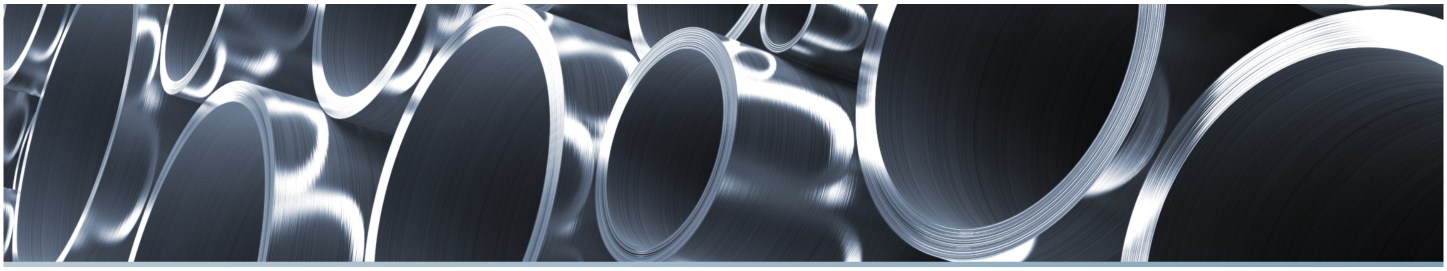

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Hot Rolled Futures: Forwards Resume their Decline

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STEEL MARKET UPDATE
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FINANCIAL MARKETS

The last time I reported we were in the midst of an unprecedented meltdown in all financial markets. From that day, we literally found a bottom, and have rallied strongly since.

From the 4th of October until today we have essentially been in a retracement rally that is now probably close to exhausted. SP has risen from a low of 1075 to just either side of 1200, or an 11% move, Crude has risen from a $75/bbl low to approx. $85/bbl, a 13+% move, and Copper has risen from a $3.00 low to $3.40 or a 13+% move.

So we've had a nice retracement and it wasn't all short-covering. In fact, in a number of markets Open Interest (the number of new contracts) has actually increased in the rally. It almost feels like "risk on" again. But be careful; remember what I said about looking at market rallies in a new light. It still applies.

Until the market can actually take out old highs, we're most likely in a bear market trend, and at current levels we're close to that bear market trend resistance. If correct, repetition principal suggests that the next downward move will take the S+P down 275 points from 1250 (optimum resistance target), or 975 area. You can probably do the math on how the other markets might react as well if they mirrored such a move.

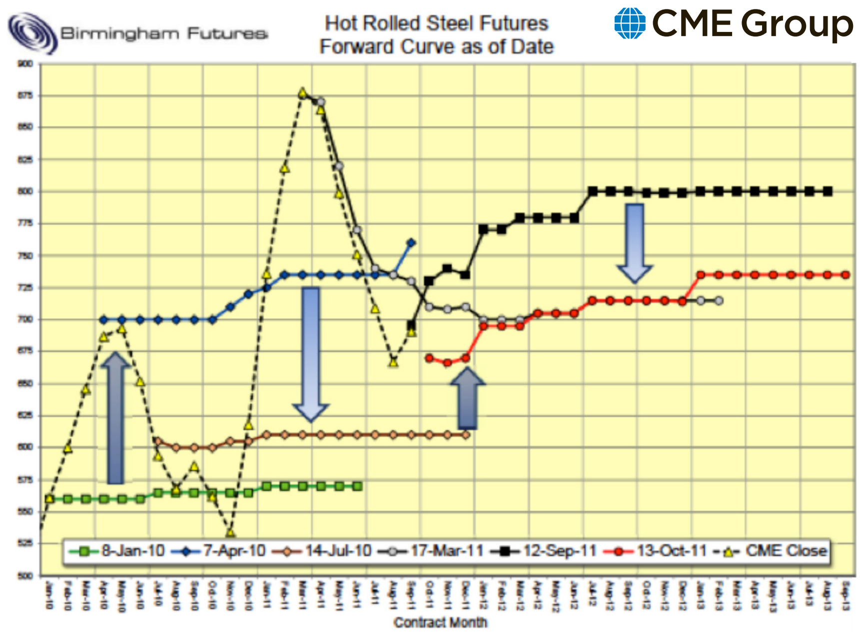
NYMEX HOT ROLLED COIL (HRC)

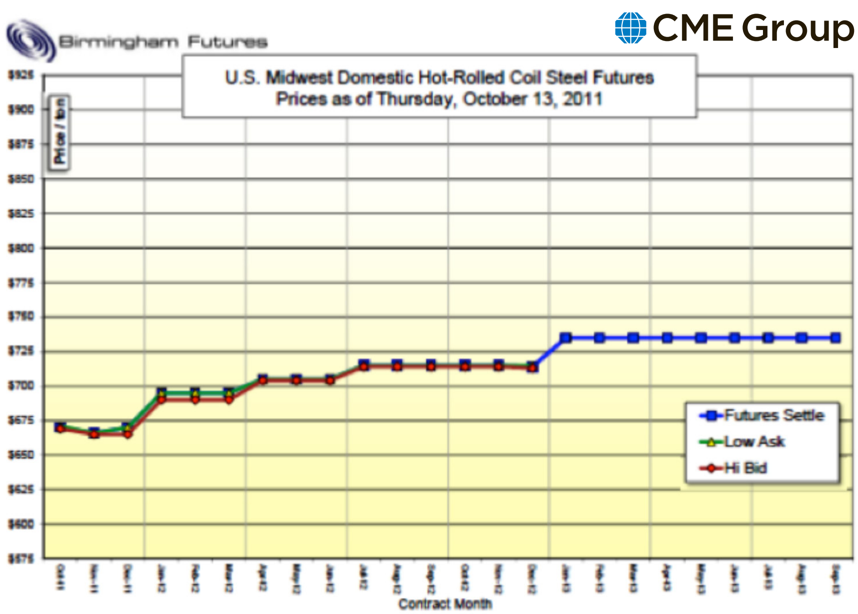
The Forwards have resumed their decline. This time however the spot market is leading the way. Regardless of how low the lowest deals have been transacted so far on spot, and there are some pretty low numbers rumored, one thing is clear and that is for those willing to transact quantity the spot price continues to drop weekly.

This has brought the forwards under pressure although to a lesser degree than the spot market. We have seen the nearby months drop another $10/ST (short ton) to the $665/ST area while Q1 '12 has now traded below $700 and Q2 just above $700 with 2H '12 now trading either side of $715.

Calendar '12 can now be picked up around $710/ST for decent sized deals. These periods are all down approximately $15/ST from last week.

Volume traded has been relatively modest with the most today where 7500 Short Tons traded through Clearport (CME Group), and another 2120 ST traded on the screen.





SMU Note: Andre Marshall is the instructor for our Hedging Price Risk workshop. Crunch Risk, LLC, Steel Market Update, CME Group and CRU Group will be working together at our next workshop which will be November 2, 2011 at the NYMEX building in New York City. Go to www.SteelMarketUpdate.com/Events for more details and for registration.