

Office and Plant:
2800 South 61st Court
Cicero, Illinois 60804-3091

(708) 735-8000
(800) 323-2750



Mailing Address:
P.O. Box 5137
Chicago, Illinois 60680-5137

Facsimile:
(708) 735-8100

June 21, 2010

Frustration - - The Road to Nowhere

One of the more intense emotions we all feel during our daily lives is frustration. When we are backed up in traffic on the way to work, when we await the plumber who promised to come hours ago, when we confront reporting requirements from the government that seemingly have little utility, we get frustrated. We may also be angry but the real itch is not being able to do anything about it, and that is frustration.

Looking beyond our personal world, there is plenty of frustration to go around. The activities of today's favorite punching bag— BP — may or may not make us angry, but seeing the televised seabed gusher frustrates us, again because nobody seems able to stop it. We despise the cruelty of the Taliban and their aid and comfort to Al Qaida, and we were willing to spend lives and treasure to see them suppressed. But we are frustrated that the war in Afghanistan goes so slowly and with great difficulty. We detest the bankers and other Wall Street figures who led us into the subprime mortgage swamp and now seem grossly overcompensated, but we are frustrated that we can do so little to secure some retribution for their malfeasance.

While we have lived in a world full of danger and uncertainty, but we have usually felt that we were, in the end, masters of our destiny. Hitler's armies were lethal and fear-inspiring, but we were confident in our ultimate victory. The Soviet nuclear threat was unnerving, but we correctly believed that we could contain the threat until it finally dissipated. Our civil rights dilemma at home troubled us for generations, but we addressed it, perhaps haltingly, so that we can now claim very substantial progress.

What seems different about today's problems is that they can look to be intractable. We know that the BP leak will be stanchd, but when? And after how much environmental damage? Will we ever feel safe about Afghanistan? Will we ever have a financial system free of new Madoffs and overpaid purveyors of economic disaster?

Faced with these frustrations, many call for basic changes in our present arrangements of government. Beyond throwing out elected officials (which, after all, is why we have elections), they seek to upset how we have lived for generations. The Fed didn't do enough to prevent the subprime mess? Get rid of it. Social Security and Medicare are going bust? End those programs. Our immigration situation is broken? Round up all the illegals and send them home. Racial discrimination remains a problem? Let the private sector deal with it.

In my opinion, therein lies the danger of frustration. Getting angry about something can sharpen the will to improve the situation. Getting frustrated leads many to throw up their hands and stop working to improve what they don't like. Some drop out and give up. Others become more involved but want to wipe the board clean rather than finish the game. That approach may be satisfying emotionally, but it does little to resolve the problems at hand. The Fed is not going away, but it could be improved. Social Security and Medicare are here to stay, but they could be rationalized and made more cost effective. We aren't going to expel millions of immigrants, but we could better address the problems at the borders and the needs of American companies and farmers for help. Privatizing our antidiscrimination laws is not in the cards. Why distract the country from trying to improve things by making feel-good proposals to do things that will not happen?

This still leaves us with issues like Afghanistan and the Gulf of Mexico, where our best efforts seem to go awry. With that kind of problem, it seems to me that we just have to suck it up and keep trying. Someday, the leak will be stopped, we will clean things up, and we can do much more to prevent it from happening again. Someday, we can develop a strategy that will make Afghanistan manageable or, perhaps, irrelevant. For now, however, we cannot just walk away.

The best of our history was when we confronted serious problems, worked hard to address them and emerged ahead of where we started. One can only hope that frustration will not overcome our national bent to succeed.

Here are this month's cost data:

- Scrap and Pig Iron Both #1 dealer bundles and #1 busheling (Chicago) were off slightly this month, to \$455 per mt. These remain very high levels, historically. The spot price for Brazilian pig iron (cif New Orleans) took a much larger (15%) drop to \$450 per mt, but this also continues to be a very high price compared with years past.
- Natural Gas The Nymex contract price this month was at \$4.75 per mmBtu, a 19% jump. Still, unlike metal prices, gas remains a comparative bargain.

- Ocean Freight The Baltic Capesize Index was at 3317, a decline of over 30% from May. This suggests a slowdown in demand for bulk carriage, which is primarily driven by Chinese imports of raw materials.
- Exchange Rates The euro has been battered over the last month, at one point declining to under \$1.20. Things have stabilized a bit, however, and today's value is actually up a penny (at \$1.24) since last month. The pound strengthened by four cents to \$1.48, and the Canadian dollar was up a penny to \$0.97.

As the Chinese proverb says, these are interesting times, and we are always interested in learning what you think about them. We are posting this letter (and all our others) on the Corey website, www.coreysteel.com and on the international site www.steelonthenet.com.