

MEPS STAINLESS STEEL REVIEW

EDITORIAL

JUNE 2009

STAINLESS STEEL PRICES INCREASE IN JUNE AND MORE TO FOLLOW SOON

Stainless steel producers throughout the world are succeeding in securing higher prices, although there appears to be no increase in underlying demand in most markets. The steady climb in the LME nickel figures has enabled suppliers to lift transaction values by

applying their local mechanisms for accounting for variations in alloy expenditure. In addition, mills in many countries have also pushed up the basis element of their selling prices.

So, why have customers accepted higher

COMPARISON OF NEGOTIATED TRANSACTION PRICES

PRODUCT:- (\$US/ton)	Hot Rolled Coil		Hot Rolled Plate		Cold Rolled Coil				Drawn Bar		Peeled Bar	
	304	316	304	316	304	316	409	430	304	316	304	316
USA	1677	2382	2900	3700	1841	2564	1318	1491	2009	2745	2645	3336
Japan	2021	2961	3055	3995	2396	3336	—	1908	3619	4558	—	—
South Korea	1837	2895	1946	3025	1957	3105	1286	1331	1888	2828	1779	2574
Taiwan	2051	3027	2288	3767	2106	3125	—	1437	3027	4005	3111	4115
China	2114	2900	2241	3127	2250	3205	—	1141	2636	3455	—	—
EU (average)	1939	2976	2455	3453	2131	3168	1539	1534	2462	3837	2326	3494
Germany	1940	2927	2498	3485	2133	3120	1565	1595	2276	3744	2462	3225
France	1902	2886	2389	3374	2094	3078	1494	1446	2372	4039	2244	3911
Italy	1949	2949	2526	3577	2141	3142	1581	1599	2552	3667	2295	3257
UK	1982	3075	2749	3591	2174	3266	1526	1477	2583	3830	2295	3490
Spain	1924	3045	2115	3237	2115	3237	1530	1552	2526	3911	2334	3590
Sweden	1961	2973	2539	3469	2134	3139	1450	1488	2485	3625	2295	3325
Netherlands	1991	3040	2517	3565	2184	3233	—	1506	2167	3265	2052	3089
Denmark	1938	2918	2483	3463	2130	3110	—	—	3015	4079	2717	3697

Figures in this table are calculated from the low values of the negotiated transaction prices plus applicable alloy surcharges in the current month - converted into \$US at this month's rate.

ISSN 1369-8621

Annual Subscription
Rate 2009:

UK - £1080
NON UK - £1095

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payments when end-user consumption is not increasing? Firstly, producers have been selling at less than cost for some time. Now, they find that, as buyers are purchasing only for their immediate needs, sales volumes are not significantly affected by price movements. Moreover, since the onset of the current financial crisis, the mills have been restricting their output and stockists have been running down their inventories. Now, holes are beginning to appear in stocks and delivery leadtimes are stretching out to several months.

In Taiwan, India and China, government stimulus measures have brought about what could be considered real increases in demand and many of the producers in these countries have been operating at close to full capacity in recent weeks. Outokumpu, in Finland has also decided to lift output from the low levels in the first half of this year.

Rising nickel prices over the past ten weeks led to increases in input costs - pushing up selling values in June for all austenitic grades of steel. So far, this has generated no panic buying by customers. As a result

of a recent ferro-chrome settlement, we expect \$US 80 per tonne to be added to transaction values for all stainless grades over the next two months.

Market fundamentals would suggest an orderly growth in price and consumption of stainless steel. Real demand is still weak in most countries. The nickel price is arguably inflated - given the high level of stocks in the LME warehouses. However, past experience shows that market fundamentals do not always apply in this sector.

Rising stainless steel prices over the next few months may prompt buyers to rethink their current conservative approach to purchasing. They could decide to increase their order volumes on the mills in an effort to beat the potential price revival, particularly, as April is widely recognised as the bottom point of this steel cycle. The combined effect of increased mill activity in Asia and the EU in the coming months and the prospect of further rises in customers requirements would result in shortages and additional alloy costs. The merry-go-round of boom and bust in stainless prices could start once more but not with the same intensity as in 2006/7.

FLAT PRODUCTS

The Acerinox alloy surcharge remains out of step with those of the other main European producers, due to its different reference period. As a result, market participants in Spain negotiate effective prices. These deals are, of course, heavily influenced by the prevailing alloy surcharges of other regional mills. As it is our custom to publish the current alloy surcharge of the domestic supplier, our Spanish basis figures are calculated from the transaction values and are, therefore, notional.

HOT ROLLED COIL AND PLATE

The combined effects of the service centres' depleted inventories and ongoing production restrictions have enabled domestic suppliers in the US to increase basis values. There are few big projects around at the moment but this could change if oil prices rise. Some stockists in Japan have started to place new orders on the mills. However, the quantities involved are relatively small as end-user demand is still quite weak.

STAINLESS STEEL ALLOY SURCHARGES - FLAT PRODUCTS

	2009								
	JAN	FEB	MAR	APR	MAY	JUN	JUL(e)	AUG(e)	SEP(e)
CR 304									
USA \$/ton	1073	827	877	768	677	755	941	1155	1127
USA \$/tonne	1180	910	965	845	745	830	1035	1270	1240
EU-Avg €/tonne	963	969	751	653	594	642	740	790	800
CR 316									
USA \$/ton	1491	1223	1309	1159	1032	1127	1414	1709	1673
USA \$/tonne	1640	1345	1440	1275	1135	1240	1555	1880	1840
EU-Avg €/tonne	1487	1422	1192	1060	988	1079	1230	1270	1280

Note: * - (e) - ESTIMATE.

NEGOTIATED DOMESTIC PRICES - HOT ROLLED PRODUCTS

		Hot Rolled Coil				Hot Rolled Plate			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
U.S.A. (US\$) per ton	Negotiated Basis	923	1105	1255	1436	2145	2255	2573	2664
	Surcharge	755	755	1127	1127	755	755	1127	1127
	Transaction	1678	1860	2382	2563	2900	3010	3700	3791
U.S.A. (US\$) per tonne	Negotiated Basis	1015	1215	1380	1580	2360	2480	2830	2930
	Surcharge	830	830	1240	1240	830	830	1240	1240
	Transaction	1845	2045	2620	2820	3190	3310	4070	4170
Japan (‘000 YEN) per tonne	Negotiated Market	215	235	315	335	325	345	425	445
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	215	235	315	335	325	345	425	445
South Korea (‘000 KRW) per tonne	Negotiated Market	2520	3650	3970	4200	2670	2800	4150	4300
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2520	3650	3970	4200	2670	2800	4150	4300
Taiwan (‘000\$NT) per tonne	Negotiated Market	73.5	76.5	108.5	111.5	82.0	85.0	135.0	138.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	73.5	76.5	108.5	111.5	82.0	85.0	135.0	138.0
China (US\$) per tonne	Negotiated Market	2325	2425	3190	3290	2465	2565	3440	3560
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2325	2425	3190	3290	2465	2565	3440	3560
Germany (€) per tonne	Negotiated Basis	845	945	1195	1245	1280	1380	1630	1730
	Surcharge	668	668	1088	1088	668	668	1088	1088
	Transaction	1513	1613	2283	2333	1948	2048	2718	2818
France (€) per tonne	Negotiated Basis	820	870	1170	1220	1200	1300	1550	1650
	Surcharge	663	663	1081	1081	663	663	1081	1081
	Transaction	1483	1533	2251	2301	1863	1963	2631	2731
Italy (€) per tonne	Negotiated Basis	850	920	1210	1310	1300	1400	1700	1750
	Surcharge	670	670	1090	1090	670	670	1090	1090
	Transaction	1520	1590	2300	2400	1970	2070	2790	2840
UK (£) per tonne	Negotiated Basis	775	825	1146	1196	1295	1365	1495	1575
	AA Factor	568	568	938	938	568	568	938	938
	Transaction	1343	1393	2084	2134	1863	1933	2433	2513
Spain (€) per tonne	Negotiated Basis*	946	986	1319	1369	1096	1146	1469	1519
	Surcharge	554	554	1056	1056	554	554	1056	1056
	Transaction	1500	1540	2375	2425	1650	1700	2525	2575
Sweden (SKR) per tonne	Negotiated Basis	9730	10480	13835	14485	14605	15605	18020	18820
	AA Factor	6815	6815	11247	11247	6815	6815	11247	11247
	Transaction	16545	17295	25082	25732	21420	22420	29267	30067
Netherlands (€) per tonne	Negotiated Basis	890	930	1290	1340	1300	1340	1700	1750
	Surcharge	663	663	1081	1081	663	663	1081	1081
	Transaction	1553	1593	2371	2421	1963	2003	2781	2831
Denmark (DKR) per tonne	Negotiated Basis	6515	6915	9125	9575	9680	10180	12290	13590
	Surcharge	4748	4748	7835	7835	4748	4748	7835	7835
	Transaction	11263	11663	16960	17410	14428	14928	20125	21425

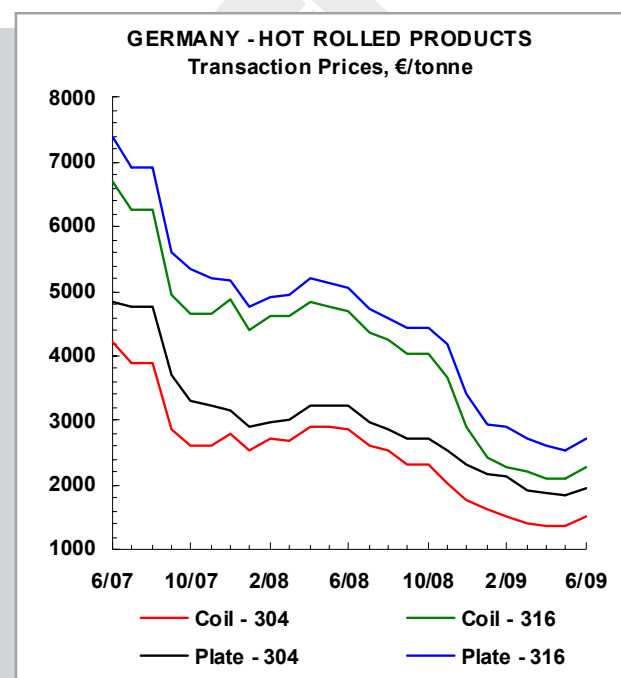
* Notional basis figures - calculated from negotiated transaction prices.

Business activity in South Korea is expected to be slow during July and August. Price cuts should be averted, though, by the low inventory levels in the supply chain. Consumption in Taiwan has increased in recent months. This has enabled the two largest stainless steel producers, Yusco and Tang Eng, to turn up output. Many customers in China have matched their inventories to their basic needs and are now buying selectively, dependent on price. The apparent increase in real demand may be distorted by the mills' policies of targeting end-users and limiting sales to distributors.

Quarto plate prices in Germany are not as buoyant as those for strip mill products. However, basis values rose by around €50 per tonne in June. Underlying demand has not improved greatly in France, although producers are reporting some encouraging signs from oil and gas projects in the Middle East. Selling values continue to climb in Italy, despite there being no significant increase in end-user consumption.

Plate suppliers in the UK are receiving plenty of enquiries, although these are not yet being converted into greater sales volumes. This may be due to the number of parties competing to tender for any attractive projects. Nevertheless, there is a slightly more optimistic feel to the market as prices are believed to have bottomed and there is evidence of stockists beginning to replenish their inventories. Activity in Spain is marginally up this month, although it is, of course, well down on recent years. Stock levels at the mills and their own service centres are low. Shortages are starting to appear in certain items.

While the market for hot rolled plate in Sweden is very quiet, there has been a small upturn in demand from



Volvo. The basis figure for type 304 quarto plate increased by around SKr765 per tonne in June. Buyers may start to consider offers from the Far East if price differentials grow. End-user demand is no better in the Netherlands this month - so it is the ongoing production cuts by the mills that are supporting hikes in basis values. Meanwhile, in Denmark, increased purchasing by stockists, some of it possibly speculative, is resulting in higher order intake by the mills.

COLD ROLLED COIL

Domestic producers in the US effectively increased

FLAT PRODUCTS TRANSACTION PRICE FORECASTS - NORTH AMERICA (\$US/tonne)

BASED ON LOW PRICES
INCLUDING AA FACTOR
WHERE APPLICABLE

	Actual	Forecast					
		Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
H R Coil 304	1845	2100	2100	2440	2370	2370	2320
H R Coil 316	2620	2985	2985	3475	3395	3390	3325
H R Plate 304	3190	3400	3400	3725	3650	3640	3585
H R Plate 316	4070	4390	4390	4840	4750	4740	4670
C R Coil 304	2025	2280	2280	2620	2550	2550	2500
C R Coil 316	2820	3185	3185	3675	3595	3590	3525
C R Coil 430	-	-	-	-	-	-	-

NEGOTIATED DOMESTIC PRICES - COLD ROLLED PRODUCTS

		Cold Rolled Coil							
		Grade 304		Grade 316		Grade 409		Grade 430	
		Low	High	Low	High	Low	High	Low	High
U.S.A. (US\$) per ton	Negotiated Basis	1086	1141	1436	1500	1214	1305	1341	1459
	Surcharge	755	755	1127	1127	105	105	150	150
	Transaction	1841	1896	2563	2627	1319	1410	1491	1609
U.S.A. (US\$) per tonne	Negotiated Basis	1195	1255	1580	1650	1335	1435	1475	1605
	Surcharge	830	830	1240	1240	115	115	165	165
	Transaction	2025	2085	2820	2890	1450	1550	1640	1770
Japan (‘000 YEN) per tonne	Negotiated Market	275	305	365	395	-	-	209	214
	Surcharge	-20	-20	-10	-10	-	-	-6	-6
	Transaction	255	285	355	385	-	-	203	208
South Korea (‘000 KRW) per tonne	Negotiated Market	2685	2815	4260	4460	1765	1865	1825	1855
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2685	2815	4260	4460	1765	1865	1825	1855
Taiwan (‘000\$NT) per tonne	Negotiated Market	75.5	78.5	112.0	115.0	-	-	51.5	54.5
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	75.5	78.5	112.0	115.0	-	-	51.5	54.5
China (US\$) per tonne	Negotiated Market	2475	2585	3525	3635	-	-	1255	1315
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	2475	2585	3525	3635	-	-	1255	1315
Germany (€) per tonne	Negotiated Basis	995	1095	1345	1445	1050	1100	1050	1100
	Surcharge	668	668	1088	1088	170	170	194	194
	Transaction	1663	1763	2433	2533	1220	1270	1244	1294
France (€) per tonne	Negotiated Basis	970	1020	1320	1370	1020	1070	950	1000
	Surcharge	663	663	1081	1081	145	145	178	178
	Transaction	1633	1683	2401	2451	1165	1215	1128	1178
Italy (€) per tonne	Negotiated Basis	1000	1050	1360	1410	1060	1110	1050	1100
	Surcharge	670	670	1090	1090	173	173	197	197
	Transaction	1670	1720	2450	2500	1233	1283	1247	1297
UK (£) per tonne	Negotiated Basis	905	975	1275	1335	900	930	860	885
	AA Factor	568	568	938	938	134	134	141	141
	Transaction	1473	1543	2213	2273	1034	1064	1001	1026
Spain (€) per tonne	Negotiated Basis*	1096	1146	1469	1569	1041	1071	1030	1060
	Surcharge	554	554	1056	1056	152	152	180	180
	Transaction	1650	1700	2525	2625	1193	1223	1210	1240
Sweden (SKR) per tonne	Negotiated Basis	11190	11640	15240	15740	10630	10760	10865	11615
	AA Factor	6815	6815	11247	11247	1607	1607	1690	1690
	Transaction	18005	18455	26487	26987	12237	12367	12555	13305
Netherlands (€) per tonne	Negotiated Basis	1040	1090	1440	1540	-	-	1000	1040
	Surcharge	663	663	1081	1081	-	-	175	175
	Transaction	1703	1753	2521	2621	-	-	1175	1215
Denmark (DKK) per tonne	Negotiated Basis	7635	8435	10240	11040	-	-	-	-
	Surcharge	4748	4748	7835	7835	-	-	-	-
	Transaction	12383	13183	18075	18875	-	-	-	-

* Notional basis figures - calculated from negotiated transaction prices.

MONTHLY COLD ROLLED - NEGOTIATED TRANSACTION PRICES (GRADE 304)

		2008	2009					
		DEC	JAN	FEB	MAR	APR	MAY	JUN
United States (\$US) per tonne	High:	2695	2310	2040	1975	1855	1910	2085
	Low:	2635	2250	1980	1915	1795	1850	2025
Japan ('000 Yen) per tonne	High:	350	300	290	280	270	275	285
	Low:	330	280	270	250	240	245	255
E.U. Average (€) per tonne	High:	1980	1829	1726	1600	1554	1589	1728
	Low:	1914	1763	1660	1534	1488	1523	1662

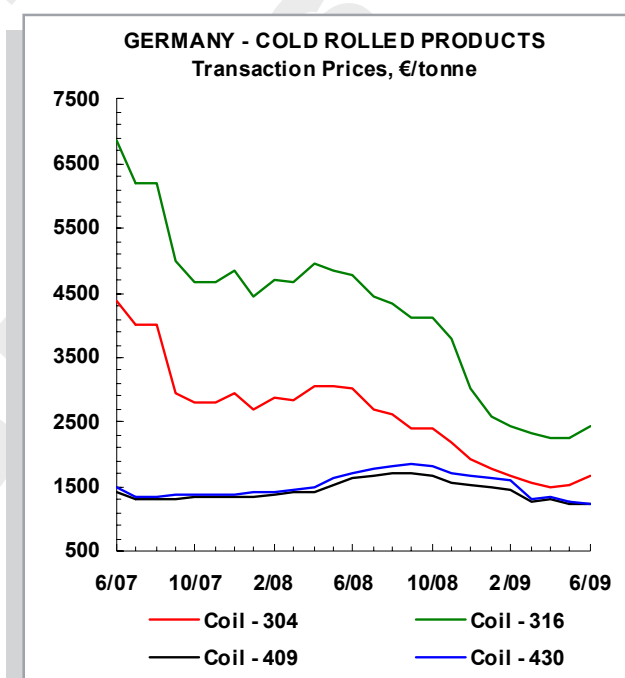
INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

basis prices in June by cutting the discount on the list price by two points. However, this was not driven by greater demand. The summer months are traditionally slow and rising selling figures are not leading to speculative buying. Price differentials are not yet sufficient to make import offers from Asia attractive. The market in Japan is perceived to have reached the bottom and there are signs of recovery. Demand from automotive manufacturers is starting to improve but is still between 60 and 70 percent lower than at the same time last year.

Rising nickel costs have pushed up stainless prices in Korea. While Posco needs to increase selling values in order to operate profitably, this is tempered by their desire to maintain market share in the face of cheap import offers. Inventories are low in the supply chain in Taiwan. This, together with the effects of government stimulus measures, is leading to improved demand and rising prices. Greater liquidity in the Chinese economy, encouraged by government policy, is contributing to an upturn in the consumption of stainless steel. Several mills in the country are now producing at close to full capacity.

German cold rolled coil basis figures rose by around €75 per tonne in June, in line with other Northern European countries. Although there has been very little activity in the French market, the producers have still been successful in increasing basis values, as well as alloy surcharges. Stockists in Italy are now buying regularly to try to fill holes in their inventories. This has contributed to the mills' delivery leadtimes stretching out to October. The banks remain very cautious and are demanding credit insurance on many deals.

Distributors and service centres in the UK have now matched their inventories to the current level of demand. Some stock shortages are beginning to appear and, with the producers' ongoing output cuts, delivery schedules are getting longer. Demand is running at



about 50 percent of last year's level in Spain. However, the mills' continuing production curbs, together with depleted inventories throughout the supply chain, are supporting higher basis prices. Delivery leadtimes have been extended to beyond September.

Suppliers in Sweden are managing to increase basis values every month, despite there being no improvement in underlying demand. Outokumpu's Tornio works, in Finland, is quoting 14 weeks for delivery. The company has announced that production levels will be stepped up from September. Many customers in the Netherlands are facing financial and credit problems. It is feared that some may struggle to survive through the traditionally quiet summer holiday period. Market activity in Denmark, although well down on previous years, is now slightly higher than in recent months. Consequently, the mills are likely to succeed in steadily raising basis numbers.

LONG PRODUCTS

LONG PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS* - CHINA (\$US/tonne)

* LOW PRICES
INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

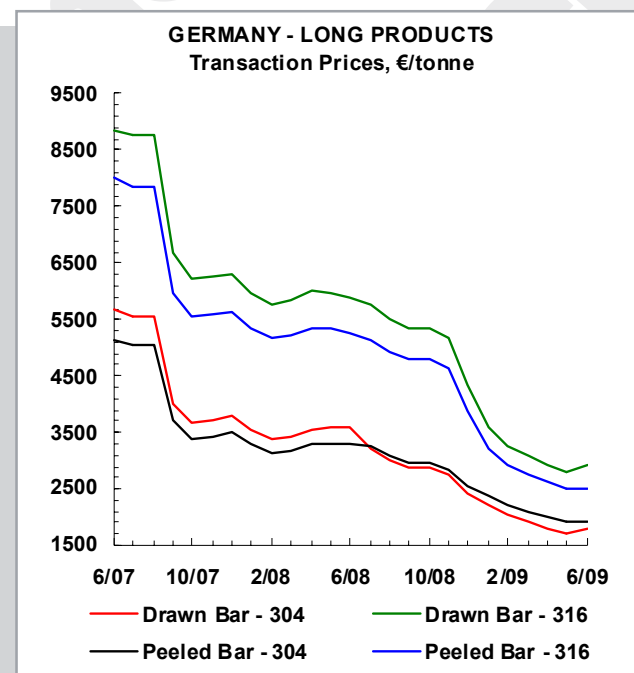
PRODUCT	2008			2009		
	Q2	Q3	Q4	Q1	Q2	Q3(e)
Drawn Bar Grade 304	4507	4150	3550	2867	2767	2800
Drawn Bar Grade 316	7080	6625	5908	4033	3800	3850
Peeled Bar Grade 304	-	-	-	-	-	-
Peeled Bar Grade 316	-	-	-	-	-	-

Basis values continue to climb in the US, although there is, as yet, no improvement in end-user demand. It appears that, as customers are buying only what they need, the higher prices do not adversely affect sales volumes. However, many players fear that nickel costs are artificially high and that the current upward trend in stainless figures is a spike which may be reversed. Rising alloy costs look likely to result in advances in long product prices in Japan.

There is mixed news from Germany. Transaction values for some bright drawn bars are up due to the alloy surcharge but poor demand for peeled bar has left effective numbers for this product unchanged. Deutsche Edelstahlwerke has shortened the reference period for its alloy surcharge calculation from 60 to 30 days. Demand in the UK is described as "up and down". Transaction values have risen by more than in some other European countries and are expected to climb further during the summer.

Suppliers have found it difficult to increase effective values in Spain. We have reports that it is possible to negotiate individual deals at less than the producer's publicly stated prices. Consumption in Sweden is poor but sellers have at least managed to advance transaction

figures through the hikes in alloy surcharges. Higher nickel costs have also led to alloy extras rising in the Netherlands. However, customers may not be ready to accept enhanced basis figures.



MONTHLY DRAWN BAR - NEGOTIATED TRANSACTION PRICES (GRADE 304)

		2008	2009					
		DEC	JAN	FEB	MAR	APR	MAY	JUN
United States (\$US) per tonne	High:	2930	2560	2285	2225	2215	2115	2310
	Low:	2830	2460	2185	2125	2115	2015	2210
Japan ('000 Yen) per tonne	High:	520	470	460	405	405	405	405
	Low:	500	450	440	385	385	385	385
E.U. Average (€) per tonne	High:	2653	2425	2299	2188	2016	1954	1984
	Low:	2588	2361	2235	2124	1952	1890	1920

INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

NEGOTIATED DOMESTIC PRICES - LONG PRODUCTS

		Drawn Bar				Peeled Bar			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
U.S.A.	Negotiated Basis	1468	1559	1968	2059	2105	2195	2559	2650
(US\$)	Surcharge	541	541	777	777	541	541	777	777
per ton	Transaction	2009	2100	2745	2836	2646	2736	3336	3427
U.S.A.	Negotiated Basis	1615	1715	2165	2265	2315	2415	2815	2915
(US\$)	Surcharge	595	595	855	855	595	595	855	855
per tonne	Transaction	2210	2310	3020	3120	2910	3010	3670	3770
Japan	Negotiated Market	385	405	485	505	-	-	-	-
(‘000 YEN)	Surcharge	0	0	0	0	-	-	-	-
per tonne	Transaction	385	405	485	505	-	-	-	-
South Korea	Negotiated Market	2590	2680	3880	4080	2440	2650	3530	3750
(‘000 KRW)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	2590	2680	3880	4080	2440	2650	3530	3750
Taiwan	Negotiated Market	108.5	111.5	143.5	145.5	111.5	114.5	147.5	150.5
(‘000\$NT)	Surcharge	0	0	0	0	0	0	0	0
per tonne	Transaction	108.5	111.5	143.5	145.5	111.5	114.5	147.5	150.5
China	Negotiated Market	2900	3050	3800	3930	-	-	-	-
(US\$)	Surcharge	0	0	0	0	-	-	-	-
per tonne	Transaction	2900	3050	3800	3930	-	-	-	-
Germany	Negotiated Basis	825	875	1395	1495	1075	1125	1160	1240
(€)	Surcharge	950	950	1525	1525	845	845	1355	1355
per tonne	Transaction	1775	1825	2920	3020	1920	1970	2515	2595
France	Negotiated Basis	860	960	1564	1614	870	920	1641	1691
(€)	Surcharge	990	990	1586	1586	880	880	1409	1409
per tonne	Transaction	1850	1950	3150	3200	1750	1800	3050	3100
Italy	Negotiated Basis	1040	1090	1340	1440	940	990	1190	1290
(€)	Surcharge	950	950	1520	1520	850	850	1350	1350
per tonne	Transaction	1990	2040	2860	2960	1790	1840	2540	2640
UK	Negotiated Basis	765	815	1270	1320	679	729	1185	1245
(£)	AA Factor	985	985	1325	1325	876	876	1180	1180
per tonne	Transaction	1750	1800	2595	2645	1555	1605	2365	2425
Spain	Negotiated Basis*	1223	1288	1607	1657	1150	1200	1505	1605
(€)	Surcharge	747	747	1443	1443	670	670	1295	1295
per tonne	Transaction	1970	2035	3050	3100	1820	1870	2800	2900
Sweden	Negotiated Basis	10650	10800	14200	14400	10210	10410	13490	13690
(SKR)	AA Factor	10310	10310	16390	16390	9160	9160	14570	14570
per tonne	Transaction	20960	21110	30590	30790	19370	19570	28060	28260
Netherlands	Negotiated Basis	700	760	960	1050	720	820	1000	1050
(€)	Surcharge	990	990	1586	1586	880	880	1409	1409
per tonne	Transaction	1690	1750	2546	2636	1600	1700	2409	2459
Denmark	Negotiated Basis	10450	10600	12350	12550	9500	9900	11400	11700
(DKR)	Surcharge	7076	7076	11358	11358	6294	6294	10092	10092
per tonne	Transaction	17526	17676	23708	23908	15794	16194	21492	21792

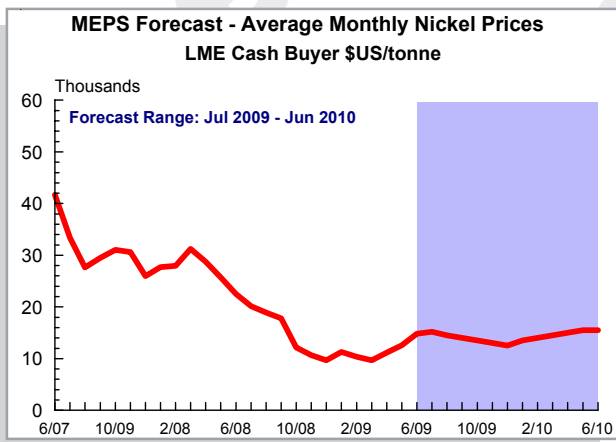
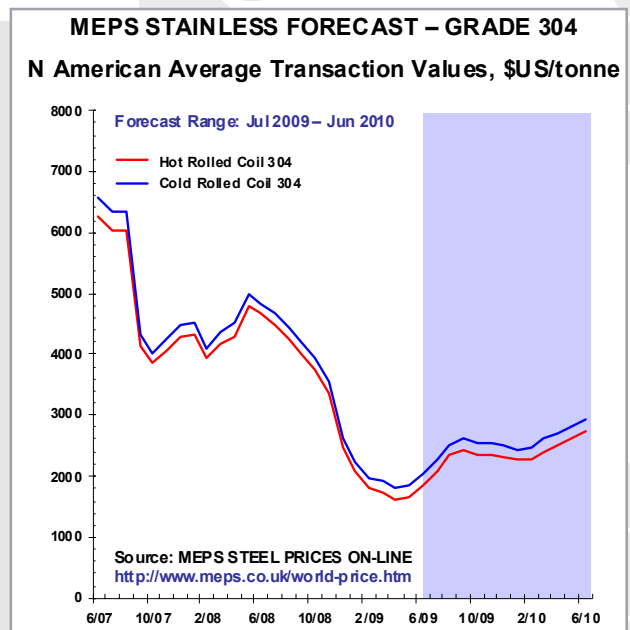
* Notional basis figures - calculated from negotiated transaction prices.

MEDIUM TERM PRICE FORECASTS

STAINLESS STEEL - NORTH AMERICA

MEPS North American Average Hot and Cold Rolled Coil transaction prices moved up by \$US175 per tonne in June. This was due to an increase in both alloy surcharges and basis numbers. Low inventories, production cuts and reduced imports all contributed to supply shortages. Consequently, local mills were able to push through advances this month. Selling figures for both products are forecast to continue climbing in the short term as raw material costs rise.

Prices could slip in the final quarter of 2009 due to traditionally lower demand over the winter months. Customers are usually reluctant to build stock levels in the run up to the financial year end. A possible decline in nickel costs may put downward pressure on stainless selling figures. A recovery in end-user demand and mill sales volumes is predicted for early in 2010. The US is expected to have emerged from the recession by this point and credit restrictions should be easier. Transaction values are, therefore forecast to rise during the first half of next year.



NICKEL

The monthly average cash nickel value is set to increase by approximately \$US2200 per tonne in June. This is a slightly larger rise than we predicted in May. Speculation has returned to nickel trading. The fundamentals still do not appear to support the current advances. Despite a small decrease in LME inventory levels, they remain above 100000 tonnes. Available stock actually climbed over the past four weeks because the tonnage of cancelled warrants reduced. Chinese nickel pig iron producers have started to ramp up production and there are stockpiles of local material waiting to be utilised. Consequently, we believe that prices on the LME could drift downwards during the final quarter as Asian purchase volumes ease. A recovery is forecast for early in 2010.

STAINLESS STEEL PRODUCTION - CRUDE STEEL EQUIVALENT ('000 TONNES)

				2008		2009			
	2007	2008	2009(f)	Q3	Q4	Q1(f)	Q2(f)	Q3(f)	Q4(f)
European Union	8115	7840	5750	1800	1450	1300	1350	1500	1600
Japan	3705	3405	1900	905	650	410	440	500	550
United States	2170	1925	1500	445	295	300	350	400	450
South Korea	1910	1585	1210	420	280	280	280	300	350
Taiwan	1425	1285	860	320	175	130	180	250	300
Others* (e)	3070	2660	2300	665	525	500	550	600	650
Total W. World+	20395	18700	13520	4555	3375	2920	3150	3550	3900
China/Russia (e)	7405	7200	7280	1720	1470	1730	1800	1850	1900
Global Total	27800	25900	20800	6275	4845	4650	4950	5400	5800

Note: * - Others include India, Brazil, South Africa and other Europe. (e) - ESTIMATE. (f) - FORECAST. (r) - REVISED. + - excludes Russia and PR China.

INDUSTRY MATTERS

CAPACITY

China's Benxi Iron and Steel will start work on a new stainless steel cold rolling project at the end of this month. It will be built in two stages. The first phase will have an annual production capacity of 100,000 tonnes per year and will be completed in 2011.

Korea's BNG Steel is to build a new 12,000 tonne per year plant to produce extra thin stainless steel strip. The new facility is scheduled to go into production early in 2010 at its Changwon works near Busan.

MERGERS / ACQUISITIONS

Korea's Posco is to purchase a further 65 percent stake in the stainless steel maker Taihan ST – lifting its total holding to 85 percent.

Acerinox, the Spanish producer, has acquired the remaining 75 percent of the Malaysian stainless distributor Yick Hoe Metals, that it didn't own, lifting its holding to 100 percent. Yick Hoe Metals is the largest stainless steel trading company in Malaysia.

WORLD OUTPUT

World crude stainless steel production in the period January to March, at 4.8 million tonnes, was at its lowest level since the first quarter of 2000, according to data from the International Stainless Steel Forum. In comparison with the first three months of 2008, the 2009 figure, at 7.4 million tonnes was down by 35 percent.

RAW MATERIAL CONVERSION MARGIN GRADE 304 COLD ROLLED COIL

COUNTRY		Last Month	This Month
United States	\$US/tonne	594.5	589.0
Japan	'000 YEN/tonne	120.2	119.5
Germany	€/tonne	547.4	633.5

Definition - The conversion margin is the difference between current transaction price and the intrinsic value of the raw materials.

WORLD/REGIONAL AVERAGE TRANSACTION PRICES (\$US/ton)

		WORLD		E.U.		N. AMERICA		ASIA	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
HR Coil Type 304	:High	1845	2061	1753	2021	1700	1859	2084	2303
	:Low	1661	1874	1675	1939	1518	1677	1790	2005
HR Coil Type 316	:High	2648	2899	2649	3055	2386	2564	2909	3078
	:Low	2519	2768	2575	2976	2205	2382	2778	2945
HR Plate Type 304	:High	2434	2691	2262	2565	2809	3009	2231	2497
	:Low	2325	2579	2157	2455	2700	2900	2118	2383
HR Plate Type 316	:High	3353	3648	3127	3553	3550	3791	3382	3601
	:Low	3251	3544	3033	3453	3459	3700	3261	3479
CR Coil Type 304	:High	1933	2143	1931	2215	1736	1895	2132	2318
	:Low	1842	2050	1851	2131	1682	1841	1994	2177
CR Coil Type 316	:High	2843	3079	2840	3264	2450	2627	3239	3346
	:Low	2742	2975	2752	3168	2386	2564	3088	3193
Drawn Bar 304	:High	2328	2518	2375	2544	1923	2100	2687	2911
	:Low	2234	2421	2297	2462	1832	2009	2571	2793
Drawn Bar 316	:High	3302	3535	3650	3930	2600	2836	3655	3838
	:Low	3201	3432	3564	3837	2509	2745	3530	3712

PRODUCT AND PRICE DEFINITIONS

PRODUCTS

Hot Rolled Wide Coil - Grades 304 and 316 in standard widths and finish. Thickness:- 3-12mm (except USA at 0.125 to 0.5 inches).

Hot Rolled Quarto Plate - Grades 304 and 316 in standard widths, length and finish. Thickness:- 13mm and above (except USA at 0.5 inches and above).

Cold Rolled Wide Coils - Grades 304, 316, 409 and 430 in standard widths. Thickness:- 2mm (except USA at 0.10 inches). Finish:- 430 - BA finish except USA and Hong Kong which is 2B. 304-316 - 2B all countries.

Bright Drawn Bar - Grades 304 and 316 : Diameter:- 25mm (except USA at 1 inch).

Peeled/Rough Turned Bar - Grades 304 and 316 : Diameter:- 50-100mm (except USA at 2-4 inches). South Korean figures are for precision bar.

PRICES

All prices in this publication relate to those to be paid by consumers and stockholders for prime material, ex mill. Prices are for regular business between customers and their local steel mills negotiated during the month for delivery in the short/medium term. Delivery charges and local taxes are excluded. Contract deals arranged in the domestic market or special negotiations for quantities of imported material are also excluded.

Market Price can be defined as our analysis of the value negotiated for the products specified above - including extras for grade and form of supply.

Transaction Price is the total amount to be paid for the specified product - including alloy surcharges or alloy adjustment factor (if applicable).

All price and market information is researched by MEPS staff and our local correspondents. High and low values are provided to reflect the range of prices between major and minor customers. **Price tables relate to deliveries in different time periods. It is important these are read in conjunction with the text in the newsletter.**

Please Note: the reference for steel prices differs, slightly, in the various regions of the world:

Japan - In this publication, market price relates to spot deals negotiated between the mills and consumers or first tier service centres.

South Korea - The low price relates to deals between the mills and large steel consumers. The high price refers to ex-stock mill sales through selected outlets.

The data contained in this newsletter has been obtained from respondents who we consider provide accurate intelligence on the steel market. We make our best endeavours to be assured that the information is correct and that our analysis is reliable. MEPS (International) Ltd. cannot be made liable for any loss resulting from use of our published data, however it may arise.

CURRENCY EXCHANGE RATES June 4 - 2009

		Units/ US\$
USA	(\$US)	1.00
Japan	(Yen)	96.72
South Korea	(KRw)	1247
Taiwan	(\$NT)	32.58
China	(\$US)	1.00
Eurozone	(€)	0.709
UK	(£)	0.616
Sweden	(SKr)	7.670
Denmark	(DKr)	5.284

NEXT MONTH'S ISSUE

The July issue of the Stainless Steel Review will be dispatched by post & PDF on 31 July, 2009.

MEPS REGULAR PUBLICATIONS

EUROPEAN STEEL REVIEW (monthly)

This is our flagship publication. The first report was produced in 1984. Each monthly issue incorporates high and low market prices for eleven steel product forms in the EU - Germany, France, Italy, Spain, UK and Belgium. Data for flat and long products is supplied in each edition. Prices are displayed in Euros for easy comparison. Details of EU Average Steel Transaction Prices are incorporated together with regular forecasts.



EUROPEAN STEEL REVIEW SUPPLEMENT (monthly)

A sister publication to the European Steel Review. The range of data is extended in this report. Price and market information is supplied for a further six nations, including - Denmark, Sweden, Finland, Holland, Austria and Norway. Euro comparisons are also included. Details of Nordic Average Steel Transaction Prices are incorporated together with regular forecasts.



INTERNATIONAL STEEL REVIEW (monthly)

Each edition carries domestic steel pricing data in eleven countries across the globe, including - United States, Canada, China, Japan, South Korea, Taiwan, Poland, Czech/Slovak Republics and the main five EU member states - covering 70 percent of world consumption. Details of World and Regional Average Steel Prices are incorporated together with regular forecasts.



DEVELOPING MARKETS' STEEL REVIEW (monthly)

This is a new report from MEPS outlining steel market trends in the increasingly important emerging markets around the world. Each edition carries steel prices in eight countries - India, UAE, Turkey, South Africa, Russia, Ukraine, Mexico and Brazil. Details of eight steel prices in the flat and long products sectors are available. Comprehensive commentaries are included.



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