FORM 10-Q

Securities and Exchange Commission
Washington, D. C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended October 3, 1998

OR

_______ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to _________

Commission File Number 0-19687

SYNALLOY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	57-0426694
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Post Office Box 5627 Croft Industrial Park Spartanburg, South Carolina	29304
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code (864) 585-3605

Not Applicable
(Former name, former address and former fiscal year, if changed since last year.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practical date.

Title of Class	Number of Shares Outstanding As of October 3, 1998
Common Stock, $1.00 Par Value	6,725,629

Synalloy Corporation

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PART 1. FINANCIAL STATEMENTS

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Synalloy Corporation
Condensed Consolidated Balance Sheets

<S>	Oct 3, 1998 (Unaudited) <C>	Jan 3, 1998 (Note) <C>
Assets		
Current assets		
Cash and cash equivalents	216,382	1,602,543
Accounts receivable, less allowance for doubtful accounts	15,780,694	15,201,783
Inventories		
Raw materials	9,148,227	7,368,212
Work-in-process	4,351,179	4,791,379
Finished goods	13,909,878	15,287,431
Total inventories	27,409,284	27,447,022
Deferred income taxes	177,000	177,000
Prepaid expenses and other current assets	384,228	633,709
Total current assets	43,967,588	45,062,057
Cash value of life insurance	1,970,420	1,842,384
Investment	329,117	329,117
Property, plant & equipment, net of accumulated depreciation of $32,107,000 and $27,788,000	24,288,120	23,112,324
Deferred charges and other assets	3,020,088	3,037,470
Total assets	73,575,333	73,383,352
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable	535,000	0
Accounts payable	8,909,811	5,544,789
Income taxes	524,914	310,992
Accrued expenses	2,191,342	3,018,850
Current portion of environmental reserves	487,899	487,980
Current portion of long-term debt	200,000	200,000

Total current liabilities	12,848,966	9,562,611
Long-term debt, less current portion	10,200,000	10,200,000
Environmental reserves	543,759	782,700
Deferred compensation	1,342,501	1,323,388
Deferred income taxes	1,473,000	1,473,000
Contingencies		
Shareholders' equity		
Common stock, par value $1 per share - authorized and issued 8,000,000 shares	8,000,000	8,000,000
Capital in excess of par value	9,491	33,475
Retained earnings	51,459,694	52,339,857
Less cost of Common Stock in treasury	(12,302,078)	(10,331,679)
Total shareholders' equity	47,167,107	50,041,653
Total liabilities and shareholders' equity	73,575,333	73,383,352

Note: The balance sheet at January 3, 1998 has been derived from the audited financial statements at that date. See accompanying notes to condensed consolidated financial statements
</TABLE>

<TABLE>
Synalloy Corporation
Condensed Consolidated Statements of Income

(Unaudited)	Three Months Ended		Nine Months Ended	
	Oct 3,1998	Sep 27,1997	Oct 3,1998	Sep 27,1997
<S>	<C>	<C>	<C>	<C>
Net sales	28,039,905	31,370,635	84,458,443	93,478,935
Cost of sales	24,572,533	26,495,268	74,589,382	79,525,161
Gross profit	3,467,372	4,875,367	9,869,061	13,953,774
Selling, general and administrative expense	2,601,482	2,335,679	7,667,331	7,285,166
Operating income	865,890	2,539,688	2,201,730	6,668,608
Other (income) and expense				
Interest expense	181,207	169,102	510,892	582,129
Other, net	(19,711)	(16,655)	(106,577)	(6,843)
Income before taxes	704,394	2,387,241	1,797,415	6,093,322
Provision for income tax	249,000	844,000	635,000	2,153,000
Net income	455,394	1,543,241	1,162,415	3,940,322
Net income				
Basic	$.07	$.22	$.17	$.56
Diluted	$.07	$.22	$.17	$.56
Dividends paid per common share	$.10	$.09	$.30	$.27
Average shares outstanding				
Basic	6,769,363	6,974,705	6,797,255	6,977,563
Diluted	6,776,879	7,029,464	6,818,881	7,026,335

See accompanying notes to condensed consolidated financial statements.
</TABLE>

<TABLE>
Synalloy Corporation
Condensed Consolidated Statements of Cash Flows

(Unaudited)	Three Months Ended	
	Oct 3, 1998	Sep 27, 1997
<S>	<C>	<C>
Operating activities		
Net income	1,162,415	3,940,322
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	2,587,821	2,372,488
Amortization of deferred charges	195,593	188,303
Deferred compensation	19,113	5,602
Provision for losses on accounts receivable	206,538	(162)
Loss on sale of property, plant and equipment	10,401	114,215
Cash value of life insurance	(64,926)	(58,500)
Environmental reserves	(239,022)	(307,224)
Changes in operating assets and liabilities:		
Accounts receivable	159,172	(1,309,098)
Inventories	1,074,255	1,968,994
Other assets	305,262	(357,905)
Accounts payable and accrued expenses	1,952,273	1,823,010
Income taxes payable	(39,400)	239,793
Net cash provided by operating activities	7,329,495	8,619,838
Investing activities		
Purchases of property, plant and equipment	(1,766,714)	(2,171,785)
Proceeds from sale of property, plant and equipment	9,818	9,450
Acquisition, net of cash	(3,456,799)	0
Proceeds from notes receivable	0	4,927
Net cash used in investing activities	(5,213,695)	(2,157,408)
Financing activities		
Proceeds from revolving lines of credit	852,000	13,330,000
Payments on revolving lines of credit	(317,000)	(14,410,000)
Payment of notes payable to employee	0	(2,000,000)
Principal payments on long-term debt	0	(1,154,805)
Proceeds from exercised stock options	4,838	61,956
Purchases of treasury stock	(1,999,219)	(439,364)
Dividends paid	(2,042,580)	(1,882,140)
Net cash used in financing activities	(3,501,961)	(6,494,353)
(Decrease) increase in cash and cash equivalents	(1,386,161)	(31,923)
Cash and cash equivalents at beginning of year	1,602,543	115,828
Cash and cash equivalents at end of period	216,382	83,905

See accompanying notes to condensed consolidated financial statements
</TABLE>

Synalloy Corporation
Notes To Condensed Consolidated Financial Statements
(Unaudited)

October 3, 1998

NOTE 1--BASIS OF PRESENTATION
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule

10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine- month periods ended October 3, 1998, are not necessarily indicative of the results that may be expected for the year ending January 2, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the period ended January 3, 1998.

NOTE 2--INVENTORIES
Inventories are stated at the lower of cost (first-in, first-out method) or market.

NOTE 3--LEGAL MATTERS
The Company is from time to time subject to various claims, other possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business. Management believes that based on present information, it is unlikely that liability, if any, exists that would have a materially adverse effect on the consolidated operating results or financial position of the Company.

NOTE 4--NET INCOME PER COMMON SHARE
Income per share is computed using the weighted average shares of common stock and dilutive Common Stock equivalents (options) outstanding during the respective periods. In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share. Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options. Diluted earnings per share is very similar to the previously reported primary earnings per share. Earnings per share amounts for 1997 have been restated to conform to the Statement 128 requirements.

NOTE 5--ACQUISITIONS
On August 21,1998, the Company purchased the common stock of Organic-Pigments Corporation with an effective date of July 1, 1998. Organic, located in Greensboro, N. C., manufactures aqueous pigment dispersions sold to the textile industry and used in printing inks for use on paper. Total cost of the acquisition was $3,470,000 including the retirement of $1,095,000 in bank debt and certain acquisition costs related to the transaction. The Company funded the acquisition with available cash. The acquisition was accounted for by the purchase method of accounting with the purchase price allocated to the underlying assets based on their respective fair values at the date of acquisition. Such allocation has been based on preliminary estimates, which will be revised at a later date. Since the purchase price was approximately equal to the fair value of the net assets acquired, no goodwill was recorded. The Company's consolidated financial statements include the results of Organic from the July 1 effective date. The acquisition did not have a material impact on 1998 operations; therefore, no pro forma data has been presented.

Management's Discussion And Analysis Of Financial Condition
And Results Of Operations

The following is management's discussion of certain significant factors that affected the Company during the quarter ended October 3, 1998. (Dollar amounts are in thousands except for per share data.)
<TABLE>

	Three Months Ended		Nine Months Ended	
	Oct 3,1998	Sep 27,1997	Oct 3,1998	Sep 27,1997
<S>	<C>	<C>	<C>	<C>
Net sales				
Metals Segment	13,328	18,581	44,427	52,178
Chemicals Segment	14,712	12,790	40,031	41,301
	28,040	31,371	84,458	93,479
Operating income				
Metals Segment	191	1,884	1,231	4,066
Chemicals Segment	865	888	1,617	3,431
	1,056	2,772	2,848	7,497
Unallocated expenses				
Corporate	190	232	646	829
Interest and debt expense, net of interest income	162	153	405	575
Income before income taxes	704	2,387	1,797	6,093

</TABLE>

Consolidated sales for the quarter and year to date decreased 11 and 10 percent, respectively, compared to the same periods one year ago. Consolidated net income declined 71 percent to $455 and $1,162 for the quarter and year to date, or $.07 and $.17 per share, respectively, compared to the same periods one year ago. Weak demand together with lower prices in the Metals Segment led to substantially lower sales and profits in the third quarter compared to a year earlier.

Chemicals Segment sales increased 15 percent and declined three percent in the quarter and year to date, respectively, compared to the same periods one year ago. The third quarter sales increase resulted from the acquisition of Organic Pigments effective July 1, 1998. Excluding Organic Pigments, sales were about the same as a year earlier. Lower sales of textile dyestuffs were offset by an increase in specialty chemical sales. Operating income declined three and 53 percent in the quarter and year to date, respectively. The decline in operating income for the quarter resulted from lower profits from dyestuffs that was mostly offset by higher profits from specialty chemicals. The decline in sales and operating income year to date, reflects the extremely competitive market that has existed for textile dyes throughout the year. Management is pleased with the 330 percent improvement in operating income on a sequential basis compared to the second quarter's depressed level of $201,000. A large new agricultural chemical project scheduled to begin production in January 1999, the acquisition of Organic Pigments and several other initiatives make management optimistic about future growth in sales and income from the chemicals segment.

Metals Segment sales declined 28 and 15 percent in the quarter and year to date, respectively, compared to the same periods one year ago. Third quarter demand for the segment's principal product, stainless steel pipe, continued to reflect the weakness that began in the second quarter. Unit volume was down 30 percent

from a year earlier while selling prices for the commodity grades 304 and 316 were 11 percent lower than a year earlier. This weakness was partially the result of the well-publicized problems in Asia and the Pacific Rim countries which led to a collapse in exports to these areas, coupled with a surge in cheap imports. Partially offsetting these negative factors was an increase in sales of non-commodity pipe made from specialty alloys. These specialties produced 21 percent of dollar pipe sales this year versus seven percent during last year's third quarter. Piping systems and process equipment had weak sales in the third quarter that led to a modest operating loss from these products. On the other hand, bookings during the quarter were excellent, leading to an increase in backlog from $5,500,000 at the start of the quarter to $18,400,000 at quarter's end. This should assure improved results from these products over the next several quarters.

Selling and administrative expense for the quarter and year to date increased to nine percent of consolidated sales, respectively, compared to last year's seven percent. The increase is due to the addition of the selling and administrative expenses of Organic Pigments and the lower sales experienced in 1998.

Cash flows from operations totaled $7,329 during the first nine months of 1998 compared to $8,620 generated during the same period one year ago. The decrease in cash flows came primarily from the decline in net income for the first nine months compared to 1997. The Company used part of the cash flows generated in 1998 to purchase 163,300 shares of the Company's common stock for $1,999, including 60,300 shares purchased for $506 in the third quarter. The purchase of Organic pigments for $3,470 was also funded out of cash flows. The Company expects that available cash and existing lines of credit will be sufficient to meet normal operating requirements, including capital expenditures and payment of dividends over the near term.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

The statements contained in this management discussion and analysis that are not historical facts may be forward looking statements. The forward looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of their dates. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions, the impact of competitive products and pricing, product demand and acceptance risks, raw material and other increased costs, customer delays or difficulties in the production of products, and other risks detailed from time to time in Synalloy's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update the information included herein.

PART II: OTHER INFORMATION

Synalloy Corporation

Item 1. Legal Proceedings
None

Item 2. Change In Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission Of Matters To A Vote Of Security Holders:

None

Item 5. Other Information
None

Item 6. Exhibits And Reports On Form 8-K

The following exhibits are included herein:
None

The Company did not file any reports on Form 8-K during the three months ended October 3, 1998

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SYNALLOY CORPORATION
(Registrant)

Date: November 6, 1998 /s/ James G. Lane, Jr.
James G. Lane, Jr., Chairman and
Chief Executive Officer

Date: November 6, 1998 /s/ Gregory M. Bowie
Gregory M. Bowie
Vice President, Finance

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