

## U.S. Economic News

Manufacturing activity rose significantly in July, suggesting that while the sector remains in contraction, there's a possibility of growth in the current quarter, a purchasing managers' group said Monday.

The Tempe, Ariz.-based Institute for Supply Management's (ISM) manufacturing index reading of 48.9

beat estimates from economists, who expected a jump to 46.5 from June's 44.8, according to a Briefing.com consensus survey.

The month-to-month improvement indicates that the rate of contraction has slowed, but not reversed. Manufacturing is a key gauge of the strength of the overall economy.

Of the 18 manufacturing sectors, six reported growth – including categories such as transportation equipment, appliances and paper products. The 11 that reported contraction included machinery and food.

*Source: CNNMoney.com 08/03/09*

**Manufacturing index signals growth soon**

- U.S. retail sales unexpectedly fell in July despite the debut of the government's "cash for clunkers" program meant to jump-start the auto business and help turn around the economy.
- Retail sales last month dropped 0.1%, the Commerce Department said Thursday.
- The dip was a huge disappointment on Wall Street. Vouchers for the car rebate program weren't available until the last part of July; perhaps the program will have a more positive effect on overall retail sales for August.
- Consumer spending makes up 70% of gross domestic product, which is the broad measure of U.S. economic activity. The recession has cost 6.7 million jobs. Household debt is high and net worths have shrunk. People are cutting spending and paying bills. In the second quarter, their spending surprisingly fell, an omen for the expected recovery of the economy.
- Evidence suggests the economy stopped contracting in the second quarter and will resume rising, bringing an end to the recession. The latest of a monthly survey of more than 50 business economists sees growth in the second half of this year and in 2010. The Blue Chip Economic Indicators

report predicted GDP would grow at an annual rate of 2.2% in the current, third quarter and 2.3% in the fourth quarter, which begins in October.

*Source: WSJ.com 08/13/09*

### Retail Sales Dipped in July Despite Clunkers Program

- The Federal Reserve said Wednesday it appears that the U.S. economy has halted the longest period of decline since the Great Depression, although it cautioned that economic activity is likely to remain weak in the near term.
- The central bank left its key overnight interest rate at a 0% to 0.25% range, as expected. Its statement at the conclusion of its two-day meeting said "economic activity is leveling out."
- That is the Fed's most bullish assessment of the economy in more than a year, and suggests that a recovery may have started.
- It said it still expects "inflation will remain subdued for some time" and said that it expects rates to remain near zero percent "for an extended period."

- The Fed cut interest rates to the record low range at its December meeting in an effort to spur the struggling U.S. economy at that time.

Source: CNNMoney.com 08/13/09

**Fed shows a little optimism**

- The foreclosure plague continued to devastate last month.
- There were more than 360,000 properties with foreclosure filings – including default notices, scheduled auctions and bank repossessions – an increase of 7% from June and 32% from July 2008, according to RealtyTrac, an online marketer of foreclosed homes. In fact, one in every 355 U.S. homes had at least one filing during July.
- The jump occurred as several foreclosure moratoriums phased out. They were initiated by many states to give the administration's foreclosure-prevention efforts time to work. But for many help did not come: The modification and refinancing programs have met with less success than hoped.

Source: CNNMoney.com 08/13/09

**Foreclosure plague: No cure yet**

- Major U.S. employers are growing more optimistic, with few planning additional layoffs and many planning to reverse course in coming months on cost-cutting initiatives such as salary freezes, according to a new survey. But recent cuts in health-care benefits may become permanent.

- The survey of human-resource executives at 175 mostly midsize and large U.S. firms by consulting firm Watson Wyatt Worldwide Inc. found that 33% plan to unfreeze salaries within the next six months and 79% within the next year. In a similar June survey, only 17% of respondents planned to unfreeze salaries within six months.

- Roughly 60% of the companies responding to the new survey had frozen salaries.

- Of the smaller group that cut salaries, 44% of respondents said they plan to restore those cuts in the next six months, and 66% in the next year. More than 70% of the employers with hiring freezes said they plan to resume hiring within the next year. Respondents said they plan to lay off fewer than 2% of their workers in the next year, down sharply from past surveys.

Source: WSJ.com 08/12/09

**U.S. Employers Grow More Optimistic**

**METAL SUPPLY NEWS**

**Aluminum**

- Emirates Aluminum is on track to start phase one production in April 2010 and expects to ramp up to full 700,000 mt/year by the end of 2010. Emal is a 50-50 joint venture between Dubal Aluminum and Mubadala Development Co. *Source: Platts*

- Sapa completed its purchase of US aluminum extrusion company Indalex on July 31, in accordance with the terms of the asset purchase agreement entered into between them on June 16th. *Source: Platts*

- Novelis, a subsidiary of Hindalco, reported pre-tax income of \$273 million for the first quarter of fiscal 2010, which end June 30, 2009. This represents a \$211 million increase as compared to pre-tax of \$62 million for the fourth quarter of fiscal 2009. *Source: Platts*

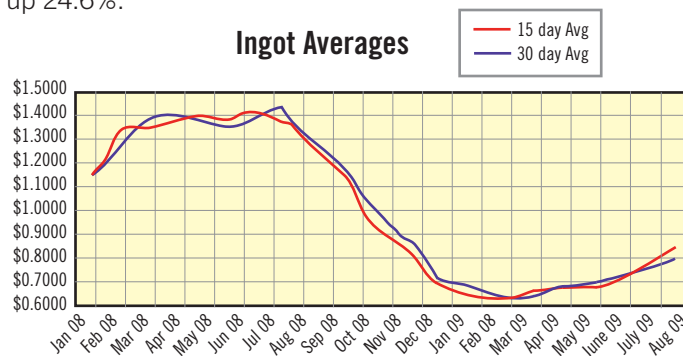
- World daily primary aluminum output averaged 63,300 mt/day in June, down from 63,600 mt/day in May and from 70,400 mt/day in June 2008, according to figures released by the International Aluminum Institute. *Source: Platts*

- Comparative performance of base metals in July 2009 (*Source: LME*) prices in mt.

Cash Price	7/31/2009	6/30/2009	7/31/2008	% Month on Month	% Year on Year
Aluminum	\$1,863.50	\$1,616.00	\$2,928.50	15.3%	(36.4)%
Copper	\$5,750.00	\$5,108.00	\$8,260.50	12.6%	(30.4)%
Zinc	\$1,748.00	\$1,555.00	\$1,906.50	12.4%	(8.3)%
Nickel	\$17,650.00	\$16,010.00	\$18,635.00	10.2%	(5.3)%
Lead	\$1,842.50	\$1,720.00	\$2,230.00	7.1%	(17.4)%

- Novelis, Alcoa, Alcan and Aleris have implemented a \$02/lb depot premium on products shipped for there depots.
- Alcoa Forgings and Extrusions has announced a price increase on Cold Finished Rod, Bar and Screw Machine Stock. The Amount increase is from 10% to 11% depending on the Alloy.
- Alcoa, Aleris, Novelis and Alcan have all announced a price increase of \$.02/lb on 1000/3000/5000 series alloys and 6000 series O temper.
- Sapa announced that it will be discontinuing operations at their Morris, IL plant on or about November 1, 2009 and will transfer production to other Sapa facilities.

- Lead Times
  - o Flat Rolled 10 to 12 weeks
  - o Extrusions 4 to 6 weeks depending on press size
- From January 09 through July 09 Aluminum ingot price is up 24.6%.



Source: www.kitco.com

## Carbon & Alloy Steel – Plate

- Nucor is planning to have their heat treat line operational in the third quarter 2010. They are also discussing the possibility of adding vacuum degassing.
- On August 11th Nucor announced a \$40/ton plate increase effective with all new orders for discrete plate and plate from wide coil.
- Nucor also announced their September surcharge of 5.30cwt. This represents a price of \$268/ton for shredded auto scrap. Last month the surcharge was 5.15cwt.
- Shredded scrap has made the following changes this year(\$/ton):
  - o January 2009 \$232
  - o February 2009 \$240
  - o March 2009 \$210
  - o April 2009 \$185
  - o May 2009 \$170
  - o June 2009 \$205
  - o July 2009 \$205
  - o August 2009 \$265
  - o September 2009 \$268
- Nucor has announced three increases this year
  - +\$40/ton announced June 17th
  - +\$40/ton announced July 14th
  - +\$40/ton announced August 11th
- SSAB August 13th announced a plate increase to be effective with all new orders. The increase included all carbon

and alloy discrete plate. The increase was \$40/ton. It is expected that all other domestic and Canadian plate mills will follow.

- CRU – the last reported number for plate was July at 28.00cwt.
- SSAB- reported their Raw material Surcharges for August:
  - o RMS#1 4.53cwt
  - o RMS#2 0
- MSCI reported plate inventories in June to be 3.2 months of supply. This is down from 3.6 months of supply in May. The high point this year was 4.3 months of supply in April.
- Lead-times for Plate are not moving out as dramatically as carbon flat rolled. As of 8/11- as rolled plate was mid September and Heat Treat Plate was late September.
- While demand is still off from 2008 there are some markets that show some near future growth. Wind Towers while showing some 1st Quarter 2009 strength should be strong in 2010. Metal requirements for wind towers involve, but not limited to, are plate, long products, flanges, burned shapes and fabricated parts. Ryerson is in a good position to support this industry as a full line service center with a local presence in every market. More to come...

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

## Carbon Steel – Flat

- Mittal on August 10th announced plans to re-start part of their Cleveland facility. A blast furnace, hot mill, pickle line, tandem mill and galvanizing line are scheduled to be up and running by mid September. The Cleveland facility had been idled since March. The re-started blast furnace has the capability to produce 1.59 million tons annually. Mittal claims that while, not up to 2008 levels, business has improved enough to justify the increased capacity.
- Mittal also announce plans to re-start another blast furnace at their Indiana Harbor Works operation. In total they will have 5 blast furnaces operating (United States and Canada). Mittal was running about 39% capacity and now expects to be up to around 47%.
- Severstalna- Wheeling Pitt. As previously reported the old Wheeling Pitt. Allenport Pa. facility had a prospective buyer – North American Trading Company. Apparently the deal is still on but they are having difficulty coming to an agreement with the plant workers.
- Severstalna- On August 5th AMM reported that according to the United Steelworkers union officials that Severstalna is planning to pull completely out of the United States. Severstalna responded by stating “while our new leadership team in North America is reviewing a variety of operating strategies for our facilities, we expect our three facilities currently in operation to continue to run with a focus on great efficiency and internal cost reduction.”
- Severstalna- WCI- has no immediate plans to re-start the mill. In fact the shutdown was originally meant to be short but now it is expected to be long term.
- USS Steel on August 3rd reported a delay in their blast furnace re-start at their Granite City Works. Apparently there was a significant problem with a natural gas line. There is not a definite time frame as to how long the blast furnace will be delayed. USS is considering the possibility of re-starting their Great Lakes operations in River Rouge and Ecorse Michigan.
- Nucor Decatur did begin production of prime coils from their new galvanizing line. The 500,000 tons per year line had been delayed since the first quarter due to poor business conditions.
- Scrap pricing will be increasing this month. The primary reasons are; the return to buying scrap by several integrated mills, lower inventories, and overall increased demand and increased export activity especially from Asia.
- Zinc pricing also looks to be increasing. Demand has improved while mining was reduced. It has been reported that the increased prices may convince the refiners and smelters to increase capacity.
- On July 30th AK Steel announced plans to increase spot market prices for its carbon steel products by \$40 per ton, effective with all new orders for September and October shipment.
- In total most carbon flat rolled mills have increased pricing from \$8.00cwt to 10.00cwt from June through October. Cold rolled and especially coated products have the strongest demand. November looks to following the upward pricing trend.
- Pricing CRU reported August Midwest carbon flat rolled numbers
  - o Hot Rolled 24.85cwt
  - o Cold Rolled 30.65cwt
  - o Coated 33.65cwt
- Mills are reporting strong bookings (automotive and service center inventory replacement). This coupled with the drastically reduced capacity has lead to extended lead-times and price increases
  - o Hot Rolled 6 weeks
  - o Cold Rolled 8-10 weeks
  - o Coated 10 weeks
- MSCI reported carbon flat rolled inventories to be 2.1 months of supply in June. This is the lowest point this year. In May the months of supply were 2.5. The high point this year was February at 3.2 months of supply.
- AK and Automotive Sales- AK is expecting automotive orders to be up 40% in the 2nd half 2009 compared to orders in the first half 2009.
- Ford posted net earnings of \$2.3 billion in the second quarter. This quarterly profit includes a one time \$2.8 billion accounting gain. Ford is encouraged and anticipates returning to profitability in 2011.
- Whirlpool said it expects 2009 U.S. shipments to be off 10-12%.

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

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## Carbon Tubing

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- On July 30th PTCAlliance announced a 5% price increase on all DOM orders scheduled to ship after September 5th. The other DOM manufacturers did not immediately announce their position on the increase announcement. PTCAlliance had previously announced a 7% increase on DOM orders that shipped beginning the week of August 3rd.
- PTCAlliance also announced their first Cold Drawn Seamless tube increased of 2009. Effective with new orders July 29th they increased their carbon tubes \$.06/lb and their alloy tubes \$.08/lb. Michigan Seamless announced a like increase two weeks later.
- On July 17th Atlas Tube announced a \$60/ton increase on structural and mechanical tube.
- The increase brought to \$150/ton in increases since June 11th. The increase in carbon flat roll steel is driving the tubing price increases.
- Mill lead times for most structural and mechanical tube sizes range from stock to 4 weeks. Generally speaking there are no supply issues with the product line.
- Timken Company (Canton, Ohio) announced a loss of 63 million dollars for the first half of 2009. Contributing factors were sluggish demand and continued destocking by their customers. *Source: American Metal Market July 30th*
- Man Industries of India decided not to continue with their spiral welded carbon steel pipe mill in Little Rock, Arkansas. Amid predictions of an oversupplied market for their product they sold their 155 acre location back to the Little Rock Chamber of Commerce.
- There are five new mills scheduled to begin producing within the next three months.

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*Source: Steel Business Briefing August 11 and 12*

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## MBQ and SBQ Bar

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- Both MBQ and SBQ Raw Material Surcharges increased for August shipments.
- July shipments for HR SBQ products were charged \$2.25 cwt. For August shipments the charge increased to \$6.75 cwt. CF SBQ products also increased by \$4.50 cwt for August shipments (\$2.50 cwt to \$7.00 cwt). The scrap surcharge for MBQ products increased \$3.00 cwt in August from July's level (\$2.15 cwt to \$5.15 cwt). Additionally the base price of MBQ products was reduced by \$1.00 cwt so there was a net transactional increase of \$2.00 cwt for August shipments.
- Nucor has announced the following Raw Material Surcharges for September shipments:
  - o MBQ will have a scrap surcharge of \$5.30 cwt which is a \$.15 cwt increase over August. They are reducing their base price by the same amount so there will no net change in MBQ products.
  - o HR SBQ will have a scrap surcharge of \$7.25 cwt which is a \$.50 cwt increase over August. It is assumed that the CF SBQ surcharge will also increase by \$.50 cwt ( from \$7.00 cwt to \$7.50 cwt).
- Gerdau Ameristeel's Cambridge mill (MBQ products in Ontario, Canada) remains on strike. Gerdau did announce that the planned idling of their Sayreville, New Jersey mill that was announced in early June has been reconsidered and they have decided to continue production there.
- Lead times for both MBQ and SBQ products are beginning to stretch as segments of the economy, especially automotive have increased their material requirements.
- ArcelorMittal announced in July that they were going to delay construction of an MBQ/SBQ carbon mill in Mexico until market conditions improve.

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*Source: Steel Business Briefing July 10*

## Stainless Steel – Nickel Alloys

- In a recent administrative review the U.S. International Trade Association (ITA) upheld the previous anti-dumping duties on stainless coiled products from Mexico. The ITA ruled in its preliminary findings that a 13.31% margin be continued on coiled stainless products from ThyssenKrupp Mexinox SA de CV. The ITA ruling states that sales of stainless coiled products into the U.S. market were done at values below normal for the 12 month period ending June 30, 2008. Mexinox has indicated that they will appeal the ITA preliminary finding and the final anti-dumping duties will not be announced officially until January 2010.

- Thyssen Krupp AG is denying widespread rumors around that it could cancel some or all of its planned stainless steel capacity currently under construction at its new Alabama mill. The mill is scheduled to produce both carbon and stainless products. An announcement earlier this year delayed the start up of the stainless operations by 1 year, with cold rolling now scheduled to begin in late 2010. The melt-shop was also delayed and is now expected to begin operations in late 2011. In recent weeks much speculation has surfaced as to whether or not there might be an outright cancellation of the stainless operations in light of the current economic situation. The ThyssenKrupp board is scheduled to meet in early October, and more information on the fate of the Alabama operations may be known once the board meeting has concluded.

- ArcelorMittal is refuting reports that it intends to dispose of its stainless steel operations. The world's largest steelmaker has said it has no intention to spin off its stainless operations. Reports have surfaced that it continues to evaluate its stainless operations, but wouldn't or couldn't assure that it might lead to consolidation of European stainless operations, though it did indicate it thought consolidation is needed- especially in Europe. ArcelorMittal's stainless operations reported an operating loss of \$169 million in the first quarter of 2009 from an operating profit of \$ 166 million in first quarter of 2008.

- Stainless Flat Surcharges ( price per pound)-2009

	July	August	September
304	\$.4695	\$.5799	\$.6637
316L	\$.7051	\$.8597	\$ 1.0092
430	\$.1057	\$.1139	\$.1547

- LME Nickel (price per pound)

May	June	July
\$5.73	\$6.79	\$7.25

- Chrome (price per pound)

May	June	July
\$.7388	\$.7810	\$.8513

- Nickel prices continued their upswing in July with the monthly LME average ending at \$7.25/lb – an increase of 6.7% month over month- and up almost 65% from its most recent low in March 2009 of \$4.40/lb. During the first few days of August nickel has spiked further and thru the first 11 days of August nickel prices have averaged nearly \$8.90/lb. Clearly nickel prices are benefitting from the curtailment in production that had taken place since prices collapsed in the later part of 2008. In addition other supply problems as well as signs of improvement in the stainless steel industry look to be underpinning the nickel market currently. Recently workers at Vale's Sudbury Canada operations went on strike and construction was halted at the Ramu nickel mine and processing plant in Papua New Guinea due to concerns over health and safety.

- Prices for Ferro-Chrome have also continued to rise in July as producers see improved conditions beginning to take hold in the stainless steel sector. Some South African producers, who had idles as much as 80% of their furnaces during the fourth quarter of last year, and thru the 1st quarter of this year, are now beginning to bring some of the capacity back on line. Some producers are now reportedly operating between 50-60% of capacity and remain guardedly optimistic about the remainder of 2009 and into 2010. Improved stainless steel production – especially in Asia- have stocks of Ferro-Chrome down to as little as 8 weeks consumption and expectations of stable to improving demand have been used to justify increasing production capacity.

- There is also evidence that stainless steel producers have raised their capacity utilization rates in the 2nd quarter time-frame. In the USA mill order books would certainly bear this trend out as it now appears that production rates have improved to around 60% of capacity compared to the 40-50% rate that had been the case in the first half of 2009. The widespread de-stocking that had been taking place has ended, and mill customers are now ordering what they can sell, while still keeping their inventories lean, but the net effect is that mill order books have stabilize and incremental improvement is occurring. Also it cannot be overlooked that the surcharge increase of over 40% between July and September is encouraging some increase in order activity as well. In addition US CR imports have declined nearly 64% year-on-year thru the first 5 months of 2009. Domestic mills

here in the US have also benefitted from exports to China. Prices for stainless products have risen further and more sharply on the Chinese mainland than here in this market.

- As a result of these improved conditions U.S. Mills have announced another round of price increases on stainless products, their 3rd increase for production lead-time orders in the past few months. Mills continue to struggle with profitability and most if not all mills worldwide have reported huge losses in the 2nd quarter. With supply still constrained, and mills reluctant to bring on additional capacity until certain about future trends, mills have pushed through another base price increase of about 6% for Cold Rolled products and as much as 9% on Hot Rolled products effective for September 1. This latest increase bring the total of the 3 increases announced to around 18% for Cold Rolled and up to as much as 24% on Hot rolled products since the first announcement was made effective for May 2009 shipments.

- North American Stainless has also announce an increase on stainless wire rod prices effective with September shipments. This increase will be for approximately 5-9% depending on the grade. This is the first increase for wire rod in over a year. US mill data indicate that shipments of wire rod are less than half of what they were a year ago.

- Domestic Lead-Times:

o Cold Rolled:	6-7weeks
o Polished:	6-7 weeks
o CMP:	6-7 weeks
o PMP Plate	2-3 weeks
o Discrete Plate:	7-8 weeks