



PEERLESS STEEL NEWSLETTER

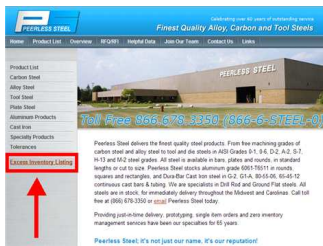
June 2010

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Market Information

- **Domestic scrap surcharge is \$15.25/cwt**
- Ford Motor Co. increased 2nd Qtr output forecast by 2.4% to 640,000 vehicles
- U.S. raw steel production inches up 1.1% (week of May 31)
- Steel production capacity at 73.8% - up from 45.7% a year earlier
- U.S. manufacturing grew in May—marking the 10th consecutive increase
- Euro to USD conversion currently at 1.21—52 week range is 1.19—1.51
- Tool steel surcharges up in June

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



AUTO SUPPLIER OUTLOOK “POSITIVE”

Moody's Investors Service has revised its outlook for U.S. automotive supplier parts from stable to positive. This is attributed to higher expectations for credit conditions in the coming 12-18 months. An uptick in consumer demand supports the 2010 and 2011 forecasts. Stronger economic conditions should bolster North American vehicle production over the intermediate term. Rising sales and restocking by dealerships will also support increased demand.

Moody's raised its 2011 U.S. vehicle forecast to 13.5 million units, up almost 4%, but left its 2010 unchanged at 11,500 million units. The top seven U.S. automakers reported that May sales were 13.6% higher than April and 19.1% higher than May of 2009.

The aftermath surrounding the economic uncertainty and government debt in Europe is limiting the optimism for an increase similar to what is expected domestically. Europe is the largest overseas market for most North American automotive parts suppliers. It is expected that Europe will not fully rebound until 2011.

U.S. auto suppliers will continue to see benefits from the cost reduction actions taken last year. This will help offset weaker European demand and higher raw material costs. (AMM 6/9/10)

Moody's Global Light Vehicle Market Forecast (000s)

Region	2010 Forecast	2011 Forecast	% Change YTY	2009 Sales	2008 Sales
United States	11,500	13,500	17.4%	10,410	13,228
Western Europe	13,150	13,750	4.6%	14,968	15,376
China	15,552	17,107	10.0%	12,960	8,768
Japan	4,750	4,500	-5.3%	4,551	4,978
Others	22,630	23,450	3.6%	21,141	23,677
Totals	67,582	72,307	7.0%	64,030	66,027

MARKET: PRICE AND AVAILABILITY

Scrap surcharges dipped slightly for the first time this year in June. But overall, prices remain comparatively high and availability is tight. Slowed demand and the strengthening of the U.S. dollar have contributed to the dip in scrap prices.

Product Group	6M Price Activity	Availability
Carbon Rounds	Up 25% (1018, 1045, 1117, 1144, 1215, 12L14)	Availability at 50% off of supplier's floor - up to 5 months from mill
Carbon Flats	Up 20-25% (1018 CD)	Availability will get BETTER in the next 1-2 months
Alloy Rounds	Up 25-30% depending on grade (6150, 4140, 8620, 4340)	Availability at 40% off of supplier's floor - up to 6 months from mill
Alloy Flats	Up 15%	Availability will get BETTER in the next 6-8 weeks
Tool Steel Rounds	Up 17-23% (O1 & O6 at 17%, - 2, D2, H13, S7 closer to 23%)	75-80% of requests are NOT available and require MILL ORDER
Tool Steel Flats	Up 20%	STOCKOUTS in many D-2 sizes - replenishment up to 6 months
Carbon Plate	Up 40% (Carbon plate took a much bigger hit than Alloy)	Lead times are mixed (50% 1 week, 50% 12 weeks)
Alloy Plate	Up 8-10%	Mill lead times are currently 12-16 weeks
Forged Bar	Up 15-20% (Alloy up more than Carbon)	LONG LEAD TIMES (6 Mos - Spot Buy Market 40% More Than Mill)

TRUCKING DIFFICULTIES MOUNT

The trucking shortage in the United States is expected to grow as demand from produce farmers lures carriers away from shipping steel. Farming is a very time sensitive industry and always outbids other markets for logistical services. The impact is intensified this year because of the high number of freight companies that went out of business or filed for bankruptcy (over 6,000 with 5+ trucks in the past two years). In some instances, freight quotes are double what they were a few months ago. May thru June traditionally has higher freight rates, but this year, even paying the increased rates doesn't guarantee you a truck. (AMM 5/31/2010)