

# Steel Producers Decline On Downgrades

The Associated Press

NEW YORK (AP) — Shares of steel companies fell Monday after an analyst lowered ratings on two manufacturers, citing higher steel prices that could make imports more attractive.

During the third quarter, domestic hot-rolled coil steel products have been priced up to \$108 per ton more than similar products sold in southern Europe. That suggests near-term declines in hot-rolled coil steel prices are likely, Citi Research analyst Brian Yu said.

At the same time, higher U.S. steel prices versus products sold in Europe and China will prompt more customers to look at imports. "Imports have slowed since the beginning of the year, but this could change in the near future given the wide domestic steel price premium," he wrote.

Yu lowered his estimate for hot-rolled coil steel to \$656 per ton from \$666 per ton this year; to \$625 per ton from \$650 per ton in 2013 and to \$630 per ton from \$650 per ton in 2014.

The analyst lowered his rating on U.S. Steel Corp. to "Neutral" from "Buy," citing his expectation for near-term weakness in spot prices. The company's share price target was lowered to \$23 from \$30.

He also lowered his third-quarter per-share estimate to break even from 7 cents per share and his 2012 per-share estimate to \$1.28 from \$1.53. For 2013, Yu's forecast is \$1.35 per share compared with his previous estimate of \$2 per share.

Analysts surveyed by FactSet predict earnings per share of 2 cents in the third quarter, \$1.57 for 2012 and \$2.37 in 2013.

Yu also reduced ratings for AK Steel Holding Corp. He lowered his rating to "Sell" from "Neutral" and set a share price target of \$3.50 compared with his previous estimate of \$5.50.

The third-quarter per share estimate remained at a loss of 36 cents. The 2012 per share estimate was lowered to a loss of 70 cents from a loss of 55 cents per share, and the 2013 earnings-per-share estimate dropped to 15 cents from 40 cents.

Analysts predict a loss of 35 cents per share in the third quarter; a loss of 50 cents in 2012 and income of 58 cents per share in 2013.

In midday trading, shares of U.S. Steel fell 37 cents to \$19.57 and AK Steel dropped 19 cents, or 3.6 percent, to \$5.06.

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In addition, shares of Nucor slipped 17 cents to \$39.32 and Steel Dynamics decreased 12 cents to \$11.79.

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