

Iron Ore Fines Report

Market Scenario

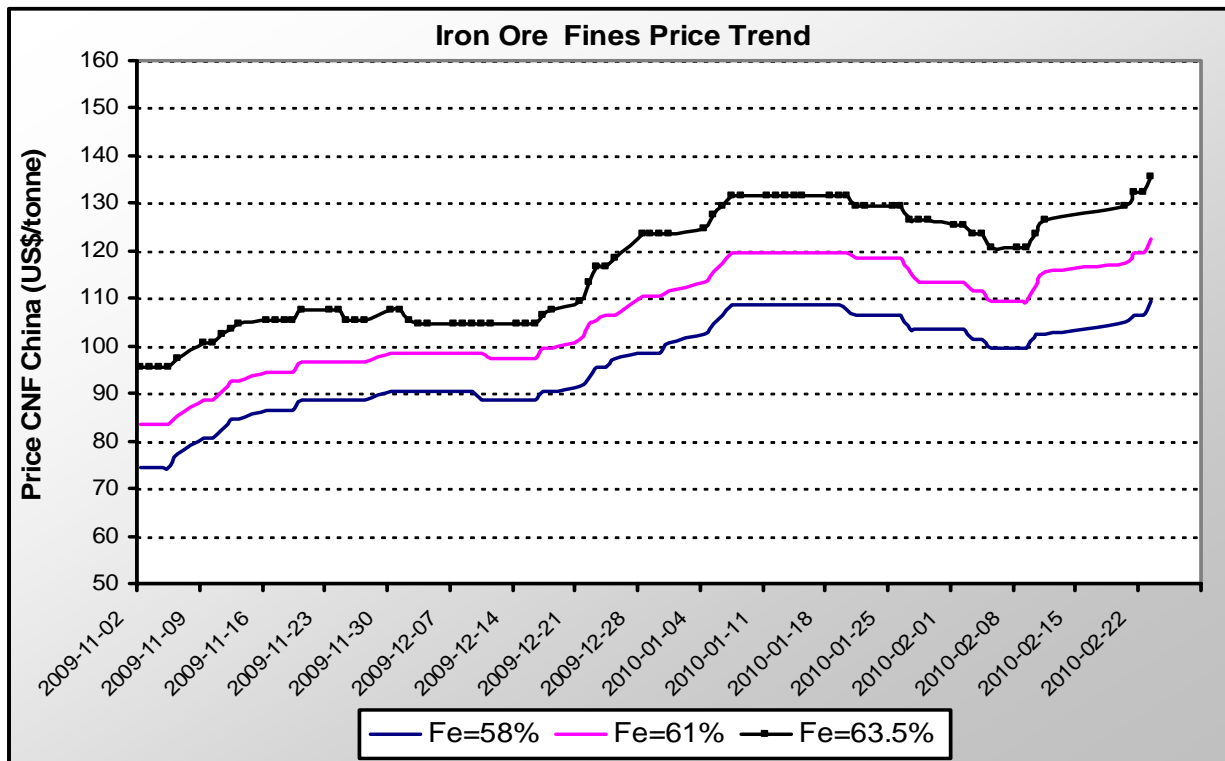
The beginning of February witnessed a calm market trend both in the Indian export market and Chinese domestic market with trading remaining inactive. Due to decrease of ocean freight rate Fe63% cfr rate dropped to as low as 120USD/tonne before reviving to 126USD/tonne on Feb 11. Fe61% cfr rate too dropped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

Besides the potential strong demand from China, the other factor to drive the price to increase is that Indian steel mills now urge the government to raise the iron ore export tariff. At present, export tariffs of iron ore fines and iron ore lump are 5% and 10% respectively, five percentage points higher than those of last year.

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



Source: Asian Metal

Indian IOF Price movement since the last VISL auction held 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	135.5
63.5%min FOB India USD/tonne	83.5	93.5	93.5	107.5
61%min CNF China USD/tonne	98.5	119.5	109.5	122.5
61%min FOB India USD/tonne	75.5	86.5	85.5	99.5
58%min CNF China USD/tonne	90.5	108.5	99.5	109.5
58%min FOB India USD/tonne	67.5	76.5	74.5	86.5

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 30.0% till date, Fe 61% has seen a rise of around 24% while Fe 58% has seen a rise of around 21%.

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 with BaoSteel announcing price hike by 100-400 yuan (\$14.65-58.50) per tonne for the month of March, the raw materials segment could see further boost. Also, the announcement of Union Budget beholds a lot of opportunity in this sector; if the export tax structure is revised both for Lumps and Fines, then the prices across various grades would further firm up in the Export market. Till then it is still a wait and watch attitude and a mixed market sentiment is prevailing at the moment. The coming auction could fetch a price in the range of Rs.1600 to Rs.1800 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.