

## U.S. Economic News

The Labor Department announced that new job openings hit a 16-month high in April. The number of job openings rose to 3.1 million, up 740,000 from March and well above the cyclical low of 2.3 million in July 2009, according

to the monthly Job Openings and Labor Turnover Survey.

Virtually all of the increase in job listings came from the private sector, especially welcome news given fears that governmental hiring for the Census

was accounting for the majority of new hiring. Government job listings decreased in April.

*Source: DailyFinance 06/08/10*

**Econ Note: Job Openings Hit 16-Month High**

- Factory activity took a mild step back while continuing to show expansion for the 10th consecutive month in May though only after touching a near six-year high in April, according to a national survey of manufacturing managers.
- The Institute for Supply Management said its primary index tracking economic activity in the manufacturing ranks read 59.7 last month, which was a slight decline from the 60.4 reading posted in April. Still, the May mark finished just better than consensus estimates calling for a decline to 59.4, according to figures provided by Briefing.com.

*Source: TheStreet 06/01/10*

### ISM Manufacturing Tops Forecasts

- Euro-zone factories ramped up production at a record pace in April, providing the strongest evidence yet that Europe's recovery is gathering steam after sluggish gains in late 2009 and early this year.
- Industrial production rose 0.8% in April from March, the EU's statistics office said, nearly double economists' forecasts and the 11th consecutive month of increases. It jumped a record 9.5% from a year ago, when the region was starting to emerge from its worst recession in decades.

- In the U.S., industrial production increased by 0.8% in April and stood 5.2% above year-ago levels, the Federal Reserve said. May data is to be released Wednesday.

*Source: Wall Street Journal 06/14/10*

### Euro-Zone Industrial Output Surges

- U.S. wholesalers increased inventories in April as they restocked warehouses to try keeping pace with sales.
- Inventories rose by 0.4% from the prior month to a seasonally adjusted \$397.81 billion, the Commerce Department said Wednesday.
- The need to rebuild depleted inventories is driving the manufacturing sector, which is a strong spot in the economic recovery. The Institute for Supply Management last week reported a reading of 59.7 in its May factory index. Readings above 50 indicate growth in the sector.

*Source: Wall Street Journal 06/09/10*

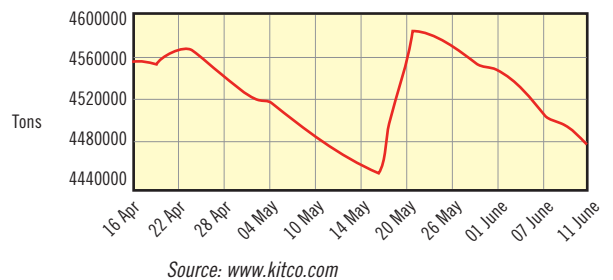
### Wholesalers Increase Inventories

## Aluminum

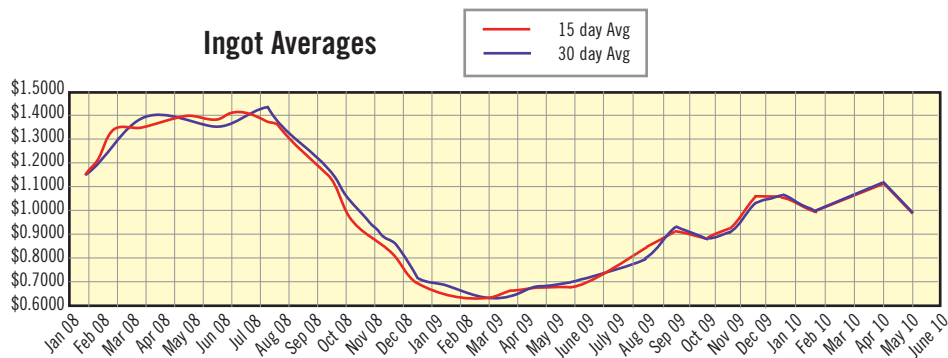
- Alcoa Inc. has declared force majeure on deliveries from its aluminum smelter in Aviles, Spain, due to severe flooding in the Region. The smelter, which has a capacity of 93,000 tons annually but has been running at a reduced rate of some 90,000 tons a year. *Source: AMM*
- South Korea's stocks of primary aluminum products at warehouses in the major ports of Incheon, Ulsan and Busan are estimated at 100,000 to 200,000 metric tons in June, so far stable from May tons. *Source: Platts*
- Midwest Aluminum, an aluminum extruder in Withee, Wisconsin, is expected to be sold by the end of June, company founder and president Craig Kowatch said, citing financial difficulties arising from the 2008 recession. The company has filed for Chapter 128 bankruptcy under Wisconsin law, which is similar to a federal Chapter 7 liquidation. Chapter 128 filing allows all of the assets of the company to be sold on an ongoing basis. *Source: Platts*
- Alcoa Inc. and the United Steelworkers union have reached a tentative agreement on a new four-year labor contract. The agreement, announced just minutes after the previous contract's scheduled expiration at midday Tuesday 6/1/10, agreement is still subject to ratification by USW members. *Source: Platts*

- Aleris International, Inc, a global leader in aluminum rolled products, extrusions and recycling, announced on June 1st that it has emerged from Chapter 11, having completed its financial and operational restructuring. Aleris formally privately held (Texas Pacific), filed for Chapter 11 in Feb 2009. *Source: Aleris International, Inc.*
- Aleris Rolled Products has announced a \$.03/lb price increase on conversion for 3105 and 3004 Continuous Cast Products. The increase is for new orders placed on or after 6/1/10 and for shipments 10/9/10 and beyond.
- SAPA, SCM and Kaiser have all announced a \$.03/lb increase in conversion on soft alloy extrusions for new orders scheduled to ship after 6/9 or 6/14 depending on the mill.
- LME Inventories past 60 Days

**60 Day LME Aluminum Stock**



- Midwest Ingot Averages for the past 29 Months (NAJ)



## Carbon & Alloy Steel – Plate

- The overall demand for plate is flat. Mills are reporting that project activity is increasing, but service center bookings have been off.
- According to one mill source the increasing markets for project tons are wind tower, rail car, construction and agriculture equipment.
- The increases in scrap, iron ore and coking coal are continuing to drive prices up, but there is a weakness in market demand for June/July.
- The plate mills have announced price increases that total \$275/ton so far for 2010. It appears that the June increase is not sticking and prices have started to soften.
- o \$65 ton in late January
- o \$60 ton in March
- o \$40 ton in April
- o \$50 ton in May.
- o \$60 ton in June – This increase is not holding
- PLATE CRU:
  - o Jan \$630 ton
  - o Feb \$685 ton
  - o Mar \$730 ton
  - o Apr \$830 ton
  - o May \$825 ton
  - o June \$815 ton
- Carbon Plate lead times are now early August for as rolled and Q&T (514, 400F) has jumped to late August to early September at some mills. Mills are not running full.

## Carbon Steel – Flat

- Both mills and service centers have started to see a lower order book for CFR products.
- Mills utilization rate is in the 70% range.
- Severstal – Warren, Ohio has started up – hot mill only and USS has started up the Lake Erie hot strip mill – Hamilton, ON.
- Severstal – Sparrows Point has idled the Hot End due to slow market conditions. They have slabs to handle the current level of orders.
- CSI, Thyssen and Severcorr will all be adding new capacity to the market in 2010.
- US apparent consumption was up almost 10% in Q1 over previous quarter.
- US sheet prices remained mostly down again last week, as spot market prices have been eroding for several weeks now.
- The July increases are not holding as prices have slipped with soft bookings and excess capacity at the mill level. Hot rolled and Galv are the weak products.
- You may recall that the mills announced price increases that total \$220 total for CFR – thru 1st half of 2010:
  - o 1st quarter increases total \$110 per ton or \$5.50 cwt
  - o 2nd quarter increases total \$110 per ton for another \$5.50 cwt
- Scrap AMM #1 busheling – Downward trend:
 

1st Qtr	\$245	February	\$390
2nd Qtr	\$195	March	\$400
3rd Qtr	\$311	April	\$470
4th Qtr	\$305	May	\$480
January	\$345	June	\$465
- 2010 CRU data - Midwest Coil
 

	HR (\$/ton)	CR (\$/ton)	HD (\$/ton)
<b>Jan 10</b>	\$555	\$677	\$745
<b>Feb 10</b>	\$592	\$714	\$782
<b>Mar 10</b>	\$629	\$754	\$812
<b>Apr 10</b>	\$680	\$792	\$854
<b>May10</b>	\$699	\$816	\$868
<b>Jun 10</b>	\$667	\$768	\$821
- Mill lead times for CFR are early July for Hot Roll and mid to late July for Cold Roll and Coated products.

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## Carbon Tubing

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- HSS (Hollow Structural Sections) pricing has softened due mostly to poor demand in the construction market. While we have seen prices decreasing from \$10 to \$40 per ton. Pricing does vary region to region.
- Tube distributors are reluctant to build inventory due to the BP disaster along with current economic conditions in Europe and with flat roll prices starting to fall. Most believe that the current slow down in buying will be short lived as offshore producers start focusing on land-based drilling affecting OCTG and line pipe products. *Source SBB May 27, 2010*
- Welded Tube of Canada has joined a marketing alliance with Tubular Synergy Group located in Addison, Texas. Tubular Synergy Group will provide marketing expertise in the North American energy tubular market. Welded Tube's new heat treat facility is scheduled to be completed by the end of this year and will play a big part in gaining more market share of oil country tubular goods (OCTG). Welded Tube ordered an OCTG quench and temper line from Can-Eng Furnaces International Ltd. The new line will allow Welded Tube of Canada to add heat treat tubing and casing in grades L80, N80 and P110 in sizes 2.375" to 10.75" in outside diameter. *Source AMM May 24, 2010 and June 7, 2010*
- Lock Joint Tube is planning an \$11 million expansion in Tennessee. Lock Joint Tube currently has facilities in South Bend, Indiana, Chattanooga, Tennessee and Temple, Texas. Lock Joint Tube produces mechanical and structural tubing. *Source SBB June 11, 2010*
- Lead-times remain 4-7 weeks for most structural and mechanical tubing items. DOM lead-times have moved out as most mills are in September with orders placed in June range (10-20 weeks lead-time depending upon grade and size).

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## MBQ and SBQ Bar

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- Nucor's Merchant bar pricing has decreased \$2.25 cwt for the month of July. The scrap surcharge was at \$9.40 cwt for the month of July (down \$0.25 cwt from June). Nucor has lowered their base price for merchant bars and structural products \$2.00 cwt. The scrap surcharge is based on Shredded Auto Scrap.
- Nucor's Special bar quality (SBQ) for HR decreased for the month of July to \$14.25 cwt. This is a \$0.50 cwt decrease from the month of June. The scrap surcharge for SBQ is based on #1 Busheling.
- Nucor's Special bar quality (SBQ) for CF decreased for the month of June to \$14.75 cwt. This is a \$0.50 cwt decrease from the month of June. The scrap surcharge for SBQ is based on #1 Busheling.
- Gerdau Ameristeel reached a new labor agreement at its Whitby, Ontario mill. A new collective bargaining agreement was approved in June after four months of negotiation. The Whitby mill produces rebar and MBQ products. *Source AMM June 4, 2010*
- Arcelor-Mittal's Georgetown, South Carolina plant idled since July 2009 could reopen after union members have agreed to a new labor agreement. The new labor agreement between United Steelworkers union and other ArcelorMittal USA plants will be in effect until September 2012. *Source AMM June 11, 2010*
- Niagara LaSalle Corporation has purchased Plymouth Steel, Plymouth Shafting and Universal Metal Service with operations in Warren, MI, Florence, KY and South Holland, IL. Plymouth Steel specializes in free machining carbon and alloy bars while Universal Metal Service does a wide variety of HR and CF bar processing.
- Charter Automotive (a subsidiary of Charter Manufacturing Co. Inc.) will be closing their Milwaukee, Wisconsin plant located at Heather Avenue. The 81st Ave. plant in Milwaukee will remain open. The plant produces steel dipsticks and tubes for the fluid level indicator systems for both cars and trucks. Charter Manufacturing also operates Charter Steel located in Saukville, WI and Cleveland, OH. *Source AMM 5/24/10*
- Lead-times continue to move out anywhere from 8-22 weeks for SBQ products. MBQ products are generally available with stock and 4-6 week rolling cycles for most products.

## Stainless Steel – Nickel Alloys

- At a recent AMM Stainless Conference in Pittsburgh ThyssenKrupp Stainless USA indicated that it may move up its current installation of a stainless melt shop to as soon as 2012 – some 2 years ahead of its most recently revised schedule – as a result of improvements in business conditions they see in the market. Currently the last official date was 2014, and any change in that schedule would have to be approved by ThyssenKrupp’s board of directors in Germany. No decision either way is expected in the immediate future.

- Stainless Flat Surcharges (price per pound)

	<b>May-10</b>	<b>June-10</b>	<b>July-10</b>
304	\$1.1005	\$1.2748	\$1.0838
316L	\$1.6171	\$1.8330	\$1.5794
430	\$.3064	\$.3261	\$.3075

- LME Nickel (price per pound)

	<b>March-10</b>	<b>April-10</b>	<b>May-10</b>
	\$10.19	\$11.81	\$9.98

- Chrome (price per pound)

	<b>March-10</b>	<b>April-10</b>	<b>May-10</b>
	\$1.31	\$1.34	\$1.35

- The price increase announced by Allegheny Technologies Inc, ThyssenKrupp Stainless and AK Steel last month on stainless cold rolled and hot rolled products failed to get support from North American Stainless. As a result the increase has been tabled for the time being – but could be re-visited if market conditions improve in the near future.
- Allegheny Technologies and Special Metals did announce a base price increase of between 3-6% for nickel based alloys and high nickel bearing stainless products in sheet, plate and strip products effective with orders acknowledged after May 14th in the case of Allegheny, and for new firm priced orders placed after the close of business May 7th in the case of Special Metals.
- Monthly nickel prices for May fell sharply over the April average as global economic recovery concerns emerged in the wake of European debt issues. As raw materials fell – resulting in a sharply lower July surcharge – stainless buyers have cut back on purchasing material until the situation stabilizes. The L.M.E. daily price for nickel fell to an average of \$9.98/lb in May (down by more than \$1.81/lb from April’s average of \$11.81/lb. In fact by the end of May, the daily price had retreated by more than \$2.72/lb or 20% from the

mid-April peak. As June has opened nickel prices have slumped further having fallen to around \$8.65/lb MTD, thus adding to the prospect of a further fall in the August surcharge. This retreat in raw material prices, combined with the typical seasonal summer slow period, is prompting market participants to take a “wait and see” attitude.

- The situation for chrome prices – another key raw material important in stainless production – is also in flux. While concerns remain around the Eurozone and China, the effects of a recent 3 week strike by the South African state owned transport company Transnet Ltd remain unknown. It is expected that nearly 50% of normal South African export of ferrochrome were affected and the effects may not be felt for another month. While stainless production levels may soften worldwide in the back half of the year, higher input costs as a result of rising South African electric rates are still expected. One South African observer commented that “someone has to absorb the rising costs, if prices don’t go up then a lot of people will stop producing.” Interestingly enough Xstrata announced on June 3rd that it will perform routine maintenance on 10 of its furnaces at various times over the next three months, which would mean that the company will be producing at about 65% of capacity. The most likely scenario according to some observers is that prices for chrome probably will not fall significantly in the near-term but market conditions probably will not strengthen sufficiently to push prices too much higher. So chrome pricing may be rather range bound for the near-term.
- 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
- White goods shipments are up 9.1% year-to-date after years of steady decline, according to the Association of Home Appliance Manufacturers (AHAM).
- Shipments of core appliances have been falling for the last four years, but a government stimulus program aimed at incentivizing customers to buy more energy-efficient appliances appears to have reversed the trend, said AHAM, which did not provide the figures associated with the 9.1% uptick, Steel Business Briefing notes.

- “The state rebate programs, also known as ‘Cash for Appliances,’ have had a measurable, positive impact on the appliance industry,” said AHAM president Joseph McGuire. “People who were sitting on the fence deciding whether to repair or replace their appliance were offered a compelling incentive to purchase a new energy-efficient product.”
- The state programs, funded through the American Recovery and Reinvestment Act, consist of about \$300m in total customer rebates ranging from \$50 to \$200 per transaction.
- The US Department of Energy estimates that the program will spur approximately \$1.3bn in consumer spending, AHAM reports. *Source: SBB 6/09/10*
- Canadian nickel miner Vale and the United Steelworkers union have agreed to postpone further labor negotiations until June 19, according to the independent mediator overseeing the dispute.
- “Progress was made,” the mediator said in a terse statement. A media blackout is in effect for both Vale and the USW, he added.
- The current round of negotiations is the third attempt at settling the 11-month-old USW strike at Vale’s Sudbury, Ontario nickel works.
- The USW also has strikes against Vale operations at Voisey’s Bay in Newfoundland and Labrador and Port Colborne, Ontario, Steel Business Briefing notes. *Source: SBB 6/09/10*
- Stainless steel producer Outokumpu plans to enter the ferro-chrome sales market and double its ferro-chrome production capacity in Finland in order to achieve this.
- Outokumpu will restart the project to double its FeCr production after it was put on hold in December 2008 due to the financial crisis. The expansion will cost around €440m and see production increase to 530,000 tonnes/year by 2013 with full capacity expected by 2015.
- After Outokumpu takes what it needs from the output, around 200,000 t/y of FeCr will be available to sell to customers.
- The FeCr market is very attractive because of its high growth expectations and rising demand from China, according to Outokumpu. Production in South Africa, the major world supplier, is also expected to be constrained in the coming years owing to higher electricity prices in the region. *Source: SBB 6/10/10*
- Global stainless steel output rose nearly 55% to 7.5 million metric tons year on year in Q1 2010, nearing the highest ever quarterly volume according to recent figures calculated by the International Stainless Steel Forum. Output from all regions of the world showed improvement, with the Americas leading the way. Stainless output in the Americas for Q1 rose to 733,000 metric tons – up 79% year on year and 58% month on month. The ISSF expects that the stainless industry on a world basis will continue to return to its normal production on a reasonable level over the remainder of 2010 and into 2011. *Source: Platts Metals Daily 5/19/10*