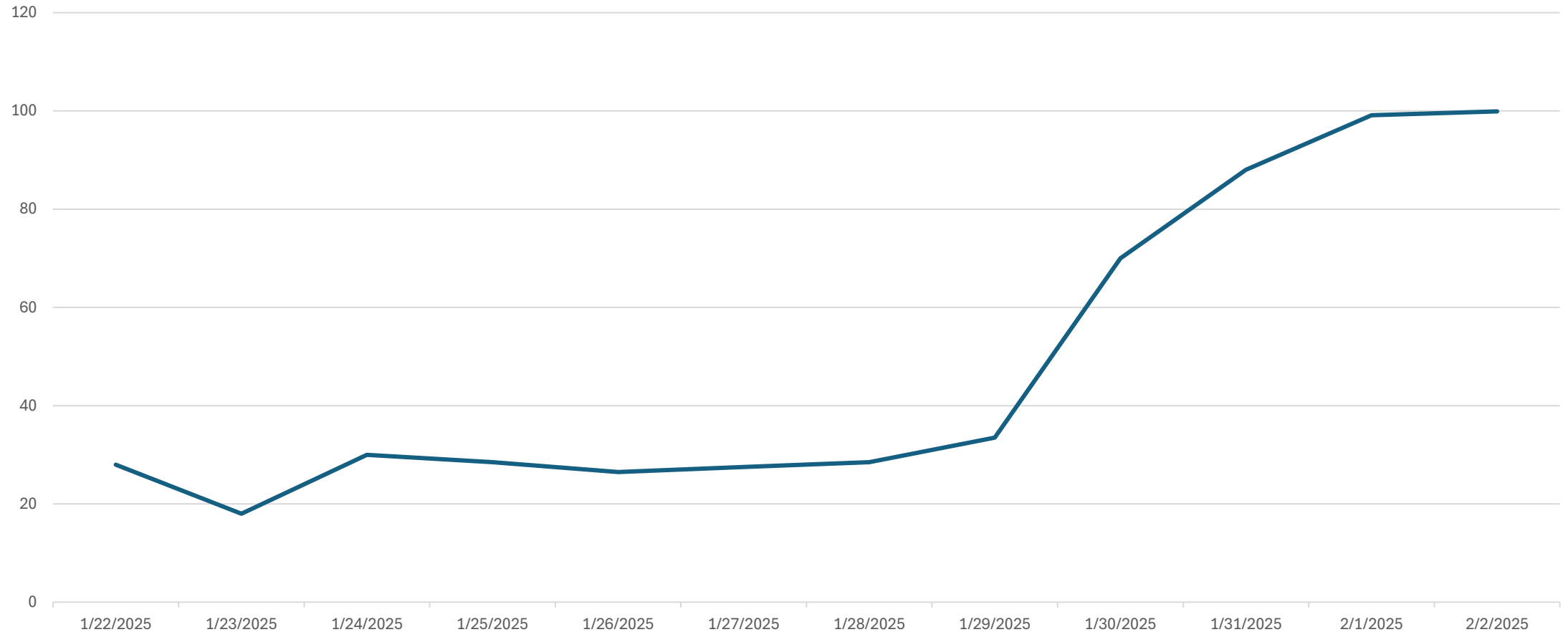
MONTH	OPTIONS	CHART	LAST	CHANGE	PRIOR SETTLE	OPEN	HIGH	LOW	VOLUME	UPDATED
 MAR 2025 LBRH5			595.00	+9.00 (+1.54%)	586.00	587.00	596.00	586.00	439	12:14:35 CT 07 Feb 2025
 MAY 2025 LBRK5			617.00	+8.50 (+1.40%)	608.50	611.00	617.00	609.00	155	12:07:47 CT 07 Feb 2025
 JUL 2025 LBRN5			632.00	+3.50 (+0.56%)	628.50	629.00	632.00	629.00	25	12:07:47 CT 07 Feb 2025
 SEP 2025 LBRU5			-	-	648.50	-	-	-	0	08:37:02 CT 07 Feb 2025

Additional resources

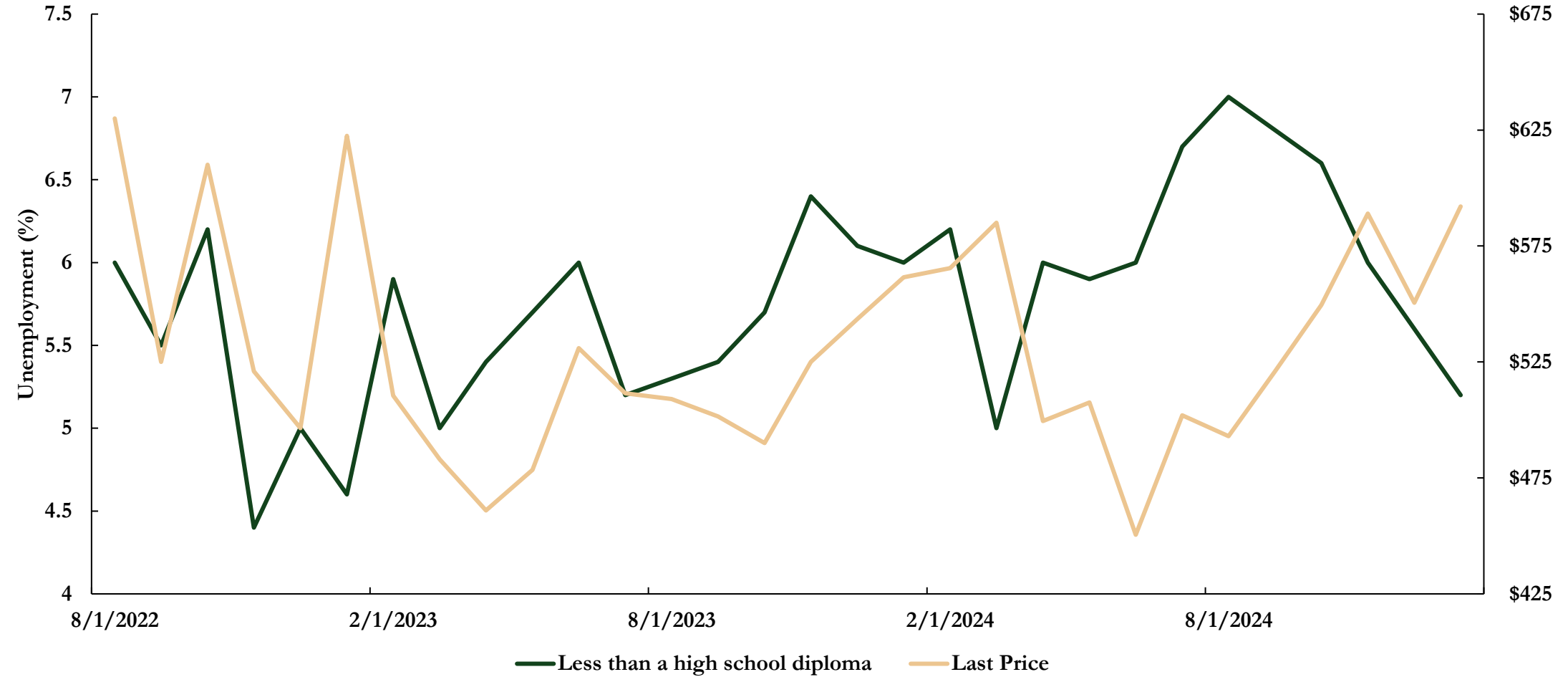
Seasonality



Chances of 25% Trump tariff on Mexico AND Canada before March



US Labor Market Impact Workforce



British Columbia to U.S.

