

## U.S. Economic News

Employment in March grew by the most in three years, representing a turning point for the labor market that will help broaden the U.S. economy as it recovers from the deepest recession in seven decades.

Payrolls rose by 162,000 workers, the third gain in the past five months and the most since March 2007, figures from the Labor Department showed

yesterday in Washington. The increase included 48,000 temporary workers hired by the government to conduct the census. Unemployment was 9.7 percent for a third month.

Manufacturers, health-care companies, temporary-help service providers and warehouses were among those adding jobs in a sign the expansion is becoming more entrenched.

The jobless rate was unchanged even after Americans who had previously dropped out of the workforce decided to resume the job search, pointing to growing confidence that the world's largest economy will continue to grow.

*Source: BusinessWeek 04/03/10*

**Increase in March Employment Shows U.S. Recovery Is Broadening**

- PMI is at 59.6% in March, up from 56.5% in February.
- Economic activity in the manufacturing sector expanded in March for the eighth consecutive month, and the overall economy grew for the 11th consecutive month, say the nation's supply executives in the latest Manufacturing ISM Report On Business®.
- The rate of growth as indicated by the PMI is the fastest since July 2004. Both new orders and production rose above 60 percent this month, closing the first quarter with significant momentum going forward. Although the Employment Index decreased 1 percentage point to 55.1 percent from February's reading of 56.1 percent, signs for employment in the sector continue to improve as the index registered a 10 percent month-over-month improvement, indicating that manufacturers are continuing to fill vacancies. The Inventories Index provided a surprise as it indicated growth for the first time following 46 months of liquidation — perhaps signaling manufacturers' willingness to increase inventories based on expected levels of activity.
- Any reading above 50 shows expansion.

*Source: Calculate Risk 04/01/10*

**ISM Manufacturing Index Shows Expansion in March**

- Consumer prices in March rose at a faster pace on an annual basis amid higher utility costs, the government reported Wednesday.
- The Consumer Price Index, the government's key measure of inflation, rose 2.3% over the past 12 months, driven by a 41% climb in gasoline costs during the period. In February, prices climbed 2.1% from the previous year.
- The core CPI, which economists eye closely because it strips out volatile food and energy prices, was up 1.1% from a year earlier. In February, it inched 1.3% higher year over year.
- Core CPI for the month of March was unchanged, compared to a 0.1% increase in February. Economists had forecast a 0.1% bump up. The low inflation supports the Federal Reserve's decision to keep its key interest rate near zero for some time.

*Source: CNN Money 04/14/10*

**Consumer prices up 2.3% from last year**

- Retail sales soared in March, the government said Wednesday, in the latest sign of improving consumer confidence.
- The Commerce Department said total retail sales jumped 1.6% last month, the largest monthly increase since November, from an upwardly revised 0.5% gain in February.
- The rebound in retail sales comes as the labor market has shown tentative signs of improvement. The Labor

Department said earlier this month that the economy gained more jobs in March than any other month in the last three years.

- All of this bodes well for the economy, which is driven mainly by consumer spending.

Source: Automotive News 04/14/10

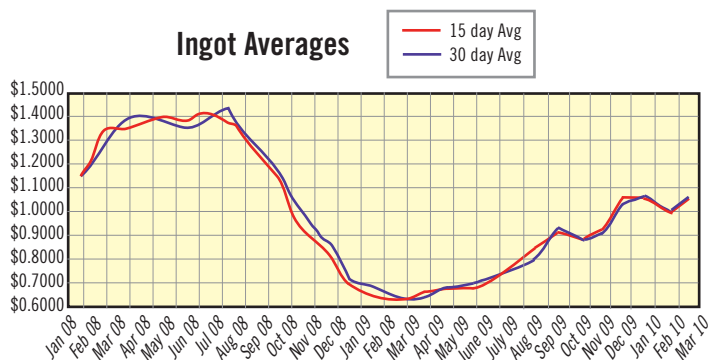
#### Retail sales surge in March

## METAL SUPPLY NEWS

### Aluminum

- Alcoa posted a first-quarter 2010 net loss of \$201 million, compared to a \$277 million net loss for the previous quarter and a \$497 million net loss in the year-ago quarter. *Source: AMM*
- Global aluminum consumption will likely grow by about 10% in 2010, driven by strong consumption growth in China, Alcoa President and CEO Klaus Kleinfeld said Monday April 12th. Excluding China, global aluminum consumption is expected to grow 5%. *Source: Platts*
- Russia's Rusal posted a net profit of \$821 million for full year 2009, after posting a net loss of \$5.984 billion in 2008. *Source: Platts*
- Rusal announced that it would restart operations in June at its 650,000 mt/year Ewarton Works alumina facility in Jamaica that was idled in early 2009. Production is planned at around 321,000 mt for the balance of 2010. *Source: Platts*
- U.S. Aluminum extruders and the United Steelworkers union have filed anti-dumping and counter-vailing duty petitions with the Commerce Department and the U.S. International Trade Commission, asking for relief against what it said were unfairly traded imports from China. The case was filed on March 31, 2010. *Source: AMM*
- Alcoa Forgings and Extrusions has announced a price increase on all cold finished round rod products only, effective with new orders entered on or after April 1st. The increase ranges from \$.08 to \$.18/lb depending on alloy.

- Aluminum Corp of China produced a total of 7.78 million mt of alumina in 2009, down 13.7% year on year. The output of primary aluminum amounted to 2.44 million mt, up 5.58% year on year, while the output of aluminum fabrication products was 412,600 mt, down 27.9% from year ago. Chaico posted an overall loss in 2009 of 4.68 billion Yuan (\$685.63 million) compared to a profit in 2008 of 168.63 million Yuan. *Source: Platts*
- Global unwrought aluminum inventories at the end of February were down 36,000 mt from the end of the previous month, and down 409,000 mt from year-earlier levels, according to figures released by the International Aluminum Institute. *Source: Platts*
- Flat rolled lead times: 10 to 12 weeks
- Extrusion lead times: 3 to 8 weeks depending on press size
- Midwest ingot averages



Source: www.kitco.com

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## Carbon & Alloy Steel – Plate

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- While overall demand remains flat, raw material cost increases continue to drive additional price increases on carbon plate.

- Scrap costs continue to increase.

### AMM #1 heavy melt scrap Chicago:

o January	\$305 / ton
o February	\$305 / ton
o March	\$360 / ton

- Nucor Plate announced a \$40/ton increase on plate 2/26/10 and SSAB followed suit announcing a \$40/ ton increase on plate 3/1/10.

### Plate CRU

o January	\$630 / ton
o February	\$685 / ton

- SSAB has a 3 week maintenance outage in late March / early April at their Montpelier IA facility.
- Carbon Plate lead times are now in May.

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## Carbon Steel – Flat

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- Demand for CFR has been solid to slowly growing, led by automotive.
- Raw material input costs continue to increase driving more price increases by the mills.

### AMM #1 busheling Chicago

o January	\$345 / ton
o February	\$390 / ton
o March	\$470 / ton

- Iron ore prices are up year over year by over 80%. The 3 major global iron ore mining companies, are also restructuring price agreements, with more short term contracts.
- Carbon flat roll mills have announced increases every month of 2010 thru May totaling approximately \$180-200/ ton year to date citing input cost increases and rising demand.
- California Steel announced a minimum \$25/ton increase on 2/17/10.
- AK Steel announced a \$40/ton increase on 3/2/10.
- Nucor announced increases of \$40/ton minimum on 2/17/10 and \$50 ton minimum on 3/5/10.
- Severstal announced increases of \$40/ton on 3/4/10.

### HR CRU

o January	\$555
o February	\$592
o March	\$629

### CR CRU

o January	\$677
o February	\$714
o March	\$754

### Galv CRU

o January	\$745
o February	\$782
o March	\$812

- Mills are operating at production levels close to 70% of capacity currently. Additional capacity is being brought back on in the 2Q10. Blast furnaces are being brought back into production at USS-Gary works, Arcelor Mittal Indiana Harbor works, and Severstal at its Warren Ohio facility.
- Mill lead times are late April to May on Hot Roll, and May to June on cold roll and coated.
- Arcelor Mittal has announced a \$138 billion dollar capital expenditure for upgrades to its facilities in North America. The expenditures are targeted for improvements to its Indiana Harbor works 84" hot strip mill, the Burns Harbor works 160" plate mill and for equipment at its Hibbing Taconite joint venture facility.

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## Carbon Tubing

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- Another \$50 per ton increase was announced by Southland Tube and Atlas Tube and other producers on April 5th for their Structural, Mechanical and Pipe products effective immediately. Any orders already placed with the mills are price protected for shipments through May 3rd. This is the fifth increase since December totaling \$270 per ton.
- ArcelorMittal, PTC and Michigan Seamless announced increases March 24th for 5 cents per lb for alloy cold drawn seamless tubing and 4 cents per lb for carbon cold drawn seamless tubing effective with shipments after May 1st. PTC also announced for diameters over 7-3/4" they will increase 7 cents per lb for alloy and 5 cents per lb for carbon cold drawn seamless tubing effective with shipments after May 1st.
- PTC Alliance Corp has been auctioned to Black Diamond Capital Management LLC on April 5th according to several

sources. On April 12th the bankruptcy court will consider approval to the sale to the highest and best bidder. PTC is a leading manufacturer of welded and cold drawn mechanical steel tubing and they filed Chapter 11 bankruptcy protection back in October 2009. *Source AMM April 7, 2010*

- Iron Ore supply will be not meet demand until 2013 according to Deutsche Bank. It will not be until 2013 when Chinese demand slows and new iron ore projects will be commissioned globally. Pricing for iron ore is expected to remain higher through at least 2012. *Source SBB April 13, 2010*
- Lead-times remain 4-7 weeks for most structural and mechanical tubing items. DOM lead-times range 8-16 weeks.

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## MBQ and SBQ Bar

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- March 16th Gerdau MacSteel announced a base price increase of \$1.50 cwt for HR SBQ and \$2.00 cwt for CF SBQ and Heat treated Alloy bars effective with shipments May 1st. SDI followed this announcement and Nucor announced a base price increase of \$1.50 cwt for HR SBQ and \$2.00 cwt for CF SBQ effective with shipments May 1st.
- Nucor's Merchant bar pricing has remained the same for the month of May. The scrap surcharge remained at \$11.65 cwt for the month of May and the base price remained the same as April. The scrap surcharge is based on Shredded Auto Scrap.
- Nucor's Special bar quality (SBQ) for HR increased for the month of May to \$15.50 cwt. This is a \$0.50 cwt increase over the month of April. The scrap surcharge for SBQ is based on #1 Busheling.
- Nucor's Special bar quality (SBQ) for CF increased for the month of May \$16.25 cwt. This is a \$0.75 cwt increase over the month of April. The scrap surcharge for SBQ is based on #1 Busheling.

- The state of Louisiana wants to give Nucor another reason to locate their pig iron plant in Louisiana instead of Brazil. Gov. Bobby Jindal wants to propose \$65m of the state budget goes to Nucor for this project. Nucor is undecided where to locate the project as they are concerned with economic conditions and the potential carbon cap-and-trade legislation that could impact the project. Nucor has already purchased several acres of land in Louisiana. *Source SBB April 7, 2010*
- Timken has announced they will close their Gambrinus bearings plant after ceasing production in September 2009. The Gambrinus plant, located in Canton, Ohio will not affect the steel making facilities in Canton (Harrison, Faircrest and Gambrinus).
- Lead-times have moved out anywhere from 8-18 weeks for SBQ products. MBQ products are generally available with stock and 4-6 week rolling cycles for most products.

- ThyssenKrupp Stainless USA is still on schedule to begin finishing stainless material this fall and could begin melting as early as 2013. The exact date to begin melt shop operations is in flux however, as ThyssenKrupp's board is still reviewing the timetable. *Source AMM March 15, 2010*
- **Stainless Flat Surcharges (price per pound)**

	Mar-10	Apr-10	May-10
304	\$ .8371	\$ .9104	\$ 1.1005
316L	\$ 1.2478	\$ 1.3632	\$ 1.6171
430	\$ .2219	\$ .2670	\$ .3064
- **LME Nickel (price per pound)**

	Jan-10	Feb-10	March-10
	\$ 8.3639	\$ 8.61	\$ 10.19
- **Chrome (price per pound)**

	Jan-10	Feb-10	March-10
	\$ 1.010	\$ 1.23	\$ 1.31
- On March 30, 2010, ThyssenKrupp Stainless North America announced a price increase effective with shipments on May 3rd on all 200, 300 and 400 series cold rolled stainless steel products. Their announcement called for prices to be increased approximately \$.035/ lb as an example for T-304 by way of a 2 point reduction in the distributor discount. However, this increase is not gathering support from other domestic mill producers and seems likely to fail at this time. With real demand improving but still sluggish, and with another large increase in the surcharge set for May (see table above) most observers think other TKSNA competitors are reluctant to try and increase base prices at this time. Speculation is that domestic mills will wait until surcharges have stabilized or have fallen, and if mill order activity looks to be stable or improving, they will then attempt a base price increase. One thing that could change the timing of all of this is that if mill order activity would strengthen further, then mills may be tempted to attempt a base price increase sooner.
- Nickel prices continued to rise again in March and it is the best performing metal so far in 2010. Nickel is off to its best start to a year since 2007 as global stainless production has exceeded expectations. Nickel prices have increased 35% since the beginning of 2010 and stand at a 22 month high. However, sentiment on future trends remain a very mixed bag with some analysts predicting nickel prices will soften

near term, while others have a more bullish outlook. At a recent Euro Nickel Conference held in early April, many analysts observed that the situation in nickel was one of short supply, and many of the suppliers of stainless scrap have commented on a shortage of scrap in 2010. One of the largest dealers of stainless scrap – ELG Haniel – expressed that their forecast was for worldwide stainless crude production in 2010 called for an increase of 17.8%. However, they forecast the quantity of stainless scrap to be generated to only increase by 11.7% – which if true would result in a shortage of scrap this year.

- A contrarian view is held by other observers who don't see the current nickel price going much higher, nor do they see shortages looming. LME inventories currently stand at around 155,000 metric tons, down from record levels of 166,000 metric tons reached in early-February 2010. Another observer at the same Euro Nickel conference Peka Pera, CEO at Talvivaara Mining – a Finnish based mining concern – said anemic demand outside of Asia pointed to a more balance market and predicts prices for nickel will correct to around \$8.50/lb to better reflect current fundamentals. Another survey of analysts predicts that nickel will drop about 8% in the upcoming quarter as they believe demand won't accelerate fast enough to drain stockpiles. Some observed that inventories are incredibly high and when the supply side starts to come back as supply from new mines adds to stockpiles already at more than 3 times the 5 year average the price should correct. Also they point out that at some point the dispute at Vale-Inco will get resolved.
- Speaking of the long-standing strike at Vale, the dispute is now the longest strike in the Vale-Inco century long history. More than 3,000 workers have been on strike in Sudbury and another smaller site sister site in Canada since July 13, 2009. Vale-Inco account for about 8-10% of world nickel output.
- Ferro-chrome prices remain steady at around \$1.30/lb in recent weeks. Ferro-chrome prices have jumped about 36% since the beginning of the year, but have been relatively range-bound since March at between \$1.25-1.35/ lb. Much of the increased price that has been passed along only recently for 2nd quarter contracts appears to have been built into the spot price already. It is worth noting that South African ferro-chrome producers are already lobbying for higher 3rd quarter chrome benchmark prices. They point out that the traditional winter power tariffs charged by the

state owned power provider ESKOM HOLDINGS will cancel out the last benchmark price increase and leave producers struggling to make a profit. Also production could be curtailed as South Africa gears up for the upcoming World Cup Soccer competition and the government is asking large energy consumers to reduce their energy usage during the event. *Source AMM April 12, 2010*

- **Domestic Lead-Times**

- o 200/300 Series 2B 5-6 weeks
- o 200/300 Series Polished 5-6 weeks
- o 430 Series 2B 5-8 weeks
- o 430 Series Polished 5-8 weeks
- o CMP 5-6 weeks
- o PMP Plate 3-4 weeks
- o Discrete Plate 5-6 weeks

- World stainless steel production fell last year but the results were better than expected and an upturn is occurring, according to the International Stainless Steel Forum. Statistics show that stainless output totaled 24.6 million metric tons, down 5.2% from 2008. Results, however, were uneven as some regions saw declines of up to 30% while other areas saw an increase of 27% reflecting the uneven nature of the global downturn and recovery. *Source AMM March 24, 2010*

- At a recent MSCI Specialty Metals Conference held in Palm Beach Florida, Markus Moll, managing director of Steel & Metals Market Research forecast an 8% growth rate for US “real demand” for stainless steel in 2010. His prediction for Europe was 5% growth, while he forecast a 12% growth in real demand for China.