



Market Matters

Recently Published Data and Indices Affecting the Stainless Steel Industry

View Points

Introducing Duralite™ Piping System

Outokumpu's Duralite™ Piping System provides customers with the first, and only complete thin-walled piping system in lean duplex stainless steel.

The Duralite Piping System includes pipes, 90-degree elbows, equal tees, eccentric and concentric reducers, pressed collars, and welding rings. Because the Duralite Piping System features lean duplex LDX 2101, the system offers a competitive alternative to conventional, austenitic grade ISO or ANSI solutions, with high mechanical strength; corrosion resistance close to that of austenitic 1.4404 (316L); high resistance to stress-corrosion cracking; and good mechanical properties—along with the price stability of a low-nickel duplex.

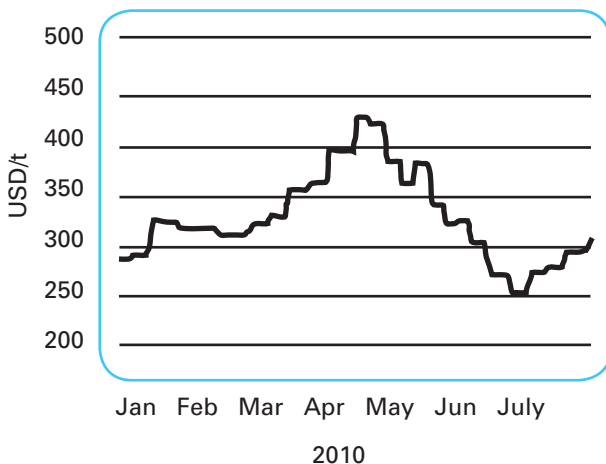


In applications to date in the pulp and paper and chemical industries, Duralite has enabled up to a 50-percent wall thickness reduction compared to austenitic grades in tubes and pipes designed to withstand internal pressure. For full technical information, log onto the Outokumpu web site (www.outokumpu.com) and look under the left hand scroll bar for "Product News" about Duralite.

Metal Matters

Scrap Prices

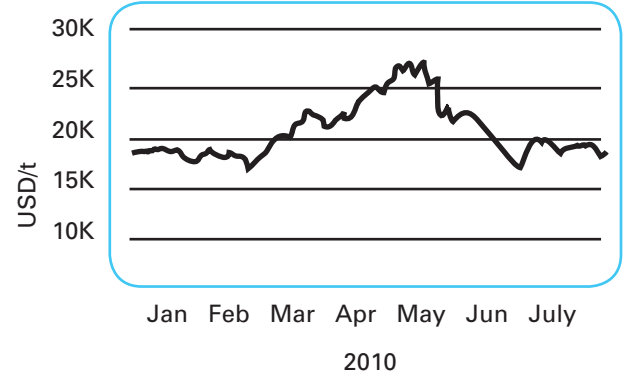
Source: Metal Bulletin 7/22/10



Nickel Prices- Cash Buyer

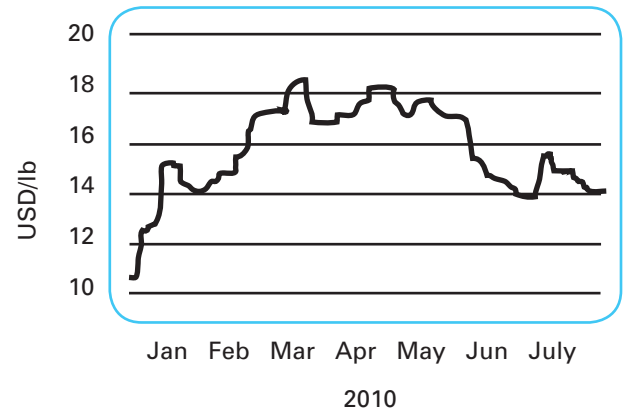
Source: LME 7/22/10

*CORRECTION: In the May issue, we inadvertently used incorrect data for the Nickel chart. We apologize for this error.



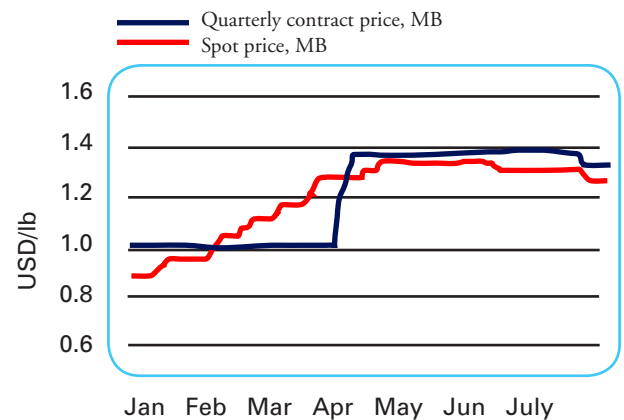
Molybdenum Prices

Source: Metal Bulletin 7/22/10



Ferrochrome Prices

Source: Metal Bulletin 7/22/10



U.S. Exports of Steel Mill Products*

Source: The U.S. Commerce Department 7/21/10

Country	Month		
	Mar	Apr	May
World	1,044,060	1,021,815	957,311
Canada	635,066	575,690	557,129
Mexico	207,191	184,109	183,351
Brazil	8,802	15,337	9,998
India	16,620	20,360	14,311
China	9,670	10,682	9,299
Germany	6,205	6,199	7,183
Italy	8,637	6,960	9,381
Venezuela	3,316	2,243	7,610
United Kingdom	4,919	3,240	4,293

*Numbers in metric tons

U.S. Economic Matters

Manufacturing

Source: The Institute for Supply Management 7/21/10

Index	Series Index June	Series Index May	Direction	Rate of Change	Trend (mos)
PMI	56.2	89.7	Growing	Slower	11
New Orders	58.5	65.7	Growing	Slower	12
Production	61.4	66.6	Growing	Slower	13
Employment	57.8	59.8	Growing	Slower	7
Supplier Deliveries	57.3	61.0	Slowing	Slower	13
Inventories	45.8	45.6	Contracting	Slower	3
Customers' Inventories	38.0	32.0	Too Low	Slower	15
Prices	57.0	77.5	Increasing	Slower	12
Backlog of Orders	57.0	59.5	Growing	Slower	6
Exports	56.0	62.0	Growing	Slower	12
Imports	56.5	56.5	Growing	Unchanged	10
Overall Economy			Growing	Slower	14
Manufacturing Sector			Growing	Slower	11

Latest Statistics

Source: The Department of Labor 7/21/10

Consumer Price Index	-0.1% June 2010
Unemployment Rate	9.5% June 2010
Producer Price Index	-0.5% (p) June 2010
Productivity	+2.8% 1st Qtr 2010

Gross Domestic Product

Source: The Bureau of Economic Analysis 7/21/10

↑ Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 2.7 percent in the first quarter of 2010, (that is, from the fourth quarter to the first quarter), according to the "third" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2009, real GDP increased 5.6 percent.

The increase in real GDP in the first quarter primarily reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, exports, and nonresidential fixed investment that were partly offset by negative contributions from state and local government spending and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

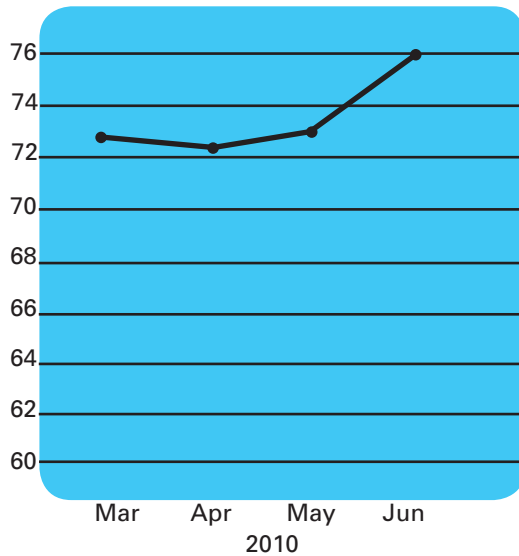
Industrial Production and Capacity Utilization

Source: The Federal Reserve 7/21/10

Industrial Production	May	June
Total Index	92.5	92.5
Major Market Groups		
Final Products	94.2	94.0
Consumer Goods	94.4	93.9
Business Equipment	92.3	93.1
Nonindustrial Supplies	85.4	85.3
Construction	79.3	79.1
Materials	93.4	93.8
Manufacturing	90.0	93.8

Index of Consumer Sentiment

Source: Reuters 7/21/10



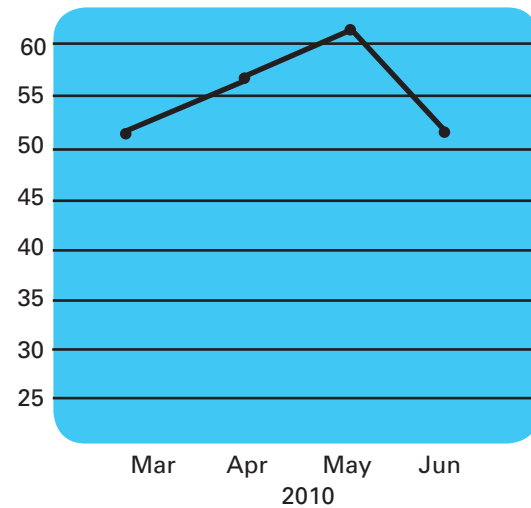
↑ The **Index of Consumer Sentiment** was 76.0 in the June 2010 survey, up from 73.6 in May, and an improvement from 70.8 from a year ago.

Although modest, this gain was enough to bring the Sentiment Index to its highest level since January 2008. Furthermore, the cumulative gain since November 2008 has restored half of the decline that took place from the peak of 9.9 in January 2007, to the low of 55.3 in November 2008. However, such improvements are not a product of a more favorable view of the economy, but instead of the consumer opinion that any improvement, however small, is a welcome development after the most recent economic recession. Consumer expectations for future economic gains remain unchanged, with only slow growth expected.

Financial prospects for the next year showed no improvement over those of the previous year, with 55% of households expecting no increase in income. Consumers remained almost twice as likely to report continued worsening of finances, though this statistic fell from 54% in June 2009, to 44% in June 2010. Most consumers expect unemployment to remain largely unchanged over the next year, despite reports of net job changes having reached a five year high in June. Confidence, however, is strong enough to support a continued growth in consumption over the next twelve months, slowing somewhat in 2011.

Consumer Confidence Index

Source: The Conference Board 7/21/10



↓ The **Conference Board Consumer Confidence Index**®, which had been on the rise for three consecutive months, declined sharply in June. The Index now stands at 52.9 (1985=100), down from 62.7 in May. The Present Situation Index decreased to 25.5 from 29.8. The Expectations Index declined to 71.2 from 84.6 last month.

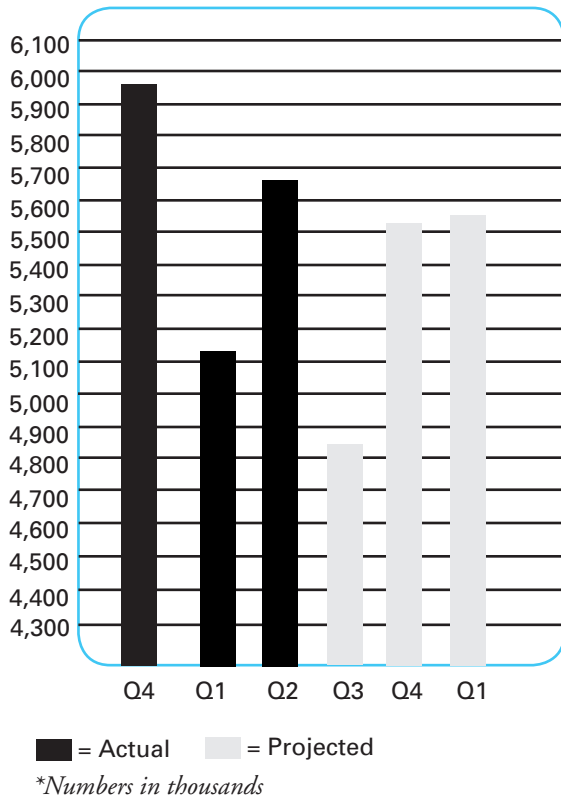
Manufacturers' Shipments, Inventories and Orders

Source: The US Census Bureau 7/21/10

- ↓ **New orders for manufactured durable goods in May**, decreased \$2.2 billion or 1.1 percent to \$192.0 billion, the U.S. Census Bureau announced today. This decrease followed five consecutive monthly increases including a 3.0 percent April increase. Excluding transportation, new orders increased 0.9 percent. Excluding defense, new orders decreased 1.1 percent.
- ↓ **Shipments of manufactured durable goods in May**, down following two consecutive monthly increases, decreased \$0.8 billion or 0.4 percent to \$196.0 billion. This followed a 1.8 percent April increase.
- ↑ **Unfilled orders for manufactured durable goods in May**, up four of the last five months, increased \$1.4 billion or 0.2 percent to \$802.8 billion. This followed a 0.4 percent April increase.
- ↑ **Inventories of manufactured durable goods in May**, up five consecutive months, increased \$2.5 billion or 0.8 percent to \$304.4 billion. This followed a 0.8 percent April increase.

Housing Sales

Source: The National Association of Realtors 7/21/10



Global Views

Europe Stress Relieved With Swap Gap Vanishing: Credit Markets

Source: Bloomberg 7/28/10

The bond market is saying that the threat of a European banking crisis is ending. The gap between European and U.S. benchmark credit-default swap indexes, used to hedge against losses or speculate on credit worthiness, narrowed to 0.7 basis point yesterday, the lowest since June 4, prices from Markit Group Ltd. show. The risk premium on European debt soared to a record 23 basis points on May 7 on concern governments in the region would struggle to cut spiraling budget deficits.

Bond investors are turning their attention to the sustainability of the global economic recovery after European banks and regulators provided a better view into balance sheets of the region's lenders and Spain sold 3.4 billion euros (\$4.4 billion) of debt in an auction. Some of Europe's biggest banks rushed to sell bonds today after 84 of 91 lenders passed stress test results on July 23.

"It takes one more worry off the map ahead," said Scott MacDonald, the head of credit and economic research at Aladdin Capital Management LLC in Stamford, Connecticut, which oversees about \$12.5 billion. "This was something you could quantify and you could qualify. It came, it went, and it was not as bad as people thought it could be."

Rabobank Nederland NV, Banco Bilbao Vizcaya Argentaria SA and Credit Suisse Group AG came to the market with bond sales today, people familiar with the deals said.

Before sovereign debt concerns flared in April, the European swaps index hadn't traded wider than its North American counterpart, according to Markit Group data going back to at least October 2005.

EU trade chief assures China Europe bonds are safe

Source: Reuters 7/22/10

The European Union's trade chief assured China on Thursday that its investments in Europe were safe, particularly the bonds it had bought from debt-laden Greece and Spain.

Bonds from Spain and Greece were a good investment for China and would keep their value, European Trade Commissioner Karel De Gucht said. He estimated that China had spent around 420 million euros buying Spanish and Greek bonds, but could not confirm it. "There is no risk at all to the Chinese treasury," he said in a speech at the Shanghai World Expo.

Global Economic Matters

Exchange Rates

Source: Yahoo Finance 7/21/10

Crossrates							
	USD	EUR	JPY	GBP	CAD	SEK	CNY
USD	1	0.7750	87.0650	0.6552	1.0365	7.3151	6.7845
EUR	1.2903	1	112.3677	0.8453	1.3370	9.4364	8.7519
JPY	0.0115	0.0089	1	0.8453	1.3370	0.0841	0.0780
GBP	1.5265	1.1830	132.9339	1	1.5817	11.1698	10.3596
CAD	0.9651	0.7479	84.0427	0.6322	1	7.0568	6.5450
SEK	0.1360	0.1060	11.8953	0.0895	0.1417	1	0.9275
CNY	0.1474	0.1143	12.8256	0.0965	0.1528	1.0782	1

USD= US Dollar EUR= Euro JPY= Japanese Yen GPB= British Pound
SEK= Swedish Krona CNY= Chinese Yuan CAD= Canadian Dollar

"China's presence in Europe is visible across the board whether in China's recent purchase of several hundreds of millions of euros of government bonds in the euro zone, particularly Spain or Greece, or in other large-scale investments too, such as the acquisition of Volvo by the car maker Geely," De Gucht said.

He was confident Europe's salvage package of 860 billion euros had been very effective in easing the sovereign debt crisis. "I am quite confident that the euro is in good shape again." Chinese leaders have expressed concern over Europe's bid to contain debt, which poses a risk to global economic growth.

Global concerns over China's protection of intellectual property has flared up in recent months and De Gucht said European companies were becoming increasingly worried. Indigenous innovation policies, where China encourages government departments to buy locally made products from Chinese companies, would force European firms to register as a Chinese company in order to get access to the public procurement market.

However, De Gucht said China had already started to respond. "Some changes were made to the indigenous innovation legislation that is certainly accommodating to a certain extent some European worries," he said.

China has revised its offer to join the World Trade Organization's government procurement agreement. Members of the sub-group, mostly wealthy developed countries, pledge to give each other reciprocal access to government tenders and purchases.

De Gucht said the opening up of the public procurement market would help resolve the Doha round of trade negotiations if a substantial package was reached.

Separately, WTO Director-General Pascal Lamy said China was abiding by its commitments to the global trade body and its latest offer to join the GPA was better than previous proposals.

Rare Earths

De Gucht also said that the EU's case against China on access to its raw materials, a hot topic in Europe, was likely one it could win at the WTO. "We have a lot of understanding that a fast-growing economy needs a lot of raw materials, but it is not the right way because it creates monopolies which distort the market," he said.

China holds about 90 percent of the world's reserves of rare earth materials, used in electronic devices, digital displays and military applications.

Foreign traders, manufacturers and military strategists have grown increasingly vocal about Chinese moves to reduce the volume of exports of rare earths. China, however, says export controls prevent wasteful exploitation, support volatile international prices and encourage high-tech manufacturers to shift operations to China, where rare earth prices are cheaper.

China will not block exports of rare earth metals, premier Wen Jiabao told a German trade delegation this month.

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Outokumpu is a global leader in stainless steel. Our vision is to be the undisputed number one in stainless, with success based on operational excellence. Customers in a wide range of industries use our stainless steel and services worldwide. Being fully recyclable, maintenance-free, as well as very strong and durable material, stainless steel is one of the key building blocks for sustainable future.

What makes Outokumpu special is total customer focus – all the way, from R&D to delivery. You have the idea. We offer world-class stainless steel, technical know-how and support. We activate your ideas at www.outokumpu.com/stainless/na.