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October 09

U.S. Economic News

U.S. economic conditions stabilized or improved modestly in most parts of the country, according to a Federal Reserve report Wednesday that suggested the economy was slowly clawing out of a recession.

In its "Beige Book" of anecdotal reports on the economy, which was prepared at the Federal Reserve Bank of Richmond based on information collected before Oct. 13, the Fed noted improvement in two of the hardest hit areas — residential real estate and manufacturing.

U.S. stocks stayed at higher levels after the report was released, while prices for government debt remained lower, as did the U.S. dollar.

The central bank gave a grim assessment of commercial real estate, which is widely seen as one of the big remaining trouble spots for the still-struggling financial sector.

Labor markets were typically characterized as weak or mixed, although there were "occasional pockets of improvement."

That assessment supported the view that the worst of the job losses are over, but it may be a while before growth resumes.

Source: Reuters 10/21/09

US Slowly Clawing Out of Recession

- A hedge fund company whose manager is criminally charged in an insider trading case told clients Wednesday it's shutting down its funds.

- A letter obtained by The Associated Press said Galleon Group LLP plans "an orderly wind down" of its funds while it explores "various alternatives for its business." Portfolio manager Raj Rajaratnam wrote to clients and employees that he wants to reassure them the funds are liquid, meaning assets such as stock holdings can be converted to cash for distribution to fund shareholders.

- New York-based Galleon Group manages about $3.7 billion. Prosecutors who filed the case against Rajaratnam and five others on Friday said Galleon had previously managed up to $7 billion. Publicity surrounding the case led some investors to pull out money.

- Prosecutors who announced the case Friday said it was the largest ever brought against a hedge fund. The Securities and Exchange Commission, which brought separate civil charges, said the scheme generated more than $25 million in illegal profits.

Source: Associated Press 10/21/09

Galleon Group to shut down hedge funds

- Big companies that sell to corporate customers are growing more bullish about their prospects for 2010, a sign that a revival of business investment could buoy the sluggish U.S. economy in coming quarters.

- Reporting on results for the latest quarter, bulldozer maker Caterpillar Inc. and hydraulic-parts maker Parker Hannifin Corp. on Tuesday joined a chorus of companies that are saying the worst of the recession is past and customers are buying anew rather than simply drawing down inventories.

- An upturn in spending by businesses or indications that companies are raising investment plans would be significant. Business spending on equipment, software and structures accounted for 9.5% of U.S. economic demand in the second quarter — far below the 68.2% accounted for by consumer spending but still a potential catalyst for recovery.

Source: WSJ.com 10/21/09

Business Spending Looks Up

- Unemployment rose in 23 states last month as the economy struggled to create jobs in the early stages of the recovery.

- While layoffs have slowed, companies remain reluctant to hire. Forty-three states reported job losses in September, while only seven gained jobs, the Labor Department said Wednesday.

- Wednesday's report underscores the uneven nature of the recovery. The unemployment rate dropped in some Midwestern states as the manufacturing sector improved. But Florida and Nevada, two of the states hit hardest by the housing slump, reported record-high jobless rates.

- Some of the states that lost jobs still saw their unemployment rates improve, as discouraged workers gave up looking for work. People who are out of work but no longer looking for jobs aren't counted as officially unemployed.

- That trend was evident nationwide in September, as nearly 600,000 people dropped out of the work force, the department reported earlier this month.

- The U.S. jobless rate rose to 9.8 percent in September, a 26-year high, from 9.7 percent. Some economists estimate it would have topped 10 percent if there had been no change in the labor force.

Source: Associated Press 10/21/09

23 states report higher unemployment in September

- As small business lending continues to dry up, the federal government is readying two new initiatives aimed at reversing the trend. To unveil them, President Obama traveled Wednesday to Maryland, where he visited a family-owned company that used a government-backed loan to fund a recent expansion.

- The new measures — a collaboration between the Treasury Department and the Small Business Administration -- aim to make capital cheaper for community banks and raise the funding limit for loans backed by the SBA.

- Under the new plan, banks with less than $1 billion in assets will be able to borrow money from the government at a 3% dividend rate. That's a reduction from the 5% rate the Treasury currently offers borrowers through its Capital Purchase Program, a TARP (Troubled Asset Relief Program) initiative. To qualify, banks will need to submit a small business lending plan illustrating how they'll use the borrowed money to expand their small business lending.

- The White House released statistics backing up its approach. Among banks with assets of less than $1 billion, 56% of their business loans go to small companies, according to the government data. From larger banks, only 21% of business loans go to small firms.

Source: CNN Money 09/16/09

Obama tries again to revive small business loans

METAL SUPPLY NEWS

Aluminum

- The annual rate of primary aluminum production in the US totaled 1.573 million mt during September, down 39.8% from September 08's total of 2.62 million mt, according to the Aluminum Association's production report. The annual rate of production rose two-tenths of one percent from the August 2009 annual rate of 1.571 million mt. The year-to-date annual rate of production for 2009 totaled 1.76 million mt, off 35.2% from the 2008 annual rate of 2.72 million mt. *Source: Platts*

- Daily primary aluminum output averaged 63,000 mt/day in August 09 up from 62,880 mt/day in July but down from 70,100 mt/day in August 2008, according to figures released by the international Aluminum institute. *Source: Platts*

- Global unwrought aluminum inventories dropped by 28 percent in August 09 compared with the same month last year, according to the international Aluminum Institute. Unwrought metal stocks totaled 1.23 million tons at the end of August 09 compared with 1.7 million tons a year earlier. North America aluminum socks totaled 273,000 tons in August down 27.8% from 378,000 tons a year earlier but up 3.8% from 263,000 tons in July. *Source: Platts*

- Alcoa Inc. kicked off the 3rd Quarter earnings season on a high note reporting its first quarterly profit in a year despite market expectations of a loss. Alcoa posted income of $77 million, or 8 cents per share. *Source: AMM*

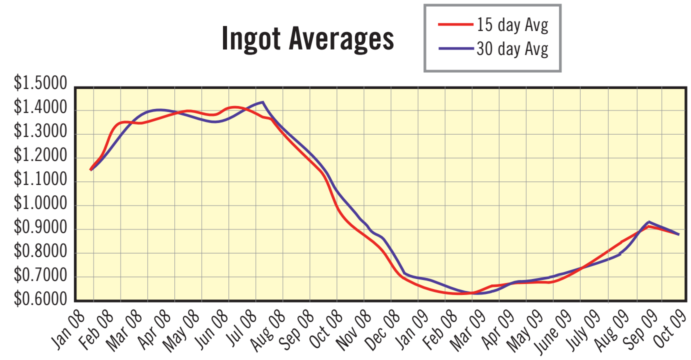
- SAPA and Kaiser have both announce conversion increases of $.03/lb effective October 1, 2009.

- Novelis, Alcan, Alcoa and Aleris have all announced a $.02/lb conversion increase effective with all shipments January 1, 2010 and have adjusted the West Coast freight add for the same time frame.

- Flat rolled lead times 13 to 16 week ARO depending on producing mill.

- Extrusion lead times 3 to 5 weeks ARO depending on press size.

- Ingot averages Jan 08 through Sept 09



Source: www.kitco.com

Carbon & Alloy Steel – Plate

- SSAB has broken ground on an 11 million dollar research and development center in Montpelier, Iowa. The center is expected to be complete by the 1st Quarter 2010. The center is aimed at the development of new high strength plate products.

- Nucor announced their November surcharge of 4.90cwt. This represents a price of $260/ton for shredded auto scrap. Last month the surcharge was 6.40cwt.

- 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
  - o October 2009 $290
  - o November 2009 $260

- CRU reported the October plate number to be 31.50cwt. That is slightly down from 32.00cwt in September. The CRU plate numbers have moved up and down much like carbon flat rolled.
  - o May 27.50cwt
  - o June 27.00cwt
  - o July 28.00cwt
  - o August 30.00cwt
  - o September 32.00cwt
  - o October 31.50cwt

- SSAB reported their Raw material Surcharges:

  November
  - o RMS#1 4.53cwt
  - o RMS#2 0

  October was
  - o RMS#1 5.43cwt
  - o RMS#2 0

- MSCI reported September inventory months of supply at 2.9. This is the lowest level this year. The highest month in 2009 was April at 4.3.

- MSCI also reported as of September carbon plate shipments were down 45.2% year over year.

- Lead-times for Plate generally:
  - o As Rolled (i.e. A36) 7 weeks
  - o Heat Treated (i.e. A514) 8-9 weeks

- Buy American Act Update - Canada. The Obama administration continues to work on exempting Canada from Buy American provisions. The United States and Canada continue to have meetings in hope of reaching an agreement and avoiding boycotts and disagreements. No specific timetable for resolution has been set.

- Caterpillar is projecting some optimism for 2010. They are projecting revenue to be up between 10 and 25 percent from the midpoint of the 2009 outlook range. Their optimism is based on the feeling that it is the end of dealer inventory reductions plus the fast growing Asia and Pacific region.

- Wind Turbine Update. SBB reported, and based on industry sources, that as a result of illiquidity many wind turbine projects have been postponed, with end users subsequently building significant inventories of plate in the last few quarters. According to the American Wind Energy Association, they forecast that the number of wind power installations will increase by 20% this year as compared to last year's growth rate of 50%. Regardless, Ryerson will continue supporting wind customer's needs and requirements.

Sources- AMM, SBB, CRU, MSCI, Purchasing Magazine and American Wind Energy Association

Carbon Steel – Flat

- Essar–Algoma reported that after inspecting their completed repairs on its number 7 blast furnace, they uncovered additional repairs, which will delay their planned restart. Algoma's number 7 has an annual capacity of about 2.7 million tons. The furnace was re-scheduled to be back up and running on October 17th and fully operational again a week later.

- Severstalna is continuing to review all North American operations including Wheeling Pittsburgh, Warren, Sparrows Point, Columbus and Dearborn. At this point Sparrows Point, Dearborn and Columbus are the major operations for Severstalna.

- Severstalna – the United Steelworkers has agreed to a short-term extension to their labor contract. The new extension is set to expire October 31st. Negotiations have been affected by Severstalna's financial performance and their ongoing analysis of North American operations

- AK Steel reported a fire in their blast furnace the blast furnace was taken down, repaired and came back up about a week later.

- SDI announced plans to buy back the building and land previously owned by Heidtman Steel. The Heidtman property was next to the SDI mill in Butler, Indiana.

- Nucor also announced their November 2009 surcharge of $140/ton or 7.00cwt. October the surcharge was 8.50cwt.

- Scrap pricing continues to remain volatile. Currently the downward pricing is believed to be based primarily on the falling export market. When export activity is off then scrap dealers look to move their product domestically which leads to domestic mills pushing pricing down.

- Zinc Coating extras were revised upward by most major carbon flat rolled mills. The increase varied by mill. Overall the effect will be more dramatic on lighter gauge material and heavier coated product.

- Overall flat rolled pricing has declined slightly since the rash of increases in August and September. Cold Rolled and Coated remain the strongest products with the longest lead-time. Hot Rolled is under the most pressure and consequently the shortest lead-time.

- CRU reported October

  Midwest carbon flat rolled numbers
  - o Hot Rolled 28.20cwt
    compared to September 26.55cwt
  - o Cold Rolled 33.55cwt
    compared to September 32.45cwt
  - o Coated 37.00cwt
    compared to September 35.90cwt

- Capacity News- as of the beginning of October the Carbon Flat Rolled mills were running at roughly 64% of capacity. Individual mill estimates are:
  - o US Steel 57%
  - o Mittal 61%
  - o Severstalna 65%
  - o Nucor 81%
  - o AK 68%

- SBB has reported that Severstalna is believed to be running at 95% capacity with their three operating mills but after including their idled facilities at Warren and Wheeling, their overall capacity is more like 65%.

- Mills are reporting that cold rolled and coated bookings remain strong. Hot rolled lead-times have come in but cold rolled and coated remain extended but stable.
  - o Hot Rolled 5 weeks
  - o Cold Rolled 10 weeks
  - o Coated 10-12 weeks

- MSCI reported carbon flat rolled inventories to be 1.9 months of supply in September. While still at below normal levels this is actually an increase from the August level of 1.7 months of supply. The high point this year was February at 3.2 months of supply.

- MSCI also reported as of September year to date carbon flat rolled shipments are down 40.5% year over year

- GM has announced plans to sell its Hummer brand to Sichuan Tengzhong Heavy Industrial machinery Co Ltd of China. Under the agreement Hummer would contract vehicle manufacturing and other services from GM during the transition period.

- U.S. car and truck sales fell sharply in September by 41.9% from August. The drop was expected as the "Cash for Clunkers" program reached the end.

- Auto sales for September 09 compared to September 2008 were:
  - GM down 44.9%
  - Toyota down 12.6%
  - Ford down 5.1%
  - Honda down 20.1%
  - Chrysler down 42.1%

- Ford Motor Company officially broke ground for a $490 million assembly plant in China. The plant is scheduled to begin making the Ford Focus in 2012.This is the third Ford plant in China. The plant should be able to produce 150,000 cars per year.

- Daimler AG has decided not to shut down their truck plant in Portland Oregon. The plant makes Freightliner military vehicles and Western Star trucks. Daimler claimed the market for these vehicles has improved.

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

Carbon Tubing

- The Governor of Louisiana announced that Northwest Pipe was going to reopen an idled Bossier City pipe manufacturing plant by early 2010. The 187,000 square foot facility is anticipating an initial workforce of 90 which could expand to 120 workers with market growth.

Source: The Times-Shreveport Louisiana 09/24/09

- TMK IPSCO has increased production at its Houston,Tulsa and Odessa, Texas locations to meet increase demand from natural gas producers.

Source: Steel Business Briefing 09/21/2009

- Timken has reached a tentative agreement with the United Steel Workers for a labor agreement covering their Faircrest Steel, Harrison Steel and the Gambrinus Bearing and Steel locations. A ratification vote by union members is expected by the end of October.

Source: Steel Business Briefing 10/19/2009

- The Youngstown, Ohio planned melting capacity increase of V&M Star ($970 million) cleared another hurdle as the city was able to negotiate the required acreage from adjacent city Girard.

Source: Steel Business Briefing 09/30/2009

- DOM and ERW carbon tube manufacturer PTCAlliance filed for Chapter 11 bankruptcy on October 1st. Six days later they received court authority to continue uninterrupted operations during the bankruptcy period. A court hearing is scheduled for October 27th to receive authority to access DIP financing. PTCAlliance is one of the two largest domestic DOM mills.

Source: Steel Business Briefing 10/08/2009

- Atlas Tube announced it would idle one of it's large diameter mills in Chicago for six weeks at the end of the year to install a new shear. Their Ontario, Canada location will fill any demand until the Chicago mill is operational again.

Source: Steel Business Briefing 10/14/2009

- Independence Tube is expanding their Marseilles, Illinois facility by 170,000 square feet to increase the their size capacity. The project is expected to be completed in the January/February 2010 time frame. The company is also in the process of expanding their Decatur, Alabama mill.

Source: Metal Center News 09/09 and Independence Tube

MBQ and SBQ Bar

- Effective with shipments on October 15th, Nucor's Raw Material Surcharge for merchant bars and structural products will be $4.90 cwt. This equates to a $1.50 CWT decrease from their October 1st announced surcharge. No changes were made to the base price of the products.

- Effective with shipments on November 1st Nucor's HR SBQ surcharge will be $7.00 cwt which is a $1.50 cwt reduction from the October 1st scrap surcharge.

- Nucor's CF SBQ surcharge for November will be $7.25 CWT which is also a $1.50 CWT reduction from the current surcharge.

- Additionally Nucor announced that their 1215 HR products will increase $1.50 CWT and their CF 1215 products will increase $2.00 CWT with shipment on November 1st. Niagara LaSalle has followed Nucor's lead.

- The American Iron and Steel Institute reported that domestic steel producers continued to increase their capacity utilization and ended the week of October 17th at 61.7%.

Source: Steel Business Briefing 10/20/2009

Stainless Steel – Nickel Alloys

- Crucible Specialty Metals, which filed for Chapter 11 bankruptcy protection earlier this year, may be up and running again in November. However it looks like its focus will be on tool steels and automotive valve steels when it does. Crucible was purchased in an auction by the newly formed entity Crucible Industries for about $8 million. Crucible Industries is a subsidiary of Cleveland based company named JP Industries. Crucible Specialties research and compaction metals divisions were purchased earlier by ATI Allegheny Ludlum for $41 million. The United Steelworkers union and the company have reached an agreement that would allow the mill to get back into operation. Initial reports indicate that the newly formed venture will not be focusing production on stainless steel going forward.

- On the heels of the "Cash for Clunkers" stimulus, automotive production has been increased at several factories in the United States. As a result of more auto builds the market has seen an increase in the demand for "auto exhaust" grades of stainless like 409. AK Steel brought back on line its Mansfield Ohio plant and has reportedly raised production levels at its Zanesville, Ohio facility to meet the increased demand.

- Allegheny Technologies sited lower raw material surcharges and fewer shipments as the reason for their lower third quarter earnings. They posted net income of $1.4 million for the third quarter 2009, down 99% from the same quarter last year, on sales that were lower by nearly 50% from the same period. In their earnings remarks they forecast 4th quarter results to be similar to what was seen in the 3rd quarter, and went on to say that a modest recovery is expected in 2010. Allegheny cited stainless flatroll shipments as having remained low but had improved by about 7% over the 2nd quarter of the year.

- Stainless Flat Surcharges (price per pound)-2009

	September	October	November
304	$ .6637	$.8334	$.7560
316L	$ 1.0092	$ 1.3310	$ 1.1564
430	$ .1547	$.1653	$ .1827

- LME Nickel (price per pound)

July	August	September
$7.25	$8.91	$7.93

- After seeing the first month over month drop in LME nickel prices in September since early this year, prices for the volatile raw material have once again inched up in October. Through the middle of the month Nickel average has climbed back above the $8.30/lb level and foreshadowing a possible increase in the December surcharge for T-304 to around $.80/lb if all things remain as is through the remainder of the month. Much of the reason for nickel's rise is no doubt due to the weaker dollar against a basket of currencies — it is not due to any fundamental strengthening in world production of stainless steel. Some analysts point to the fact that the strikes at Vale Inco's Sudbury and Voissey Bay mines, which represent 8% of global production could well carry into next year as no agreement seems in sight. So despite the record level of LME stocks market sentiment could be becoming more favorable. They continue to point out that restocking in the stainless sector could result in the nickel market moving in a deficit situation and putting more upward pressure on pricing.

- ThyssenKrupp Stainless North America announced in mid-September a price increase effective with shipments November 1, 2009. In its announcement it said that it would be increasing prices on all 200, 300, and 400 Series stainless steel products. The increase was for all cold rolled and hot rolled products. Their announcement also contained an additional increase for polish and rolled on finishes. Depending on the product, the increases would range between 6-10%.

- At this time no other North American producer has followed ThyssenKrupp's lead, though much speculation exists that other producers may announce their own increase — perhaps effective in January 2010.

- Chrome (price per pound)

July	August	September
$ .8513	$.8775	$.9110

- Chrome prices rose slightly in September — continuing a trend seen since earlier this year. However as October has opened, prices for Chrome appear to have stabilized at prices close to September's level. Most industry observers believe the market will remain quiet through year end as customers are very cautious, and producers had ramped up some idled capacity in the 3rd quarter. Xstrata is said to have increased its production levels to around 85% of its capacity by the end of the third quarter, and this was in response to improved order intake, and well above the 60% utilization figure they had been at in early June. Some observers continue to point out that there is no way the South Africans can lower the price because they are getting hit hard on the cost curve with the rand continuing to get stronger to the dollar.

- Domestic Lead-Times:

  - Cold Rolled 5-8 weeks
  - Polished 5-8 weeks
  - CMP 6-7 weeks
  - PMP Plate 3-4 weeks
  - Discrete Plate 5-8 weeks

- In a recent article in Steel Business Briefing, Peter Kaumanns of the International Stainless Steel Forum (ISSF) estimated that global crude stainless steel production will probably fall by 15%, the third year in a row of year-over-year decline. The difference in 2009 is that the decline will be very much more than the single digit percentage fall seen in 2008 and 2007. However it is also important to note that in the first half of 2009 there was an almost 27% decline in production, which means that there are signs of improvement occurring during the 2nd half of this year. The ISSF is forecasting a 5% growth in stainless demand for 2010, however most of that growth is expected in China and the rest of Asia- to the tune of about 7%, while markets in Europe and the Americas are estimated to only see growth of around 1%. Forecasts for crude stainless production in 2010 are that it should grow 7-10%. If that turns out to be the case China will have a 40% share of the stainless steel market according to the ISSF.