

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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1. Name and Address of Reporting Person * <u>BAYLES MICHAEL R</u> (Last) (First) (Middle) 1900 WEST LOOP SOUTH SUITE 1500 (Street) HOUSTON TX 77027 (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>QUANEX CORP [NX]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>Senior VP-Building Prod. Group</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>09/29/2006</u>	

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title
Phantom Stock Units ⁽¹⁾	\$0 ⁽²⁾	09/29/2006		A		131.02		(3)	(3)	Common Stock	131.02	\$30.35	28,534.276	D	
Stock Options (Right to buy)	\$17.6							(4)	12/03/2013	Common Stock	10,350		10,350	D	
Stock Options (Right to buy)	\$26.3111							(4)	12/01/2014	Common Stock	21,750		21,750	D	
Stock Options (Right to buy)	\$40.9467							12/01/2006	12/01/2015	Common Stock	22,350		22,350	D	

Explanation of Responses:

- Units that are credited to the participant's account under the Quanex Corporation Deferred Compensation Plan as a result of Dividend Reinvestment.
- Conversion price is 1-for-1.
- All units credited under the Deferred Compensation Plan are 100% vested at all times; provided, however, that if a participant receives a benefit from the Deferred Compensation Plan for any reason other than death, disability or retirement within three years after a deferral is credited to a participant's account, any matching awards made by the Company with respect to such deferral will be forfeited. Distributions under the Deferred Compensation Plan are made beginning on a specified date selected by the participant or upon a participant's death, disability, or termination of employment.
- The option becomes exercisable in one third increments annually beginning one year from date of grant.

John J. Mannion, Power of Attorney 10/02/2006
 ** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

Quanex Corporation

Power of Attorney

The undersigned hereby constitutes and appoints Thomas M. Walker, Brent Korb and John J. Mannion his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to complete and sign all Form 4s and Form 5s relating to equity securities of Quanex Corporation and to file the same, with all exhibits thereto or documents in connection therewith, with the Securities and Exchange Commission, the New York Stock Exchange and Quanex Corporation, granting to said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Executed this 28th day of August 2006

/s/ Michael R. Bayles

Michael R. Bayles