

## Iron Ore Fines Report

### Market Scenario

The month of January, 2010 witnessed a positive trend with demand shooting up from Chinese market. Indian grade prices increased by 10% in the first week itself since the close of December with Fe 63.5% grade trading at \$133-135 per tonne cfr main China port. Offers for 58% grade fines have jumped to \$107-110 per tonne cfr China. The second week saw a whopping rise in price with Chinese demand further gaining strength. Fe 63.5% grade soared above \$135/tonne cfr China. *Prices however retreated towards the end of second week as buyers got jitters after the rapid escalation.* Spot prices for 63.5% Fe content fines fell to \$133-135 per tonne cfr China, down from \$133-137. Transactions remained scarce, high-grade Indian iron ore prices faced strong resistance as Chinese steel prices slid. Chinese steel mills have noticeably been slowing down their buying of Indian ore in a bid to cool escalating prices. Prices further went down to \$130 per tonne cfr China as market continued to soften. Fines of 58-59% Fe traded at \$110 per tonne cfr while 57-58% Fe material prices were traded at \$105-106 per tonne cfr in the third week. Imported Iron ore demand in China weakened further towards the end of the month and Indian export price ruled on a lower note. Spot iron ore prices for 63.5% Fe Indian fines fell to \$125-127 per tonne cfr amid weak market sentiment.

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.

The Indian FOB prices presently rule stable. An exporter reported that he does 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.

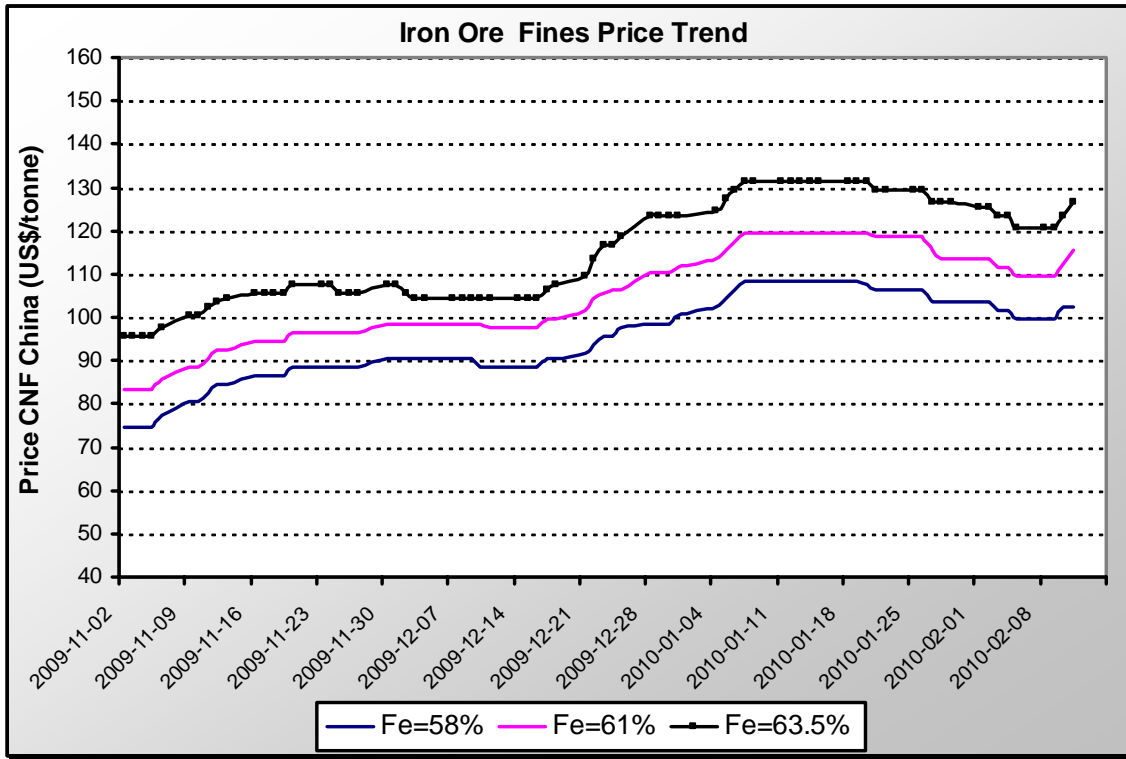
With the coming of the Spring Festival holiday, the mill stops the purchase of imported iron ore fines. Though some customers are optimistic on the market after the Spring Festival holiday, but overall buyers hold a cautious attitude considering the unfavorable steel market.

#### **Indian IOF Price movement since the last VISL auction on Dec 09, 2009**

	Dec 09, 2009	Jan 09, 2010	Feb 09, 2010	Today's price
63.5%min CNF China USD/tonne	104.5	131.5	120.5	126.5
63.5%min FOB India USD/tonne	83.5	93.5	93.5	95.5
61%min CNF China USD/tonne	98.5	119.5	109.5	115.5
61%min FOB India USD/tonne	75.5	86.5	85.5	87.5
58%min CNF China USD/tonne	90.5	108.5	99.5	102.5
58%min FOB India USD/tonne	67.5	76.5	74.5	76.5

Source: Asian Metal

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



Source: Asian Metal

As seen from the above table and graph, since the last auction held on Dec 09, 2009 prices, Fe 63% has seen a rise of around 21.0% till date, Fe 61% has seen a rise of around 17% while Fe 58% has seen a rise of around 13%.

## Outlook

Indian Iron Ore prices are expected to remain stable in the short-term. The Indian Steel Ministry asks the government to lift the tariff of iron ore exports to 20% from the original 5% in order to protect the natural resources and develop the domestic iron and steel industry. For fear that the cost will increase; many exporters are expected to lift the price in advance. Most observers predict that Chinese buyers will place large orders in March because they do not hold high inventories.