

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, 1996

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:

Quanex Corporation Employee 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
(713) 961-4600

INDEPENDENT AUDITORS' REPORT

The Benefits Committee
Quanex Corporation
Houston, Texas

Re: Quanex Corporation Employee Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Quanex Corporation Employee Savings Plan (the "Plan") as of December 31, 1996 and 1995, 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, 1996 and 1995, 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, 1996 and (2) 5% reportable transactions for the year ended December 31, 1996 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 1996 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

March 28, 1997

QUANEX CORPORATION EMPLOYEE SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	1996	1995
Assets:		
Investments at fair value -		
Mutual fund assets:		
Fidelity Puritan Fund	\$ 7,990,942	\$ 6,212,219
Fidelity Magellan Fund	9,025,079	8,297,683
Fidelity Contrafund	3,106,854	1,126,654
Fidelity Growth and Income Fund	4,187,289	2,098,750
Fidelity Overseas Fund	2,151,256	1,573,296
Fidelity Balanced Fund	272,553	158,122
Templeton Foreign Fund	476,234	-
Fidelity Government Money Market Fund	10,265,488	10,910,320
Quanex Corporation common stock	1,822,006	1,519,737
Common/commingled trust	807,949	1,244,993
	40,105,650	33,141,774
Employee contributions receivable	446,619	449,920
Employer contributions receivable	142,213	128,560
	588,832	578,480
Net assets available for benefits	\$40,694,482	\$33,720,254

See notes to financial statements.

QUANEX CORPORATION EMPLOYEE SAVINGS PLAN
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE
 FOR BENEFITS

	December 31,	
	1996	1995
Investment income:		
Interest and dividends	\$ 3,420,494	\$ 1,708,988
Net appreciation in fair value of investments	1,154,013	2,926,558
Total	4,574,507	4,635,546
Contributions:		
Employer	1,003,456	969,303
Less forfeitures	13,691	8,913
	989,765	960,390
Employee	3,671,185	3,734,966
Total	4,660,950	4,695,356
Total additions	9,235,457	9,330,902
Benefit payments	2,261,229	2,278,666
Increase in net assets available for benefits	6,974,228	7,052,236
Net assets available for benefits:		
Beginning of year	33,720,254	26,668,018
End of year	\$40,694,482	\$33,720,254

See notes to financial statements.

QUANEX CORPORATION
EMPLOYEE SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1996 AND 1995

A. THE PLAN

The following brief description of the Quanex Corporation Employee Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

- (1) General. The Plan became effective April 1, 1986, as amended and restated effective January 1, 1989, and is sponsored by Quanex Corporation (the "Company"). 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 employees of the Company and its subsidiaries, excluding the Nichols-Homeshield division and Piper Impact subsidiary, and those Quanex employees who are covered by a collective bargaining agreement, 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 ("Fidelity" or the "Trustee"). The Benefits Committee (the "Committee"), appointed by the Board of Directors of the Company, serves as the Plan administrator.
- (2) Contributions. Participants may elect to contribute up to 15% of their pre-tax annual compensation or up to 15% of their after-tax annual compensation limited to 15% of considered compensation as defined by the Plan agreement. The Company matches 50% of the employee's contribution up to, but not in excess of, 2.5% of the employee's annual compensation.
- (3) Participants Account. Each participant's account is credited with the participant's contribution, the Company's matching contribution, and an allocation of investment income, which is based on the participant's account balance as of the end of the period in which the income is earned.
- (4) Investment Options. The Plan offers the following investment funds, all managed by the Trustee, as follows:
 - Government Money Market Fund-composed of short-term government obligations.
 - Puritan Fund-invested and reinvested in common and preferred stocks and bonds.
 - Magellan Fund-invested and reinvested in equity and debt securities of foreign and domestic companies.
 - Growth and Income Fund-invested and reinvested in equity and debt securities of foreign and domestic companies.
 - Overseas Fund-invested and reinvested in foreign securities.
 - Balanced Fund-invested and reinvested in common and preferred stocks and bonds.
 - Contrafund-invested and reinvested in equities of foreign and preferred stock.
 - 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 voluntary contributions and the related earnings. Vesting in the employer's matching contributions for employees is 0% for less than one year of service graduating to 100% for five or more years. Upon death, retirement or total and permanent disability, the participant or beneficiary becomes immediately 100% 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 amount equal to the amount of vested benefits in his or her account. As of December 31, 1996 and 1995, net assets available for benefits included benefits of \$30,852 and \$221,024, respectively, due to participants who have withdrawn from participation in the Plan.

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 standards.
- (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. The fair value of the common/commingled trust is at face value.
- (3) 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 those estimates.
- (4) Administrative Expenses. The Company pays all administrative expenses.
- (5) Payment of Benefits. Benefit payments are recorded when paid.

C. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan, subject to the provisions of ERISA. In the event of termination of the Plan, 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 Internal Revenue Code (the "Code") and, as a result, is exempt from taxation under Sections 501(a) of the Code. The Plan received a favorable determination letter from the IRS dated October 3, 1996. 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, 1996 and 1995, the Plan purchased and sold shares of Quanex Corporation common stock, as shown below:

	Shares	1996 Cost	Sales Price	Shares	1995 Cost	Sales Price
	-----	-----	-----	-----	-----	-----
Purchases	18,195	\$403,216		31,540	\$656,408	
Sales	30,076	618,301	\$741,499	15,119	322,891	\$368,385

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Fidelity mutual fund assets, as shown below:

	Shares	1996 Cost	Sales Price	Shares	1995 Cost	Sales Price
	-----	-----	-----	-----	-----	-----
Purchases	3,781,125	\$ 15,764,549		5,924,023	\$13,115,404	
Sales	4,142,244	8,854,715	\$9,179,359	3,911,470	8,630,838	\$9,131,908

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Fidelity Common/Commingled Trust, as shown below:

	Shares	1996 Cost	Sales Price	Shares	1995 Cost	Sales Price
	-----	-----	-----	-----	-----	-----
Purchases	396,185	\$396,185		952,231	\$952,231	
Sales	833,229	833,229	\$833,229	179,211	179,211	\$179,211

F. SUBSEQUENT EVENT

In April 1997, Quanex Corporation announced the sale of their LaSalle Steel Company subsidiary ("LaSalle") to Niagara Corporation.

G. SUPPLEMENTAL FUND INFORMATION

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

	1996	1995
	-----	-----
Employee Contributions:		
Fidelity Puritan Fund	\$ 631,064	\$ 667,357
Fidelity Magellan Fund	909,697	1,139,936
Fidelity Contrafund	325,350	126,372
Fidelity Growth and Income Fund	381,285	230,475
Fidelity Overseas Fund	227,957	230,121
Fidelity Balanced Fund	40,829	26,265
Fidelity Government Money Market Fund	953,608	1,109,768
Templeton Foreign Fund	17,898	--
Quanex Corporation common stock	117,769	122,282
Common/commingled trust	65,728	82,390
	-----	-----
	\$3,671,185	\$3,734,966
	=====	=====

	1996	1995
	-----	-----
Employer Contributions:		
Fidelity Puritan Fund	\$ 172,119	\$ 178,592
Fidelity Magellan Fund	242,159	256,350
Fidelity Contrafund	83,610	31,385
Fidelity Growth and Income Fund	95,579	56,557
Fidelity Overseas Fund	60,383	61,502
Fidelity Balanced Fund	11,115	7,216
Fidelity Government Money Market Fund	268,082	313,266
Templeton Foreign Fund	4,332	--
Quanex Corporation common stock	37,089	37,418
Common/commingled trust	15,297	18,104
	-----	-----
	\$ 989,765	\$ 960,390
	=====	=====

	1996	1995
	-----	-----
Benefit payments:		
Fidelity Puritan Fund	\$ 331,862	\$ 382,406
Fidelity Magellan Fund	529,329	441,687
Fidelity Contrafund	29,696	4,154
Fidelity Growth and Income Fund	116,336	78,206
Fidelity Overseas Fund	57,153	143,802
Fidelity Balanced Fund	2,476	1,628
Fidelity Government Money Market Fund	859,097	1,171,681
Templeton Foreign	292	--
Quanex Corporation common stock	92,241	42,219
Common/commingled trust	242,747	12,883
	-----	-----
	\$ 2,261,229	\$ 2,278,666
	=====	=====

	1996	1995
	-----	-----
Investment income:		
Fidelity Puritan Fund	\$ 1,005,808	\$ 1,062,499
Fidelity Magellan Fund	977,164	2,263,096
Fidelity Contrafund	443,202	181,608
Fidelity Growth and Income Fund	591,891	489,667
Fidelity Overseas Fund	241,670	126,585
Fidelity Balanced Fund	22,680	14,721
Fidelity Government Money Market Fund	515,358	585,772
Templeton Foreign	30,573	--
Quanex Corporation common stock	685,994	(145,524)
Common/commingled trust	60,167	57,122
	-----	-----
	\$ 4,574,507	\$ 4,635,546
	=====	=====

ITEM 27a - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
 EIN: 38-1872178; PN 012

QUANEX CORPORATION
 EMPLOYEE SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
 DECEMBER 31, 1996

	Shares/ Par Value -----	Cost ----	Current Value -----
Mutual Fund Assets - Fidelity Investments: -----			
Contrafund*	73,709	\$ 2,818,915	\$ 3,106,854
Government Money Market Fund*	10,265,488	10,265,488	10,265,488
Puritan Fund*	463,512	7,404,337	7,990,942
Growth and Income Fund*	136,261	3,494,225	4,187,289
Magellan*	111,904	8,262,703	9,025,079
Overseas Fund*	69,755	1,957,919	2,151,256
Balanced Fund*	19,357	255,546	272,553
Templeton Foreign Fund*	45,969	462,601	476,234
Total Mutual Fund Assets		----- 34,921,734	----- 37,475,695
Quanex Corporation Common stock*	66,557	1,401,349	1,822,006
Common/Commingled Trust*	807,949	807,949	807,949
Total investments		----- \$37,131,032 =====	----- \$40,105,650 =====

* Party-in-Interest

ITEM 27d - SCHEDULE OF REPORTABLE (5%) TRANSACTIONS EIN 38-1872178; PN 012

QUANEX CORPORATION EMPLOYEE SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 1996

Single 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)
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None

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)
*Puritan Fund	117	\$2,676,360	65	\$1,037,920	\$943,415	\$1,037,920	\$ 94,505
*Magellan Fund	122	3,466,175	84	2,324,953	2,194,773	2,324,953	130,180
*Growth & Income Fund	125	2,244,476	44	558,617	514,966	558,617	43,651
*Contrafund	116	2,391,321	38	658,318	640,714	658,318	17,604
*Government Money Market Fund	137	3,346,494	130	3,991,325	3,991,325	3,991,325	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.

Quanex Corporation Employee Savings Plan

Date: June 24, 1997

/s/ Joseph K. Peery

Joseph K. Peery, Benefits Committee

INDEX TO EXHIBITS

23.1 Independent Auditor's Consent

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-38702 of Quanex Corporation on Form S-8 of our report dated March 28, 1997 appearing in the Annual Report on Form 11-K of the Quanex Corporation Employee Savings Plan for the year ended December 31, 1996.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

Houston, Texas
June 24, 1997