

Steel Companies Fall On Demand, Price Worries

The Associated Press

NEW YORK (AP) — Shares of steel companies fell Monday as investors worried that demand could fall because of slower economic growth.

Last week Steel Dynamics Inc. and Nucor Corp. released second-quarter guidance that fell short of analysts' expectations. Both companies cited increased domestic supplies and imports pressuring domestic prices.

In a research note on Monday, Jefferies analyst Luke Folta lowered his steel price and demand forecasts, citing risks to global growth related to the European debt crisis and the effect on steel markets.

He noted that prices for hot-rolled coil (HRC) steel and scrap steel fell in June compared with May. He predicted the second-quarter HRC price would be about \$660 per ton compared with \$703 per ton in the first quarter. Shredded scrap prices were about \$411 per ton in the second quarter compared with \$450 per ton in the first quarter.

Business conditions should gradually recover starting in the fall, Folta said. He thinks inventories will be better aligned with demand after production cuts, destocking this summer and the effect of seasonal patterns.

The industry also should benefit if China continues to promote growth to reverse its economic slowdown, Folta wrote. That would help the overall global economy.

He forecast a 7.5 percent increase in steel consumption in 2012 compared with 2011. That compared with his previous estimate of 8.5 percent. He expects a 5.7 percent growth in steel consumption next year, down from a prior outlook of 7.1 percent.

Steel Dynamics said Friday that it expected second-quarter earnings to range from 15 to 20 cents per share. Analysts surveyed by FactSet, on average, had forecast earnings of 25 cents per share. Steel Dynamics is based in Fort Wayne, Ind.

Nucor, based in Charlotte, N.C., on Wednesday predicted earnings of 35 to 40 cents per share for the quarter ending June 30. That includes a one-time impairment charge of 9 cents per share related to a joint venture. Analysts surveyed by FactSet had predicted, on average, earnings of 51 cents per share.

In midday trading, shares of Steel Dynamics fell 3 cents to \$10.99; Nucor dropped 40 cents to \$37.21; United States Steel Corp. fell 75 cents, or 3.9 percent, to \$18.27 and AK Steel Holding Corp. lost 26 cents, or 4.9 percent, to \$5.06.

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