

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1994

OR

/ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____.

Commission file number 1-5725

A. Full title of the plan and the address of the plan, if different from
that of the issuer named below:

Quanex Corporation Hourly Bargaining Unit Employees Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Quanex Corporation
1900 West Loop South, Suite 1500
Houston, Texas 77027
Phone: (713) 961-4600

INDEPENDENT AUDITORS' REPORT

The Benefits Committee
Quanex Corporation
Houston, Texas

Re: Quanex Corporation Hourly Bargaining Unit Employees Savings Plan

We have audited the accompanying statement of net assets available for benefits of the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan (the "Plan") as of December 31, 1994 and 1993, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1994 and 1993, and the changes in net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information by fund and supplemental schedules of (1) investments as of December 31, 1994 and (2) 5% reportable transactions for the year ended December 31, 1994 are presented for the purpose of additional analysis of the basic financial statements rather than to present information regarding the net assets available for benefits and changes in net assets available for benefits of the individual funds. This information and these schedules are not a required part of the basic financial statements. The schedules are supplementary information required by the Department of Labor's Rules and Regulation for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information and these schedules are the responsibility of the Plan's management. Such supplemental information and schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

May 17, 1995

QUANEX CORPORATION
HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE
FOR BENEFITS

	December 31,	
	----- 1994 -----	----- 1993 -----
Assets:		
Investments, at fair value -		
Mutual fund assets	\$3,406,799	\$2,249,402
Quanex Corporation common stock	132,707	15,617
Common/commingled trust	20,091	-
	-----	-----
	3,559,597	2,265,019
Deposits with insurance company at contract value	131,294	281,373
	-----	-----
Total	3,690,891	2,546,392
	-----	-----
Employee contributions receivable	117,866	74,473
Employer contributions receivable	6,951	-
	-----	-----
Net assets available for benefits	\$3,815,708	\$2,620,865
	=====	=====

See notes to financial statements.

QUANEX CORPORATION
 HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE
 FOR BENEFITS

	December 31,	
	----- 1994 -----	----- 1993 -----
Investment income:		
Interest and dividends	\$ 142,094	\$ 148,229
Net appreciation (depreciation) in fair value of investments	(80,190)	72,733
Total	----- 61,904 -----	----- 220,962 -----
Contributions		
Employee	1,157,814	830,367
Employer	72,075	-
Total additions	----- 1,229,889 -----	----- 830,367 -----
Benefit payments	96,950	188,154
Increase in net assets available for benefits	----- 1,194,843 -----	----- 863,175 -----
Net assets available for benefits:		
Beginning of year	2,620,865	1,757,690
End of year	----- \$3,815,708 =====	----- \$2,620,865 =====

See notes to financial statements.

QUANEX CORPORATION
HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1994 AND 1993

A. DESCRIPTION OF THE PLAN

The following description of the Quanex Corporation Hourly Bargaining Unit Employees' Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

- (1) General. The Plan, originally named the Quanex Corporation Hourly Employee Savings Plan, became effective January 1, 1989 and is sponsored by Quanex Corporation (the "Company"). The Plan began receiving contributions in April 1989. The Plan is a defined contribution plan which is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The plan is a voluntary savings plan in which hourly employees of certain divisions of the Company are eligible to participate after completing three months of active service. The assets of the Plan are held in trust by Fidelity Management Trust Company (the "Trustee"). The Benefits Committee (the "Committee"), appointed by the Company's Board of Directors, serves as the Plan administrator.
- (2) Contributions. Participants may elect to contribute up to 15% of their before-tax or after-tax compensation as defined by the Plan agreement. The Plan was amended effective July 1, 1994 to include LaSalle Steel hourly employees. All plan provisions apply to the LaSalle Steel hourly employees with the addition of an employer matching contribution that does not exceed 5% of the member's considered compensation. During the 1994 Plan year, LaSalle Steel Company made a Supplemental Employer Contribution of \$100 on behalf of each member who was employed by LaSalle Steel Company on May 15, 1994 and also on behalf of each member who is first hired by LaSalle Steel Company after May 15, 1994, and completes 720 hours of service.
- (3) Participant Accounts. Each participant's account is credited with the participant's contribution and an allocation of investment income, which is based upon individual participant account balance as of the end of the period in which the income was earned.
- (4) Investment Options. The Plan has eight investment funds and a Quanex stock fund managed by the Trustee, as follows:
 - Government Money Market Fund - composed of short-term government obligations.
 - Short-Intermediate Government Fund - invested and reinvested in securities issued by the U.S. government.
 - Balanced Fund - invested and reinvested in common and preferred stocks and bonds.
 - Growth and Income Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.

Magellan Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.

Contrafund - invested and reinvested in equities of foreign and domestic companies.

Overseas Fund - invested and reinvested in foreign securities.

Common/Commingled Trust - invested and reinvested in investment contracts with insurance companies, banks and other financial institutions.

Puritan Fund - invested and reinvested in common and preferred stock and bonds.

Quanex Corporation Common Stock - invested and reinvested exclusively in the common stock of Quanex Corporation.

During 1994, the Short-Intermediate Government Fund was replaced by the Puritan Fund effective July 1, 1994.

Additionally, the Plan has investments in a series of guaranteed investment contracts. Refer to Note C for further discussion.

- (5) Vesting. Participants are immediately vested in their contributions and the related earnings. Vesting in employer's matching contributions for employees is 0% for less than one year of services graduating to 100% for five or more years. Upon death, retirement or total permanent disability, the participant or beneficiary becomes immediately vested in the employer's contribution. In the event of termination, nonvested portions of employer's contributions are immediately forfeited by participants and utilized to reduce future employer matching contributions.
- (6) Payment of Benefits. Upon termination of service, the participant may elect to receive a lump sum distribution equal to the total amount of vested benefits in his or her account. See further discussion of benefits payable in Note G.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Accounting Basis. The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
- (2) Investment Valuation. The Plan recognizes net appreciation or depreciation in the fair value of its investments. Investments are reflected at fair value in the financial statements. Fair value of mutual fund assets is determined using a quoted net asset value. Fair value for Quanex Corporation common stock, which is listed on the New York Stock Exchange, is determined using the last recorded sales price.
- (3) Administrative Expenses. The Company pays all administrative expenses.
- (4) Payment of Benefits. Benefits are recorded when paid.

C. DEPOSITS WITH INSURANCE COMPANY

In 1989, the Plan entered into a series of guaranteed investment contracts with Metropolitan Life Insurance Company ("Metropolitan"). The contracts provide a guaranteed rate of return on principal invested which is credited to the Plan for the length of the contracts. The contracts are reduced for Plan withdrawals. The contracts are included in the financial statements at the December 31, 1994 and 1993 contract values as reported to the Plan by Metropolitan. A portion of these contracts matured on January 1, 1994. The remainder mature on January 1, 1995. The contracts provide an interest rate of 8.3%.

D. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to terminate the Plan at anytime subject to the provisions set forth in ERISA. In the event of plan termination, the assets held by the Trustee under the Plan will be valued and fully vested, and each participant will be entitled to distributions respecting his or her account.

E. FEDERAL INCOME TAX STATUS

The Plan is subject to specific rules and regulations related to employee benefit plans under the department of Labor and the Internal Revenue Service (the "IRS"). The Plan has received a favorable letter of tax determination dated June 11, 1990. As such, the Plan is a qualified trust under Sections 401 (a) and 401 (k) of the Internal Revenue Code (the "Code") and, as a result, is exempt from federal income tax under Section 501 (a) of the Code. The Company believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. The Company believes the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

F. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1994 and 1993, the Plan purchased and sold shares of Quanex Corporation common stock, as shown below:

	1994		1993	
	-----	-----	-----	-----
Shares	-----	Cost	Shares	Cost
-----	-----	-----	-----	-----
	5,096	\$110,023	565	\$10,008

During the years ended December 31, 1994 and 1993, the Plan sold 194 and 5 shares of Quanex Corporation common stock for \$5,392 (cost \$4,682) and \$95 (cost \$108), respectively.

During the year ended December 31, 1994 and 1993, the Plan purchased shares of Fidelity, the Trustee, mutual fund assets as shown below:

	1994		1993	
	-----	-----	-----	-----
Shares	-----	Cost	Shares	Cost
-----	-----	-----	-----	-----
	824,831	\$1,914,365	455,285	\$1,216,239

During the years ended December 31, 1994 and 1993, the Plan sold 321,719 and 260,007 shares of Fidelity mutual fund assets for \$819,960 (cost \$825,438) and \$461,405 (cost \$459,020), respectively.

During the year ended December 31, 1994, the Plan purchased 20,091 shares (cost \$20,091) of Fidelity , the Trustee, Common/Commingled Trust.

G. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

Benefits payable are not reportable as liability on the statement of net assets available for benefits on the financial statements prepared in conformity with generally accepted accounting principles. See reconciliation of financial statements as of December 31, 1994, for Form 5500 below:

Net assets available for benefits per financial statements	\$3,815,708
Less: Benefits payable	22,867

Net assets available for benefits per Form 5500	\$3,792,841
	=====

For the year ended December 31, 1994, benefit payments recorded in the financial statements totaled \$96,950. Benefit payments in Form 5500 totaled \$119,818.

H. SUBSEQUENT EVENT

As of January 1, 1995, Guaranteed Insurance Contract Fund with Metropolitan matured. Effective January 1995, this fund is no longer a part of the Plan investment options.

I. ALLOCATION OF NET ASSETS AVAILABLE FOR BENEFITS TO INVESTMENT PROGRAMS
The following tables provide supplemental information regarding the net assets available for benefits by investment fund.

December 31, 1994							
	TOTAL	GOVT. MONEY MARKET FUND	COMMON\ COMMINGLED TRUST	PURITAN FUND	BALANCED FUND	GROWTH AND INCOME FUND	MAGELLAN FUND
Assets							
Investments at fair value							
Mutual fund assets	\$3,406,799	\$1,551,467		\$479,342	\$16,594	\$126,277	\$990,913
Quanex common stock	132,707						
Common\commingled trust	20,091		\$20,091				
	3,559,597	1,551,467	20,091	479,342	16,594	126,277	990,913
Deposits with insurance company at contract value	131,294						
Total Investments	3,690,891	1,551,467	20,091	479,342	16,594	126,277	990,913
Contributions receivable							
Employer	6,951	1,358	640	932	450	666	1,334
Employee	117,866	39,148	4,002	17,910	2,591	6,394	31,876
	124,817	40,506	4,642	18,842	3,041	7,060	33,210
Net assets available for benefits	\$3,815,708	\$1,591,973	\$24,733	\$498,184	\$19,635	\$133,337	\$1,024,123

	OVERSEAS FUND	CONTRA- FUND	QUANEX CORP. COMMON STOCK	GUARANTEED INVESTMENT CONTRACT
Assets				
Investments at fair value				
Mutual fund assets	\$221,045	\$21,161		
Quanex common stock			\$132,707	
Common\commingled trust				
	221,045	21,161	132,707	
Deposits with insurance company at contract value				\$131,294
Total Investments	221,045	21,161	132,707	131,294
Contributions receivable				
Employer	805	291	475	
Employee	9,052	2,663	4,230	
	9,857	2,954	4,705	
Net assets available for benefits	\$230,902	\$24,115	\$137,412	\$131,294

December 31, 1993							
	TOTAL	GOVT. MONEY MARKET FUND	SHORT- INTER- MEDIATE GOVT. FUND	INTER- MEDIATE BOND FUND	PURITAN FUND	GROWTH AND INCOME FUND	MAGELLAN FUND
Assets:							
Investments at fair value							
Mutual fund assets	\$2,249,402	\$907,094	\$168,313	\$0	\$333,054	\$45,120	\$658,370
Quanex common stock	15,617						
	2,265,019	907,094	168,313	0	333,054	45,120	658,370
Deposits with insurance company at contract value	281,373						
Total Investments	2,546,392	907,094	168,313	0	333,054	45,120	658,370
Employee contributions receivable	74,473	24,184	5,945	0	12,298	2,619	23,809
Net assets available for benefits	\$2,620,865	\$931,278	\$174,258	\$0	\$345,352	\$47,739	\$682,179

	OVERSEAS FUND	QUANEX COMMON STOCK FUND	GUARANTEED INVESTMENT CONTRACT
	-----	-----	-----
Assets:			
Investments at fair value			
Mutual fund assets	\$137,451	\$15,617	
Quanex common stock			
	-----	-----	-----
	137,451	15,617	
Deposits with insurance company at contract value			\$281,373
	-----	-----	-----
Total Investments	137,451	15,617	281,373
Employee contributions receivable	4,779	839	
	-----	-----	-----
Net assets available for benefits	\$142,230	\$16,456	\$281,373
	=====	=====	=====

J. ALLOCATION OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS TO INVESTMENT PROGRAMS

The following tables provide supplemental information regarding the change in net assets available for benefits by investment fund.

December 31, 1994

	TOTAL	GOVT. MONEY MARKET FUND	QUANEX CORP. COMMON STOCK	COMMON\ COMMINGLED TRUST	BALANCED FUND	GROWTH AND INCOME FUND	PURITAN FUND
Investment income:							
Interest and dividends	\$142,094	\$50,311	\$1,981	\$218	\$118	\$7,167	\$33,061
Net appreciation (depreciation) in fair value of investments	(80,190)	2	11,748	0	(293)	(5,286)	(28,802)
Total	61,904	50,313	13,729	218	(175)	1,881	4,259
Employer contributions	72,075	40,897	2,628	3,699	2,602	3,637	5,164
Employee contributions	1,157,814	384,265	40,789	20,816	14,912	59,278	174,607
	1,229,889	425,162	43,417	24,515	17,514	62,915	179,771
Total additions	1,291,793	475,475	57,146	24,733	17,339	64,796	184,030
Benefit payments	96,950	41,686	3,574	0	0	523	13,530
Fund transfers	(0)	226,906	67,384	0	2,296	21,325	(17,668)
Increase in net assets available for benefits	1,194,843	660,695	120,956	24,733	19,635	85,598	152,832
Net assets available of benefits:							
Beginning of year	2,620,865	931,278	16,456	0	0	47,739	345,352
End of year	\$3,815,708	\$1,591,973	\$137,412	\$24,733	\$19,635	\$133,337	\$498,184

	MAGELLAN FUND	OVERSEAS FUND	CONTRA- FUND	SHORT- INTER- MEDIATE BOND FUND	GUARANTEED INVESTMENT CONTRACT
Investment income:					
Interest and dividends	\$30,363	\$3,785	\$0	\$4,758	\$10,332
Net appreciation (depreciation) in fair value of investments	(45,839)	(3,887)	231	(8,064)	0
Total	(15,476)	(102)	231	(3,306)	10,332
Employer contributions	7,337	4,515	1,596	0	0
Employee contributions	331,770	90,740	14,595	26,042	0
	339,107	95,255	16,191	26,042	0
Total additions	323,631	95,153	16,422	22,736	10,332
Benefit payments	28,461	4,168	214	958	3,836
Fund transfers	46,774	(2,313)	7,907	(196,036)	(156,575)
Increase in net assets available for benefits	341,944	88,672	24,115	(174,258)	(150,079)
Net assets available of benefits:					
Beginning of year	682,179	142,230	0	174,258	281,373
End of year	\$1,024,123	\$230,902	\$24,115	(\$0)	\$131,294

J. ALLOCATION OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS TO INVESTMENT PROGRAMS
(continued)

	December 31, 1993						
	TOTAL	GOVT. MONEY MARKET FUND	SHORT- INTER- MEDIATE GOVT. FUND	INTER- MEDIATE BOND FUND	PURITAN FUND	GROWTH AND INCOME FUND	MAGELLAN FUND
Investment income:							
Interest and dividends	\$148,229	\$24,976	\$8,423	\$695	\$35,791	\$1,810	\$51,782
Net appreciation (depreciation) in fair value of investments	72,733	0	(1,528)	1,596	7,138	1,038	37,436
Total	220,962	24,976	6,895	2,291	42,929	2,848	89,218
Employee contributions	830,367	308,695	83,210	0	131,221	19,410	234,239
Total additions	1,051,329	333,671	90,105	2,291	174,150	22,258	323,457
Benefit payments	188,154	110,154	9,306	0	12,036	218	18,226
Fund transfers	0	(54,346)	93,459	(132,581)	31,762	25,699	94,128
Increase in net assets available for benefits	863,175	169,171	174,258	(130,290)	193,876	47,739	399,359
Net assets available of benefits:							
Beginning of year	1,757,690	762,107	0	130,290	151,476	0	282,820
End of year	\$2,620,865	\$931,278	\$174,258	\$0	\$345,352	\$47,739	\$682,179
		QUANEX CORP. COMMON STOCK	GUARAN- TEED INVEST- MENT CONTRACT				
Investment income:		OVERSEAS FUND					
Interest and dividends	\$2,034	\$366	\$22,352				
Net appreciation (depreciation) in fair value of investments	27,849	(796)	0				
Total	29,883	(430)	22,352				
Employee contributions	44,340	9,252	0				
Total additions	74,223	8,822	22,352				
Benefit payments	3,273	95	34,846				
Fund transfers	10,386	400	(68,907)				
Increase in net assets available for benefits	81,336	9,127	(81,401)				
Net assets available of benefits:							
Beginning of year	60,894	7,329	362,774				
End of year	\$142,230	\$16,456	\$281,373				

Item 27a - Schedule of Assets Held for Investment Purposes
 EIN: 38-1872178; PN 015

QUANEX CORPORATION
 HOURLY BARGAINING UNIT
 EMPLOYEES SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
 DECEMBER 31, 1994

	Shares/ Par Value -----	Cost -----	Current Value -----
Mutual fund assets - Fidelity Investments:			
Government Money Market Fund*	1,551,467	\$1,551,467	\$1,551,467
Balanced Fund*	1,350	16,885	16,594
Puritan Fund*	32,366	500,949	479,342
Growth and Income Fund*	5,988	130,410	126,277
Magellan*	14,834	1,013,205	990,913
Contrafund*	699	20,923	21,161
Overseas Fund*	8,097	213,790	221,045
		-----	-----
Total Mutual Fund Assets		3,447,629	3,406,799
		-----	-----
Quanex Corporation Common Stock*	5,801	123,896	132,707
Common/Commingled Trust*	20,091	20,091	20,091
Deposits with insurance company:			
Metropolitan Life Guaranteed Investment Contract		131,294	131,294
		-----	-----
Total investments		\$3,722,910	\$3,690,891
		=====	=====

*Party-in-Interest

QUANEX CORPORATION HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 1994

Series of Transactions

Description	Total Number of Purchases During Plan Year	Purchase Price	Total Number of Sales During Plan Year	Selling Price	Cost of Asset	Current Value on Transaction Date	Net Gain (Loss)
Metropolitan Life Short-term Fund			5	\$160,105	\$160,105	\$160,105	0
FMTC Government Reserve	17	\$160,142	21	160,448	160,448	160,448	0
Quanex Corporation Common Stock	24	110,023	5	5,392	4,682	5,392	\$710
Puritan Fund	37	234,282	11	60,192	59,192	60,192	1,000
Magellan Fund	44	449,310	12	69,569	70,930	69,569	(1,361)
Contrafund	9	21,145	1	206	214	206	(8)
Growth & Income Fund	27	89,552	3	2,989	3,109	2,989	(120)
Overseas Fund	32	125,729	8	42,792	38,247	42,792	4,545

QUANEX CORPORATION HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 1994

Series of Transactions
 (continued)

Description -----	Total Number of Purchases During Plan Year -----	Purchase Price -----	Total Number of Sales During Plan Year -----	Selling Price -----	Cost of Asset -----	Current Value on Transaction Date -----	Net Gain (Loss) -----
Balanced Fund	12	\$17,337	2	\$448	\$450	\$448	\$(2)
Government Money Market Fund	58	778,294	44	133,921	133,921	133,921	0
Common/Commingled Trust	8	20,091	0	0	0	0	0
Short Intermediate Government Fund	24	38,574	13	189,290	198,822	189,290	(9,532)

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DATE 6/26/95 /s/ Joseph K. Peery
----- Joseph K. Peery

INDEX TO EXHIBITS

EXHIBIT
NUMBER

23.1 Independent Auditor's Consent

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-46824 of Quanex Corporation on Form S-8 of our report dated May 17, 1995, appearing in this Annual Report on Form 11-K of Quanex Corporation Hourly Bargaining Unit Employees Savings Plan for the year ended December 31, 1994.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Houston, Texas
June 29, 1994