

Iron Ore Fines Report

Market Scenario

The beginning of February witnessed a calm market trend both in the Indian export market and Chinese domestic market with trading remaining inactive. Due to decrease of ocean freight rate Fe63% cfr rate dropped to as low as 120USD/tonne before reviving to 126USD/tonne on Feb 11. Fe61% cfr rate too dropped to as low as 109USD/tonne before retreating at 115USD/tonne. Fe58% cfr rate too dropped to as low as 99USD/tonne before reviving at 102USD/tonne.

An exporter reported that he did not change the quotation on FOB basis in view that Chinese customers will retreat from the market and take on the Spring Festival holiday. "It is meaningless to lift or decrease the quotation," he said. Before the holidays, the Chinese mills stopped the purchase of imported iron ore fines to avoid building huge inventory.

Post Chinese holiday, the Iron Ore fines market has revived with Fe 63.5% prevailing at \$127-\$129/tonne, cfr at the close of week 03 and Indian FOB prices ruling at USD105/t on Feb 21, USD6-7/t higher than that of ten days ago. Week 04 remained strong as most Chinese importers, which are major customers of Indian iron ore, plan to import new materials because they mostly hold low inventories in hand. Fe63.5% prevailed at \$135-136/tonne cfr, Fe 61% ruled at \$122-123/tonne cfr and Fe 58% ruled at \$109-110/tonne, cfr.

The month of March has seen some mixed trend with export market seeing a stable movement in the first few days; however since then there has been a downtrend observed across various grades due to weak market demand and high inventory at Chinese ports. Fe63.5% grade has seen a fall in price of around 2% since the close of Feb to prevail at around 136 USD/tonne, cfr China.

Weak demand has also pulled down prices of low grade ore with Fe58% grade prevailing at around USD85-86/tonne, FOB Indian port.

The export price of iron ore moves down at present in India due to the inactive trading. The prevailing price of iron ore fines 63.5% rejection below 62.5% is USD112/t FOB Indian major ports, USD1-2/t lower than that of late last week. A local exporter with an annual export volume of 6-7 million tons reported that the current quotation is USD1/t lower than that of late last week. Now he offers USD112/t FOB Indian major ports for iron ore fines 63.5% rejection below 62.5%. At present, importers from East Asia, the major market of Indian iron ore, reduce the purchase quantity or stop placing orders because their domestic demand for imported iron ore weakens. Meanwhile, as the Indian government announced that the export tariff of iron ore would not increase in a short time, exporters can afford a slight price drop.

Indian IOF Price movement since the last VISL auction held on Mar 02, 2010 & a M-O-M comparison

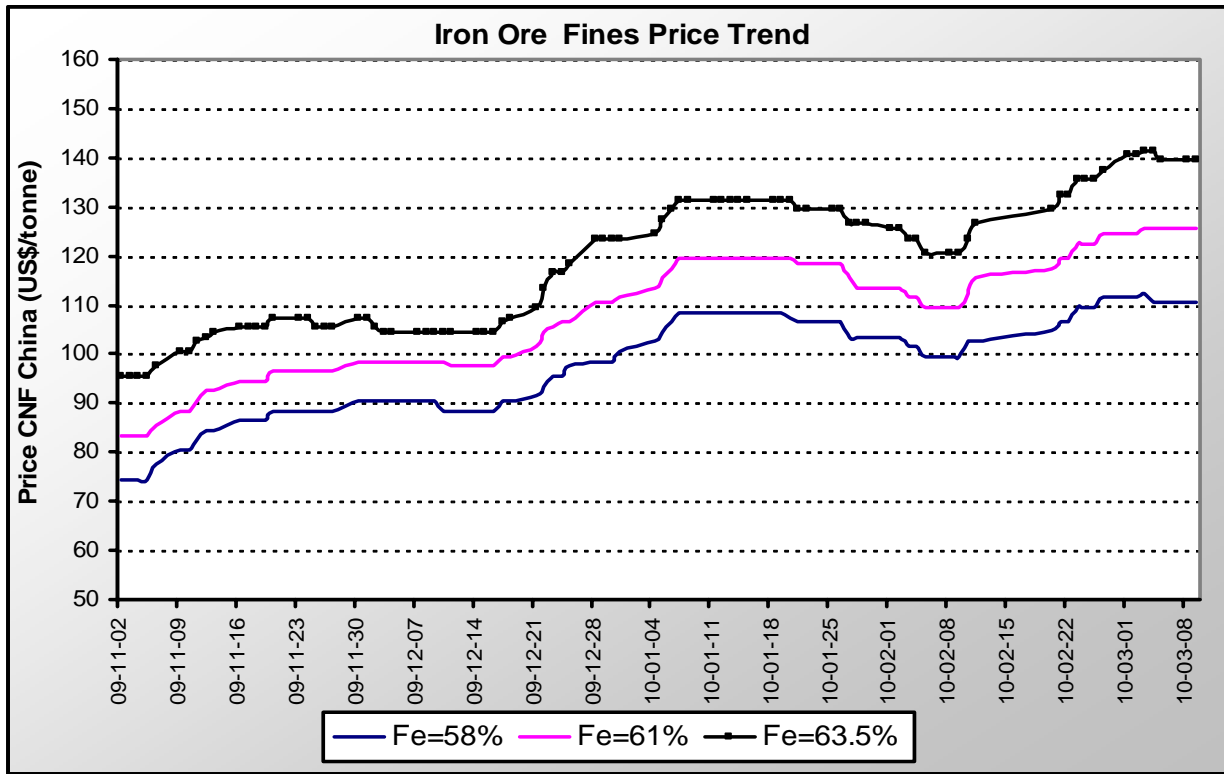
	Feb 09, 2010	Mar 03, 2010	Mar 05, 2010	Mar 08, 2010	Mar 09, 2010
63.5%min CNF China USD/tonne	120.5	141.5	139.5	139.5	139.5
63.5%min FOB India USD/tonne	93.5	112.5	112.5	112.5	111.5
61%min CNF China USD/tonne	109.5	125.5	125.5	125.5	125.5
61%min FOB India USD/tonne	85.5	102.5	103.5	103.5	101.5
58%min CNF China USD/tonne	99.5	112.5	110.5	110.5	110.5
58%min FOB India USD/tonne	74.5	88.5	85.5	85.5	84.5

All prices quoted above are average prices.

Source: Asian Metal

As seen from the above table and graph, since the last auction held on Mar 02, 2010, Fe 63% has seen a drop of around 1.5% till date, Fe 61% has remained stable while Fe 58% has seen a drop of around 1.8%.

The graph below shows the price trend of Indian Iron Ore fines for various grades



Source: Asian Metal

E-Auction Prices

OMDC fetched a price of Rs. 1200/MT, basic for Fe 62% by Road in the auction held on Feb 24, 2010 while the earlier auction fetched a price of Rs. 1050/MT, basic for Fe 62% by Rail in the auction held on Oct 28, 2009.

SAIL RMD fetched a price of Rs. 830/MT, basic for Fe 62.5% in the auction held on Jan 05, 2010 while the earlier auction also fetched a similar price in the auction held on Dec 18, 2009.

Outlook

The future of Iron ore Fines market depends on the Chinese sentiment. If the steel sector revives in the month of March the raw materials segment could see some hike in price; however with the current market sentiment coupled with inactive trading, softened Chinese steel market and huge inventory of unsold steel, prices could head Southward in the coming days. In the light of prevailing scenario, the coming auction could fetch a price in the range of Rs.1500 to Rs.1750 per tonne for Fe 63% material. However, prices would vary if the Fe content varies i.e. if it is below 63%, then prices could go down.