

MARKET ANALYSIS

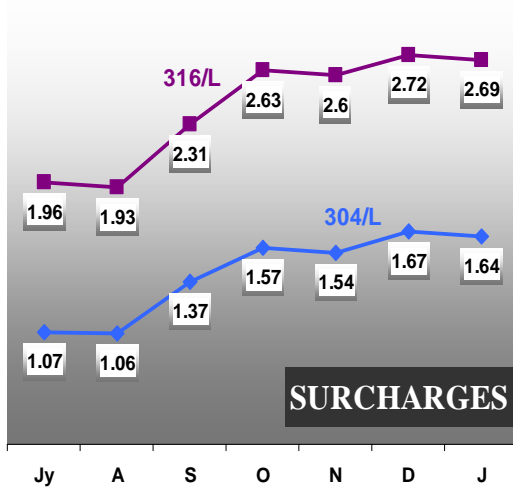
December, 2006

Base prices on stainless pipe appear to have stabilized and we anticipate no changes thru the first quarter of 2007.

Surcharges for December increased another 5% for 316/L and 8% for 304/L (see graph) before pulling back slightly in January.

Nickel prices reached nearly \$35,000/ton last week, a record high.

Lead times for stainless steel pipe remain problematic as some of the larger diameter pipe running as far out as 40 weeks or more. Because of the many large industrial projects set to begin construction next year, we anticipate serious availability issues in 2007.



World wide demand for process piping remains very strong with ethanol, biogen, waste water, petrochemical and refinery projects leading the way. This, coupled with low inventories and record high nickel prices, tells us we can expect a great deal of uncertainty and volatility in the coming year.

About the Author

Tom Sheeler has been involved in the PVF industry for over 36 years and is currently the General Manager for **American Stainless & Supply** located in Cheraw, SC. With his extensive experience in inventory management, sales and most importantly, purchasing, Tom has developed a passion for discovering where the market is and where it is headed.

From his daily discussions with leaders of international companies and major domestic manufacturers, he keeps his finger on the pulse of the commodity markets and guides the company in its purchasing decisions. "I've seen several business cycles come full circle," Tom says, "and the one thing I know for sure is that no trend lasts forever... Things change."

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