

Sent: Wednesday, January 12, 2011 1:29 PM
Subject: wire

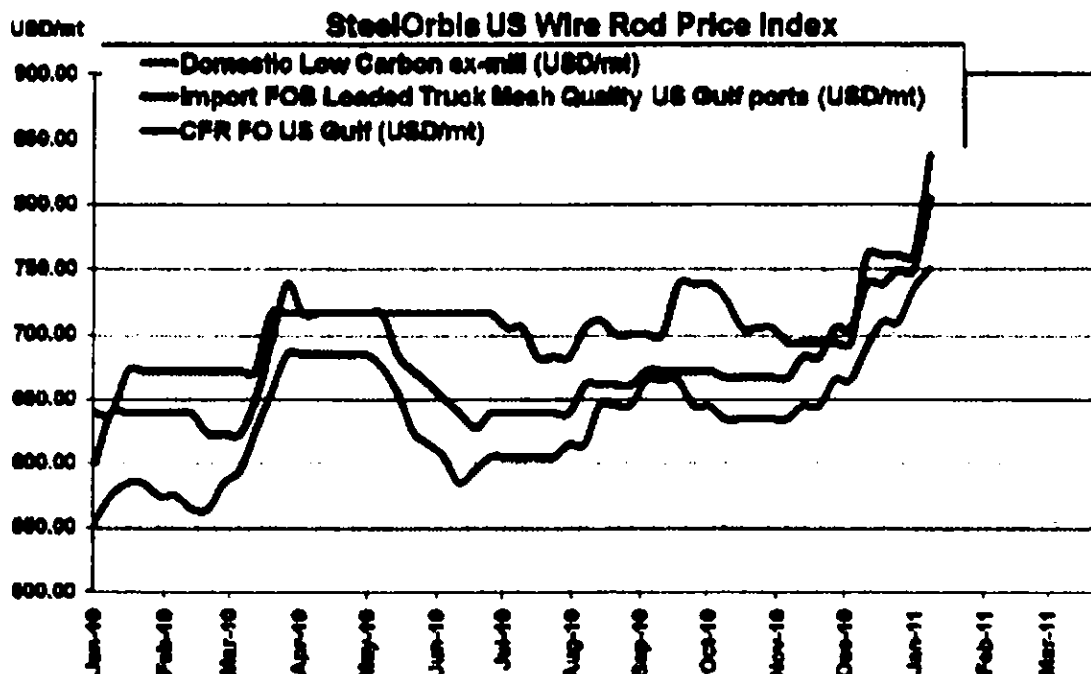
US wire rod prices surge after scrap announcement

Spot prices for US wire rod are spiking, even before a reported \$75/nt price increase takes effect with February shipments.

Last week, expectations for scrap price increases varied upward as the week progressed, rising from \$40-\$50/lt to \$60-\$70/lt for shredded. Earlier this week, when pricing became official, many in the US wire market expected the \$65/lt increase in shredded scrap to directly translate to wire rod price increases. However, at least one mill has raised the stakes. On Tuesday, Nucor made it known to customers that prices for February shipments will include a \$3.75 cwt. (\$83/mt or \$75/nt) price increase, and while other mills usually follow, they will at least raise prices by \$3.25 cwt. (\$72/mt or \$65/nt).

Taking this into account, spot prices for wire rod have already firmed up substantially, with most customers paying \$37.50-\$38.50 (\$827-\$849/mt or \$750-\$770/nt) ex-Midwest mill—an increase of \$2.00 cwt. (\$44/mt or \$40/nt) from last week. Official mill asking prices for February, which will rise up an additional \$1.75 cwt. (\$39/mt or \$35/nt) to meet the full \$3.75 cwt. increase, are expected to pass through for the most part. Scrap's momentum, combined with slowly stabilizing demand for wire rod, could very well bring prices over \$40.00 cwt. (\$882/mt or \$800/nt) ex-Midwest mill in the not-so-distant future.

As for imports, Turkish mills also raised prices as a reaction to both US price increases and their own rising raw material costs. Compared to import offers last week, current offers are about \$2.50 cwt. (\$55/mt or \$50/nt) higher, but prices are still lower than US offerings, settling in the range of \$36.00-\$37.00 cwt. (\$794-\$816/mt or \$720-\$740/nt) duty paid FOB loaded truck in US Gulf ports. However, once the full US price increase takes effect, it is unlikely that Turkish mills will match with another significant price hike of their own. SteelOrbis has learned of several import inquiries and transactions taking place in the current market, and it is in Turkish mills' best interest to keep that momentum going with comfortable margins between US import and domestic prices.



1/13/2011

Steel Pricing Overview

Pricing History and Change Steel:

- January 2009 Monthly Average : \$730/Ton
- December 2009 Monthly Average: \$783/Ton
- January 2010 Monthly Average: \$834/Ton
- December 2010 Monthly Average: \$874/ton
- Today's Price (1/4/2011): \$915/ton (does not include \$50/ton announcement today 1/5/2011)

Total Change from January 2009 to current is approx 32% (includes 1/5 increase)
Nucor and AK Steel announced today 1/5/2011 an additional \$50/ton increase putting the market price at \$965/ton

Pricing History and Change Steel Scrap:

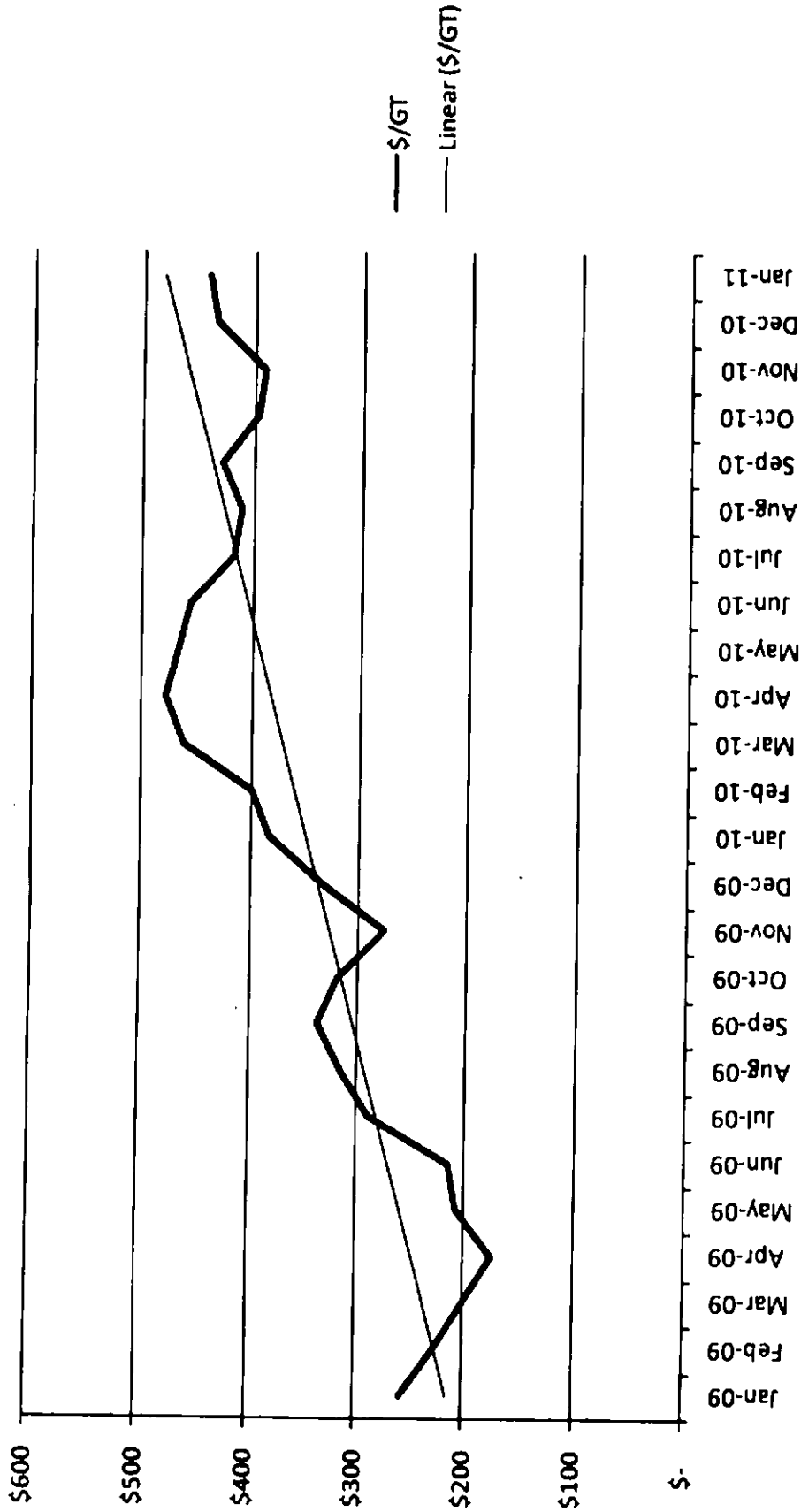
- January 2009 Month Average: \$256/ton
- December 2009 Month Average: \$332/ton
- January 2010 Month Average: \$382/ton
- December 2010 Month Average \$434/ton
- Today's Price (1/4/2011): \$440/ton

Total Change from January 2009 to current is approx %72

Steel Market News

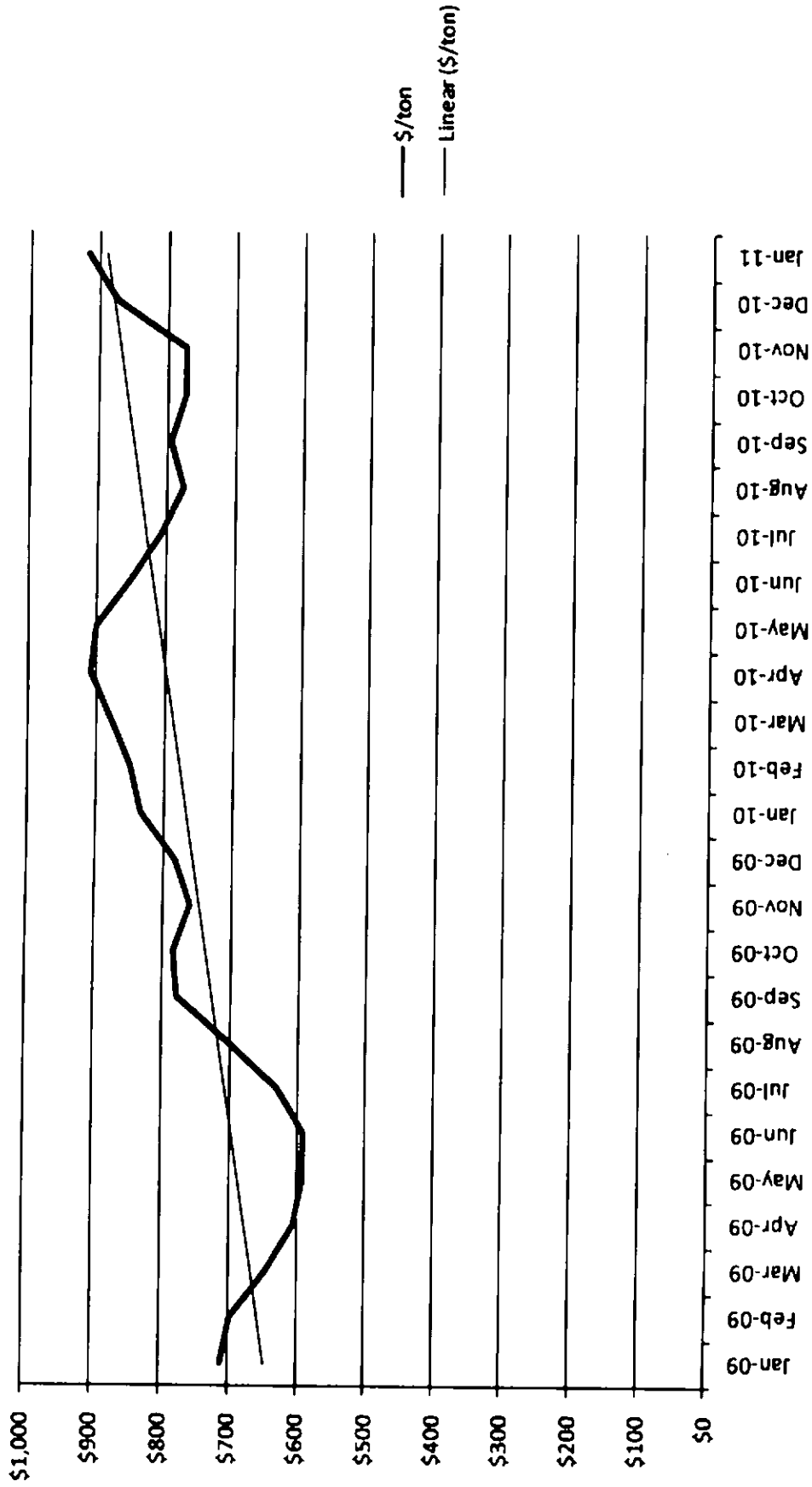
- AK Steel announced it will be closing the Ashland coke plant in 2011. This will put pressure on the already increasing prices on coke.
- Steel feed stocks including coke and iron ore are impacting the current price increase
- Thyssen Krupp Brasil is ramping up their 2nd blast furnace that will add 3 million tons of slab in 2011, this will help with slab manufacturing capacity in 2011
- With the most recent price increase on 1/5/2011, steel prices have increase \$200/ton since December 2010
- Capacity is around 70%, spot buy order books are full through March 2011 due too hedging against fears of more price increases
- Crude oil is at \$88/barrel with projections heading over \$100/barrel
- US dollar is still weak, however in the past few weeks it has begun to gain strength, sustainability will be key in 2011
- Very few offshore purchases are occurring as buyers indicate pricing is not there
- Service Center shipments are up, which has caused service centers to hedge more buys to get inventory levels up
- Appliance industry is up 3% over 2009
- Automotive industry is report 2011 forecast to be between 12.5 million to 13.5 million vehicles, up from 2009
- About 73% of buyers predict economic growth in the first 6 months of 2011

Scrap Market Price #1 Busheling Chicago (\$/GT)



- Prices listed in US Dollar/GT Monthly Averages as published by AMM – Ferrous Scrap (Iron and metal)
- # 1 Busheling Chicago Markets Consumer Buying delivered Mill pricing
- Today's Market Price 1/4/2011 - \$440/GT

HDG Market Price FOB Mill \$/GT



- Prices listed in US Dollar/GT Monthly Averages as published by AMM
- FOB Mill for Hot Dipped Galvanized Coil (Jan. 2009 – Current)
- Price represents base price plus G90 zinc coating on material .040 thickness
- Today's market Price 1/4/2011 - \$915/GT