

U.S. Economic News

Nonfarm payroll employment was little changed (-36,000) in February, and the unemployment rate held at 9.7 percent, the U.S. Bureau of Labor Statistics reported today. Employment fell

in construction and information, while temporary help services added jobs. Severe winter weather in parts of the country may have affected payroll employment and hours; however, it is

not possible to quantify precisely the net impact of the winter storms on these measures.

Source: Zacks.com 03/05/10

The Employment Situation

• Industrial Production

- Despite the snow storms in February, the total industrial production of the country managed to edge up by 0.1% over January. This marked the 8th straight increase in the Industrial Production, but it was also the smallest since it started to increase.
- February marked a major deceleration from the 0.9% increase in January. In December, total industrial production rose 0.5% (revised down from the original estimate of 0.7%). The increase was also slightly better than the consensus expectation that it would be unchanged.
- Year-over-year total industrial production is up 1.7%. Total industrial production not only measures the output of the nation's factories, but of its mines and utilities as well.

• Capacity Utilization

- Overall capacity utilization edged up to 72.7% in February from 72.5% in January and 71.8% in December (both of which were revised down by 0.1%). This is the 8th straight increase in capacity utilization, and it is now well above the year-ago level of 70.6%. It was also better than the 72.3% level expected by the consensus of economists.

Source: Zacks.com 03/15/10

Industrial Production Edges Up

- The United States isn't in jeopardy of losing its gold-plated credit rating, though by one measure America is closer to the ratings-downgrade danger zone than Spain.

- That's according to credit rating agency Moody's. In a quarterly report about sovereign debt, Moody's analysts wrote that despite market worries about rising government debt levels, there is "no imminent rating pressure" for the United States and other big governments carrying its highest triple-A rating.
- But the report added that these governments' margin for error "has in all cases substantially diminished," thanks to a weak outlook for economic growth and enormous debt loads taken on to quell the financial meltdown of 2008-2009.
- Cutting back on public spending too soon risks a double-dip recession, Moody's said, while leaving stimulus measures in place too long could lead to a sharp rise in interest rates "with more abrupt rating consequences a possibility."
- What's more, governments that wish to avoid credit downgrades may need to implement harsh and potentially unpopular policies. The Moody's analysts, led by London-based managing director Pierre Cailleteau, wrote that "preserving debt affordability ... will invariably require fiscal adjustments of a magnitude that, in some cases, will test social cohesion."
- Nor can big developed countries expect to export their way to health on the back of booms in emerging markets such as India and China. "Demand from the emerging world undoubtedly provides some support, but cannot on its own compensate for weak domestic demand," Moody's said.

Source: CNN Money 03/15/10

No room for error on U.S. debt

- Crude oil fell to the lowest level in more than a week as the dollar gained, curbing demand for most commodities as an alternative investment.
- Crude oil for April delivery fell \$1.41, or 1.7 percent, to \$79.83 a barrel at 1:46 p.m. on the New York Mercantile Exchange. Earlier, it touched \$79.13 a barrel, the lowest price since March 2 on an intraday basis. Crude has risen 73 percent in the past year.
- Oil's decline was among the steepest of the 19 commodities in the Reuters/Jefferies CRB Index, which fell 0.8 percent to 271.03, the weakest level in more than two weeks. Eleven of the commodities retreated, led by cocoa, copper and crude.
- The Organization of Petroleum Exporting Countries will maintain existing production at a meeting this week as it awaits further confirmation of a recovery in demand, according to a Bloomberg News survey of analysts. The group, which pumps 40 percent of the world's oil, meets for the first time this year on March 17.

Source: Bloomberg 03/15/10

Oil Drops to One-Week Low Below \$80 a Barrel as Dollar Gains

- Unsold vehicles are piling up on Toyota dealership lots.
- After extensive coverage of safety recalls pushed the Toyota brand's U.S. sales down 10 percent in February, dealers had enough stock on March 1 to last 93 days, about double traditionally lean levels.
- Overall U.S. supply on March 1 stood at 67 days, close to the industry's ideal level and the lowest March 1 days sup-

ply since 2002. Inventory totaled almost 2.2 million units, the eighth-lowest level in 19 years of comparable records.

- Manufacturers continue to keep inventories in line with lower sales rates.
- Since March 1, 2008, automakers have cut 1.3 million units out of inventory, which is down 37 percent.
- Even though U.S. sales rose 13 percent in February from the auto slump's worst month a year earlier, manufacturers slashed almost three quarters of a million units from inventory over that period.
- Ford Motor Co. outsold all others last month, up 43 percent to 142,006 units. It started March with only 424,200 units in stock, down almost 10,000 units from a month before.
- Nobody has slashed supply more than General Motors Co. Over the past two years, GM has cut more than a half million vehicles out of inventory; on March 1, it had 418,100 units in stock — fewer than Ford.
- Chrysler Group has reduced inventory by more than half over two years. Supply had fallen to 56 days on March 1 from 100 a year ago.
- Of the seven biggest-selling automakers, Toyota Motor Sales had the largest supply on March 1: 86 days; the lowest are Hyundai-Kia Automotive with 48 days and Nissan North America with 50.

Source: Automotive News 03/15/10

Inventory up at Toyota but down for industry

METAL SUPPLY NEWS

Aluminum

- Russia has relaunched the first 640 MW unit at its biggest hydropower plant, Sayano-Shushenskaya in east Siberia following a major incident at the facility in August of 2009.
Source: Platts

- Global unwrought aluminum inventories at the end of January were up 60,000 mt from the end of the previous month, and down 427,000 mt from year-earlier levels.
Source: Platts

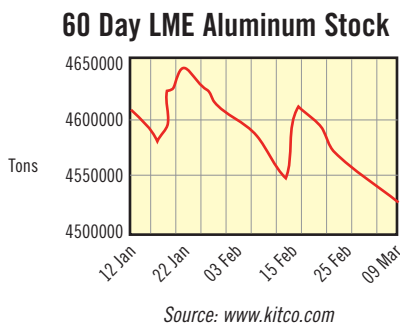
- World daily primary aluminum output averaged 64,400 mt/day in January, up from 64,000 mt/day in December but down from 67,500 mt/day in January 2009. January was 1.995 million mt, up from 1.984 million mt in December but down from the 2.094 million mt produced a year earlier in January of 2009.

- Comparative Performance of Base Metals in February 2010

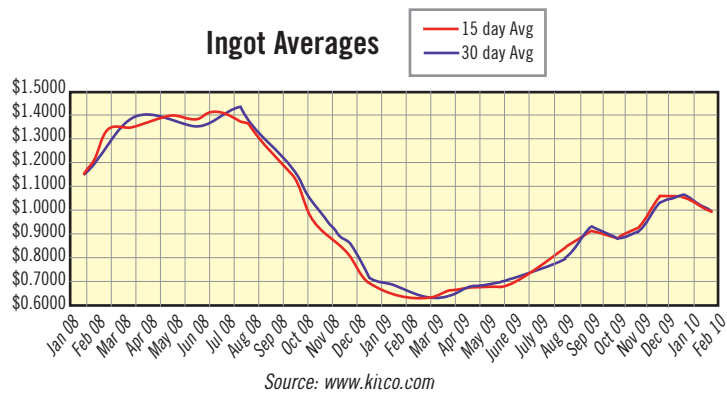
Cash Price	1/26/2010	1/29/2010	2/27/2009	% Month on Month	% Year on Year
Aluminum	\$2,020.50	\$2,061.50	\$1,290.00	0.5%	58.9%
Nickel	\$20,495.00	\$18,730.00	\$9,675.00	9.4%	111.8%
Copper	\$7,072.00	\$6,854.00	\$3,390.00	3.2%	108.6%
Lead	\$2,138.50	\$2,055.00	\$1,025.00	4%	108.6%
Zinc	\$2,157.50	\$2,122.00	\$1,075.50	1.7%	100.6%

Source: LME

- LME Inventories



- Midwest Ingot Averages



- Flat Rolled Lead Times
 - o 13 to 14 weeks ARO
- Extrusion Lead Times
 - o 4 to 6 weeks depending on press size

Carbon & Alloy Steel – Plate

- 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 a \$50/ton plate increase on 3/15/10.

- SSAB announced a \$40/ton increase on plate 3/1/10.
- Plate CRU
 - o January \$630/ton
 - o February \$685/ton
- SSAB has a three week maintenance outage in late March / early April at their Montpelier IA facility.
- Carbon Plate lead times are now in May.

Carbon Steel – Flat

- 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 three 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 through 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.

Carbon Tubing

- On March 10th a \$50/ton increase was announced by Southland Tube for their structural, mechanical and pipe products effective immediately. Orders on the books will be price protected until April 9th. The move was announced due to the continued increase in flat rolled steel costs. The other structural tube mills followed Southland's lead. There have been a total of \$220/ton of increases announced by the structural tube mills since December 2009.
- Two idled blast furnaces are scheduled to be restarted within 30 days which will increase the amount of flat roll on the market and potentially slow the increases that have impacted the price of tubing. U.S. Steel and Severstal have officially announced that 4.6 million tons of capacity are scheduled to be restarted by the end of April. *Source: Steel Business Briefing March 15*
- Solaris Industries of Canada has announced their intentions to invest over three million dollars in their first U.S. tube mill. The Kings Mountain, North Carolina facility will manufacture products for the fencing, scaffold, furniture and automotive industries. *Source: Steel Business Briefing February 4, 2010*
- Welspun Tubular spent 4.25 million dollars to purchase 44 acres and a warehouse from Wheatland Tube in Little Rock,

Arkansas for additional storage capacity. The Little Rock pipe mill manufactures large diameter spiral weld carbon steel pipe utilized by the oil and gas industries. *Source: Steel Business Briefing February 15*

- V&M Star has formally announced their expansion in Youngstown, Ohio. The company will spend approximately 650 million dollars to add size capacity along with heat treating and threading facilities. A melt shop had been reported in previous company announcements, but that addition has been put on hold. Tubular production (2.375 od to 7.000 od) is currently scheduled for the 4th quarter of 2011. *Source: Steel Business Briefing 2-17-10*
- Welded Tube of Canada has announced that it will spend almost 45 million dollars increasing their heat treating and end finishing capabilities. The expansion will support anticipated demand from the oil and gas industries. *Source: Steel Business Briefing March 3*
- The future ownership of PTCAlliance still has not been determined. Challenges to the auction process in December 2009 were filed by several parties causing the process to be reconducted. PTCAlliance is a leading manufacturer of DOM, ERW and Seamless tubulars.

MBQ and SBQ Bar

- Nucor's MBQ (Merchant Bar Quality) and structural products Raw Materials Surcharges are rising as scrap costs have increased. The March scrap surcharge is \$9.15 cwt (their base price also increased \$.25). The scrap surcharge effective April 1st will be \$11.65 cwt, which is an increase of \$2.50 cwt over the current charge. Nucor bases their MBQ and structural products scrap surcharge off the market price of shredded auto scrap.
- Both the Cold Finished and Hot Rolled SBQ (Special Bar Quality) scrap surcharges are based on the market price of #1 Bushelings. Nucor's March surcharge for Hot Rolled is \$11.50 cwt and the surcharge effective April 1st will be \$15.00 cwt.
- The Cold Finished scrap surcharge for March is \$12.00 cwt and will also increase \$3.50 cwt on April 1st to \$15.50 cwt.
- Delivery lead times for both Cold Finished and Hot Rolled SBQ products continue to be extended as distributors and manufacturers replenish their inventories as business activity continues to increase.
- The U.S. Senate voted to extend the funding for the Highway Trust Fund until April. The Federal funding for the program had expired in September 2009 but has been extended several times by the Senate. MBQ and structural mills are hopeful that the highway and transit programs funded by the Highway Trust Fund will utilize their products. [Steel Business Briefing March 9, 2010](#)
- Active drilling rigs in the United States and Canada reached a total of 1886 for the week of March 12th. This total is about 15% higher than the same time last year. In the United States 927 of the 1407 rigs were drilling for natural gas. [Source: Steel Business Briefing March 15](#)

Stainless Steel – Nickel Alloys

- ThyssenKrupp Stainless USA LLC is 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 at its new steelmaking and processing plant near Mobile, Ala. is in flux however as the board is still reviewing the timetable. ThyssenKrupp is getting ready to cold commission some stainless apparatus this month. Stainless coil will initially be brought in from ThyssenKrupp's European operations and finished in Alabama. Additional machinery like cold-rolling mills, hot-and-cold annealing and pickling will be started this fall. Production will begin with a reduced cold-rolling capacity of around 100,000 metric tons per year. [Source AMM March 15, 2010](#)
- Universal Stainless & Alloy Products Inc. has announced a price increase of approximately 3-5% on base prices for stainless long products for all grades it produces at its Bridgeville, Pa. and Dunkirk, NY facilities. The announced increase will be effective with all new orders entered on March 15, 2010. There has been no word from other stainless bar producers as of this writing as to whether they will follow the Universal Stainless increase as yet.
- Nickel and chrome prices have all continued their recent rise during the month of February. Global stainless production has picked up since 4th quarter of 2009, and some estimates are that it could rebound by 17% to 28 million metric tons in 2010 — which would put it close to levels last seen in 2007. As mills reduced production in late 2008 and operated at much lower utilization rates in 2009 — there was less stainless scrap generated— especially for grades like 430. Now as automotive build rates have stabilized and are now growing there is less ferritic (chrome) scrap available in the market putting upward cost pressure on primary units like ferrochrome and nickel. Stainless mills in the United States are reported to have run at 75-80% of capacity last month as activity has picked up after a very soft 4th quarter. It is also worth noting that the seven month old strike at Vale Inco's Sudbury Canada nickel mine continues. Vale's latest five year contract offer was rejected by the union's bargaining committee on March 7th — and all talks have broken down. The company continues to operate the

- Stainless Flat Surcharges (price per pound)

	Feb-10	Mar-10	Apr-10
304	\$.7321	\$.8371	\$.9104
316L	\$ 1.0562	\$ 1.2478	\$ 1.3632
430	\$.1769	\$.2219	\$.2670

- LME Nickel (price per pound)

	Dec-09	Jan-10	Feb-10
	\$ 7.74	\$ 8.3639	\$ 8.61

- Chrome (price per pound)

	Dec-09	Jan-10	Feb-10
	\$.8900	\$ 1.010	\$ 1.23

Sudbury facility with management and replacement workers, but no word on what is actually being produced or shipped is readily available. Short term nickel prices are expected to remain in a slump until at least mid-April. Much of the rally in nickel prices over the past months is attributed to investment fund buying however developments in the physical market have also been supportive of higher prices. World demand for nickel continues to improve, supply is tightening and premiums have risen sharply in all regions.

- There were no base price increases announced by USA mills for the month of February, and base prices remain unchanged from January 2010 when the last announced increase by stainless flat-roll producers went into effect. Expectations now are that base prices will likely remain unchanged for the time being as surcharge gains alone mean that prices will rise considerably in the months of April — and perhaps even more substantially in the month of May as raw material prices continue to trade at elevated prices. USA mills will be unlikely to try and raise base prices for fear of triggering imports which have ebbed over the past 18 months and which while rising modestly in the past few months do not look ready to surge in 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

- Major North American stainless producers could soon have an alternative base for the molybdenum component of their surcharges now that the London Metal Exchange has begun to list futures for the minor metal.
- Most stainless surcharges follow raw material and energy costs by at least two months, so no decisions will likely be made soon.
- Currently, journalistic assessments of molybdenum prices guide the surcharges.
- AK Steel stated it is “evaluating the impact,” of the LME’s move, but has not made any decision to adjust its surcharge mechanism.
- North American Stainless declined to comment on the issue until more information was available, as did Allegheny Technologies Inc.
- Molybdenum is currently listed on the LME for a three-months buyer at \$37,000/tonne — and is a key raw material in stainless grades like 316/316L among others. [Source SBB- February 25,2010](#)