



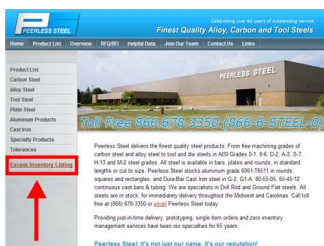
PEERLESS STEEL NEWSLETTER

March 2010 Tel (800) 482-3947 Fax (248) 528-9144 sales@peerlesssteel.com www.peerlesssteel.com

Market Information

- All indications are that scrap surcharge will rise again in April to \$0.15/lb
- 2010 iron ore price forecasts may rise 80% over 2009 levels
- Tool steel surcharges (A-2, D-2, H-13, S-7) are up over \$0.21/lb on average since January (84% increase)
- Nickel prices at 20 month highs
- Unemployment rate for February at 9.7%
- Steel mill capacity utilization at 69% - highest rate since October 2008

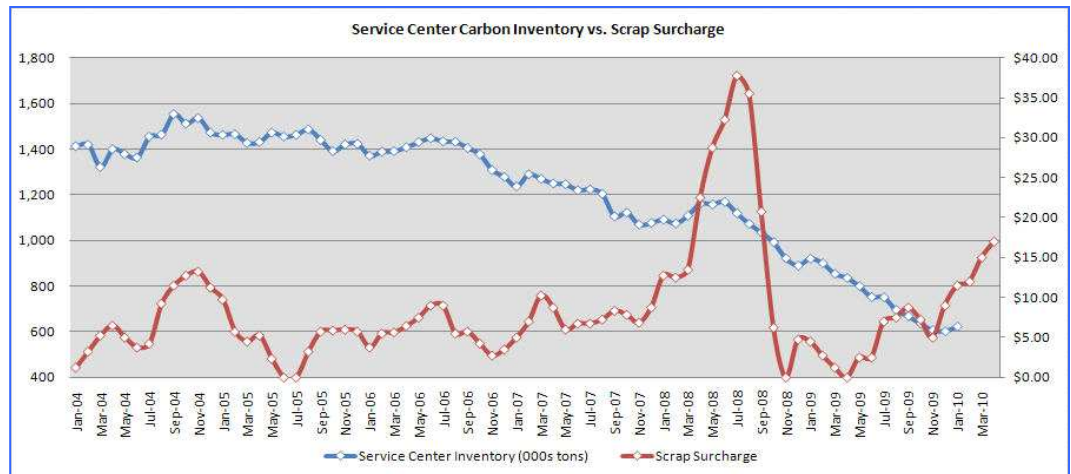
See our excess inventory at www.peerlesssteel.com



AVAILABILITY, PRICE THREATEN MARKET

The ferrous scrap march upward will continue into April and likely May. Indications show the domestic scrap surcharge for hot rolled material will rise to \$300/ton (\$0.15/lb) in April based on 3/7 AMM data. Poor weather, increased demand at the production level, and historically low service center inventory levels are working in unison to drive prices up and availability down. Some are questioning whether this is 2008 all over again. The Midwest, among other regions across the country, appears ripe for sustainable price increases in the near future. April will mark the fourth consecutive month the domestic scrap surcharge has risen; it will be up \$10/cwt since December 2009. Mills are bringing idled operations back online to combat the shortage in the market but are having tremendous difficulties securing scrap to support production.

The increases in scrap prices are being supplemented by spikes in offshore demand, particularly in the Far East. May scrap numbers could reach levels 30% higher than the 2004 peak. In addition, service center inventories are down 60% from the average levels sustained in 2004. The scrap surcharge will only be about half as high as it was in 2008, but availability will be down almost 50% versus peak 2008 levels. All indications are it will be late May before service centers are adequately restocked to handle current demand. Until then, all material will become more difficult to get, let alone get at a competitive cost. (AMM 2/25)



LIMITED AVAILABILITY HAS TOOL STEEL PRICES SKYROCKETING

A combination of soaring raw material costs, low inventories, and increased demand within the tool steel market have sent prices soaring. Industry sources expect the increases to continue over the coming months, possibly longer. Although the true reason for the pickup in demand has yet to be determined. Low inventories are thought by many to be the basis of the recent surge in demand as end user demand has increased only modestly. Regardless, both Precision Marshall and Latrobe Specialty Steel have announced increases up to 8% effective immediately and these increases are expected to stick. Universal has published April surcharges that are nearly double what they were in January. This almost assuredly will lead to further increases down the road.

Power generation and aerospace forging are two of the fields driving tool steel plate and round demand, but the spike isn't limited to these fields. Mills are trying to gain higher market share by increasing stock levels, but are struggling to balance the rebound effect from destocking and actual demand. The speed at which the shortages presented themselves has also factored into the inability of many suppliers to adequately respond. Frustrations are mounting with overseas lead times; most distributors have open orders on the books scheduled to arrive much later than originally anticipated. The phrase "it's on the water" has exhausted itself in recent weeks. Allegheny Ludlum's exit from the tool steel market, coupled with Crucible's bankruptcy and remaining mills capping production has further strained already thin product availability. (AMM 3/8)