

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

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:

Quanex Corporation Hourly Bargaining Unit Employees Savings Plan

B. Name of issuer of the securities held pursuant to the Plan and the
address of the 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, 1998 and 1997 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, 1998 and 1997 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, 1998 and (2) 5% reportable transactions for the year ended December 31, 1998 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. The supplemental information by fund in the statements on net assets available for benefits is presented for the purpose of additional analysis rather than to present the net assets available for benefits of the individual funds. The supplemental schedules and the supplemental information by fund is the responsibility of the Plan's management. Such supplemental schedules and supplemental information by fund have been subjected to the auditing procedures applied in our audit of the basic 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

June 1, 1999

QUANEX CORPORATION
 HOURLY BARGAINING UNIT EMPLOYEE SAVINGS
 STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	DECEMBER 31,	
	----- 1998 -----	----- 1997 -----
Assets:		
Investment at fair value:		
Mutual fund assets:		
Fidelity Puritan Fund	\$ 792,365	\$ 1,430,212
Fidelity Magellan Fund	2,468,899	2,681,622
Fidelity Contrafund	249,669	446,311
Fidelity Growth & Income Fund	641,546	792,874
Fidelity Retirement Growth Fund	16,641	--
Fidelity Overseas Fund	213,439	450,127
Fidelity Balanced Fund	59,400	76,979
Fidelity Blue Chip Fund	138,913	--
Fidelity Low-priced Stock Fund	1,698	--
Fidelity Government Money Market Fund	814,615	2,295,174
Templeton Foreign Fund	23,426	72,104
Neuberger & Berman Partners Fund	9,051	--
Quanex Corporation Common Stock	199,494	247,035
Common/commingled trust	36,162	57,239
	-----	-----
	5,665,318	8,549,677
	-----	-----
Employee contributions receivable	42,911	49,534
	-----	-----
Net Assets Available for Benefits	\$ 5,708,229	\$ 8,599,211
	=====	=====

See notes to financial statements.

QUANEX CORPORATION
HOURLY BARGAINING UNIT EMPLOYEE SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	DECEMBER 31,	
	----- 1998 -----	----- 1997 -----
Investment income:		
Interest and dividends	\$ 405,017	\$ 593,142
Net appreciation in fair value of investments	1,031,419	920,890
	----- 1,436,436 -----	----- 1,514,032 -----
Contributions:		
Employer	--	33,347
Less forfeitures	--	115
	----- -- -----	----- 33,232 -----
Employee	740,387	1,392,270
	----- 740,387 -----	----- 1,425,502 -----
Total additions	----- 2,176,823 -----	----- 2,939,534 -----
Benefit payments	367,682	635,122
Tube Group and LaSalle asset transfer	4,700,123	2,135,383
Total deductions	----- 5,067,805 -----	----- 2,770,505 -----
Increase/(decrease) in net assets available for benefits	(2,890,982)	169,029
Net assets available for benefits:		
Beginning of year	8,599,211	8,430,182
End of year	----- \$ 5,708,229 =====	----- \$ 8,599,211 =====

See notes to financial statements.

QUANEX CORPORATION
HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

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 applied to the LaSalle Steel Company hourly employees with the addition of an employer matching contribution that did 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. Participants may direct allocation of their contributions to the following funds:

Fidelity Puritan Fund - invests in domestic and foreign common stocks, preferred stocks and bonds.

Fidelity Magellan Fund - invests in equity and debt securities of foreign and domestic companies.

Fidelity Contrafund - invests in equities of foreign and domestic companies.

Fidelity Growth and Income Fund - invests in equity and debt securities of foreign and domestic companies.

Fidelity Retirement Growth Fund - invests in common stocks and other securities.

Fidelity Overseas Fund - invests in foreign equity and debt securities.

Fidelity Balanced Fund - invests in common and preferred stocks and bonds.

Fidelity Blue Chip Fund - invests in domestic and foreign common stocks.

Fidelity Low-Priced Stock Fund - invests in domestic and foreign stocks.

Fidelity Government Money Market Fund - composed of short-term U.S. government obligations.

Templeton Foreign Fund - invests in foreign securities.

Neuberger & Berman Partner Trust Fund - invests in common stocks.

Quanex Corporation Common Stock - invests exclusively in the common stock of Quanex Corporation.

Common/Commingled Trust - invests in investment contracts issued by 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, 1998 and 1997, net assets available for benefits included benefits of \$34,543 and \$7,794, 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.

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, assets of the Plan attributable to the Tube Group employees in the amount of \$4,700,123 were transferred to the new qualified savings plan established by Vision Metals, Inc.

F. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1998 and 1997, the Plan purchased and sold shares of Quanex Corporation common stock, as shown below:

	1998 ----			1997 ----		
	Shares -----	Cost -----	Sales Price -----	Shares -----	Cost -----	Sales Price -----
Purchases	3,391	\$ 71,680		4,038	\$ 109,945	
Sales	3,332	78,783	\$ 97,892	5,906	141,059	\$ 167,646

During the years ended December 31, 1998 and 1997, the Plan purchased and sold shares of Fidelity mutual fund assets as shown below:

	1998 ----			1997 ----		
	Shares -----	Cost -----	Sales Price -----	Shares -----	Cost -----	Sales Price -----
Purchases	369,760	\$ 1,533,109		786,686	\$ 2,734,223	
Sales	1,913,651	4,618,411	\$ 5,507,616	947,926	2,821,811	\$ 3,212,731

During the years ended December 31, 1998 and 1997, the Plan purchased and sold shares of Fidelity Common/Commingled Trust as shown below:

	1998 ----			1997 ----		
	Shares -----	Cost -----	Sales Price -----	Shares -----	Cost -----	Sales Price -----
Purchases	25,101	\$ 25,101		68,202	\$ 68,202	
Sales	46,177	46,177	\$ 46,177	158,488	158,488	\$ 158,488

G. SUPPLEMENTAL FUND INFORMATION

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

	1998	1997
	-----	-----
Employee contributions:		
Fidelity Puritan Fund	\$ 96,471	\$ 214,527
Fidelity Magellan Fund	258,250	342,660
Fidelity Contrafund	44,563	92,752
Fidelity Growth and Income Fund	110,453	139,049
Fidelity Retirement Growth Fund	--	--
Fidelity Overseas Fund	33,812	94,260
Fidelity Balanced Fund	13,437	33,599
Fidelity Blue Chip Fund	17,864	--
Fidelity Low Priced Stock Fund	1,829	--
Fidelity Government Money Market Fund	109,862	377,817
Templeton Foreign Fund	10,689	22,511
Neuberger & Berman Partners Trust Fund	2,272	--
Quanex Corporation common stock	28,625	34,129
Common/commingled trust	12,261	40,966
	-----	-----
	\$ 740,387	\$ 1,392,270
	=====	=====

	1998	1997
	-----	-----
Employer contributions:		
Fidelity Puritan Fund	\$ --	\$ 4,883
Fidelity Magellan Fund	--	6,982
Fidelity Contrafund	--	2,104
Fidelity Growth and Income Fund	--	3,727
Fidelity Retirement Growth Fund	--	--
Fidelity Overseas Fund	--	3,169
Fidelity Balanced Fund	--	2,170
Fidelity Blue Chip Fund	--	--
Fidelity Low Priced Stock Fund	--	--
Fidelity Government Money Market Fund	--	5,660
Templeton Foreign Fund	--	142
Neuberger & Berman Partners Trust Fund	--	--
Quanex Corporation common stock	--	1,750
Common/commingled trust	--	2,645
	-----	-----
	\$ --	\$ 33,232
	=====	=====

	1998	1997
	-----	-----
Benefit payments:		
Fidelity Puritan Fund	\$ 97,001	\$ 76,324
Fidelity Magellan Fund	96,793	146,690
Fidelity Contrafund	8,446	20,279
Fidelity Growth and Income Fund	12,077	36,649
Fidelity Retirement Growth Fund	--	--
Fidelity Overseas Fund	6,098	37,990
Fidelity Balanced Fund	809	11,892
Fidelity Blue Chip Fund	--	--
Fidelity Low Priced Stock Fund	--	--
Fidelity Government Money Market Fund	136,444	268,779
Templeton Foreign Fund	333	--
Neuberger & Berman Partners Trust Fund	--	--
Quanex Corporation common stock	9,486	23,893
Common/commingled trust	195	12,626
	-----	-----
	\$ 367,682	\$ 635,122
	=====	=====

	1998	1997
	-----	-----
Tube Group and LaSalle asset transfer:		
Fidelity Puritan Fund	\$ 746,820	\$ 301,454
Fidelity Magellan Fund	1,113,930	476,186
Fidelity Contrafund	322,297	141,253
Fidelity Growth and Income Fund	514,812	261,027
Fidelity Retirement Growth Fund	--	--
Fidelity Overseas Fund	335,482	225,822
Fidelity Balanced Fund	19,444	127,345
Fidelity Blue Chip Fund	--	--
Fidelity Low Priced Stock Fund	--	--
Fidelity Government Money Market Fund	1,569,817	336,915
Templeton Foreign Fund	16,338	1,703
Neuberger & Berman Partners Trust Fund	--	--
Quanex Corporation common stock	19,620	130,402
Common/commingled trust	41,563	133,276
	-----	-----
	\$ 4,700,123	\$ 2,135,383
	=====	=====

	1998	1997
	-----	-----
Investment income:		
Fidelity Puritan Fund	\$ 194,325	\$ 294,604
Fidelity Magellan Fund	766,747	637,945
Fidelity Contrafund	105,188	98,587
Fidelity Growth and Income Fund	193,265	225,857
Fidelity Retirement Growth Fund	(18)	--
Fidelity Overseas Fund	70,030	56,810
Fidelity Balanced Fund	11,770	34,599
Fidelity Blue Chip Fund	21,107	--
Fidelity Low Priced Stock Fund	30	--
Fidelity Government Money Market Fund	87,475	132,873
Templeton Foreign Fund	(958)	2,690
Neuberger & Berman Partners Trust Fund	153	--
Quanex Corporation common stock	(15,689)	20,390
Common/commingled trust	3,011	9,677
	-----	-----
	\$ 1,436,436	\$ 1,514,032
	=====	=====

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
 DECEMBER 31, 1998

	Shares/ Par Value	Cost	Current Value
	-----	-----	-----
Mutual Fund Assets:			
Fidelity Investments:			
Puritan Fund*	39,480	\$ 691,139	\$ 792,365
Magellan*	20,435	1,688,056	2,468,899
Contrafund*	4,396	207,178	249,669
Growth and Income Fund*	13,995	469,867	641,546
Retirement Growth Fund*	811	16,650	16,641
Overseas Fund*	5,932	184,590	213,439
Balanced Fund*	3,631	53,854	59,400
Blue-Chip Fund*	2,757	121,622	138,913
Low-Priced Stock Fund*	74	1,749	1,698
Government Money Market Fund*	814,615	814,615	814,615
Templeton Foreign Fund	2,792	28,276	23,426
Neuberger & Berman Partners Trust Fund	501	8,952	9,051
		-----	-----
Total Mutual Fund Assets		\$ 4,286,548	\$ 5,429,662
Quanex Corporation Common Stock*	8,842	195,685	199,494
Common/Commingled Trust*	36,162	36,162	36,162
		-----	-----
Total Investments		\$ 4,518,395	\$ 5,665,318
		=====	=====

* 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
DECEMBER 31, 1998

Description -----	Series of Transactions -----				Selling Price -----	Cost of Asset -----	Current Value on Transaction Date -----	Net Gain -----
	Total Number of Purchases During the Plan Year -----	Purchase Price -----	Total Number of Sales During the Plan Year -----					
Fidelity Mutual Funds:								
Puritan*	45	\$ 294,759	23	\$ 1,031,319	\$ 850,117	\$ 1,031,319	\$ 181,202	
Magellan*	44	476,505	20	1,315,889	\$ 963,715	1,315,889	352,174	
Contrafund*	32	99,058	11	382,053	\$ 297,644	382,053	84,409	
Growth & Income*	39	264,529	11	573,639	\$ 386,473	573,639	187,166	
Gov't Money Market*	41	339,296	20	1,819,856	\$ 1,819,856	1,819,856	--	

* 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 28, 1999

/s/ Viren M. Parikh

Viren M. Parikh, Benefits Committee

INDEX TO EXHIBITS

NUMBER -----	DESCRIPTION -----
23.1	Independent 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 June 1, 1999, 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, 1998.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Houston, Texas
June 28, 1999