



# PEERLESS STEEL NEWSLETTER

January 2012

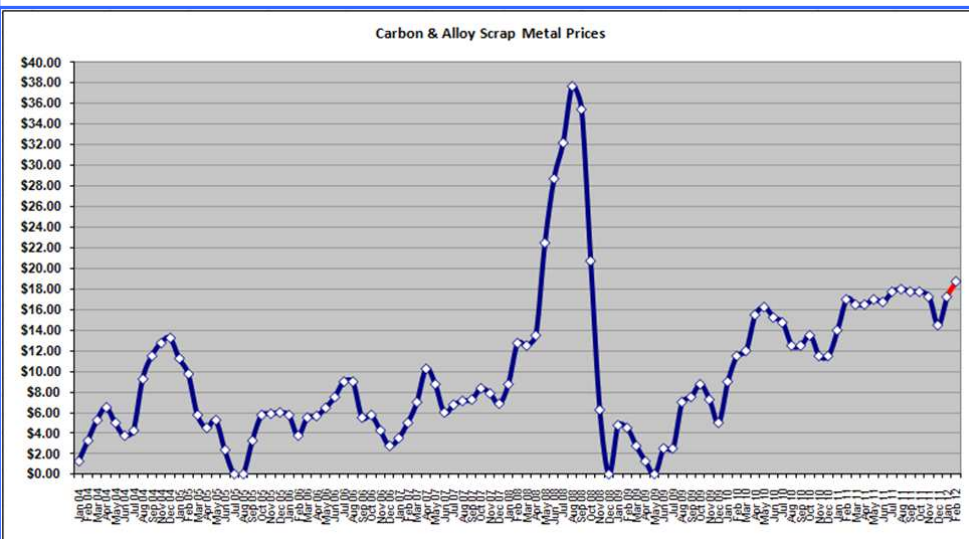
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## SCRAP PRICES WILL JUMP IN JANUARY

The domestic scrap surcharge will rise in January after a dip in December. It will jump \$2.75/cwt back up to \$17.25/cwt, marking a complete recovery from December's \$14.50/cwt number. The jump is attributed to reluctance by dealers to sell scrap in December at lower numbers, coupled by strong domestic and foreign demand. This forced prices to rebound more quickly than originally thought. Initial indications are that scrap surcharges will rise another \$1.50 in February, settling in the \$18-19/cwt neighborhood.

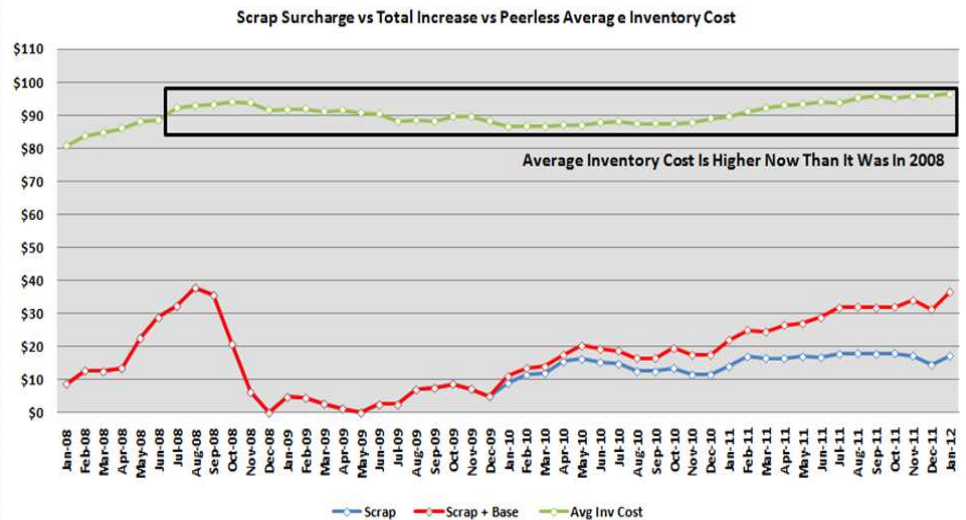


### BASE PRICE

In November, domestic mills announced a base price increase of \$50/ton on all carbon and alloy non-plate products. Initially, the increase struggled to gain traction and was pushed back to January 1, 2012. After speaking with multiple mill sources this week (Dec 19-22), it is now unsure whether the increase will take effect at all. If it does, it may only take place on smaller sizes. If 2012 Q1 order books are strong, the probability of the increase sticking will rise, but nothing would likely happen until February.

### AVG INV COSTS ARE

Average cost of service center inventories are at all-time highs heading into 2012. Although scrap alone never reached 2008 levels, the combination of scrap and base price increases have matched the market peak in August 2008. The difference is that the collective increases were sustained through the entire year, most SCs have 90%+ of their inventory at current costs, whereas in 2008, prices were out of control for only 2-3 months, allowing buyers to "avoid" some of the impact of the price spike.



## PLATE PRICES TO INCREASE ANOTHER \$50/TON

SSAB Americas and Mittal have announced another \$50/ton base price increase on all transaction prices for carbon and alloy plate. The increases will go into effect January of 2012. Although not confirmed, heat treated prices could go up more than the original \$50/ton announcement. This follows another \$50/ton increase that took place in December. Plate prices have been much more stable in the past year and a half than rounds and flats, thus buyers have had a lot more patience with the proposed increases. This coupled with the January scrap increase should give the increase leverage to stick.