

U.S. Economic News

The worst of the credit squeeze is probably over. True, loan losses are still increasing. But the official aid is massive: minimal policy interest rates, ample liquidity supplies, capital injections and implicit loan guarantees.

The big official liquidity push also gives investors more cash to put into the markets. The additional buying power may account for some of the sharp increase in oil and equity prices. There have also been tentative signs of revival in the junk bond and IPO markets. To some extent, the mood is following the money.

It may be due to government help or it may just be the

passage of time, but another worst that has probably passed is in the pace of economic decline. The huge sudden drop in activity after the collapse of Lehman Brothers last September has already become something of a business legend. If the decline had continued at that pace, economies would be back to the Stone Age in a few decades.

The balance of indicators still suggests GDP is falling in most developed economies, but at a much less dramatic rate than a few months ago. When the economy is only declining at a moderate pace, some measures typically suggest that growth is returning -

the much talked-about "green shoots" - but more show further decline. That seems to be the case now.

Inventories complicate the picture. A sharp decline in global demand led to an even sharper reduction of inventories as retailers and manufacturers cut back. As the inventories are rebuilt, production will most likely pick up faster than consumption.

Source: CNN Money, 04/22/09

The worst may be yet to come

*By Edward Hadas,
breakingviews.com*

- Auto dealer representatives will meet on Thursday with the government task force charged with retooling the auto industry to make the case that a bankruptcy for General Motors should not be an option, people briefed on the planned meeting told Reuters Wednesday.
- The National Automobile Dealers Association, which represents about 20,000 new car dealers, plans to tell the autos task force that a "radical cut" in the number of GM's dealers would make the struggling automaker less viable, one of the sources said.
- The dealer representatives will also argue that the Obama administration's focus should be restoring credit availability for consumers and dealers, said the source, who asked

not to be named because the information has not been made public.

Source: Reuters 04/22/09 **Auto dealers to meet with task force**

- World oil demand is shrinking faster than previously thought as a slowing global economy erodes consumption, OPEC said on Wednesday.
- The Organization of the Petroleum Exporting Countries said in its Monthly Oil Market Report that demand would drop by 1.37 million barrels per day (bpd) in 2009 to average 84.2 million bpd. Its previous forecast was for demand to fall by 1.01 million bpd.

- Demand is falling fastest in the developed nations of the Organization for Economic Co-operation and Development (OECD), but the global downturn has also curbed previously rapid demand growth in developing countries like China and India.
- Demand growth in countries outside the OECD has fallen by 90% year-on-year, OPEC said, and is now expected to increase by just 200,000 bpd in 2009.

Source: London – Reuters 04/15/09 **OPEC: Global oil demand falls further**

- The government on Friday released another sobering report on the jobs crisis, with the unemployment rate rising in 46 states and pushing past 12% in Michigan and Oregon.
- The Michigan job market has been hit hard by the battered auto industry. The Big Three carmakers have shed tens of thousands of jobs because of giant corporate losses and waning demand for vehicles.
- In Oregon, employment is heavily reliant on the lumber industry, which has suffered from the decline in homebuilding in the neighboring state of California and elsewhere.
- "We produce a substantial amount of wood products used for residential construction, so many of our lumber and

wood products are shipped to California for the housing market," said David Cooke, economist for the Oregon Employment Department. "California's economy is so large - it's 10 times the size of Oregon - so anything that's happening in California has a direct impact on our state."

- Other states with double-digit unemployment include North Carolina (10.8%), Rhode Island (10.5%), Nevada (10.4%) and Indiana (10%).
- The nationwide unemployment rate in March was 8.5%, an increase from 8.1% the prior month.
- President Obama has made job creation a central theme in his administration. With his \$787 billion stimulus package, Obama intends to save or create at least 3.5 million jobs through 2010.
- This includes \$26.6 billion worth of investment in the nation's infrastructure, with jobs created and layoffs avoided, albeit temporarily, through construction contracts on highways and bridges. The stimulus plan also includes direct investment in police departments, to put thousands of cops and sheriffs back on the beat nationwide

Source: London – CNN Money 04/17/09 **Oregon and Michigan push past 12% jobless** *By Aaron Smith, CNNMoney.com staff writer*

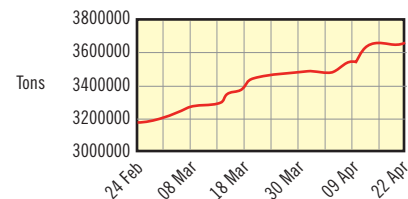
METAL SUPPLY NEWS

Aluminum

- World primary aluminum output averaged 65,200 mt/day in March 09 compared to 66,200 mt/day in February 09 and down from 70,100 mt/day in March of 2008, according to figures released by the International Aluminum Institute.
- Alcoa Inc reported a net loss of \$497 million in the first quarter of 09 due to falling metal prices and lower aluminum demand.
- Hydro announced the closure of its aluminum precision tubing plant in North America due to the downturn in the auto industry. The closure is expected to be completed by the end of 09 and will result in the loss of 120 job.

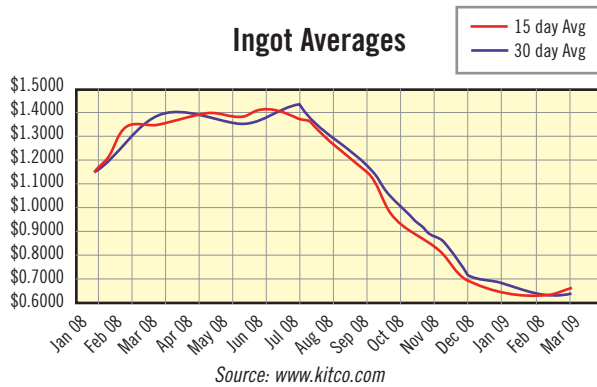
- Inventories still remain high on the LME – see chart below

60 Day LME Aluminum Stock



Source: www.kitco.com

- Average ingot prices for the past 15 month



- Common Alloy lead times still remain in the 6 to 8 week range.
- Extrusions still remain in the 2 to 8 week range depending on press

Carbon & Alloy Steel – Plate

- Evraz has announced plans to layoff 225 employees at its Oregon Steel mill in Portland Ore. The timing would be in the May/ June time frame and again is based on poor business conditions and the lack of orders.
- SSAB has announced plans to extend maintenance outages. SSAB will review operations at both their Montpelier Iowa and Mobile Alabama plants and extend outages from the standard 2-4 week period.
- Nucor's April Surcharge is 1.15cwt or \$23/ton. This is a drop of 1.25cwt from March which was 2.40cwt. Auto shredded scrap was listed at \$185/ton in April.
- Overall Plate pricing continues to decline as most service centers have elected to concentrate on moving inventory. Overall demand is weak as the once strong energy market has now felt the decline too. Hope is that the stimulus package will recharge the plate market.
- According to MSCI reports; Carbon Plate inventory went down to 3.7 months of supply verse February which was 4.1 months of supply. Shipments in March were off 37.9% - yoy and year to date were off 40.6% yoy.
- SBB reported that US imports of coiled plate increased from Mexico. "Coiled plate imports from Mexico averaged nearly 8,500 tonnes/month in the four-month period from October 2008 through January 2009- more than three the monthly average of 2,320 tonnes in the previous nine-month period".
- John Deere continued its pattern of layoffs and announced their third layoff. Deere is laying off 160 production workers at their Des Moines Iowa plant.

Sources:- AMM, SBB, CRU, MSCI and PM.

Carbon Steel – Flat

- U.S. Steel Corporation has reported their \$1.2- billion modernization project in Clairton, Pa. has been put on hold. The decision was based on the poor economic environment. There is no specific timetable to resume construction it all depends on the economy.
- U.S. Steel Corporation continues to evaluate operations. They recently reduced 200 workers at their Fairfield Alabama location. USS has idled four others plants- Granite City Plant, The Great Lakes Plant in Ecorse Michigan and the two plants in Ontario(Hamilton and Nanticoke).
- Evraz- has decided to shut down their steel mill in Regina for one week starting April 27th. Evraz had also scheduled a three week maintenance shutdown beginning May 17th. The planned shutdown may be longer unless business conditions (orders) improve.
- AMM reported that AK has announced further capacity reductions. AK Steel is planning to idle their Rockport finishing plant for one week. With the current economic conditions the work force is hopeful that the idling will be just one week.

- Severstal's Wheeling Pittsburgh – Allenport Pa. plant has a potential buyer. According to AMM California businessman William R. Kingston is interested in acquiring the facility to eventually produce a stainless coated steel product for the automotive and appliance industry.

- Midwest CRU pricing for April

Hot Rolled	21.45cwt
Cold Rolled	25.85cwt
Coated Galvanized-	27.85cwt

- Purchasing Magazine reported March numbers to be

Hot Rolled	23.55cwt
Cold Rolled	28.15cwt
Coated	31.35cwt

With the trend continuing downward

- Nucor's – April surcharge is 1.25cwt
- According to AMM – “Turkish mills started buying cargoes of ferrous scrap last week after what some industry sources said had been a lack of activity there for the past several weeks.” Apparently many of the Turkish mills are very low in scrap inventory and have been using billets and slabs from other countries

- According to MSCI reports March carbon flat rolled inventory went down to 2.8 months of supply verse February which was 3.2 months of supply. Shipments in March were off 38.9% yoy and year to date off 42.5%

- Scrap pricing will remain volatile. The lack of domestic demand but the instability of foreign buyers lend to pricing going up, down and at times stable.

- Import offers have been received from Brazil, Russia and Venezuela. Apparently there is not a lot of interested takers as the market remains too volatile. The long import lead-time and the lack of available inventory investment dollars has caused service centers to pass.

- Lead-times for hot rolled are 2 -3 weeks and cold rolled and coated 4-5 weeks. Odd sizes and grades have become an issue as the weak business conditions are causing delays in accumulating tons to run specific requirements.

- General Motors has suggested that bankruptcy may be an option if they cannot meet its June 1st deadline to complete restructuring. General Motors has actively attempted to reduce brands and models, reduced dealerships and closed facilities.

Sources:- SBB, AMM, MSCI, CRU and PM

Carbon Tubing

- Chinese Baoji Petroleum Steel Pipe (BSG) is set to commission China's first coiled tubing plant in June. BSG, which is a major pipe maker and subsidiary of China National Petroleum Corp (CNPC), is targeting 20,000 tons per year capacity for this type of electric resistance welded (ERW) pipe.
- Imports of OCTG and structural pipe fell considerably in March while imports of line pipe and mechanical tubing rose. Imports of standard pipe were flat, according to the US government's count of March import license applications. Both line pipe and mechanical tubing rose 32% compared to February while OCTG fell 23% and structural pipe and tube fell 30% from February. Imports of OCTG fell under 200,000 tons for the first time since April 2008.

- TMK IPSCO has completed the construction of their new heat-treat facility at its Baytown, Texas location. This new facility will move the energy tubular producer into higher value-added market serving horizontal and deeper gas wells. The facility will be able to produce and heat treat seamless tubing and casing sizes from 2-3/8" diameter to 7-5/8" diameter. Annual capacity will be 85,000 tons of quenched and tempered products.

- Structural tubing (HSS) prices continue to fall due to decreasing flat roll pricing. In April prices were reduced \$2.00 cwt and are at pricing levels we have not seen since October 2007. DOM mill lead-times are starting to move out to 5-6 weeks with the mills decreasing capacity. DOM pricing has dropped an average of 16% from the beginning of first quarter 2009.

MBQ and SBQ Bar

- Republic Engineered Products moved their corporate headquarters from Fairlawn to its manufacturing operations in Canton, Ohio. The move will allow Republic to be more in touch with operations and is apart of their decentralized strategy. Republic Engineered Products is North America's leading producer of special bar quality (SBQ) steel.
- ArcelorMittal announced they will indefinitely idle its bar operations at Indiana Harbor Works in East Chicago, Ind. The shut down will take place in mid-June due to current market conditions. ArcelorMittal, the world's largest steel maker, announced last week it would continue to freeze production while steel demand remains low. The company cut back output by 45 percent in the fourth quarter and planned to do the same in the first three months of this year until it reduced steel stocks.
- Nucor loses \$190m in first quarter due to fewer shipments, lower selling prices and inventory writedowns. Nucor is forecasting a greater loss for 2nd quarter as they will continue to be plagued by low operating rates, pricing pressure and consumption of high-cost pig iron inventories. In the

same period a year ago the leading US producer earned \$410m and they earned \$106m in 4th Quarter 2008 in comparison. Nucor is well positioned to handle the global downturn with \$1.9bn in cash and \$1.3bn in unused credit. Nucor's first quarter shipments totaled 2.8m tons compared to 5.8m tons in 1st quarter 2008.

- Merchant bar decreased \$2.00 cwt due to lowering base pricing and scrap surcharge being reduced to \$0.00. Nucor led a decrease of \$7.70 cwt in wide flanged beams as producers suspended its raw material surcharges until further notice and wanted to better align pricing with domestic producer's current pricing and compete with foreign offers. Both MBQ and WF beams should remain flat for the month of May.
- Special bar quality (SBQ) pricing has been reduced for May due to decreasing surcharges. For the month of May both the HR and CF scrap surcharge will be \$0.00 for many mills like Nucor and this will represent a decrease of \$ 1.25 - \$ 1.50 cwt for May as mills have declined to adjust base prices with volume being in decline.

Stainless Steel – Nickel Alloys

- ATI (Allegheny Technologies Inc) reported net income of \$6 Million on sales just over \$ 830 Million. The sales figure is down 38% from Q1 2008. Much of the decline is the result of lower selling prices and shipments – especially in their standard stainless product segments which were down by 40% over the same period last year.

- Stainless Flat Surcharges (price per pound)-2009

	March	April	May
304	\$.4378	\$.3841	\$.3370
316L	\$.6525	\$.5778	\$.5145
430	\$.1315	\$.1157	\$.1001

- LME Nickel (price per pound)

January	February	March
\$5.129	\$ 4.72	\$ 4.40

- Chrome (price per pound)

January	February	March
\$.8125	\$.800	\$.7475

- April saw nickel prices rise sharply thru mid-month. Prices rose on a daily basis from a low of \$ 4.33/lb up to as high as \$ 5.64/lb before falling back in the past few days. It appears the increase was largely due to speculators and brought on as a sympathy rally as other commodities rose, and not really driven by consumption. Most mills continue to keep their raw materials at very low levels, and have not increased their purchasing. Some predict nickel prices could hover in the current range, while other analysts see the possibility that nickel could soften further in the weeks ahead.

- Prices for high carbon ferro-chrome have been on a steady decline through the year, but producers have been steadily cutting production and inventories look to have been worked down. As a result many analysts are starting to believe that the market may have reached or is close to forming a bottom. Early April numbers indicate high carbon ferrochrome is being quoted and sold at around \$.70/lb, and while sales are not heavy neither is the price-cutting. Some believe that if prices haven't yet hit bottom, they don't have much fur-

ther to fall. However as is the case with nickel there does not appear to be any upward momentum either as demand for and production of stainless steel remains moribund.

- North American stainless producers – NAS, AK, Allegheny Ludlum and TKN-Mexinox all announced a price increase effective for shipments beginning April 1 on Hot Rolled and Cold Rolled coil and sheet depot material. The transaction price increase for material they hold in stock was approximately 5%. Material produced to order from production lead-times was not affected by this increase.
- On the heels of the announcement mentioned above-North American stainless producers – NAS, AK, Allegheny Ludlum and TKN-Mexinox- announced another separate and additional price increase in late April –this one effective for shipments beginning May 1st on all Cold Rolled and Hot Rolled material for grades 200-300 and 400 Series. This newest

announcement raised the price of Cold Rolled and Hot Rolled products from both depot stock as well as material produced from mill lead-times. The transaction price increase will amount to between 6-9% depending on the product and grade.

- Domestic Lead-Times:
 - o Cold Rolled: 4-5 weeks
 - o Polished: 4-5 weeks
 - o Plate: 2-3 weeks