Troy • Saginaw • Grandville

Peerless Steel NewsLetter

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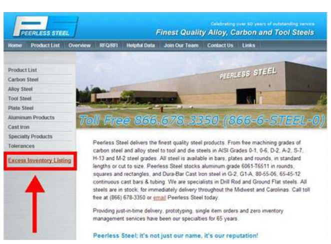
Market Information

- Nucor expects 3rd Quarter loss of 15 to 20 cents per share.
- Turkish mills flooding Europe, U.S., and Canada with scrap orders.
- Flat roll prices continue to rise, many except another $40/ton increase.
- Timken and USW set to resume negotiations.
- Scrap exports to China triple from what they were in 2008.
- Barzel Industries files for Chapter 11 bankruptcy.

Peerless Quick Hits

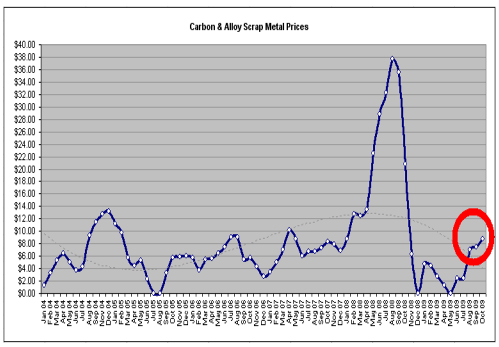
- View our excess inventory at www.peerlesssteel.com



Scrap & Element Surcharges Up

Raw material scrap surcharges will be up again for the fifth consecutive month in October. Nickel and Molybdenum are up sharply as well, coupled with marginal increases in Nickel and Manganese. The current level of $8.75/cwt marks the highest scrap surcharge level since October 2008 when the steel market began its' collapse. The published increases will result in higher prices for all steel products, but have the biggest effect on alloy rounds (4140, 4150, 4340, 8620).

In addition to the increases on carbon and alloy products, tool steel surcharges are skyrocketing, Peerless stock items are up anywhere from 10% to 36% depending on the grade. October's increase follows a sharp September increase and marks the highest published tool steel surcharge levels of the 2009 calendar year. Acquisition costs are reflecting these increases as suppliers are no longer looking to move excess inventory and are focusing on higher margins to offset increased replacement costs.



Raw Steel Output At 10 Month High

U.S. raw steel output reached the highest level since November 2008 during the week beginning Sept. 12. The increase marked the 12th consecutive weekly increase and 19th increase in the past 20 weeks. The average capacity utilization is up to 57.5% which represents a 58% increase from the 36.3% figure that was recording in January of 2009.

STEEL PRODUCTION BY DISTRICT (000s Tons)			
Region	Aug 29	Sept 5	Sept 12
Northeast	107	108	110
Pittsburgh / Youngstown	88	92	95
Lake Erie	11	12	10
Detroit	61	64	65
Indiana / Chicago	383	384	388
Midwest	147	149	148
Southern	446	464	495
Western	68	69	62
Total	1,311	1,342	1,373
Source American Iron and Steel Institute			

Service Center Inventory Falls

Steel shipments by U.S. service centers topped 2.5M tons in August, up almost 2% from July. Despite four consecutive months of rising prices, inventories dwindled down to 5.6M tons, which represents only 2.2 months of current supply. This figure is down from over 5.7M tons of inventory in August. It is extremely rare to see consecutive months of rising prices and falling inventories.

New Leaders In Play For Crucible Assets

Allegheny Technologies and Crucible Industries are the new frontrunners to take control of bankrupt Crucible Materials Corp. after the auction on Sept 21. ATI more than doubled Carpenter's initial bid of $20M for Crucible's Compaction Metals Division and Crucible Industries topped Bloomfield Hills, Michigan based, BlackEagle's undisclosed bid. In all, the auction could net almost $50M to distribute among a long list of creditors. Crucible filed for bankruptcy on May 6, claiming $100M to $500M in debt.

Defense Bill Cleared

Metal companies are hopeful that the $636-billion defense bill passed will bolster business. Contained within the spending are numerous big ticket items that will directly impact metal producers. The Army's Tank Automotive, R&D Center in Warren and Alcoa's Howmet facility in Whitehall are two Michigan businesses that will benefit from these appropriations.

Global Steel Output Continues To Rise

The world's primary steel producers recorded their highest output of 2009 in August. WorldSteel reported total production for the 66 countries that maintain production statistics of 106.5M tons. This figure is down from 112.7M tons during August of 2008, but represents an increase of 2.5% from July of this year The August totals are driven primarily from production increases in China, accounted for nearly 50% of the world's steel production and recorded their highest monthly output ever.