Market Condition & Activity Bulletin

PIPING & EQUIPMENT, INC. - Affiliated Distributors Member

Steel Market Update

Final findings by the US Department of Commerce in the antidumping case against Chinese OCTG have been issued with margins of 30-99%. In the final phase of its investigation, the Department found that the Chinese respondent's preliminary margin was based on fraudulent documents. As a result, the DOC assigned the respondent an "adverse" final dumping margin of 99%. Alan Price, head of international trade practice at the Washington law firm of Wiley Rein and counsel to Maverick Tube remarked that the determination sends a clear signal that manipulation of documents is not tolerated and confirms the substantial dumping by the Chinese producers. In addition to Maverick, the case was brought by US OCTG producers US Steel, V&M Star, V&M Tubular, TMK Ipsco, Evraz Rocky Mountain Steel and Wheatland Tube. The DOC also determined that Chinese OCTG producers also received illegal subsidies in the amount of 10-16% of the product's value.

The US Department of Commerce in the Thailand antidumping duty case also determined a preliminary AD margin of 4.35% imposed on imports of welded carbon steel pipe and tube from Saha Thai. The duties paid on standard pipe imports from other Thai companies remain individually at: Pacific Pipe Public, 5.14%; Thai Steel, 15.8%; Siam Steel & Thai Hong, 29.89%; and Thai Union, 37.55%. The all others rate continues to be 15.67%. This administrative review is being conducted at the request of American tubemakers Allied Tube and Conduit and Wheatland Tube.

US scrap metal prices are moving upward $30 - $50 ton April over March 2010 and have been growing for six months in a row. James Coulas in the WELDBEND News said, "Scrap metal is the a driving force in the welding fitting and flange market because of the percentage of steel used. Scrap is a large component in the production of seamless pipe and used almost 100% in the production of steel for flanges. If steel prices increase another $50 a ton for April, we will be flirting within approximately $200 a ton of the all-time high for billet since the very high-priced and turbulent times of August 2008, and only $155 for scrap in May of 2008." He also noted that iron ore, a key ingredient in steel production, is being sold by the largest mining company at market prices. He goes ye81mining movanrd fostteel tubemakoducers.

STAINLESS STEEL PIPE

Pricing ⇧ Stainless steel pipe manufacturers indicate pricing increase or 8% - 10% for 2nd quarter 2010.

Lead Times - Deliveries are running 6 - 8 weeks. Fill rates are running 30% - 50%.

Comments - Stainless steel values are rising in most markets around the world. Producers and distributors hope this is a chance to see an increase in business. Nickel on the LME has risen over the past few months. Scrap containing nickel and chromium is in short supply. Demand from developing markets, particularly in Asia, continues to increase. Other factors supporting the current escalation in stainless: (1)Mills have had a number of increased input costs on the supply side. (2) Producers have been selling at or below break even levels for some time and are now trying to ensure decent margins. (3) On the demand side, most supply chain participants need to replenish depleted inventories, while distributors and end-users may attempt to place orders in advance of anticipated further hikes.

One manufacturer comments that the price increase is driven almost entirely by speculators with no relationship to supply and demand. They do add there is a slight uptick in consumption, but still not seeing large projects. The lack of project work continues to dampen any enthusiasm for an improving economy at this time. Also, the lack of a clear cut national energy policy has stalled countless projects from starting.

The North America Stainless Steel price Index (Grade 304)

	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10
US$/ton	2107	1998	2040	2223	2428	2760	2945	3320	3214	3290	3115	3175	3405
Index	101.3	96.1	98.1	106.9	116.7	132.7	141.6	159.6	154.6	158.2	149.8	152.7	163.7

North America Index, 1997=100 as furnished by MEPS International

According to manufacturers, stainless steel pipe will certainly increase on a month to month basis by the impact of rising monthly surcharges at a minimum. Tightening supply with relatively healthy demand levels may service to increase pricing up and above the impact of surcharges.

STAINLESS STEEL WELD FITTINGS, 150 & HI-PRESSURE FITTINGS

Pricing ⇧ Manufacturers indicate prices to increase by 8% - 10% with a leading factor being increased nickel prices.

Lead Times - Deliveries are running 2 - 4 weeks for commodity material and large OD fittings out 4 - 6 weeks. Fill rates are forecast for 50% - 70%.

Comments - On April 15th, the Dow Jones reports Nickel at $11.74 / lb still residing within its bullish trend.. The price jumped by $1,000 per ton in one day 04/07/10. Three month nickel ended 2009 at $8.41/lb and is now trading 35% higher.

The Nickel LME monthly average cash price increased nearly 22% from January thru March ($18,349 / metric ton to $22,461 / metric ton). The April month to date average is $24,845 / metric ton which is a robust 10.6% over March's average. With respect to Molybdenum, monthly mean molybdenum oxide pricing has increased 24.46% from January thru March after a relatively stable fourth quarter of 2009. This surge in moly has translated in to 316 welded stainless steel pricing increasing at a higher rate percentage wise than 304 during the first quarter time period. Supply and demand dynamics continue to be the most impactful issue affecting stainless steel PVF products. Manufacturers expect that demand will remain relatively healthy into and through the second half of the year and noted economists expect that the US GDP will be at a higher level in the second half versus the first half of 2010. The likelihood for any major correction therefore is small.

Manufacturers are observing far less indent activity than in years past, which is a reflection that the traditional savings for placing indent requirements is currently not attainable versus pricing available out of manufacture / distributor inventories.

CARBON STEEL PIPE - SEAMLESS, ERW AND CONTINUOUS WELD

Pricing ⇧ Carbon steel manufacturers indicate price increasing from 8% - 10% thru the 2nd quarter. The price of scrap is at 470 ton forecast to 700 ton. Prices increase by 350 ton with little demand.

Lead Times - Fill rates are running 90% with deliveries of 8 - 12 weeks for commodity material.

Comments - One manufacturer indicates that OCTG is causing mills to book up. In the U.S., scrap prices have risen steadily since mid-November, with the increases driven by seasonal supply constraints and strong exports to scrap-short, developing markets. Spring weather should help improve supply, scrap prices may stay high from fiscal contract-year increases in iron ore prices, strong demand from the export market and increased scrap purchases by integrated steelmakers - which have restarted production in hopes of improved second-half demand.
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CARBON STEEL WELD FITTINGS AND FLANGES

Pricing ⇧ Carbon steel weld fittings and flanges are forecast for an increase of 5% - 8% thru March 2010 due to raw material costs.

Lead Times - Deliveries are scheduled for 6 - 8 weeks and as much as 8 - 12 weeks for commodity material with fill rates of 80% - 90%.

Comments - Manufacturers indicate business is starting to pick up especially in the energy market (oilfield); however, construction starts are still down. More imports are being accepted.

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FORGED STEEL FITTINGS

Pricing ⇨ Manufacturers indicate no pricing change on forged steel during the second quarter of 2010.

Lead Times - Lead times are running 2 - 3 weeks with fill rates of 85% - 90%.

Comments - One manufacturer comments that the forged steel industry is predicted to run at approximate 75% - 80% capacity through the second quarter. During the second and third quarter of 2009, the import presence decreased. The deflation of the domestic product resulted in domestic companies seeing share increases. The number of import forged steel "private labelers" continues to increase. Import inventories and availability of product at these outlets continues to outpace demand in the US. This condition increases competition and the use of price as a marketing tool for import, non-approved product.

Special bar quality (SBQ) steel is the raw material utilized in forged steel production. The SBQ market has experienced a slight demand uptick complied with historically low inventories and extremely high scrap prices, consequently a $30 per ton increase is effective May 1st. These ensuing factors have pushed SBQ steel price up 40% - 43% since January. Product price increases will follow.

One negative factor facing our industry according to comments from a manufacturer is the uncertain direction of our current government administration. Many refining companies have delayed work until "cap and trade" legislation is determined. Others have slowed upstream products until the time a comprehensive energy policy is determined. The news of potential offshore drilling is welcomed, but coincided with the reduction of available leases in Alaska and the "rolling back" of previous Bush Administration outer continental shelf leases. These actions send mixed messages to the energy community, and reduce capital investment for new products until "firm" policy directions are agreed upon.

STAINLESS STEEL GATES, GLOBES, CHECK VALVES

Pricing ⇨ No price change for stainless steel gate, globe and check valves forecast for the second quarter 2010.

Lead Times - Deliveries are forecast for 6 - 8 weeks with fill rates of 70% - 80% for commodity material.

Comments - One manufacturer notes that raw material costs are increasing slightly, but they anticipate costs to stabilize through 2010. Overall there is still a lot of high priced inventory of commodity product in the USA stock. One manufacturer see very strong growth opportunities beginning in 2010 through 2015.

BRONZE AND IRON GATES, GLOBES AND CHECK VALVES

Pricing ⇧⇨ Bronze valves are forecast to increase 5% - 8% during the second quarter due to raw material costs. Raw material costs of bronze ingot have increased greatly and expected to continue to increase through 2010. Iron valve pricing is forecast to remain stable.

Lead Times - Valve deliveries are forecast for 4 - 8 weeks for commodity material, and fill rates are running 70% - 80% on both bronze and iron valves.

Comments - Manufacturers indicate that overall demand for bronze and iron valves are up 25% versus 2009. Pulp and Paper business is stable. Chemical plant opportunities are increasing. Export business is strong, but mechanical construction continues to remain at lower levels. They see MRO activity at high levels.

CAST STEEL GATES, GLOBE AND CHECK VALVES

Pricing ⇨ Cast steel manufacturers do not anticipate price changes thru the second quarter.

Lead Times - Fill rates remain at 80% - 90% with forecast lead time of 4 - 8 weeks.

Comments - Raw material costs have increased slightly. Inventories on the ground remain at high levels in the US.

FORGED STEEL GATES, GLOBES AND CHECK VALVES

Pricing ⇧ Forged steel valves are increasing 3% - 5% this quarter according to manufacturers.

Lead Times - Delivery lead times are 6 - 8 weeks with fill rates of 60% - 70%. Non-stock specials are shipping in 12 - 20 weeks.

Comments - Forged steel manufacturing plants around the world have scaled back capacity by 10% - 20% compared with 2009 production levels.

QUARTER TURN VALVES - BALL AND WAFER

Pricing ⇨ Quarter turn ball and wafer manufacturers indicate that pricing should be holding steady.

Lead Times - Deliveries are running 8 - 12 weeks. Fill rates are 50% - 60%. Non-stock specials are forecast for 8 - 12 weeks..

Comments - Primary concerns for manufacturers are raw material costs and a surge in demand. It appears that projects are starting to creep back in. Foreign supplier pressure is having an effect on pricing, especially from those stranded with lots of inventory. The biggest challenge in our industry is the declining industrial infrastructure. The shift in production from major chemical and petro-chemical producers to plants outside of North America is a major concern.

This report is published as a service to the PVF Industry indicating the direction of prices, lead times, and market conditions reported by various domestic and import manufacturers as they believe the direction the market is heading each quarter.