

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 (NO FEE REQUIRED)

For the fiscal year ended December 31, 1997

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 name below:

Nichols-Homeshield 401(k) Savings Plan - Davenport

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
(713) 961-4600

INDEPENDENT AUDITORS' REPORT

The Benefits Committee
Quanex Corporation
Houston, Texas

Re: Nichols Homeshield 401(k) Savings Plan - Davenport

We have audited the accompanying statements of net assets available for benefits of the Nichols Homeshield 401(k) Savings Plan - Davenport (the "Plan") as of December 31, 1997 and 1996 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 of 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, 1997 and 1996 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 schedules of (1) investments as of December 31, 1997 and (2) 5% reportable transactions for the year ended December 31, 1997 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 1997 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
DELOITTE & TOUCHE LLP

May 22, 1998

QUANEX CORPORATION
NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN - DAVENPORT

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	1997	1996
Assets:		
Investments, at fair value:		
Mutual fund assets:		
Fidelity Puritan Fund	\$ 179,217	\$ 110,980
Fidelity Magellan Fund	2,375,863	1,760,422
Fidelity Contrafund	1,600,841	1,246,208
Fidelity Growth and Income Fund	4,034,185	2,559,618
Fidelity Overseas Fund	162,891	137,732
Fidelity Balanced Fund	860,519	596,493
Fidelity Government Money Market Fund	2,952,770	2,734,735
Templeton Foreign Fund	41,351	6,157
Quanex Corporation Common Stock	75,423	133,135
Fidelity Common/Commingled Trust	170,695	54,097
	12,453,755	9,339,577
Participant loans	714,210	648,344
Total	13,167,965	9,987,921
Employee contributions receivable	55,672	58,327
Employer contributions receivable	73,098	64,956
Total	128,770	123,283
Net assets available for benefits	\$13,296,735	\$10,111,204

See notes to financial statements.

QUANEX CORPORATION
NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN - DAVENPORT

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE
FOR BENEFITS

	Year Ended December 31,	
	1997	1996
	-----	-----
Investment income:		
Interest and dividends	\$ 761,522	\$ 650,015
Net appreciation in fair value of investments	1,199,903	383,311
	-----	-----
Total income	1,961,425	1,033,326
	-----	-----
Contributions:		
Employer	705,375	650,140
Less forfeitures	8,290	6,058
	-----	-----
	697,085	644,082
	-----	-----
Employee	731,024	656,881
	-----	-----
Total contributions	1,428,109	1,300,963
	-----	-----
Interest on participant loans	50,003	43,543
	-----	-----
Total additions	3,439,537	2,377,832
	-----	-----
Benefit payments	251,373	460,800
Administrative fees	2,633	2,909
	-----	-----
Total deductions	254,006	463,709
	-----	-----
Increase in net assets available for benefits	3,185,531	1,914,123
Net assets available for benefits:		
Beginning of year	10,111,204	8,197,081
	-----	-----
End of year	\$13,296,735	\$10,111,204
	=====	=====

See notes to financial statements.

QUANEX CORPORATION
NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN - DAVENPORT

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

A. DESCRIPTION OF THE PLAN

The following description of the Nichols-Homeshield 401(k) Savings Plan - Davenport (the "Plan") is provided for general informational purposes only. Participants should refer to the Plan document for more complete information.

- (1) General. The Plan, sponsored by Quanex Corporation (the "Company"), was established on October 1, 1987 and was amended and restated in its entirety in January 1993. The Plan is a defined contribution plan, which covers substantially all union hourly employees of the Davenport, Iowa facilities. The Plan permits eligible employees to elect a deferral of compensation under Section 401(k) of the Internal Revenue Code ("Code"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The assets of the Plan are held in trust by Fidelity Management Trust Company ("Fidelity" or 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 reduce the current level of his/her compensation from 1% to 15% by contributing on a pre-tax basis as defined by the Plan agreement. Participants may also contribute in half percentages. Company contributions are made based on a percentage of the employee's compensation for each individual with at least 1,000 hours of employment service.
- (3) Participant Accounts. Each participant's account is credited with the participant's contribution, the employer's contribution, and the participant's pro rata share of investment earnings. Investment earnings allocations are based on individual participant account balances as of the end of the period in which the income is earned.
- (4) Investment Options. Participants may direct allocations of their contributions to the following funds:
 - Government Money Market Fund - composed of short-term government obligations.
 - 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.
 - Puritan Fund - invested and reinvested in common and preferred stocks and bonds.
 - Templeton Foreign Fund - invested and reinvested in foreign securities.

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

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

- (5) Vesting. Participants are immediately vested in their contributions and earnings thereon. Vesting in the employer contribution is based on years of credited service. A participant is 20% vested for each year of credited service and fully vested after five years. If a participant terminates employment prior to becoming fully vested, the nonvested portion of the employer contributions are immediately forfeited by the participant and utilized to reduce future employer contributions.
- (6) Payment of Benefits. The Plan is intended for long-term savings but provides for early withdrawals and loan arrangements under certain conditions. Upon termination of service, a participant may elect to receive a lump-sum distribution equal to the total amount of vested benefits in his or her account. As of December 31, 1997 and 1996, net assets available for benefits included benefits of \$155,121 and \$-0-, respectively, due to participants who had withdrawn from participation in the Plan.
- (7) Loans. Loans may be granted to a participant of the Plan at the Committee's discretion. Loan terms range up to five years or seven years if used for the purchase of a primary residence. The loans bear a reasonable rate of interest established by the Committee. Interest on the loan is allocated to the borrower's participant account. Loan set up fees and carrying fees are paid by the participant to Fidelity.

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) Administrative Expenses. Administrative expenses of the Plan are paid by the Company. Loan set up fees and carrying fees are paid by the participant to Fidelity.
- (3) 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. The fair value of the common/commingled trust is at face value.
- (4) Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in the net assets available for benefits during the reporting period. The Plan's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.
- (5) Payment of Benefits. Benefit payments are recorded when paid.

C. 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 any time 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.

D. 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 ("IRS"). The Plan is a qualified trust under Sections 401(a) and 401(k) of the Code and, as a result, is exempt from taxation under Section 501(a) of the Code. The Plan received a favorable determination letter dated June 18, 1993 from the IRS. The Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, it believes the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1997 and 1996, the Plan purchased and sold shares of Quanex Corporation common stock, as shown below:

	1997			1996		
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	-----	-----	-----	-----	-----
Purchases	2,101	\$ 60,399		2,080	\$ 47,343	
Sales	4,284	96,290	\$ 135,865	2,566	57,083	\$ 68,951

During the years ended December 31, 1997 and 1996, the Plan purchased and sold shares of Fidelity mutual fund assets, as shown below:

	1997			1996		
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	-----	-----	-----	-----	-----
Purchases	6,215,536	\$16,876,202		2,530,179	\$ 6,546,751	
Sales	5,946,135	14,851,548	\$15,003,060	2,579,692	5,143,714	\$ 5,203,939

During the years ended December 31, 1997 and 1996, the Plan purchased and sold shares of Fidelity Common/Commingled Trust, as shown below:

	1997			1996		
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	-----	-----	-----	-----	-----
Purchases	1,810,215	\$1,810,215		41,203	\$41,203	
Sales	1,693,615	1,693,615	\$1,693,615	7,481	7,481	\$7,481

F. SUPPLEMENTAL FUND INFORMATION

Contributions, benefit payments and investment income by fund were as follows for the years ended December 31:

	1997	1996
	-----	-----
Employee Contributions:		
Fidelity Puritan Fund	\$ 18,633	\$ 16,657
Fidelity Magellan Fund	143,283	118,572
Fidelity Contrafund	101,205	106,112
Fidelity Growth and Income Fund	190,051	145,427
Fidelity Overseas Fund	15,451	14,133
Fidelity Balanced Fund	54,252	55,282
Fidelity Government Money Market Fund	168,639	159,436
Templeton Foreign Fund	4,892	321
Quanex Corporation Common Stock	22,566	15,366
Fidelity Common/Commingled Trust	12,052	25,575
	-----	-----
	\$ 731,024	\$ 656,881
	=====	=====

	1997	1996
	-----	-----
Employer Contributions:		
Fidelity Puritan Fund	\$ 15,179	\$ 11,933
Fidelity Magellan Fund	114,616	101,857
Fidelity Contrafund	80,449	70,259
Fidelity Growth and Income Fund	180,793	157,327
Fidelity Overseas Fund	15,443	13,193
Fidelity Balanced Fund	52,073	54,252
Fidelity Government Money Market Fund	205,532	212,614
Templeton Foreign Fund	2,083	144
Quanex Corporation Common Stock	19,083	11,896
Fidelity Common/Commingled Trust	11,834	10,607
	-----	-----
	\$ 697,085	\$ 644,082
	=====	=====

	1997	1996
	-----	-----
Benefit payments:		
Fidelity Puritan Fund	\$ 3,750	\$ 130
Fidelity Magellan Fund	46,245	39,625
Fidelity Contrafund	4,335	3,339
Fidelity Growth and Income Fund	37,597	115,206
Fidelity Overseas Fund	616	150
Fidelity Balanced Fund	32,967	1,525
Fidelity Government Money Market Fund	120,192	297,894
Templeton Foreign Fund	0	0
Quanex Corporation Common Stock	5,448	2,931
Fidelity Common/Commingled Trust	223	0
	-----	-----
	\$ 251,373	\$ 460,800
	=====	=====

	1997	1996
	-----	-----
Investment income:		
Fidelity Puritan Fund	\$ 30,478	\$ 11,416
Fidelity Magellan Fund	458,867	162,646
Fidelity Contrafund	290,428	193,172
Fidelity Growth and Income Fund	846,425	403,556
Fidelity Overseas Fund	12,335	12,496
Fidelity Balanced Fund	147,765	51,461
Fidelity Government Money Market Fund	149,401	141,568
Templeton Foreign Fund	33	280
Quanex Corporation Common Stock	20,355	54,625
Fidelity Common/Commingled Trust	5,338	2,106
	-----	-----
	\$1,961,425	\$1,033,326
	=====	=====

ITEM 27-a SCHEDULE OF ASSETS HELD FOR INVESTMENTS PURPOSES
 EIN: 38-1872178; PN 016

QUANEX CORPORATION
 NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN - DAVENPORT

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
 AS OF DECEMBER 31, 1997

	Shares/ Par Value	Cost	Current Value
	-----	-----	-----
Mutual Fund Assets - Fidelity Investments:			
Puritan Fund*	9,248	\$ 162,091	\$ 179,217
Magellan Fund*	24,938	1,950,232	2,375,863
Contrafund*	34,331	1,333,106	1,600,841
Growth and Income Fund*	105,884	2,861,887	4,034,185
Overseas Fund*	5,006	152,515	162,891
Balanced Fund*	56,354	782,384	860,519
Government Money Market Fund*	2,952,770	2,952,770	2,952,770
Templeton Foreign Fund*	4,156	45,920	41,351
		-----	-----
Total Mutual Fund Assets		10,240,905	12,207,637
Quanex Corporation Common Stock*	2,682	70,209	75,423
Fidelity Common/Commingled Trust*	170,696	170,696	170,695
Participant loans (bearing interest rates from 7.85% to 11%)		714,210	714,210
		-----	-----
Total Investments		\$11,196,020	\$13,167,965
		=====	=====

* Party-in-Interest

ITEM 27-d - SCHEDULE OF REPORTABLE (5%) TRANSACTIONS EIN 38-1872178; PN 016

QUANEX CORPORATION
NICHOLS-HOMESHIELD 401(k)SAVINGS PLAN - DAVENPORT

SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 1997

Series of Transactions

Description -----	Total Number of Purchases During the Plan Year -----	Purchase Price -----	Total Number of Sales During the Plan Year -----	Selling Price -----	Cost of Asset -----	Current Value on Transaction Date -----	Net Gain (Loss) -----
Fidelity Investments: Magellan*	117	\$3,310,975	63	\$3,003,401	\$2,983,238	\$ 3,003,401	\$ 20,163
Contrafund*	82	2,165,668	41	1,948,333	1,884,708	1,948,333	63,625
Growth & Income*	111	2,775,714	50	1,976,951	1,917,732	1,976,951	59,219
Overseas*	57	1,547,796	26	1,526,159	1,526,856	1,526,159	(697)
Balanced*	57	991,248	33	773,492	766,520	773,492	6,972
Gov't Money Mkt*	109	5,938,396	96	5,720,361	5,720,361	5,720,361	0
Common/Commingled Trust*	59	1,810,215	24	1,693,615	1,693,615	1,693,615	0

* Party-in-Interest

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.

Nichols-Homeshield 401(k) Savings Plan - Davenport

Date: June 29, 1998

/s/ Wayne M. Rose

Wayne M. Rose, Benefits Committee

INDEX TO EXHIBITS

23.1 Independents Auditor's Consent

EXHIBIT 23.1

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-54085 of Quanex Corporation on Form S-8 of our report dated May 22, 1998 appearing in the Annual Report of Form 11-K of the Nichols-Homeshield 401 (k) Savings Plan Davenport for the year ended December 31, 1997.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Houston, Texas
June 29, 1998