

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

(Mark One)

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

For the fiscal year ended December 31, 1995

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:

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

We have audited the accompanying statements of net assets available for benefits of the Nichols-Homeshield 401(k) Savings Plan (the "Plan") as of December 31, 1995 and 1994, 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, 1995 and 1994, 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, 1995 and (2) 5% reportable transactions for the year ended December 31, 1995 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 1995 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 3, 1996

QUANEX CORPORATION
NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	----- 1995 -----	----- 1994 -----
Investments at fair value:		
Mutual fund assets:		
Fidelity Puritan Fund	\$ 127,812	\$ 73,423
Fidelity Magellan Fund	4,590,045	3,043,570
Fidelity Contrafund	2,281,286	1,496,428
Fidelity Growth & Income Fund	4,483,709	3,140,449
Fidelity Overseas Fund	495,052	343,791
Fidelity Balanced Fund	1,255,353	836,053
Fidelity Government Money Market Fund	6,416,031	6,765,969
Quanex Corporation common stock	611,774	235,079
Common/commingled trust	439,555	301,399
Loans to participants	752,684	754,101
	-----	-----
Total investments	21,453,301	16,990,262
	-----	-----
Contributions Receivable:		
Employer	102,285	99,021
Employee	139,177	92,359
	-----	-----
Total	241,462	191,380
	-----	-----
Net assets available for benefits	\$21,694,763 =====	\$17,181,642 =====

See notes to financial statements

QUANEX CORPORATION
 NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE
 FOR BENEFITS

	December 31,	
	1995	1994
Investment income:		
Interest and dividends	\$ 1,135,097	\$ 687,316
Net appreciation (depreciation) in fair value of investments	2,291,096	(571,943)
Total income	3,426,193	115,373
Contributions:		
Employer	1,202,902	1,120,702
Less forfeitures	25,176	20,055
Employee	1,496,737	1,178,336
Total contributions	2,674,463	2,278,983
Interest on participant loans	61,206	51,773
Total additions	6,161,862	2,446,129
Benefit payments	1,643,823	1,672,433
Administrative fees	4,918	3,449
Total deductions	1,648,741	1,675,882
Increase in net assets available for benefits	4,513,121	770,247
Net assets available for benefits:		
Beginning of year	17,181,642	16,411,395
End of year	\$21,694,763 =====	\$17,181,642 =====

See notes to financial statements

QUANEX CORPORATION
NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1995 AND 1994

A. DESCRIPTION OF THE PLAN

The following description of the Nichols-Homeshield 401(k) 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 was established on October 1, 1987, and was amended and restated effective January 1, 1989, as a defined contribution plan under Section 401(k) of the Internal Revenue Code ("IRC") which covers substantially all salaried and non-union hourly employees at the Nichols-Homeshield division of Quanex Corporation (the "Company") and bargaining unit employees at the Lincolnshire, Illinois plant. 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. Employees are eligible to make salary deferral contributions to the Plan on the entry date next following the date that the employee completes one month of service. Participants may elect salary deferrals between 1% and 15% of compensation as defined by the Plan agreement. The Company makes contributions on behalf of employees who have at least one year of service. The Company contribution is based on Company profits and is calculated based on a percentage of the employee's compensation.
- (3) Participant Accounts. Each participant's account is credited with the participant's contribution, the employer's contribution, and an allocation of investment income. Investment income allocations are based upon individual participant account balances as of the end of the period in which the income was earned.
- (4) Investment Options. Participants may direct allocation of their contributions to eight investment funds and Quanex stock as follows:
 - 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.
 - Common/Commingled Trust - invested and reinvested in investment contracts issued by insurance companies, banks and other financial institutions.

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

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

- (5) Vesting. Participants are immediately vested in their voluntary 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 cash lump-sum distribution equal to the amount of vested benefits in his or her account. For further discussion of benefits payable, see Note F.
- (7) Loans. Loans may be granted to a participant of the Plan at the Committee's discretion. Any loan authorized by the Committee shall be subject to a term not to exceed five years. The Committee may agree to a longer term (up to seven years) only if the proceeds of the loan are to be used to purchase a dwelling. The loans bear a reasonable rate of interest established by the Committee. Interest on the loan is allocated to the borrower's participant account.

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.
- (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 by using the last recorded sales price.
- (4) 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

Management of the Company, the Plan administrator, and the Plan's legal counsel are of the opinion that the Plan is qualified under Sections 401(a) and 401(k) and exempt from federal income tax under Section 501(a) of the IRC. The Plan received a favorable letter of tax determination from the Internal Revenue Service dated December 22, 1994 as to the tax-exempt status of the Plan.

E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1995 and 1994, the Plan purchased shares of Quanex Corporation common stock, as shown below:

	1995		1994	
	-----		-----	
Shares		Cost	Shares	Cost
-----		-----	-----	-----
21,420		\$410,186	10,964	\$255,321

During the year ended December 31, 1995, the Plan sold 121 shares of Quanex Corporation common stock at \$2,618 (cost \$2,554). During the year ended December 31, 1994, the Plan sold 687 shares of Quanex Corporation common stock at \$20,171 (cost \$17,920).

During the years ended December 31, 1995 and 1994, the Plan purchased shares of Fidelity mutual funds, as shown below:

	1995		1994	
	-----		-----	
Shares		Cost	Shares	Cost
-----		-----	-----	-----
2,217,167		\$9,843,629	4,518,739	\$8,517,972

During the year ended December 31, 1995, the Plan sold 2,500,093 shares of Fidelity mutual fund assets valued at \$8,215,994 (cost \$7,931,353). During the year ended December 31, 1994, the Plan sold 2,308,717 shares of Fidelity mutual fund assets valued at \$7,682,740 (cost \$7,741,110).

During the years ended December 31, 1995 and 1994, the Plan purchased shares of Fidelity Common/Commingled Trust, as shown below:

	1995		1994	
	-----		-----	
Shares		Cost	Shares	Cost
-----		-----	-----	-----
3,458,959		\$3,458,959	580,428	\$580,428

During the year ended December 31, 1995, the Plan sold 3,320,803 shares of Fidelity Common/Commingled Trust valued at \$3,320,803 (cost \$3,320,803). During the year ended December 31, 1994, the Plan sold 279,029 shares of Fidelity Common/Commingled Trust for \$279,029 (cost \$279,029).

F. BENEFITS PAYABLE

As of December 31, 1995 and 1994, net assets available for benefits included benefits of \$69,484 and \$553,455, respectively, due to participants who had withdrawn from participation in the Plan. As of December 31, 1994, benefits payable of \$553,455 were reported as a liability on the ERISA Form 5500, resulting in a difference between net assets available for benefits presented within this report of \$17,181,642 and the net assets recorded on Form 5500 of \$16,628,187. During 1995, the Department of Labor clarified its definition of benefits payable, which resulted in no liability for benefits payable on Form 5500 as of December 31, 1995. The following is a reconciliation of benefit payments according to the financial statements to Form 5500 for the year ended December 31, 1995:

Benefit payments per the financial statements	\$1,643,823
Amounts allocated to withdrawing participants at December 31, 1994	(553,455)
Benefit payments per Form 5500	\$1,090,368
	=====

G. SUPPLEMENTAL FUND INFORMATION

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

	1995	1994
	-----	-----
Employee Contributions:		
Fidelity Puritan Fund	\$ 34,362	\$ 4,693
Fidelity Magellan Fund	353,686	271,963
Fidelity Contrafund	236,354	179,701
Fidelity Growth and Income Fund	297,674	235,006
Fidelity Overseas Fund	35,253	15,923
Fidelity Balanced Fund	157,288	133,354
Fidelity Government Money Market Fund	314,095	237,777
Fidelity Short-Intermediate Government Fund	-	40,399
Quanex Corporation common stock	19,116	50,706
Common/commingled trust	48,909	8,814
	-----	-----
	\$1,496,737	\$1,178,336
	=====	=====

	1995	1994
	-----	-----
Employer Contributions:		
Fidelity Puritan Fund	\$ 17,977	\$ 2,845
Fidelity Magellan Fund	265,178	247,497
Fidelity Contrafund	164,793	159,420
Fidelity Growth and Income Fund	221,139	209,866
Fidelity Overseas Fund	18,633	10,892
Fidelity Balanced Fund	141,918	133,866
Fidelity Government Money Market Fund	312,536	287,442
Fidelity Short-Intermediate Government Fund	-	42,381
Quanex Corporation common stock	16,809	2,686
Common/commingled trust	18,743	3,752
	-----	-----
	\$1,177,726	\$1,100,647
	=====	=====

	1995	1994
	-----	-----
Benefit payments:		
Fidelity Puritan Fund	\$ 4,042	\$ 724
Fidelity Magellan Fund	395,607	173,120
Fidelity Contrafund	209,350	114,938
Fidelity Growth and Income Fund	348,748	231,561
Fidelity Overseas Fund	402	14,196
Fidelity Balanced Fund	24,874	147,526
Fidelity Government Money Market Fund	659,346	733,507
Fidelity Short-Intermediate Government Fund	-	251,569
Quanex Corporation common stock	122	2,320
Common/commingled trust	1,332	2,972
	-----	-----
	\$1,643,823	\$1,672,433
	=====	=====

	1995	1994
	-----	-----
Investment income:		
Fidelity Puritan Fund	\$ 19,349	\$ (637)
Fidelity Magellan Fund	1,151,140	(57,133)
Fidelity Contrafund	525,713	(21,639)
Fidelity Growth and Income Fund	1,147,352	55,544
Fidelity Overseas Fund	51,666	(1,692)
Fidelity Balanced Fund	156,063	(47,397)
Fidelity Government Money Market Fund	362,824	224,906
Fidelity Short-Intermediate Government Fund	-	(43,239)
Quanex Corporation common stock	(21,219)	(655)
Common/commingled trust	33,305	7,315
	-----	-----
	\$3,426,193	\$ 115,373
	=====	=====

Item 27a - Schedule of Assets Held for Investment Purposes
 EIN: 38-1872178; PN 017

QUANEX CORPORATION
 NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
 DECEMBER 31, 1995

	Shares/ Par Value -----	Cost ----	Current Value -----
Mutual Fund Assets - Fidelity Investments: -----			
Contrafund*	60,002	\$ 1,948,559	\$ 2,281,286
Government Money Market Fund*	6,416,031	6,416,031	6,416,031
Puritan Fund*	7,514	119,111	127,812
Growth and Income Fund*	165,756	3,638,444	4,483,709
Magellan*	53,385	3,867,994	4,590,045
Overseas Fund*	17,030	486,095	495,052
Balanced Fund*	92,852	1,202,954	1,255,353
		-----	-----
Total Mutual Fund Assets		17,679,188	19,649,288
Quanex Corporation Common Stock*	31,575	647,285	611,774
Common/Commingled Trust*	439,555	439,555	439,555
Participant loans (bearing interest rates from 7.85% to 11%)		752,684	752,684
		-----	-----
Total investments		\$19,518,712	\$21,453,301
		=====	=====

*Party-in-Interest

NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN
 SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 1995

Description	Total Number of Purchases During Plan Year	Series of Transactions		Selling Price	Cost of Asset	Current Value on Transaction Date	Net Gain (Loss)
		Purchase Price	Total Number of Sales During Plan Year				
Magellan Fund	108	\$1,895,417	66	\$1,234,925	\$1,118,069	\$1,234,925	\$116,856
Contrafund	87	1,372,327	53	935,051	882,613	935,051	52,438
Growth & Income Fund	102	1,210,975	65	794,612	715,917	794,612	78,695
Overseas Fund	58	2,624,733	29	2,517,434	2,486,944	2,517,434	30,490
Government Money Market Fund	96	1,956,550	95	2,306,488	2,306,488	2,306,488	0
Common/Commingled Trust	73	3,458,959	34	3,320,803	3,320,803	3,320,803	0

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

Date June 24, 1996

/s/ JOSEPH K. PEERY

Joseph K. Peery, Benefits Committee

23.1 Independent Auditor's Consent

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-54081 of Quanex Corporation on Form S-8 of our report dated May 3, 1996 appearing in the Annual Report of Form 11-K of the Nichols - Homeshield 401(k) Savings Plan for the year ended December 31, 1995.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Houston, Texas
June 24, 1996