The UPM Market Informer

Monthly Market Intelligence for Customers of United Performance Metals March 2016

Aerospace and Defense Jobs to Grow in US This Year

According to Deloitte LLP's "Aerospace & Defense Labor Market Study", after several years of job losses, sector employment is expected to grow in 2016 by more than 39,000 jobs in the U.S.

This reverses a five-year trend that resulted in employment decreases of 9.4 percent, of which about 185,000 jobs were lost in the defense subsector.

Deloitte analysts attributed the defense sector losses to budget cuts at the Defense Department since 2011, but the Pentagon's budget will increase this year due to "increased national security threats, global tensions and recapitalization requirements."

"A return to growth will be healthy for innovation, product development and game-changing technology creation—a cornerstone of this industry," said Deloitte aerospace and defense leader, Tom Captain.

Aerospace and defense companies directly employed 1.2 million people as of 2014 and indirectly led to the employment of 3.2 million additional workers. *Source: Manufacturing.net*

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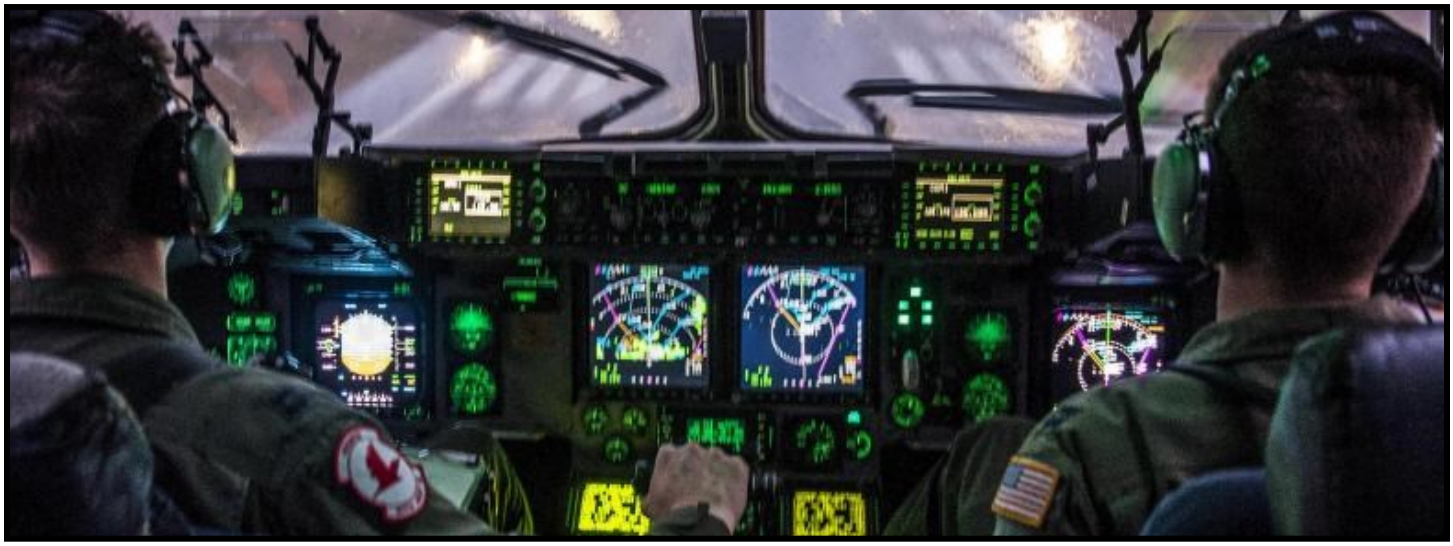


Outokumpu Coil Americas will increase prices as of March 1, 2016. All Cold rolled 200, 300 and 430 series products discounts will be reduced by 2 discount points. All Hot Rolled CMP products will be increased by $60/MT.

ATI will increase base prices of all 200 & 300 series and 430TM grades of cold rolled and tubular quality sheet, strip and Precision Rolled Strip® products by reducing the functional discount 2 points.

ATI will increase the price of CMP products by $0.03/lb.

AK Steel will increase base prices for all stainless steel products. For commodity sheet & strip, specialty sheet & strip, and pipe and tube sheet & strip products. The increase will be achieved through a reduction in the functional discount of 2 % points. For remaining stainless steel products, including automotive sheet & strip, base prices will be increased by $40/ton.

U.S. Manufacturing Output Rises by Most since July 2015

U.S. manufacturing output rose in January by the most since July 2015, a sign the industry was starting to stabilize at the beginning of the year. The 0.5% advance at factories, which make up 75% of all production, followed a 0.2% decrease the prior month, a Federal Reserve report showed Feb. 17. Total output, which also includes mines and utilities, jumped a larger-than-projected 0.9%. Factory production was boosted by a surge in output of consumer goods, both durables such as motor vehicles and nondurables, as well as business supplies. The improvement indicates the worst of the drag from a stronger dollar, malaise in overseas markets and less spending in the energy sector may be starting to dissipate. *Source: Bloomberg News*

Expected Mill Lead Times for March, 2016:

Stainless Cold Rolled—10-12 weeks

Stainless Plate—7-9 weeks

Nickel Cold Rolled—14-16 weeks

Nickel Plate—12-14 weeks

Aluminum— 8 weeks

Steel Prices on the Rise

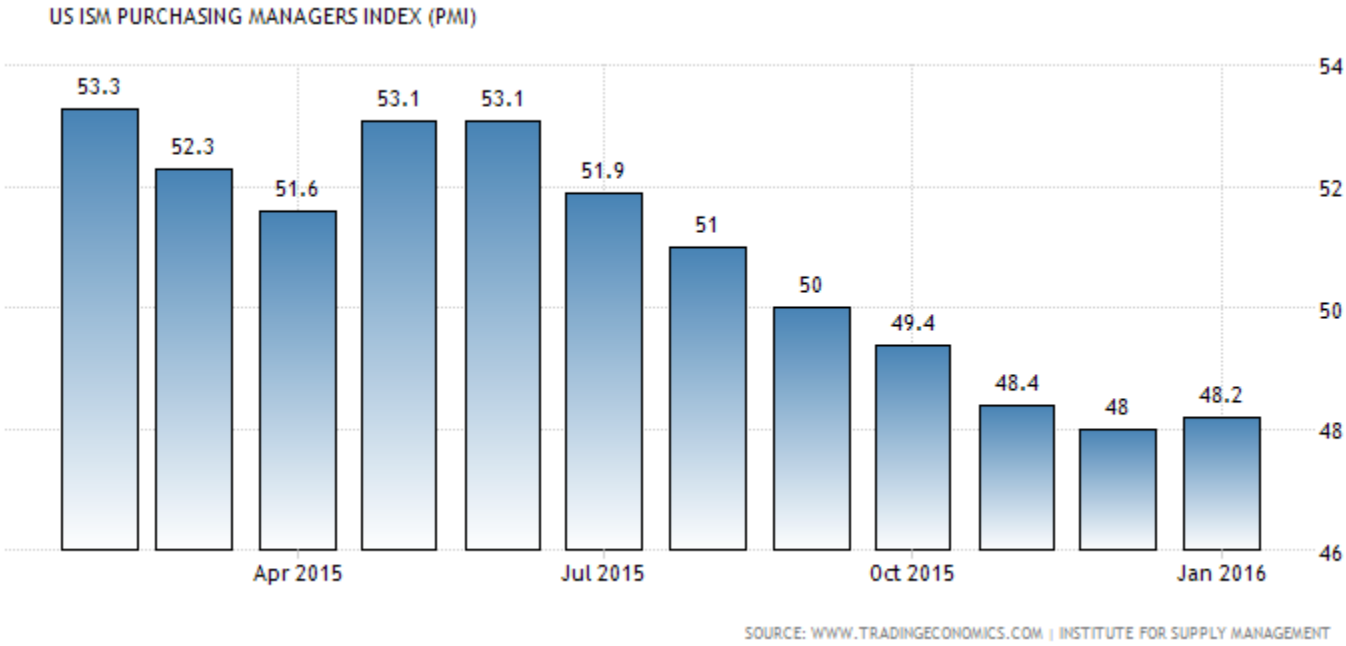
Domestic steel prices, on a freefall through most of 2015, have started the year with a little tailwind. T.S. producers increased hot-rolled, cold-rolled and hot-dipped galvanized prices by $40 per ton in mid-December, then called for another $20-$30 increase in January. Nucor did likewise with plate products.

The result was a domestic hot-rolled price around $380 in January, up about $30 from the prior month. Increasing scrap prices, plus a tightened supply due to reduced mill output and fewer import, supported that improved pricing environment, according to Metal Bulletin Research.
Source: Metal Center News

Titanium Surcharge Update

Source: ATI Specialty Metals

Titanium Alloy	Standard Surcharge Q1, 2016		
	Bar	Billet	Flat
ATI 6-2-4-2 Alloy	$5.80	$5.28	$5.80
ATI 6-4 Alloy	$4.76	$4.34	$4.76
ATI 6-4 ELI Alloy	$4.76	$4.34	$4.76
ATI CP Grade 1	$4.94	$4.50	$4.94
ATI CP Grade 2	$3.70	$3.37	$3.70
ATI CP Grade 4	$3.70	$3.37	$3.70



UNITED PERFORMANCE METALS
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Stainless Steel & Cobalt Alloy Surcharge Totals
December 2015—March 2016
High Temp Surcharge Totals
December 2015—May 2016

Grades	Dec	Jan	Feb	Mar	Apr	May
15-5	0.2976	0.2667	0.2690	0.2613	*	*
15-7	0.3538	0.3142	0.3230	0.3116	*	*
17-4	0.2950	0.2657	0.2683	0.2607	*	*
17-7	0.3554	0.3066	0.3046	0.2931	*	*
18SR	0.1476	0.1415	0.1465	0.1426	*	*
201	0.2760	0.2433	0.2436	0.2335	*	*
301 7.0%	0.3566	0.3077	0.3042	0.2938	*	*
302/304/304L	0.3893	0.3352	0.3321	0.3195	*	*
304-8.5%	0.3965	0.3468	0.3432	0.3301	*	*
305	0.5102	0.4320	0.4244	0.4079	*	*
309	0.5386	0.4592	0.4510	0.4334	*	*
310	0.7593	0.6373	0.6208	0.5963	*	*
316/316L	0.4723	0.4112	0.4155	0.4003	*	*
317L	0.5382	0.4724	0.4801	0.4628	*	*
321	0.4103	0.3506	0.3465	0.3332	*	*
347	0.6783	0.6186	0.6145	0.6012	*	*
409/409 Mod	0.0967	0.0930	0.1002	0.0969	*	*
410/410S	0.1029	0.0989	0.1059	0.1025	*	*
430	0.1394	0.1339	0.1402	0.1354	*	*
434	0.1547	0.1508	0.1605	0.1553	*	*
439	0.1474	0.1415	0.1477	0.1426	*	*
440A	0.1394	0.1339	0.1402	0.1354	*	*
2205	0.4044	0.3715	0.3850	0.3714	*	*
2507	0.4407	0.4028	0.4165	*	*	*
20	1.3543	1.2687	1.3089	1.0928	0.9979	0.9648
263	3.4848	3.2055	3.2415	2.6725	2.0237	2.0914
276	3.1597	2.9592	2.9126	2.5444	2.4467	2.4246
A286	0.8778	0.8137	0.8417	0.6878	0.6185	0.5974
330	1.1283	1.0404	1.1074	0.8920	0.7853	0.7471
400	1.9937	1.8595	2.0140	1.5694	1.3570	1.2601
600	2.2342	2.0577	2.2246	1.7855	1.5694	1.4859
601	1.9751	1.8284	1.9590	1.5967	1.4165	1.3471
617	2.6180	2.3857	2.4193	1.9205	1.5108	1.5255
625	3.8891	3.7330	3.7687	3.4028	3.2682	3.2249
718	4.0277	3.8984	3.9717	3.6600	3.5229	3.4745
X-750	2.7915	2.6196	2.7812	2.3541	2.1437	2.0623
800H/HT	1.0634	0.9858	1.0398	0.8506	0.7564	0.7232
825	1.4967	1.3968	1.4383	1.1947	1.0914	1.0561
HX	2.0347	1.9009	1.9047	1.6040	1.4911	1.4656
188	4.3100	3.7200	3.7400	*	*	*
L-605	5.0200	4.3300	4.3700	*	*	*

*Surcharge currently not available

U. S. Air force Looks Ahead to 'Family' of Next Air Dominance Weapons

The U.S. Air Force is nearing completion of a study about U.S. air dominance in 2030 that will lay the groundwork for future purchases of a "family" of new combat weapons that could include a fighter jet, commented a top general.

Lieutenant General Mike Holmes, deputy chief of staff of the Air Force for strategic plans and requirements, told reporters the study should be presented to top Air Force leaders next month. The next step would be a formal analysis of alternatives, which would pave the way for a new acquisition program in coming years, he said.

Lockheed Martin Corp, maker of the F-35 and F-22 fighter jets, Boeing Co, which builds the F/A-18E/F and F-15 fighter jets, and Northrop Grumman Corp, maker of unmanned planes and large parts of the F/A-18 jets, are watching closely for clues about the future weapons program.

The Air Force is slated to declare an initial squadron of radar-evading, fifth generation F-35 fighter jets ready for combat this August after 15 years of development work. But advances in radar technologies by Russia and China have prompted U.S. military leaders to start thinking about the next generation of combat planes beyond the F-35.

"It won't be just one airframe that comes out of it. It'll be a family of systems that helps us make sure we can guarantee the air superiority that the joint force depends on," Holmes told reporters after a speech hosted by the Air Force Association. Holmes said the Air Force was also exploring potential electronic warfare capabilities as part of the effort.

Separately, Holmes said the Air Force planned to buy new helicopters to replace its aging fleet of 62 UH-1N helicopters built by Bell Helicopter, a unit of Textron Inc., which are used for security around Minutemen III intercontinental ballistic missile silos, and to provide VIP transports. He said the Air Force's fiscal 2017 budget would start funding the effort, but decisions about how the acquisition would be structured have not yet been made.

He also said one possibility would be to split the current mission into two, carving off the nuclear protection work, and potentially awarding a single supplier a sole-source contract. Europe's Airbus, Bell Helicopter and Sikorsky Aircraft, a unit of Lockheed, have all expressed interest in building the new helicopters for the Air Force. *Source: Reuters*