

U.S. Economic News

The Institute for Supply Management's survey of the Manufacturing sector of the economy rose by 3.5 points to 58.4 in January from 54.9 in December. That far exceeded consensus expectations for an increase to 55.5. It is also the highest reading on the consensus index since August of 2004.

This is a stunning turnaround in the index, which in December of 2008 stood at 32.5, its lowest level since March of 1975. The index is set up so that any reading above 50.0 indicates that the manufacturing side of the economy is expanding, and any level below that indicated contraction. It is composed of ten

sub-indexes, nine of which rose in January and eight of which are now above the magic 50 mark. The overall index has now been above the 50 mark for six straight months.

Source: Zacks.com 02/01/10

ISM Manufacturing Index Soars

- The unemployment rate fell from 10.0 to 9.7 percent in January, and non-farm payroll employment was essentially unchanged (-20,000), the U.S. Bureau of Labor Statistics reported today. Employment fell in construction and in transportation and warehousing; while temporary help services and retail trade added jobs.
- In January, the number of unemployed persons decreased to 14.8 million, and the unemployment rate fell by 0.3 percentage point to 9.7 percent.
- Employment in manufacturing was little changed in January (11,000). After experiencing steep job losses earlier in the recession, employment declines moderated considerably in the second half of 2009. In January, job gains in motor vehicles and parts (23,000) and plastics and rubber products (6,000) offset small job losses elsewhere in the industry.

Source: Bureau of Labor Statistics 02/05/10

Employment Situation Summary

- European Union finance ministers, reluctant to offer Greece immediate financial support, are debating additional steps Greece could take to tame its budget deficit.

- Greece plans to cut its budget deficit, which is expected to have reached 12.7% of gross domestic product last year, to 8.7% of GDP by the end of this year. So far the country has announced a public-sector wage freeze, a renewed fight against tax evasion and other measures to boost its coffers.
- But some EU policy makers are skeptical that the country is doing enough to achieve its budget targets. Over the next three years, Greece has pledged to slash its budget deficit to less than 3% of GDP, the upper limit allowed under EU rules.
- After EU leaders Thursday broadly pledged to support Greece, the bloc's finance ministers were expected to hash out a more detailed contingency plan to ease the country's debt crisis.

Source: WSJ.com 02/15/10

EU Leaders Mulling Extra Budget Steps For Greece

- Retail sales rose in January, driven by strength in discount retailers and online merchants, according to a government report Friday.

- The Commerce Department said total retail sales edged up 0.5% to \$355.8 billion last month, compared with December's revised decline of 0.1%. Economists surveyed by Briefing.com had anticipated that January sales would grow 0.3%.

- Consumer spending accounts for two-thirds of U.S. economic activity, and related reports such as retail sales are used to gauge whether a recovery is underway.

Source: CNN Money 02/12/10

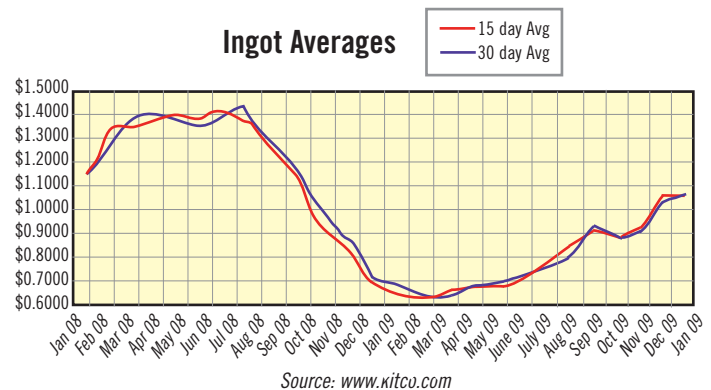
Retail sales get a boost online

METAL SUPPLY NEWS

Aluminum

- Aluminum rolled products producer Novelis posted net income of \$68 million for the third quarter of fiscal 2010, a significant increase when compared to the net loss of \$1.8 billion reported for the same period a year ago. *Source: Platts*
- US aluminum producer Aleris plans to submit its reorganization plan for its emergence from Chapter 11 bankruptcy protection within a matter of week, Steve Demetriou, the company's CEO told attendees at the Platts Aluminum Symposium in Marco Island Florida. *Source: Platts*
- World daily primary aluminum output averaged 64,00 mt/day in December 2009, down from 68,700 mt/day in December 2008, according to figures released by the International Aluminum Institute. *Source: Platts*
- The London Metal Exchange's trading volume was relatively flat in 2009, with total volume of 111.9 million lots traded, down 1% on 2008's 113.2 million lot total. Aluminum, copper and zinc were again the three largest contracts by volume, trading 49.7 million, 26.5 million and 16.6 million lots respectively. *Source: Platts*

- Alcoa, Alcan and Kaiser have all announce price increase on heat treat plate either by increasing the base or eliminating discount points (\$.10 to \$.20/lb)
- Kaiser Tentalum announced a increase of \$.10/lb to \$.15/lb depending on Alloy.
- Lead Times
 - o Flat Rolled – 12 to 14 weeks ARO
 - o Extrusion – 4 plus weeks ARO depending on press size.
- Midwest ingot averages



Carbon & Alloy Steel – Plate

- Lead-times are into late March/early April due to some mill outages; heat treated plate is into May/June.
- In general, plate prices for March/April 2010 will be up \$145/ton +; again the drivers are input costs.

Carbon Steel – Flat

- In the US, steel output for 2009 was 36.4% lower than 2008.
- Currently the mills are operating approximately 66% of their "book" capacity; of this capacity they are operating in the 90%+ range. The current demand against this reduced capacity is driving out lead-times into April 2010.
- Leading the demand side are automotive, appliance and energy.

- In response to this increased demand, several mills are re-starting capacity:
 - Severstal NA is re-opening their Warren, Ohio facility and expects to be at 80-85% production in March 2010; the mill's annual capacity is 1.3 million tons.
 - Mittal is expected to re-start their #4 blast furnace at Indiana harbor in May 2010; this will add up to 1.4 million tons of melt capacity to the market.
 - USS is re-starting their #14 blast furnace at Gary IN; the furnace has been down since Dec 2009 for repairs. The annual capacity is 3.3 million tons.
- ArcelorMittal is suing AK Steel and Severstal NA over patents related to coated boron steels.
- US Steel reported a 4th qtr 2009 loss of \$267 million.
- AK Steel reported a 4th qtr 2009 profit of \$39.8 million.
- Nucor reported 4th qtr 2009 earnings as \$58.9 million.
- The mill prices for March/April are up approximately \$140/ton since Dec 2009; the drivers, according to the mills, are input costs ie scrap, ore, coal and an increase in demand.
- The CRU indexes for Feb 2010 are HR \$592/ton, CR \$714/ton, HD Galvanized \$782/ton; all categories up \$37/ton over Jan 2010.

Carbon Tubing

- Due to continued increases in hot rolled carbon coil a third increase was announced on January 25th raising HSS (Hollow Structural Sections) \$60/ton (December 9th and January 4th previous increases). Many of the ERW and A500 pipe mills have followed this increase. Right now demand is up as many mills have seen increases in orders and some have begun to add shifts.
- U.S. Steel is calling back laid-off workers at their Lorain Ohio tubular facility. The mill will start making OCTG (Oil Country Tubular Goods) and other tubular products. The call back is in anticipation of pipe production increasing by this spring.
Source AMM Feb 10, 2010
- PTC Alliance Corp. accepted Black Diamond Capital Management LLC as the successful bidder for their assets back in December. The sale has not been finalized as PTC obtained an extension of its debtor-in-possession.
- Structural Tubing and ERW tubing pricing is starting to soften as the result of lower carbon flat roll pricing.
- Lead-times remain 3-6 weeks for most structural and mechanical tubing items. DOM lead-times range 6-10 weeks.

MBQ and SBQ Bar

- Nucor plans have its Arizona mill working one shift a day starting in 2nd Quarter of this year. The mill located in Kingman has a capacity of 500,000 tons/year. The mill will be producing primarily rebar and rod. *Source SBB Jan 27, 2010*
- ArcelorMittal USA has announced plans to restart the No. 4 blast furnace and No. 3 steelmaking shop at its Indiana Harbor Works in East Chicago, Ind. The plans to start up these blast furnaces are due to improving market demand. *Source AMM Feb, 1, 2010*
- Nucor's Merchant bar pricing has increased for the month of February a net of \$2.00 cwt. The scrap surcharge increased to \$9.40 cwt for the month of February and the base price lowered \$0.50 cwt. The scrap surcharge is based on Shredded Auto Scrap.
- Nucor's Special bar quality (SBQ) for HR increased for the month of February \$11.00 cwt. This is a \$2.25 cwt increase over the month of January. The scrap surcharge for SBQ is based on #1 Busheling.
- Nucor's Special bar quality (SBQ) for CF increased for the month of February \$11.50 cwt. This is a \$2.50 cwt increase over the month of January. The scrap surcharge for SBQ is based on #1 Busheling.
- Due to current automotive demand there has been discussion of possible allocation for some of the SBQ producing mills. At this time some mills are controlling tons at order entry due to billet availability.
- Lead-times have moved out anywhere from 8-18 weeks for SBQ products. MBQ products are generally available with stock and 4 week rolling cycles for most products.

Stainless Steel – Nickel Alloys

- US special steels and metals producer Allegheny Technologies Inc attributes a late-year rally for its profitability in 2009, with its annual total coming from gains made in the fourth quarter.
- The parent of Allegheny Ludlum posted a Q4 profit of \$38m, and a 2009 net profit of \$32m on total sales of \$3bn.
- "The fourth quarter was by far our best quarter in 2009 as we began to see signs of stabilization and cyclical recovery in many of our markets," said Patrick Hassey, ATI CEO. "ATI's fourth-quarter performance benefited from better volume, pricing and mix for certain products, lower raw materials costs and improvement to our cost structure."
- Specialty metals and electrical steel led the recovery, with high performance alloy sales increasing 21% and exotic alloys increasing 34% quarter on quarter. High-value flatrolled products increased by 9%, but commodity-grade stainless products remained "essentially flat" from Q3 to Q4.
- "Looking ahead, we expect to see gradual and steady improvement in most of our global markets in 2010," Hassey said. *Source SBB Jan 28, 2010*
- Allegheny Technologies Inc is pointing to a rally in the oil and gas industry as a catalyst for its flatrolled stainless and specialty steel products in 2010.
- Concurrently, ATI is focusing on higher-value metals and duplex stainless grades that take much of the bite out of the volatility of raw material costs.
- To that end, ATI plans to complete its Brackenridge, Pennsylvania, melt shop and hot rolling mill consolidation by mid-2010 with annual savings of \$20m-30m predicted.
- During the company's annual earnings conference call Wednesday, ATI CEO Pat Hassey stated that the company's flatrolled specialty stainless and nickel alloys sales increased 9% in the fourth quarter of 2009 due to an uptick in the oil and gas industry.
- Oil and gas end markets make up about 19% of ATI's total sales, Hassey noted. ATI shipped about 842,145 pounds of flatrolled specialty products, both high-value and standard, during 2009. *Source SBB Jan 29, 2010*

- In the USA demand for stainless steel has improved from levels seen in the 4th quarter of 2009. Domestic mills have seen increased orders and it is believed that their capacity utilization rates are climbing. Lead-times though remain relatively short- roughly 5-6 weeks for standard flat-rolled products. Imports have remained relatively sparse – and while there was an increase in import levels toward the end of 2009, in total they have remained below levels seen in recent years. In fact their percentage of the US market actually declined from January 2009 through November 2009.

- Stainless Flat Surcharges (price per pound)

	Jan-10	Feb-10	Mar-10
304	\$.7047	\$.7321	\$.8371
316L	\$1.0203	\$1.0562	\$1.2478
430	\$.1495	\$.1769	\$.2219

- LME Nickel (price per pound)

	Nov-09	Dec-09	Jan-10
	\$7.71	\$7.74	\$8.3639

- Chrome (price per pound)

	Nov-09	Dec-09	Jan-10
	\$.8900	\$.8900	\$1.010

- Vale Inco is ramping up nickel production at its Sudbury, Ontario, works despite an on-going labor dispute with the United Steelworkers union, now in its seventh month.
- Vale's Coleman and Garson nickel mines at the Sudbury works are expected to reach full production in the near future, according to a Vale representative.
- The decision to raise production at Sudbury follows a restart of Vale's Clarabelle Mill, a restart of one of two nickel smelters at Sudbury and the planned restart of Vale's works in Voisey's Bay, Newfoundland and Labrador. *Source SBB Feb 5, 2010*
- Reports of stainless scrap shortages in the Chinese and Indian markets appear to be underpinning the price of Chrome and Nickel. Nickel prices fallen so far in the month of February and are currently averaging about \$ 8.05/lb- down some \$.30/lb from January- but up slightly from 4th quarter 2009 levels. At the same time chrome prices are averaging about \$ 1.15/lb – up for the 2nd month in a row. The net effect will be seen in higher surcharges for grades

200-300 and 400 series stainless in March and April if these raw material trends hold for the balance of the month. Higher production rates of stainless worldwide have outweighed the persistently high inventories of nickel in the LME warehouses – now believed to be over 120,000 metric tons. Many stainless producers are maintaining that 2010 will see more recovery in the demand for stainless as the global economic recovery takes hold and re-stocking becomes more widespread. Some of this optimism lies in the fact that production was curtailed by 20-30% over the past 12-18 months and has lowered inventories throughout the supply chain worldwide.

- 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
- Some changes were made in the final results of an administrative review covering the one-year period ended June 30, 2008 to the anti-dumping order on imports of stainless sheet and narrow strip in coils from Mexico and Japan.

- The US Department of Commerce found final dumping margins of 4.48% for Mexico's ThyssenKrupp Mexinox – a drop from the preliminary margin of 13.3% found in August but an increase from the 2.86% margin found in the previous administrative review. The "all others" rate for Mexican exporters and producers will continue to be 30.69%.
- For Japan's Nippon Kinzoku Co, the final dumping margin was determined to be 0.54% – up from 0.23% in August's preliminary determination but a decrease from the 57.87% margin found in the prior administrative review. A 0% margin for Japan's Hitachi Cable was confirmed in the final results.
- Other Japanese exporters/producers will still have dumping margins, which currently range from 40.18% to 57.87%, found in the previous administrative review.
- According to data from the US International Trade Commission reviewed by SBB, the US imported around 77,000 tonnes of the product from Mexico during the one-year period of review and around 19,000 t from Japan.
Source: SBB 02/10/2010