

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:

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
(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 statements of net assets available for benefits of the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan (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
 HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	1997	1996
Assets:		
Investments, at fair value:		
Mutual fund assets:		
Fidelity Puritan Fund	\$1,430,212	\$1,268,634
Fidelity Magellan Fund	2,681,622	2,326,232
Fidelity Contrafund	446,311	399,810
Fidelity Growth & Income Fund	792,874	624,189
Fidelity Overseas Fund	450,127	562,072
Fidelity Balanced Fund	76,979	143,087
Templeton Foreign Fund	72,104	41,980
Fidelity Government Money Market Fund	2,295,174	2,450,167
Quanex Corporation Common Stock	247,035	291,588
Fidelity Common/Commingled Trust	57,239	147,525
Total	8,549,677	8,255,284
Employee contributions receivable	49,534	162,502
Employer contributions receivable	-	12,396
Total	49,534	174,898
Net Assets Available for Benefits	\$8,599,211	\$8,430,182

See notes to financial statements.

QUANEX CORPORATION
HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year Ended December 31,	
	1997	1996
Investment income:		
Interest and dividends	\$ 593,142	\$ 672,045
Net appreciation in fair value of investments	920,890	143,494
	-----	-----
Total income	1,514,032	815,539
	-----	-----
Contributions:		
Employer	33,347	105,566
Less forfeitures	115	56
	-----	-----
	33,232	105,510
Employee	1,392,270	1,786,138
	-----	-----
Total contributions	1,425,502	1,891,648
	-----	-----
Total additions	2,939,534	2,707,187
	-----	-----
Benefit payments	635,122	404,320
LaSalle asset transfer	2,135,383	--
	-----	-----
Total deductions	2,770,505	404,320
	-----	-----
Increase in net assets available for benefits	169,029	2,302,867
Net assets available for benefits:		
Beginning of year	8,430,182	6,127,315
	-----	-----
End of year	\$8,599,211	\$8,430,182
	=====	=====

See notes to financial statements.

QUANEX CORPORATION
HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

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

A. DESCRIPTION OF THE PLAN

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

- (1) General. The Plan, originally named the Quanex Corporation Hourly Employees 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 ("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 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 Company hourly employees (Note E). All plan provisions apply to the LaSalle Steel Company hourly employees with the addition of an employer matching contribution that does not exceed 5% of the member's considered compensation.
- (3) Participant Accounts. Each participant's account is credited with the participant's contribution and an allocation of investment income, which is based on individual participant account balances as of the end of the period in which the income is earned.
- (4) Investment Options. The Plan has the following investment funds managed by the Trustee:
 - 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 with insurance companies, banks and other financial institutions.

- (5) Vesting. Participants are immediately vested in their contributions and the related earnings. Vesting in the employer's matching contributions for Lasalle Steel Company 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 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. As of December 31, 1997 and 1996, net assets available for benefits included benefits of \$7,794 and \$5,632, respectively, due to participants who had 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 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. 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 these 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 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 (the "IRS"). The Plan has received a favorable letter of tax determination dated April 25, 1997. 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.

E. TRANSFER OF ASSETS

Effective April 18, 1997, Quanex Corporation sold its LaSalle Steel Company subsidiary ("LaSalle") to Niagara Corporation. On December 1, 1997, assets of the Plan in the amount of \$2,135,383 were transferred to the trustee of the LaSalle Steel Company Hourly Bargaining Unit Employees Savings Plan.

F. 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	4,038	\$109,945		3,306	\$75,789	
Sales	5,906	141,059	\$167,646	2,351	50,315	\$54,568

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	786,686	\$2,734,223		711,273	\$2,842,364	
Sales	947,926	2,821,811	\$3,212,731	320,094	754,693	\$785,068

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	68,202	\$ 68,202		87,559	\$87,559	
Sales	158,488	158,488	\$158,488	35,292	35,292	\$35,292

G. SUBSEQUENT EVENTS

On December 3, 1997, Michigan Seamless Tube Company, the Gulf States Tube and the Tube Group Office divisions of Quanex Corporation (the "Tube Group") were sold to Vision Metals, Inc. In plan year 1998, the net assets attributable to the Tube Group employees will be transferred to the new qualified savings plan established by Vision Metals, Inc.

H. 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	\$ 214,527	\$ 258,650
Fidelity Magellan Fund	342,660	453,847
Fidelity Contrafund	92,752	91,666
Fidelity Growth and Income Fund	139,049	146,079
Fidelity Overseas Fund	94,260	148,714
Fidelity Balanced Fund	33,599	59,839
Fidelity Government Money Market Fund	377,817	491,386
Templeton Foreign Fund	22,511	4,812
Quanex Corporation Common Stock	34,129	63,562
Fidelity Common/Commingled Trust	40,966	67,583
	-----	-----
	\$1,392,270	\$1,786,138
	=====	=====
	1997	1996
	-----	-----
Employer Contributions:		
Fidelity Puritan Fund	\$ 4,883	\$ 15,152
Fidelity Magellan Fund	6,982	21,803
Fidelity Contrafund	2,104	6,119
Fidelity Growth and Income Fund	3,727	10,918
Fidelity Overseas Fund	3,169	10,289
Fidelity Balanced Fund	2,170	7,296
Fidelity Government Money Market Fund	5,660	18,902
Templeton Foreign Fund	142	104
Quanex Corporation Common Stock	1,750	6,047
Fidelity Common/Commingled Trust	2,645	8,880
	-----	-----
	\$ 33,232	\$ 105,510
	=====	=====
	1997	1996
	-----	-----
Benefit Payments:		
Fidelity Puritan Fund	\$ 76,324	\$ 41,028
Fidelity Magellan Fund	146,690	121,150
Fidelity Contrafund	20,279	5,210
Fidelity Growth and Income Fund	36,649	14,286
Fidelity Overseas Fund	37,990	9,593
Fidelity Balanced Fund	11,892	7,915
Fidelity Government Money Market Fund	268,779	171,595
Templeton Foreign Fund	--	--
Quanex Corporation Common Stock	23,893	4,863
Fidelity Common/Commingled Trust	12,626	28,680
	-----	-----
	\$ 635,122	\$ 404,320
	=====	=====

	1997	1996
	-----	-----
Investment Income:		
Fidelity Puritan Fund	\$ 294,604	\$ 149,359
Fidelity Magellan Fund	637,945	243,707
Fidelity Contrafund	98,587	51,197
Fidelity Growth and Income Fund	225,857	86,323
Fidelity Overseas Fund	56,810	58,357
Fidelity Balanced Fund	34,599	11,564
Fidelity Government Money Market Fund	132,873	115,993
Templeton Foreign Fund	2,690	3,593
Quanex Corporation Common Stock	20,390	88,680
Fidelity Common/Commingled Trust	9,677	6,766
	-----	-----
	\$1,514,032	\$ 815,539
	=====	=====

ITEM 27-A SCHEDULE OF ASSETS HELD FOR INVESTMENTS PURPOSES
 EIN: 38-1872178; PN 015

QUANEX CORPORATION
 HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

SUPPLEMENTAL SCHEDULE OF INVESTMENTS
 AS OF DECEMBER 31, 1997

	Shares/ Par Value -----	Cost -----	Current Value -----
Mutual Fund Assets - Fidelity Investments:			
Puritan Fund*	73,798	\$1,246,497	\$1,430,212
Magellan*	28,148	2,175,266	2,681,622
Contrafund*	9,571	405,764	446,311
Growth and Income Fund*	20,810	591,811	792,874
Overseas Fund*	13,833	406,378	450,127
Balanced Fund*	5,041	73,710	76,979
Templeton Foreign Fund*	7,247	75,119	72,104
Government Money Market Fund*	2,295,174	2,295,174	2,295,174
		-----	-----
Total Mutual Fund Assets		7,269,719	8,245,403
Quanex Corporation Common Stock*	8,783	202,788	247,035
Fidelity Common/Commingled Trust*	57,239	57,239	57,239
		-----	-----
Total Investments		\$7,529,746	\$8,549,677
		=====	=====

* Party-in-Interest

ITEM 27-D - SCHEDULE OF REPORTABLE (5%) TRANSACTIONS EIN 38-1872178; PN 015

QUANEX CORPORATION HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

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

Description	Total Number of Purchases During the Plan Year	Series of Transactions			Cost of Asset	Current Value on Transaction Date	Net Gain
		Purchase Price	Total Number of Sales During the Plan Year	Selling Price			
Fidelity Investments: Puritan*	67	\$441,338	45	\$447,736	\$388,133	\$447,736	\$ 59,603
Magellan*	71	670,769	49	773,603	\$635,924	773,603	137,679
Contrafund*	52	264,403	21	270,715	\$223,485	270,715	47,230
Growth & Income*	67	331,910	32	344,457	\$259,160	344,457	85,297
Overseas*	48	163,876	32	310,582	\$273,191	310,582	37,391
Gov't Money Market*	77	725,156	61	880,149	\$880,149	880,149	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 Hourly Bargaining Unit Employees Savings Plan

Date: June 29, 1998

/s/ Wayne M. Rose

Wayne M. Rose, Benefits Committee

INDEX TO EXHIBITS

23.1 Independents Auditor's Consent

INDEPENDENT AUDITOR'S 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 22, 1998 appearing in the Annual Report of Form 11-K of the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan for the year ended December 31, 1997.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Houston, Texas
June 29, 1998