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Peerless Steel Newsletter

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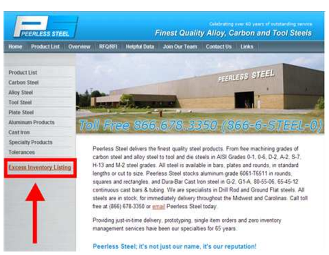
Market Information

- Early indications are that scrap surcharge will rise again in May
- North American carbon flat roll prices up 20% since the beginning of the year
- Service center steel shipments are at 15 month highs
- Steel capacity utilization currently at 70.8% (week of March 29)
- March automobile sales rise 38.1% over February
- Steel prices will increase further if Chinese revalue the yuan (last revaluation was 2005).

Visit our website and view our excess inventory listing at www.peerlesssteel.com



Steel Mills Accept 90% Iron Ore Price Hikes

Two Japanese steel mills have accepted a 90% quarterly price increase in iron ore prices from Brazil's Vale, the world's largest iron ore supplier. This agreement could mean the end of the 40-year old benchmark pricing system and send raw material contract prices to record highs. The increases came as no surprise to Nippon Steel Corp. and Sumitomo Metal Industries, Japan's first and third largest steel mills respectively. The raw material increases could result in steel prices skyrocketing $170 to $180 per ton.

Chinese steel mills are desperately trying to limit the increases to 40-50% and maintain the annual pricing system which locked in much lower prices for 12 month intervals. Permanently switching to the quarterly format would be viewed as a major coup for iron ore suppliers. China didn't reach a benchmark price agreement last year; they wanted a larger discount than Asian mills, but ended up paying higher prices in the spot market. Despite being the world's largest consumer of iron ore, China may have no choice but to accept the 90% increases being pushed upon them. They have no input in the oligopolistic iron ore market. (AMM 3/31/2010)

Ferrous Scrap Prices Rising Again In April

Ferrous scrap prices are expected to surge upward again in April, resulting in higher May scrap surcharges on all carbon, alloy, and tool steel products. This would mark the fifth consecutive month surcharges have increased. Prices last decreased in November of 2009. The scrap increases have outpaced the spikes seen in domestic mill operating rates over the same time period. The expected increases would put scrap tags at $500 per long ton and mark the second highest level in history (behind only the peak of 2008). Scrap availability is improving marginally, but it is still lagging well behind the ramp up in steel production. Scrap supply is trickling into scrap yards at less than half of what it did during 2008. (AMM 4/2)

March Mfg PMI Growth Highest Since 2004

According to the Institute for Supply Management's latest report, economic activity in the U.S. grew for the eighth consecutive month, while the overall economy grew for the 11th straight month. The Purchasing Manager's Index (PMI) rose over 3.1 points to 59.6 last month. Any reading above 50 indicates that purchasing managers are reporting expanding economic conditions. The PMI growth rate is the largest since July 2004. The inventories index grew for the first time in 46 months, possibly indicating a long awaited willingness by manufacturers to bolster on-hand inventory based on expected levels of activity. The indices reflective of activity for new orders, export orders, and import orders all grew in March as well. (AMM 4/5/2010)

12 Month Surcharge Overviews (Carbon, Alloy, Tool Steel)