

U.S. Economic News

In his first speech since he was reappointed, Federal Reserve Chairman Ben Bernanke said the recession is "very likely over" but detailed the tough road ahead for the economy.

While answering questions, on Tuesday, Bernanke said the pace of recovery in 2010 would be "moderate" and added that the unemployment rate would come down "quite slowly," due to "headwinds" on ongoing cred-

it problems and the effort by families to reduce household debt.

Bernanke also said he believes Congress will pass changes to the nation's regulatory structure, while acknowledging that the effort had been slow-going.

He said one proposal that he advocates "has nothing to do with the Fed's own powers" -- that's the creation of a new type

of power, called "resolution authority," to unwind giant financial firms whose failure puts the economy at stake. Current proposals would give that power to the Federal Deposit Insurance Corp., since it already monitors and unwinds bad banks.

Source: CNNMoney.com 09/16/09

Recession likely over but slog ahead

- U.S. consumer prices were pushed up by energy prices last month, though the data is unlikely to change expectations that the Federal Reserve will remain on hold into next year given that core prices remain soft.
- The consumer price index was up 0.4% on a monthly basis in August, the Labor Department said Wednesday. That was in line with expectations of economists surveyed by Dow Jones Newswires.
- Separately, U.S. industrial production last month rose 0.8% compared with July, the Federal Reserve said Wednesday. Use of capacity also increased. Economists had expected industrial production to climb 0.6% in August.
- The Fed generally targets a 2% annual inflation rate, as Janet Yellen, president of the San Francisco Federal Reserve, noted Monday. Ms. Yellen said the central bank would likely start lifting the fed funds rate from its range just above zero before inflation reaches that level, adding that she isn't concerned about higher long-term price pressures.

- Annual inflation rates are expected to turn positive later this year given rising energy prices and the overall economic recovery.

Source: WSJ.com 09/16/09

Consumer Prices Rise From Previous Month

- The unemployment rate jumped almost half a point to 9.7 percent in August, the highest since 1983, reflecting a poor job market that will make it hard for the economy to begin a sustained recovery.
- While the jobless rate rose more than expected, the economy shed a net total of 216,000 jobs, less than July's revised 276,000 and the fewest monthly losses in a year, according to Labor Department data released Friday. Economists expected the unemployment rate to rise to 9.5 percent from July's 9.4 percent and job reductions to total 225,000.
- Analysts expect businesses will be reluctant to hire until they are convinced the economy is on a firm path to

recovery. Many private economists, and the Federal Reserve, expect the unemployment rate to top 10 percent by the end of this year.

- Other economic data released this week has been positive. The Institute for Supply Management, a trade group, said Tuesday that the manufacturing sector grew in August for the first time in 19 months. On Thursday, the ISM said its service sector index rose to 48.4 last month, the highest level in nearly a year. Home sales, meanwhile, have increased for several months and prices are stabilizing.

Source: Associated Press 09/04/09

Unemployment Jumps to 9.7% in August

- Retail sales jumped in August by the largest amount in more than three years, spurred by widespread gains beyond the expected increases of auto sales from the government's Cash for Clunkers program.
- And while inflation at the wholesale level also rose last month as gasoline prices surged the most in a decade, the retail sales report is a sign that consumers may be less cautious about spending as the economy recovers. Consumer spending is closely watched because it accounts for about 70 percent of the nation's economic activity.
- Economists were encouraged by the reports, but warned that jobs remain scarce and credit tight, making it difficult for consumers to mount sustained increases in spending.
- While many analysts believe the economy is staging a recovery in the current July-September quarter, the rebound is

not expected to trigger inflation pressures because the labor market remains weak.

- The Commerce Department also reported Tuesday that business cut their inventories 1 percent in July, the 12th straight decline and slightly more than economists expected. Still, sales posted the first back-to-back gains in a year, providing hope that companies soon will switch from trimming stockpiles to increasing their orders.

Source: Associated Press 09/15/09

Retail sales rise more than expected in August

- The dollar slumped to a one-year low against a currency basket Wednesday after higher global shares and gold prices cranked up risk appetite and boosted currencies seen as being riskier to hold than the U.S. currency.
- The yen rallied to a seven-month high against the beleaguered dollar after Japan's incoming finance minister said a strong yen had advantages for the nation's economy.
- Underlining dollar weakness, the euro rallied to a nine-month high around \$1.4715, a move analysts said was an extension of ongoing negative sentiment on the U.S. currency, whose safe-haven status has diminished on the view the global economy is improving.
- Against a currency basket, the U.S. currency fell as low as 76.187, its weakest level in a year.

Source: CNN Money 09/16/09

Dollar slumps to 1-year low

METAL SUPPLY NEWS

Aluminum

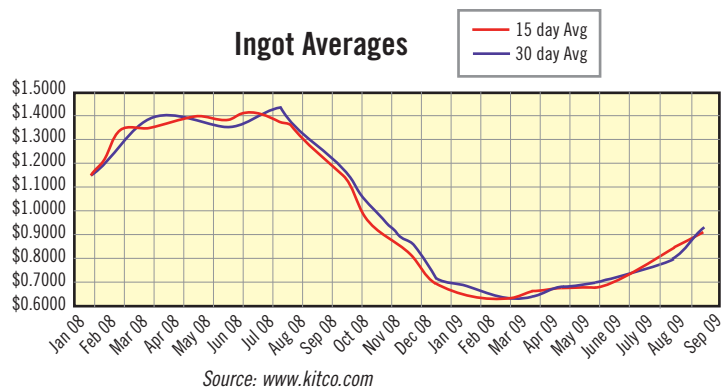
- On Monday August 17th a powerful explosion caused flooding at the Sayano-Shushenskaya hydroelectric plant (SSHP) in southern Siberia; this is the largest power station in Russia and the fifth largest in the world by installed capacity. SSHP has ten turbines three of the ten are reported damaged and another three are destroyed with the remaining four turbines in good condition. As of August 31st 73 people have been found dead and 2 are still missing, presumably dead.

See related web sites for additional information and photos.

- o [Boston.com Big Picture](#)
- o [Demotix](#)
- o [Water Power Magazine](#)
- UCRusal smelters located in the region relied on more than 70% of the SSHP production with the majority of the power going to two smelters. Energy is now being supplied by two other hydropower plants one in Krasnoyarsk and one in Bratsk which now are running at maximum capacity.

- World daily primary aluminum output averaged 63,100 mt/day in July, down from 63,300 mt/day in June and from 70,000 mt/day in July 2008, according to figures released by the International Aluminum Institute. *Source: Platts*
- Alcan, Alcoa and Kaiser have announced a \$.05/lb price increase on all 6061 plate product out of depot.
- Alcan, Alcoa and Kaiser have all announced a \$.10/lb price increase on all 6061 plate products with effective dates in September.
- Ingot prices are still volatile with swings in the September daily Midwest spot from 4% to 10% either up or down.

- Mill Lead Times - Flat Rolled
 - Sheet 10 to 12 weeks
 - Plate 8 to 10 weeks
 - Extrusions 4 to 6 weeks depending on press size
- Ingot Averages for the past 20 Months



Carbon & Alloy Steel – Plate

- Nucor announced their October surcharge of 6.40cwt. This represents a price of \$290/ton for shredded auto scrap. Last month the surcharge was 5.30cwt.
- Shredded scrap has made the following changes this year (\$/ton):
 - January 2009 \$232
 - February 2009 \$240
 - March 2009 \$210
 - April 2009 \$185
 - May 2009 \$170
 - June 2009 \$205
 - July 2009 \$205
 - August 2009 \$265
 - September 2009 \$268
 - October 2009 \$290
- SSAB September 4th announced a plate increase to be effective with all new orders. The increase included all carbon and alloy discrete plate. The increase was \$40/ton.

To date SSAB has announced the following;

- Announced 6/17 +\$40/ton
- Announced 7/16 +\$40/ton
- Announced 8/13 +\$40/ton
- Announced 9/04 +\$40/ton

Most major plate mills have followed a similar pricing pattern.

- CRU Plate was reported for September at \$640/ton or 32.00cwt. Plate is following the upward price path of carbon flat rolled.
 - CRU June 2009 27.00cwt
 - CRU July 2009 28.00cwt
 - CRU August 2009 30.00cwt
 - CRU September 2009 32.00cwt

We expect the upward trend to continue.

- SSAB reported their Raw material Surcharges:
 - September
 - RMS#1= 4.76cwt
 - RMS#2= 0
 - October
 - RMS#1= 5.43cwt
 - RMS#2= 0
- AMM reported that Oshkosh Defense has been awarded a \$281 million U.S Army contract to build trucks and trailers. This is a five year deal which will provide the Army with more than 23,000 trucks and trailers for its Medium Tactical Vehicles (FMTV) rebuy program. First deliveries of the trucks and trailers are slated for the middle of next year.
- MSCI reported July inventory months of supply to be 3.0. In June the months of supply were 3.2. The highest month in 2009 was April at 4.3.

- Lead-times for Plate generally;
 - o As Rolled (i.e. A36) 7 weeks
 - o Heat Treat (i.e. A514) 8-9 weeks
- In United States and Canada mills are beginning to re-start furnaces and add capacity. SBB reported that this same trend is occurring in Western Europe. SBB estimates that we could see as much as 20m. tonnes/year of production capacity brought back on stream before the end of the fourth quarter.

- Wind Turbine Update: The market concentration on this industry seems to be on the large potential tower segment. While this is warranted, Ryerson is in a good position to also support other parts including gearboxes, weldments, flanges, embedments and miscellaneous fabricated parts.

Sources:- AMM, SBB, CRU, MSCI and PM.

Carbon Steel – Flat

- Mittal is planning to re-start another blast furnace (named C-6) in Cleveland. This will bring back 1.5 million tons of capacity. As we reported last month Mittal-Cleveland had announced plans to re-start the 1.6 million ton furnace (named C-5). In total Mittal-Cleveland has both furnaces restarted plus the hot mill, pickle line, tandem mill and galvanizing line running. The Cleveland facility had been idled since March.
- Thyssen Krupp had originally planned to feed their carbon mill in Alabama with slab from Brazil. Unfortunately the slab plant in Brazil has been delayed due to the economy until mid 2010. In the meantime, the mill will be supplied with slab from Duisburg, Germany. As of early September 2009 the start-up of the mill was still on schedule for the spring of 2010.
- Severstalna: As reported last month Severstalna is reviewing North American operations – they have made some decisions on certain Wheeling Pitt operations. Mingo Junction Ohio will remain idle through the balance of 2009 and they did elect to bring back temporarily the coating line at its Martins Ferry Ohio plant.
- Essar: Algoma is considering long-term plans to increase capacity by at least 25%. Algoma's original capacity was approximately 2.5 million tons. They would like to increase capacity to 4 million tons.
- USS Steel has confirmed plans to re-start the 2.3 million ton blast furnace and steel making operations at its Hamilton Ontario Works. The mill, which has been idle since March, is planned to be up and running in September.
- Nucor: On September 2nd officially announced that they are raising base prices on hot rolled, cold rolled and galvanized

product by a minimum of \$40/ton effective with all orders acknowledged to ship week ending October 24, 2009.

- Nucor also announced their September 2009 surcharge of \$145/ton or 7.25cwt. In August the surcharge was 6.75cwt.
- Scrap pricing continues to remain volatile. Currently the upward pricing pressure is coming domestically as the mills try to react to an increased order book. Overall, expect volatility to be created by the domestic mills plus the inconsistent demands overseas.
- 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.
- AK Steel announced plans to increase spot market prices for its carbon steel products by \$40 per ton on hot rolled, \$50/ton on cold rolled and \$60/ton on coated. It is believed they are heavily booked on all coated products.
- Mittal Steel also announced an increase to base prices of \$60/ton to be effective immediately. Mittal's lead-times are into November and December.
- Pricing CRU reported September:

Midwest carbon flat rolled numbers:

o Hot Rolled	26.55cwt
o Cold Rolled	32.45cwt
o Coated	35.90cwt

On 9/16 the weekly CRU "shadow" reported:

o Hot Rolled	27.50cwt
o Cold Rolled	33.75cwt

- Mills continue to report strong bookings (automotive and service center inventory replacement). Even though the mills are adding capacity the lead-times, especially for cold rolled and coated, continue to extend.
 - o Hot Rolled 6 weeks
 - o Cold Rolled 10 weeks
 - o Coated 10-12 weeks

Overall Coated Products have the list availability followed by cold rolled.

- MSCI reported carbon flat rolled inventories to be 1.8 months of supply in July. This is the lowest point this year. In June the months of supply were 2.1. The high point this year was February at 3.2 months of supply.
- Ford Motor Company experienced a 21% year-on-year August retail sales increase. Ford was the only one of the U.S. big three automakers to post positive results compared to the same month in 2008. The recovery and improved performance is thought to be based on the “Cash for Clunkers” program.

- U.S. big three automakers are increasing output and requiring more steel. Actions include Chrysler adding a second shift at its Belvidere, Illinois assembly plant, Ford adding a third shift in Dearborn and Kansas City and GM Detroit increasing overall production by 20% in the fourth quarter.
- Whirlpool announced plans to close their Evansville, Indiana manufacturing plant in mid 2010. They plan to transfer production to their current facility in Mexico.
- “Cash for Crispers”: apparently the government is making nearly 300 million dollars available for a state run rebate program. The target this time is the purchase of more energy efficient home appliances. This will be very similar to the “Cash for Clunkers” auto program which was thought to be very successful.

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

Carbon Tubing

- DOM producers ArcelorMittal, PTC Alliance and Wheatland Tube announced increases of 7% for orders shipping week of October 4th. DOM producers previously announced increases of 7% effective for August and 5% effective for September. The price change is attributed to raw material price increases.
- Atlas Tube announced on August 31st a price increase of \$50 per ton (\$2.50 cwt) for structural and mechanical tubing effective with new orders immediately. Atlas previously announced \$30 per ton and \$60/\$70 per ton increases for July and August shipments based on raw material increases.

- US Steel has recalled approximately 20-30 workers for their Lone Star, Texas facility which was previously idled back in February. It is unknown if the recall will lead to a possible restart as the workers were called back to process an order. *Source: AMM Sept 4, 2009*
- Lead-times remain 3-4 weeks for most structural and mechanical tubing items. DOM lead-times range 4-8 weeks.

MBQ and SBQ Bar

- Gerdau Macsteel will resume operations at its Jackson, Michigan facility that was temporarily idled last December. With the recent increase of orders, mostly from automotive, Gerdau Macsteel decided to restore production in early September. Gerdau Macsteel has production facilities in Fort Smith, Arkansas and Monroe, Michigan in addition to their facility in Jackson, Michigan. *Source: AMM Aug 18, 2009*
- Timken and United Steelworkers have started negotiations for a new labor agreement. The current contract expires

September 28th and currently covers approximately 2,300 workers at several Timken plants in Ohio. *Source: AMM Aug 26, 2009*

- Gerdau Ameristeel and United Steel workers have agreed to end production at the Sand Springs, Oklahoma mill for at least 2 years. Instead of closing the plant permanently, Gerdau will explore updating the mill. The Sand Springs mill produced mostly rebar and with overcapacity in the market Gerdau can meet demand from their other mills. The Gerdau Ameristeel in Ontario, Canada remains on strike

with no end in sight. The mill remains in production through this labor impasse. *Source: AMM Aug 21, 2009*

- ArcelorMittal's SA's Lazaro Cardenas mill in Mexico strike ended the week of September 7th. The strike last approximately 1 month and ended after wages were increased by 8%. The mill produces steel slabs, billet, rebar and wire rod. *Source: AMM Sept 10, 2009*
- Merchant bar pricing decreased \$2.00 cwt as scrap increased to \$6.40 cwt but the mills, lead by Nucor, reduced their base price to reflect a decrease of \$2.00 cwt

from the month of August. The scrap surcharge is based on Shredded Auto Scrap.

- Special bar quality (SBQ) increased for the month of October \$1.25 cwt (HR SBQ \$8.50 cwt and CF SBQ \$8.75 cwt). The scrap surcharge for SBQ is based on #1 Busheling.
- Lead-times have moved out anywhere from 4-12 weeks for SBQ products. MBQ products are generally available with stock and 4 week rolling cycles for most products.

Stainless Steel – Nickel Alloys

- Thyssen Krupp AG announced in a press release on September 4th that their board has re-confirmed the start-up of the stainless operations for the mill in Calvert, Alabama. They have announced that the mill will begin trials on the first of the planned 3 Cold Rolling mills in mid 2010, with the ramp up of production on this 1st mill to follow later in the year. This mill will be a 60" wide cold rolling mill with a rated capacity of about 100,000 tons. The current plan is to then phase in the next two cold rolling mills with the second about 18 months later, and the third to follow from there.
- The melt shop will be the last part of the mill to be installed, and the company is giving themselves more flexibility by delaying the start-up of the melt facility by up to 24 months. This delay would mean the melt shop could not be anticipated to begin operation until the 2012 timeframe.
- In addition their board also has decided to develop their stainless business strategically on a stand-alone basis, rather than to seek an outside partner with which to consolidate.
- The company is reported to be seeking to sell its stake in its Chinese facility in Shanghai, and is staking its future in the stainless business to Europe and the Americas.

- Stainless Flat Surcharges (price per pound) 2009

	August	September	October
304	\$.5799	\$.6637	\$.8334
316L	\$.8597	\$1.0092	\$1.3310
430	\$.1139	\$.1547	\$.1653

- LME Nickel (price per pound)

June	July	August
\$6.79	\$7.25	\$8.91

- Nickel prices shot up again in August with the LME Cash average rising to \$8.91/lb for the month, up substantially from the July average of \$7.25/lb. This was a continuation of the month over month increases in nickel prices that began earlier in the year since nickel prices bottomed out in early 2nd quarter. However, this pattern of month over month increases appears to be on the verge of finally reversing itself in the month of September. Through the first 15 days of September nickel prices have retreated and are currently averaging \$8.04/lb, and the last few days have seen trading in the \$7.50/lb range. Some industry observers believe that there is more downside potential this month. Demand overall remains weak, and supply seems to be growing. Some rumors have emerged that LME warehouses are set to see another 70,000 tons of nickel. This is on top of the reported LME inventories which stood at around 117,000 tons earlier this month. Other observers believe though that prices may recover soon and point to the fact that prices of nickel and other commodities are driven more by economic and financial recovery than the fundamentals of the nickel market.

- Chrome (price per pound)

June	July	August
\$.7810	\$.8513	\$.8775

- Chrome prices continued to climb in August, though at a slower rate than in the previous months. The continued increases in chrome prices have led to the restart of idled ferro-chrome capacity which will help ease some of the tightened supply situation. Some producers have announced smelter restarts which would bring some of them back up to around 85-90% of capacity by mid-September.

- Reports out of China indicate that some of the major producers like Lisco, Tisco and Baoxin are planning some production cuts in stainless operations during September and perhaps early October. Tisco has said that they will start some maintenance outages near the end of the month that could last up to 20 days, while Lisco and Baoxin also have indicated similar plans. While the production cuts are temporary, they are no doubt being undertaken to try and support sagging prices caused by high levels of inventory and falling nickel prices. However, in Taiwan no such plans exist as mills there report good order intake.
- Here in the US, there is speculation that a domestic producer may be readying another round of price increases believed similar in nature to ones put through in the market several times earlier this year. While nothing is official or announced at this time, some believe they may attempt an increase in the 4th quarter for stainless flat products, which if similar to previous announced increases would mean about a 6-9% hike in the base price, depending on the product. This increase, if it happens at all, could be timed for the November timeframe in anticipation of a lower surcharge. A base hike could soften the blow that the mills would see if surcharges decrease in November as it appears now is likely.
- While US mills have seen an uptick in order activity since earlier this year and with reduced capacity filling more quickly, many questions still remain as to the future of real demand. Mills have been more active as higher prices, and the anticipation of even higher prices have resulted in some modest re-stocking as inventories throughout the supply chain had been overly corrected in light of the severe economic downturn which began in the 4th quarter of 2008. The main drivers behind the base price increases so far this year are firming real demand, low import penetration and an end to de-stocking. The data so far shows that apparent domestic consumption stopped declining in April, and was up nearly 12% month over month in June. Supply remains tight as US imports of stainless cold rolled products have fallen by more than 50% year over year thru June. Many observers believe that domestic mill orders could soften in the 4th quarter 2009 from the most recent pace, but almost all agree that 2010 should be a year of modest recovery as the economic situation improves. The only real question is how strong or weak will the recovery be?
- Domestic Lead-Times:
 - o Cold Rolled: 6-7 weeks
 - o Polished: 6-7 weeks
 - o CMP: 6-7 weeks
 - o PMP Plate: 2-3 weeks
 - o Discrete Plate: 7-8 weeks