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Registration Effective August 27th and Now Operational

We hope to resume the publication of detailed graphics or data backup in coming weeks. On September 4th Joseph Reagor joined our team, and on October 1st Subrina Mahmood joined also from Monmouth University. We contemplate further gradual enhancements.

PRICES AND INVENTORIES MIXED AS MANY MOVE ADVERSELY

- Last week copper, zinc and plywood prices rose slightly by 1% margins, nickel rose almost 4% and lead rose another 10% to a wonderful 1.7314 per pound close.
- Eight commodity prices fell, including aluminum, steel scrap, gold, silver, platinum, uranium and board framing lumber. OSB was unchanged. Uranium's 12% and aluminum, silver and platinum's 2% price declines were the only "large" noteworthy drops.
- Commodity exchange inventories fell for aluminum, zinc and tin and rose for copper, lead and nickel.
- The inventory movements of aluminum, copper and lead were UNEXPECTED, and could be the beginning of a trend reversal. None of these three inventory changes were very large. However, in each of the three cases the metals price moved in the opposite intuitive direction of the current week inventory change in a manner consistent with the prior trend. That is, aluminum prices fell even though inventories fell, and copper and lead prices rose even though inventories rose.
- The rise in nickel inventories was 2,808 tonnes, a large one, and represents the sixth time since July that nickel inventories rose close to 3,000 tonnes in one week. Even though November stainless surcharges for type 304 will rise $200 per ton because September LME spot prices averaged almost $1 per pound more than August, there does not appear to be a quick rush on the part of steelmakers or other nickel users to take physical possession of inventories in anticipation of their distributor or end user customers taking physical delivery.
- The Random Lengths framing lumber composite (largely items similar to a pine 2" x 4" stud) fell $2 to $269 per 000 board feet, which duplicates the October 2006 five-year-plus low made last October. It is possible that some wood prices make "lower lows" owing to poor demand conditions, even

though "cost drivers" make marginal costs perhaps 20% higher than last winter due to C$ parity with the U.S. and $81 crude. Roughly one-third of U.S. supply for most grades of wood products other than plywood comes from Canada. (We monitor wood in part because it has no exposure to speculative activity in futures, unlike nonferrous metals).

ALUMINUM PRICES AGAIN FALL WHILE INVENTORIES DROP FOR FIRST TIME IN EIGHT WEEKS

Combined LME, Comex and Shanghai inventories fell 1,982 tonnes last week, the first drop in eight weeks. The amount of the drop was not significant. However, the rises in the seven prior weeks averaged 17,620 tonnes each and two of those individual weeks saw gains well over 30,000 tonnes. Thus, the absence of another huge gain was a plus.

The $0.022 per pound drop to $1.078 per pound signified the continued poor performance of aluminum prices. Aluminum is a big disappointment in the context of massive gains in some other metals commodities.

Output cuts may begin to appear, but $1.078 per pound is too high to prompt very many yet. We expect a price bottom somewhere between $0.75 and $1.00 per pound, and estimate full year average LME prices at $1.19 in 2007, $1.12 in 2008 and $0.95 in 2009.

COPPER SPOT PRICE DISPARITY NOTEWORTHY

On Friday the Comex spot closed at $3.6965, the Comex January 2008 contract at $3.7210, the LME spot at $3.7612 and the LME three month at $3.7331. It is noteworthy that the LME spot closed 6.5 cents above the Comex, while the LME three month closed just 1.2 cents above the New York market.

We do not attribute these differentials to the later Friday afternoon close of the New York market, although a timing non-simultaneity exists. There appears to be a geographic arbitrage related to the stronger performance of the European or global economy and the poor performance of the U.S. economy and U.S. housing sector.

An observer might conclude copper prices are a little closer to duplicating prior May 2006 all-time records if one watches the LME rather than Comex spot price.

The differential between copper and aluminum is a noteworthy future indicator of possible substitution, and has increased as copper rose and aluminum fell. Using the Comex spot price that is 6.5 cents less than LME, it closed the week with copper at a $2.619 per pound premium versus the $2.774 per pound all-time differential seen in May 2007. This could be viewed as a possible poor demand indicator. It could also prove less relevant if most of the adverse substitution would have been already embraced as either a $2 or a $3 copper price premium to aluminum would encourage aluminum or the substitution may simply be constrained by the amount of aluminum rod casting, wire rod mill and wire drawing factories that exist.

This past week combined commodity exchange copper inventories rose exactly 1,000 tonnes for the first weekly rise in five weeks. Spot prices rose exactly 1% to $3.697 per pound as noted.

NICKEL INVENTORIES GROW, AND NOVEMBER STAINLESS SURCHARGE REVERSAL VISIBLE AT $0.95 PER POUND OR ABOUT $152 PER TON FOR 304

Last week LME nickel prices rose $0.61 to $14.20 per pound, the second highest weekly close since July.

LME nickel inventories rose for the fourteen straight week, and it was the sixth of those weeks that the rise was "large" near 3,000 tonnes. Inventories rose by 2,322 tonnes Friday morning and 2,808 for the whole week. It is noteworthy that some daily declines occurred early in the week when the four day total rise was just 486 tonnes.

We wonder whether the future seasonal pattern will resemble the February 6, 2006 "week six" seasonal inventory peak at 36,822 tonnes that followed six straight months of buildup since late-July 2005.

Another scenario would be for Chinese "nickel pig iron" output to continue. Excess ordinary steel blast furnace capacity could be large, and iron ore supplies are not enough. Sustained long-term Chinese nickel pig output would require installations of hoods, dust emissions and gas control systems of some sort to abate sulphur dioxide and carcinogenic heavy metals emissions. It might be idealistic to expect strict Chinese emissions control standards in the near-term, but long-term rules probably are inevitable at some point.

We have hoped nickel would reverse the adverse trend seen since May 2007 as stainless surcharge formula will swing to a price rise in November owing to average LME prices in September having been about $0.95 per pound above August averages. However, the pace of inventory rises rose to 2,550 tonnes as the total reached the March 2006 crest.

GOLD, SILVER AND PLATINUM DROP

Gold fell $1.50 per oz, silver fell $0.39 and platinum dropped $26 from platinum's record the prior weekly close. Though the drops were small, they were the first gold price declines in eight weeks.

Gold closed above $700 for the FIFTH straight week and the SIXTH individual week other than May 15, 2006 since January 1980. The trend remains encouraging.

Continued upward moves are conceivable given the size of the monetary injections from several of the world's largest central banks. It is conceivable that the U.S. Fed cuts interest rates another time in the months ahead, although it is also possible that market forces push them up too if bond buyers disappointed from the past year's event postpone purchases to force better yields.

LEAD PRICES RISE 10% TO ANOTHER RECORD

Lead broke the prior July 22nd weekly record near $1.58 per pound in impressive fashion closing at a new $1.73 per pound record. It has exceeded aluminum and zinc for the first times in history for almost three months for aluminum and one month for zinc by now.

Inventories rose 125 tonnes to 22,175 after last week rising 950 tonnes to 22,150. It is inevitable that lead inventory declines slow down as there is not too much inventory left in the system.

ZINC INVENTORIES CONTINUE TO DROP RAPIDLY

Zinc prices rose $0.01 to $1.40 per pound and inventories fell 1,950 tonnes this week after falling 6,986 tonnes last week after falling 7,736 tonnes in the second prior week to the lowest level in many years. The 87,169 combined LME and Shanghai zinc inventory level is modest and represents about 3 days of world use.

Looking ahead, it is likely at some point that zinc inventories stop falling because the exchange stocks are so low. Much as nickel inventories last May never fell below 3,000 tonnes or lead below 21,000 tonnes recently, there should be a point somewhere above 50,000 tonnes at which exchange stocks of zinc simply fall no more.

STEEL SCRAP

Steel scrap indices were mixed. The #1 heavy melt in Chicago, Pittsburgh and Philadephia composite fell $0.33 to $264.67 from $265 per ton.

We traveled on October 4th to one mile from the Steel Dynamics "Mesabi Nugget" location near Hoyt Lakes, MN while visiting Polymet Mining. The Steel Dynamics purchase of Omnisource and Sims purchase of Metal Management appear to reflect a conviction that scrap resources will be scarce and command firm or rising profit margins. It is noteworthy that past down cycles can be forgotten in the four year boom trend.

URANIUM FALLS AGAIN

Uranium spot prices fell $75 from $85 per pound, and are well down from highs near $136 per pound earlier this year. We hosted Uranerz in our "offices" and for barbeque on Monday, October 1st. They believe international utilities have begun to cut inventories owing to their angst at the more than tenfold price rise in the past three years. They do not believe that speculative sales or investment dealers account for the price drop.

We do not know of any reason for electric utilities around the world to change their uranium procurement patterns. World growth and electricity demand appears brisk, and climate change and carbon regulations should bias utilities towards nuclear when they have a choice.

WOOD PRICES WERE MIXED

Framing lumber fell $2, OSB was unchanged and plywood rose $3 last week. Framing lumber at $269 equals the October 2006 cyclical low, OSB at $157 is $19 above the March 2007 low and plywood at $337 is well above the October 2006 $227 low. Framing lumber has fallen seven straight weeks, and plywood and OSB have fallen most of those weeks by a cumulative 15%-20%.

Normal seasonal behavior would see wood prices continue to fall every week through October, and make a bottom sometime between Halloween and Xmas. Prices have now fallen 5 or 6 straight weeks. Despite record energy and a 32 year C$ high, nominal wood prices threaten new five year lows suggesting a bleak profit outlook for wood-oriented companies like Weyerhaeuser, Louisiana-Pacific or Canadian public or private sawmills.

Wood prices fell again, and despite restrained output lumber inventories rose. Dimension framing lumber, such as 2" x 4" studs, fell to $271 per 000 board feet almost duplicating their October 9, 2006 cycle low at $269. OSB at $157 is $19 above its March 2007 and plywood at $333.50 is $106 per 000 sq ft above its November 2006 cycle low.

Lumber orders rose 20 mm to 301 mm board feet and shipments rose 30 mm to 319 mm board feet while output was 309 mm board feet and the backlog is 400 mm, and the backlogs continue to fall. We do not have collective data for OSB, plywood, other composite panels or other product classes, but our hunch is that across-the-board producers have not quite cut production enough.

A combination of the seasonal slowdown in activity as winter approaches and the tighter loan standard's potential to further depress demand appears to be creating a sort of downside climax. On the other hand, high energy and the strong Canadian dollar adversely impact the costs, which rise even more owing to diseconomies of scale as output contracts. More output cuts loom.

CHANGE IN THIS RESEARCH OPERATION

This report reflects research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving Prudential Equities Group (PEG), which shut down on June 6, 2007 as noted. The continuation of that same quarterly or full year earnings estimate for 2007 as JTVIR, LLC should not be construed or mistaken to involve PEG, which shut down on June 6, 2007. Certain data, such as the logic of the earnings model, are similar owing to the same primary author, but this coverage initiation herein involves a different entity and no employment or affiliation with the former Prudential Equity Group, LLC.

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JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide "unbundled" metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than "day trading" sorts of near-term issues.

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Our policy permits personal trading in the metals or paper industries, though no positions were taken in companies within regular research coverage after July 2001 after joining Prudential Financial and until after one month of completed New Jersey registration of JTVIR. Our policy is that any personal trading must be consistent with our recommendation, made two business days or more AFTER a recommendation or change in recommendation and held for a minimum of 30 days or one month. We believe it is virtuous for a securities analyst to "put his or her money where his mouth is" to invest consistent with the recommendation to clients after such recommendation has been made, and we disagree with some restrictions made upon broker-dealer employees after 2000 era scandals.

Our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees. Currently no such relationships exist.

Our policy is full disclosure of any advisory relationship or conflict going back three years. None currently exist.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d'Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake

Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or "due diligenced" for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International.

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There is no intention to "balance" the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a "bottoms up" manner based on the assets of each individual company.

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Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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