



Metals & Mining



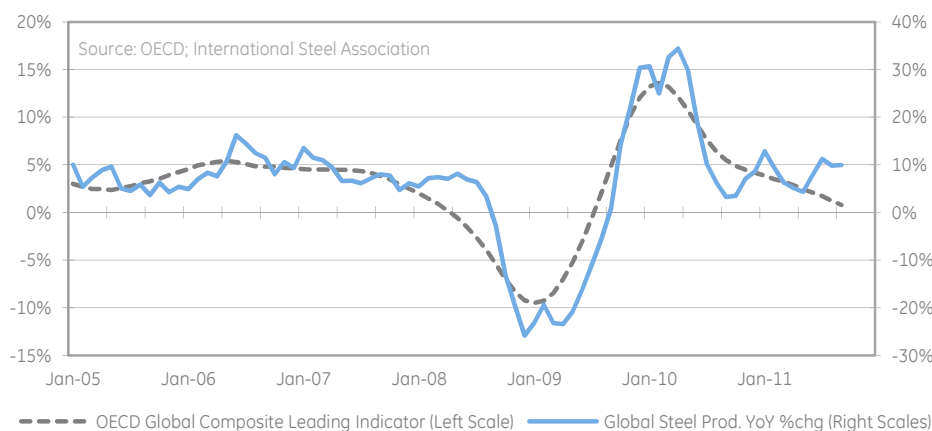
Key Developments

- The OECD's Global Composite Leading Indicator (CLI) YoY growth decelerated to 0.8% in September 2011 and was down 0.1% vs. August - the sixth MoM decline in a row.
- The U.S. ISM's Purchasing Managers Index (PMI) fell to 50.8 in Oct. vs. 51.6 in Sept., however, the new order index recovered back to 52.4.
- Worries of a Euro recession and slower Chinese growth continue to weigh on metals markets. China's PMI index hit a 32 month low of 48 in November according to HSBC. However, global coordinated central bank easing has lifted prospects more recently.
- U.S. spot flat rolled steel pricing fell about \$30-60 per ton since the end of Sept to mid-Nov. and appear to have bottomed, with recent mills price hikes reportedly getting some traction.
- Base metals prices have falling about 2% over the past 30 day to mid November, but have started to rally some most recently.

Key Indicators

Metal prices continued to fall through mid November the wake of Eurozone recession worried and signs of a slow down in China. However, recent coordinated central bank easing appears to have brightened the outlook.

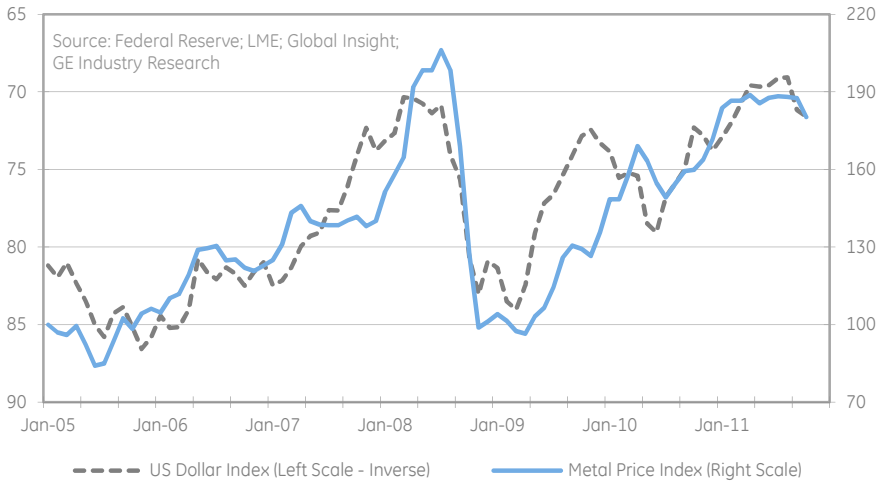
OECD Composite Leading Indicator (YoY %chg) vs. Global Steel Production (YoY %chg)



The OECD CLI growth decelerated to 0.8% YoY in September 2011 and was down 0.09% MoM for the sixth month in a row. In contrast, global steel production was up 10% YoY in September (albeit 0.5% vs. August), suggesting excess supply.

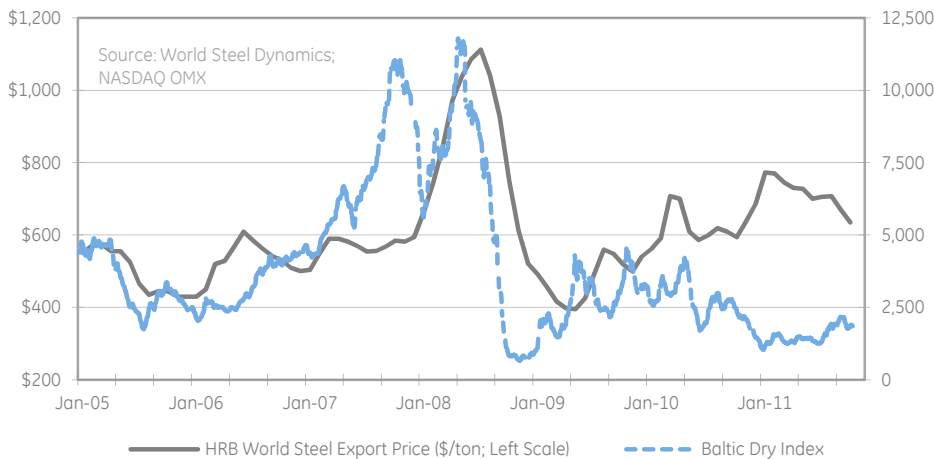
Key Indicators (continued)

Trade Weighted U.S. Dollar Index (Inverse Scale) vs. Metals Price Index



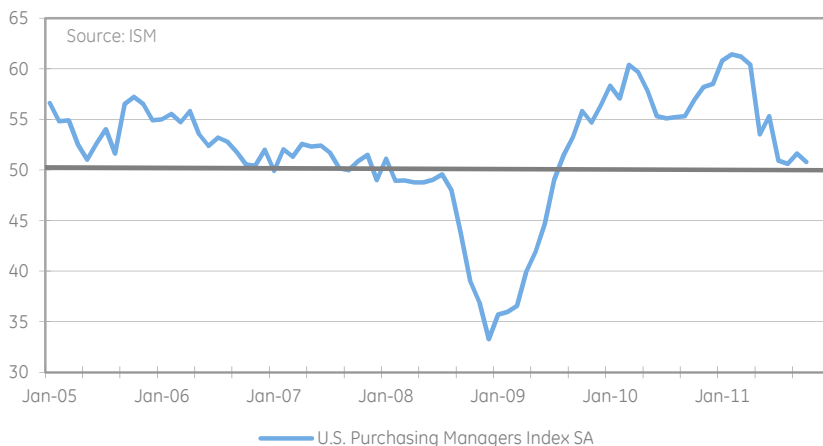
The U.S. trade weighted dollar index strengthened 0.6% in October vs. September following a 3% rise in September vs. August. Recent firming of the U.S. dollar reflects a “safe haven” shift in the wake of rising global economic concerns and has added to the downward pressure on metals pricing.

Steel Hot-Rolled Band World Export Price vs. Baltic Dry Index



The BDI strengthened weakened about 11% in November vs. October reflecting weakening demand which was mirrored by a 5% drop in the world steel export price for hot-rolled band.

U.S. Purchasing Managers Index SA

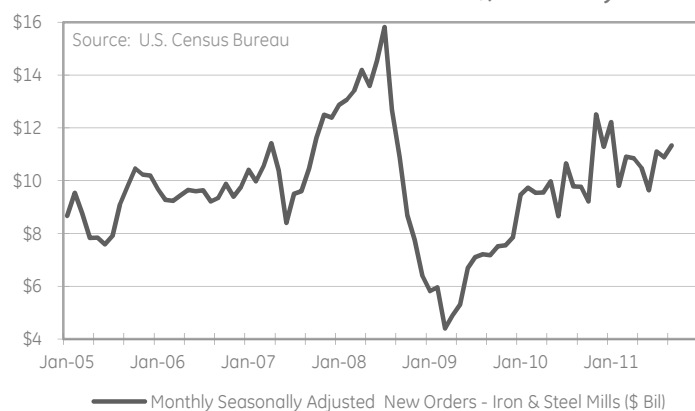


U.S. manufacturing growth momentum slowed slightly in October but remained “expansory” with the PMI ticking down to 50.8 percent vs. 51.6 percent in September (note: reading above 50 imply manufacturing is generally expanding). On the positive side, the new order index recovered back to 52.4 in October vs. a contraction reading of 49.6 in September.

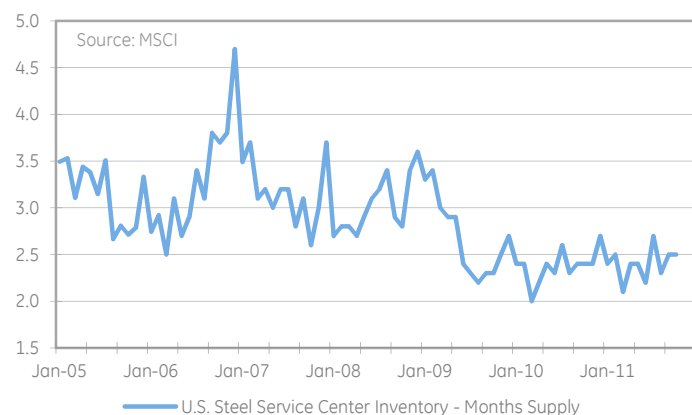
Steel Supply / Demand Indicators

Steel orders appear to have picked up very recently as buyers with low inventories order ahead of mill price hike announcements. Still, underlying demand remains sluggish, and supply is ample.

New Orders – U.S. Iron & Steel Mills (Current \$; SA Monthly Rate)

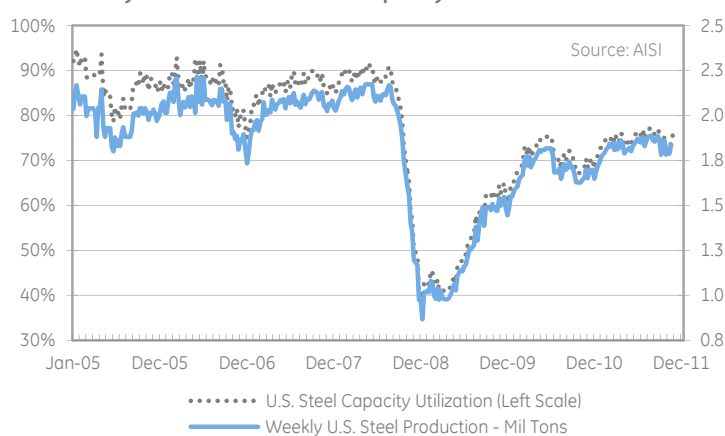


U.S. Steel Service Center Inventories (Months of Supply)

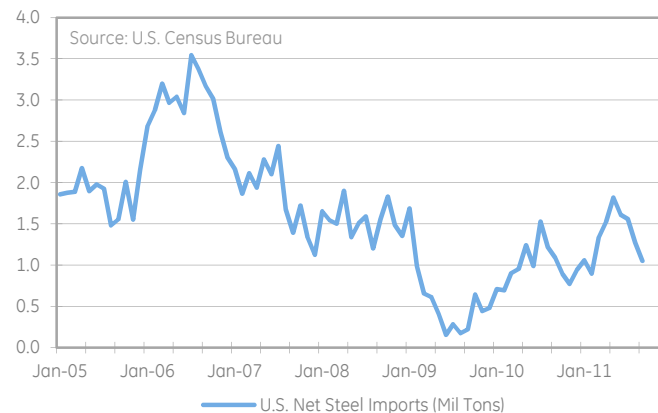


- Seasonally adjusted new orders in dollar terms for U.S. Iron & Steel Mills rose 16% YoY in September and 4% from the prior month according to Census Bureau data. More recently, we hear that orders picked up as pricing bottomed in November, with lead time extending. A number of mills having reportedly now closed their order book for January. Previously, HR lead times had been as low as 1-3 weeks.
- Steel inventories also declined 1.5% in October to 8.38mn tons. Monthly service center steel shipments also fell 0.7% in October to 3.38mn tons from 3.40mn tons in September. Consequently, months supply on hand held flat at 2.5 in October.

U.S. Weekly Steel Production vs. Capacity Utilization



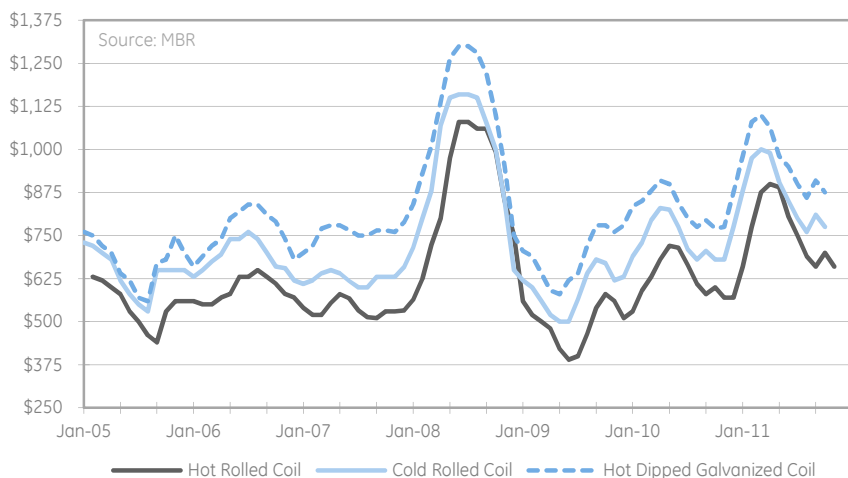
Monthly Net U.S. Steel Imports



- U.S. steel capacity utilization ticked down to 73.3% in October vs. 76.2% in September, but has risen back up to 75.6% as of the week ending Nov. 19th. New and restarted capacity has been entering the market, but this has temporarily been partially offset by planned maintenance outages.
- U.S. imported a total of 2.24 million tons of steel in September, including 1.66 million tons of finished steel - each down 9% from August final data. U.S. Steel exports rose 2% vs. August to 1.22 million tons. On balance, net imports continued to fall. Finished steel import market share in September was an estimated 20% and is 22% YTD. Steel import permit applications in October totaled 2.19 million tons, down 3% from the September and a 2% drop from the September preliminary imports total.

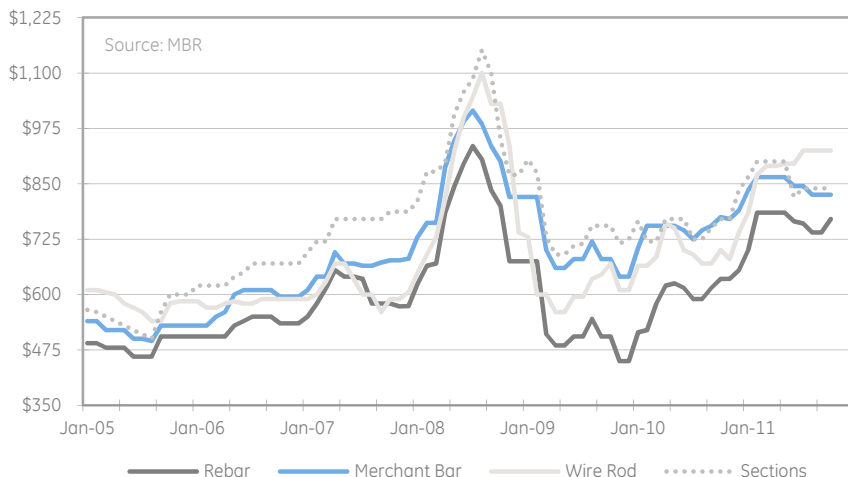
Steel Pricing Trends

U.S. Flat-Rolled Steel Prices (\$/ton)



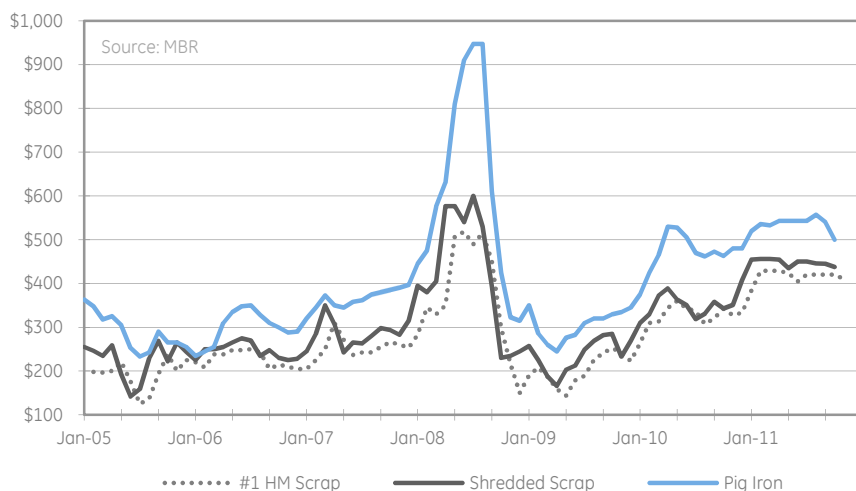
U.S. spot flat rolled steel pricing fell about \$30-60/ton since the end of September to mid-November, with hot-rolled band bottoming at about \$640 per ton. More recently, mills are reportedly starting to get some traction on their \$50/ton price hikes with rumors that fresh round of hikes may be announced soon. As of the end of November, HRB has climbed to about \$660/ton.

U.S. Steel Long Product Prices (\$/ton)



U.S. steel long product prices were relatively stable in October vs. September, but have followed scrap pricing lower in November. Nonresidential construction spending remains moribund, with government spending on construction likely to slip in the future reflecting deficit concerns. Long product prices may nevertheless find some support from a recovery in scrap prices in the weeks ahead.

U.S. Steel Scrap and Pig Iron Pricing (\$/ton)

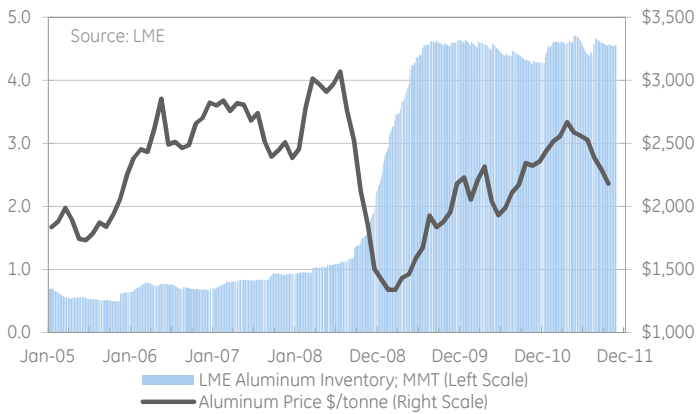


U.S. steel scrap prices have weakened in November by about \$20-30/ton following remarkable stability seen in prior recent months. More recently, tags rose about \$5/ton pre Thanksgiving on the back of export orders, with some market observers at a recent steel conference in New York looking for a \$20-30/ton recovery in December.

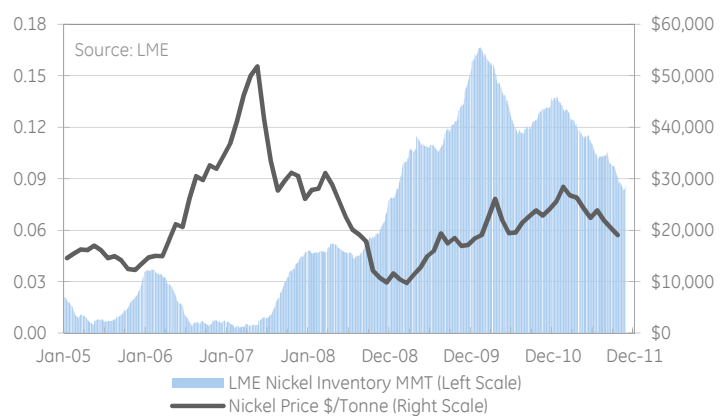
Base Metal Price Trends

Base metal have been under considerable pressure in recent week under the cloud of the European debt crisis and slowing growth in China. Globally coordinated central bank easing, particularly in China, could prove a catalyst for recovery.

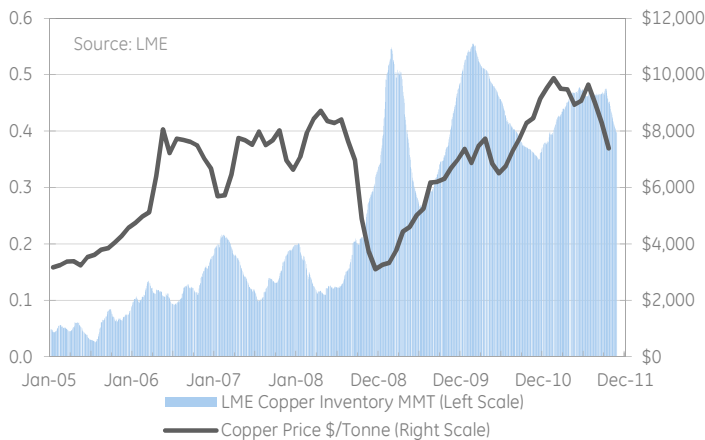
Avg. Monthly Spot LME Aluminum Price vs. LME Inventory



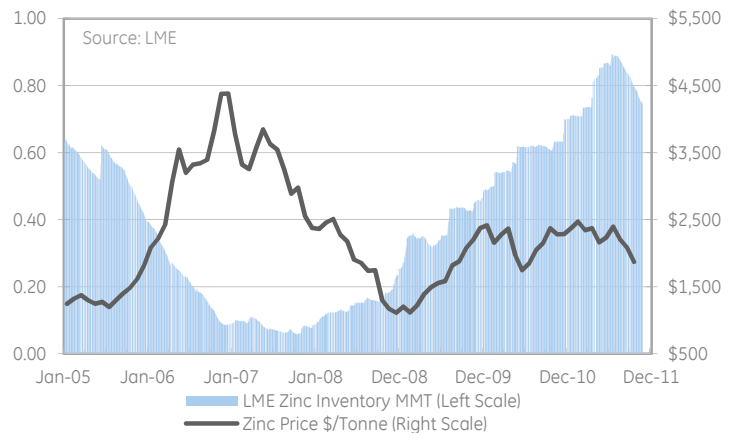
Avg. Monthly Spot LME Nickel Price vs. LME Inventory



Avg. Monthly Spot LME Copper Price vs. LME Inventory



Avg. Monthly Spot LME Zinc Price vs. LME Inventory



- LME aluminum pricing has fallen about 10% since the end of October to the end of November to just under \$2,000/tonne. Prices are expected to continue to languish under the weight of oversupply until there is news of substantial production cuts.
- Copper cash prices on the LME have fallen about 6% since the end of October to about \$7,470/tonne at the end of November. Copper has been buffeted by the same macro concerns effecting the base metals complex generally, but has benefited on the supply side by a continued mine strikes (e.g. Freeport's Grasberg mine in Indonesia)

- LME cash nickel pricing has fallen about 12% from \$19,200/tonne at the end of October to just under \$17,000/tonne as of late November. Pricing is likely to remain under pressure in the face of new capacity and lackluster demand, until high cost production is cut.
- LME zinc pricing has been one of the more resilient of the base metals in recent weeks, with the price actually up slightly versus late October to \$1,935 as of the end of November. Zinc pricing has held up well of late, despite slowing demand growth, likely due to a number of smelter production cutbacks, particularly in China.

Financing Trends

On November 18th, 2011, GE Capital, Corporate Finance announced it was sole lender on a \$110 million senior secured credit facility for Energy Alloys LLC, a global provider of oil field metals and services. The loan will support growth and working capital needs.

Based in Houston, TX, Energy Alloys provides oil field metals and equipment to global oil and gas manufacturers and service companies. Energy Alloys has domestic operations in Tulsa, OK, and Lafayette, LA, and international operations in the United Kingdom, United Arab Emirates, Canada, Mexico, South Korea and Singapore.

"By considering both our domestic and international assets, GE provided us with optimal borrowing capacity that more than meets our needs," said Paul Patek, chief financial officer at Energy Alloys LLC. "We appreciate their responsiveness and unique approach to structuring the finance."

"Working with our clients to provide them with the capital they need to meet their objectives is our specialty," said Tom Quindlen, president and CEO of GE Capital, Corporate Finance. "We strive to really understand customer needs and leverage GE companywide know-how to help finance and fuel their business."

\$110,000,000
Sole Lender
Senior Secured Credit Facility

energyalloys



GE Capital Commitments

\$3.6 Billion in Investments Across the Value Chain*

*GE Capital as of Sept. 2011; Americas only



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