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May 2010

U.S. Economic News

The number of first-time filers for unemployment insurance fell last week for a fourth straight week, according to a weekly government report released today.

There were 444,000 initial jobless claims filed in the week ended May 8, down 4,000 from an downwardly revised 448,000 the previous week, according to the Labor Department's weekly report. The number of claims is the lowest since the 442,000 reported in the week ended March 27.

The downward trend in initial claims continues to show general improvement in the economy, and is consistent with monthly reports that show employers are starting to add jobs.

Source: CNN 05/13/10

Jobless claims down for 4th straight week

- Positive signs from the nation's factory sector continued to emerge in April as the Institute for Supply Management's manufacturing index rose to 60.4 – its highest level since June 2004, the ISM announced Monday. It was the ninth consecutive, monthly rise for the index.

- Economists surveyed by Bloomberg News had expected the index to rise to 61 in April from 59.6 in March. The index was at 56.5 in February. Readings above 50 indicate an expansion; under 50, a contraction.

- Another bright spot in April: The index's new orders component, a measure of future demand, surged to 65.7 in April from 61.5 in March.

- In sum, April witnessed a broad-based rise in manufacturing activity, and the long-term trend is obvious: The expansion is gaining steam. The new orders component is especially encouraging because it's a harbinger of future demand, and it has been rising for three months – a bullish sign for the immediate quarters ahead. Also worthy of note: April's rise in the employment component to 58.5 suggests manufacturers will keep adding employees. While the sector's recovery was initially uneven, the expansion in manufacturing is becoming more broad-based – and that's a healthy sign for the U.S. economy.

Source: Calculate Risk 05/03/10

Manufacturing Rebound Continues as ISM Index Hits Five-Year High

- As world markets remained on edge, European Union leaders reached agreement Sunday on a massive show of force to support struggling countries in the region.

- The European rescue, valued at more than $900 billion (720 billion euros), has three main components. The biggest provision at nearly $570 billion (440 billion euros) – takes the form of government-backed loans to shore up confidence in shaky credit markets.

- A second measure is the expansion of a $77 billion (60 billion euros) stabilization fund. Finally, the International Monetary Fund said it would contribute $284 billion (220 billion euros).

- The package is the strongest signal yet that European leaders are committed to acting together to support weak economies and protect their common currency, the euro.

Source: CNN Money 05/10/10

Europe and U.S. step up rescue efforts

- Retail sales posted the eighth straight monthly gain in April, but increases were weak after March's data posted the biggest jump on record.

- Sales tracker Thomson Reuters, which looks at monthly same-store sales for 28 chains, said Thursday that April sales increased 0.5% over last year. Thomson had expected a 1.7% increase.

- Same-store sales, or sales at stores open at least a year, are a key indicator of retailers' performance. The data are also important to the overall recovery, since consumer spending fuels two-thirds of the economy.

Source: Automotive News 05/06/10

Shoppers slow down in April

METAL SUPPLY NEWS

Aluminum

- Alcoa, Alcan and Kaiser have all announced a $.10/lb increase on 6061 Heat Treat Plate effect with new orders in April.

- Alcoa has announced a $.10/lb increase on Mic 6 Cast Plate on new orders after April 27th.

- Alumina is on track to follow iron and coal in a new pricing system to reflect market clearing prices on shorter-term contract. The industry is falling in behind BHP Billiton, which has led the push for changes in iron ore and coal and is now charging ahead with a bid to de-link the price of alumina from the London Metals Exchange-priced aluminum.

- Brazilian primary aluminum production reached 131,700 mt in March, down 0.9% from output of 132,900 mt in March 2009. Brazilian aluminum association ABAL said. The country produced 1.536 million mt of primary aluminum in 2009, down 7.5% from 2008 output of 1.661 million mt. *Source: Platts*

- Hydro produced 339,000 mt of primary aluminum in the first quarter, up 2% from 332,000 mt in the fourth quarter of 2009 but down 15% from 397,000 mt in Q1 last year, the Norwegian producer reported. *Source: Platts*

- Norway-based Norsk Hydro will see its bauxite and alumina capacities more than double this year as a result of its $4.9 billion asset purchase agreement with Brazil's Vale, taking it from being net short in those two raw materials to being net long. *Source: Platts*

- Comparative Performance of Base Metals in April 2010 *Source: LME*

Cash Price	30 April 2010	31 Mar 2010	30 April 2009	% Month on Month	% Year on Year
Aluminum	$2,184	$2,288	$1,430.50	-4.5%	52.7%
Nickel	$25,810	$24,950	$11,505	3.4%	124.3%
Copper	$7,365	$7,830	$4,515	-5.9%	63.1%
Lead	$2,176	$2,120	$1,355	2.6%	60.6%
Zinc	$2,256	$2,360	$1,408	-4.4%	60.2%

- Flat Rolled Lead Times – 10 to 12 week ARO

- Extrusions Lead Times – 4 to 8 weeks depending on press size

Carbon & Alloy Steel – Plate

- The overall demand for plate is steady to improving. Mills are reporting that project activity is increasing and some capital equipment manufacturers are forecasting a slight upturn in their 2010 build rates.

- 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.

- The plate mills have announced price increases that total $275/ton so far for 2010.
  - 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

- **PLATE CRU:**
  - o Jan $630 ton
  - o Feb $685 ton
  - o Mar $730 ton
  - o Apr $830 ton

- Carbon Plate lead times are now mid July for as rolled.

Carbon Steel – Flat

- Both mills and service centers continue to experience improved order books for CFR products.

- According to American Iron and Steel Institute (AISI) data, domestic steelmakers operated with a capability utilization rate of 73.4% for the week ended May 8, producing 1.78m short tons – up 1.3% from the week before.

- During the same week last year, capability utilization was just 42.8% and production totaled 1.03m s.t.

- Severstal - Warren Ohio has started up – Hot mill only and USS has started up the Lake Erie hot strip mill – Hamilton, ON.

- US apparent consumption was up almost 10% in Q1 over previous quarter.

- The SBB on 5/11/10 reported that US sheet prices remained mostly flat again last week, as spot market prices have been static for several weeks now.

- The mills have 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 ton for another $5.50 cwt

- AMM reported on 5/5/2010 that Severstal in response to escalating raw material costs would implement a $125-per-ton surcharge on all non-indexed steel contracts beginning June 1.

- In the AMM article a spokeswoman stressed that the move is in response to rising raw material costs and stopped short of calling it an iron ore surcharge. Severstal said the surcharge would only "partially offset" what it termed "a significant escalation in raw material costs," which it said have risen about 120 percent this year.

- The spokeswoman said the surcharge will apply only to non-indexed contracts at its Sparrows Point mill, and not to those at other operations.

- **Scrap AMM #1 busheling**

1st Qtr	$245
2nd Qtr	$195
3rd Qtr	$311
4th Qtr	$305
January	$345
February	$390
March	$400
April	$470

- **2010 CRU data** - Midwest Coil ($/ton)

	HR	CR	HD
Jan 10	$555	$677	$745
Feb 10	$592	$714	$782
Mar 10	$629	$754	$812
Apr 10	$680	$792	$854

- Mill lead times for CFR are early June for Hot Roll and mid to late June / early July for Cold Roll and Coated products.

Carbon Tubing

- Tyco International announced their intentions to divest themselves of their electrical and metal products business by the middle of 2011. Both Allied Tube and Tectron Tube would become independent public companies after the transaction. *Source: American Metal Market April 28, 2010*

- Tianjin Pipe Group plans to break ground for a greenfield pipe mill near Corpus Christi, Texas by the second half of 2010. One billion dollars has been budgeted for the 550,000 ton OCTG mill which anticipates employing about 600 workers. *Source: American Metal Market April 16, 2010*

- Black Diamond Capital Management LLC has been certified as the successful bidder of ERW and DOM manufacturer PTC Alliance Corporation. The U.S. Bankruptcy Court in Delaware authorized the sale of all of the domestic assets and the stock of their German subsidiary on April 14th. *Source: American Metal Market April 19*

- TMK IPSCO Koppel Tubular announced the opening of a pipe finishing operation in Brookfield, Ohio. The facility will initially employ 50 with expectations to increase the employment to a total of 120 employees. The plant will manufacture products will service the oil and gas markets. *Source: Steel Market Update May 11*

- A DOM price increase of 6% was announced on April 21st for shipments beginning the week of May 3rd. This is the third DOM increase announced in 2010 (7% in January and 6% in April).

- According to the American Iron and Steel Institute shipments of tubing and pipe from United States mills (2.35 million short tons) decreased 53% in 2009 compared to shipments in 2008. Line pipe shipments experienced the greatest decline (62% in 2009). *Source: Steel Business Briefing May 17*

- Angstrom USA has begun to renovate a location in Michigan to manufacture tubing for the auto industry. The company will manufacture stainless and carbon steel tubing targeting Ford, Chrysler and Toyota. *Source: Steel Business Briefing March 23*

- The Welspun spiral pipe mill in Little Rock, Arkansas is investing 30 million dollars to increase their annual capacity to 350,000 /400,000 metric tons.When the expansion is complete about 230 new employees will be added bringing the total employment to around 600 workers. *Source: Steel Business Briefing May 4*

- Sun Steel Corporation of Vietnam is planning two expansions in its pipe capacity.

- A 16” ERW mill in Di An county is scheduled to start production in mid summer. The product of the mill will be utilized in the gas, construction and water markets.

- A second mill that will be capable of producing up to 7.6” pipe in Hanoi is scheduled to begin production in late summer/early fall. *Source: Steel Business Briefing May 14*

MBQ and SBQ Bar

- The American Iron and Steel Institute reported that shipments of bar products from United States mills declined 39 % relative to shipments in 2008. A total of 10.6 million tons of bar were shipped from the domestic mills in 2009. *Source: Steel Business Briefing May 17*

- Speculation has spread that ArcelorMittal was creating a regional network to market its beam products. The concept of utilizing mill owned distributors to sell their output is more widely followed in Europe than the United States.

- ArcelorMittal announced it will reexamine the possibility of manufacturing structural sections in Quebec, Canada with a decision expected by the middle of the summer. In 2007, they announced plans to build the first beam mill in Canada and then scrapped the plans as the economy weakened. *Source: Steel Business Briefing March 17 and 30th*

- On March 18th, President Obama signed a bill that extended funding through the end of the year for infrastructure projects. Steel mills have been hopeful that highway and bridge construction would increase demand for steel products.

- Nucor Corporation began operating their Kingman, Arizona rebar mill in April. The 500,000 ton capacity mill had been idled after being purchased from North Star Steel six years ago. *Source: Steel Business Briefing April 27*

- Both Gerdau Ameristeel and Nucor have announced that their transactional pricing for merchant bars and structural products will remain unchanged for the month of June.

- The Nucor Raw Materials Surcharge for June for merchant bar and beam products will be $9.65 cwt. This is a $2.00 cwt decrease from May. They are raising base prices $2.00 cwt for no net change in June.

- Nucor’s announced HR SBQ scrap surcharge will be $14.75 cwt which is a $.75 cwt reduction from May. The CF surcharge will go down $1.00 to $15.25 cwt.

- Stainless Flat Surcharges (price per pound)

	Apr-10	May-10	June-10
304	$.9104	$1.1005	$ 1.2748
316L	$1.3632	$1.6171	$1.8330
430	$.2670	$.3064	$ .3261

- LME Nickel (price per pound)

Feb-10	March-10	April-10
$8.61	$10.19	$11.81

- Chrome (price per pound)

Feb-10	March-10	April-10
$1.23	$ 1.31	$1.34

- On April 29th Allegheny Ludlum announced a base price increase, effective with shipments Monday May 31st, 2010, of approximately 6% for stainless cold rolled and hot rolled sheet and strip, tubular-quality sheet and strip, continuous mill plate products and emission control grades.

- On May 3rd AK Steel announced their intention to follow the Allegheny move and announced a similar base price increase effective with shipments May 30th, 2010.

- Both of these follow an announcement made by TK Stainless North America back on March 30th which was essentially similar in nature, but which was effective with shipments on May 3rd. Up until this point no other domestic producers had supported the TKN announcement.

- It remains to be seen whether the largest producer – North American Stainless – will lend their support to this latest Allegheny price hike. To this point indications are that NAS will not follow, at least not at this time, which will mute any attempt by the other producers to raise the base price in June. However, it is quite possible that NAS might merely be delaying their support for an increase until July, when it appears surcharges might be on the decline.

- In mid-April, Crucible Industries LLC announced a 3% price hike on stainless steel bar products effective for May 1, 2010.

- Electralloy announced their intention to increase prices on specialty and stainless bar products by 2-4% effective with stainless bar order placements of May 15 for its “firm” bar pricing program, and July 1 on shipments of its “flex” bar pricing program.

- Other stainless and specialty bar producers such as Universal Stainless, Valbruna Slater Stainless Inc. and Latrobe Specialty Steel Co had previously increased base prices on stainless bar of between 3-5% in March 2010.

- On May 7th North American Stainless announced a price increase on stainless long products of 5% on all stainless angle and round bar. This increase will be effective with July production orders.

- Following the NAS bar announcement, on May 10th Outokumpu also announced a price increase of 5% on all stainless bar rounds, hexes and squares effective with shipments beginning on July 1st, 2010.

- Nickel prices took another big jump in April – up approximately 16% over March 2010 levels and up over 40% since the beginning of the year – and reached a 23 month high of $12.52/lb on the LME on April 16th.

- Many observers however believe that nickel, despite being this year’s best performing commodity, is lining up to decline as world supplies climb at the fastest pace in over 10 years.

- Reports out of China indicate that low cost nickel pig production more than tripled in the 1Q of 2010 to a record 44,000 metric tons.

- It is widely believed by some analysts at Macquarie Group that the break-even point for nickel pig is around $8-$9/lb.

- The recent price spike has already encouraged other mines to re-start idled output. China Metals is reportedly looking at re-starting some of its operations in Australia which was closed in early 2009 when the price of nickel collapsed.

- LME Inventories totaled 145,000 metric tons last week, down from the recent high of 166,000 Metric Tons that had been reported as recently as February 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 output jumped 55% in the 1Q 2010 timeframe to 7.9 million metric tons over the same period a year earlier, and is expected to increase by 20% for the full year of 2010, which would mark the biggest percentage gain since 1976 according to analysts at Macquarie Group Ltd.

- Carbon emissions from stainless steel production could be reduced by up to 50%, or by 37m tonnes/year in the medium term provided more high quality stainless steel scrap was used instead of primary raw materials. So says a study on behalf of German-Dutch raw materials trader Oryx Stainless by Germany's Fraunhofer-Institute UMSICHT.

- In addition, industry could achieve billions of dollars in savings through a reduced need for pollution credits, it says.

- Currently, a global average of only 50% of stainless scrap is used in making new stainless steel – although the ratio is significantly higher in some regions (North America) and significantly lower in others (China). *Source: Steel Business Briefing notes*

- Despite limited reserves of secondary raw materials worldwide, Roland Mauss of Oryx says that in the medium term this average level can be raised to 75% through "smart recycling".

- Secondary raw materials should be more intelligently utilized through modern processes such as blending, to produce a customized raw material comprising a wide variety of steel and stainless steel scrap. The volume of secondary raw materials used in stainless production can be increased two- to three-fold, Oryx says.

- But to be able to deliver the right blend at the right time, accessible, open world trading markets are a must. Also, market transparency needs to be increased. "What we need is an electronic information platform for stainless steel scrap so that the globally operating suppliers and traders can interact even more efficiently," Mauss says. *Source: SBB May 6, 2010*