

## Iron Ore Fines- Report

### Market Scenario

#### Month of November:

**Indian iron ore supply tight, export prices rise in the month of November:** The volume of inquiries received from Chinese importers increased together with iron ore export prices. 63.5% Fe fines sold at \$92-95/ tonne cfr to northern Chinese ports in the first week while it sold at \$100-101/ tonne cfr to China in the second week.

The latter half of the month continued to witness a positive price movement with stable Chinese demand, recovery in Chinese steel sector and strengthening freight rates. Prices for Indian iron ore exports to China firmed to \$103-106/tonne cfr in the third week for **63.5% Fe fines** from \$100-101/tonne cfr the week before. Freight from Indian west coast ports to Chinese main ports prevailed at around \$24/t. Disruptions to mining operations in Orissa – a leading source of higher grade ore (63% Fe and above) – have resulted in diminished ore supplies but the similar troubles affecting the Bellary-Hospet mining region in Karnataka have abated.

“The situation in Karnataka is better now and iron ore has slowly begun moving out of the state,” a Karnataka-based trader said. “But supplies of Orissa and Karnataka ore are still tight.”

The fourth week of the month further saw a rise in price with **Fe 63.5%** prevailing at \$110/tonne, cfr however supply from India remained tight with very few transactions taking place. A source reported that because the government shut down some illegal iron ore mines, the supply becomes tighter than that in past months.

*Over a month export prices have seen a rise in the range of 15 to 19 percent across various grades.*

**China’s domestic iron ore prices up slightly in the month of November:** China’s domestic iron ore prices have lifted slightly on the back of surging spot import prices and stronger market sentiment. The price of iron ore concentrates grading 66% Fe in Hanxin in northern China’s Hebei province prevailed at RMB 780/tonne (\$114.24/t), including VAT in the second week, which was RMB 20/t higher than the first week. A trader from Liaoning said that the strong market for imported iron ore has boosted confidence in the domestic product. Prices firmed up towards the end of the month in tandem with the continuing recovery in steel prices with flat product prices from domestic mills now about RMB 100/t higher than earlier this month and long products about RMB 150/t higher.

#### Month of December:

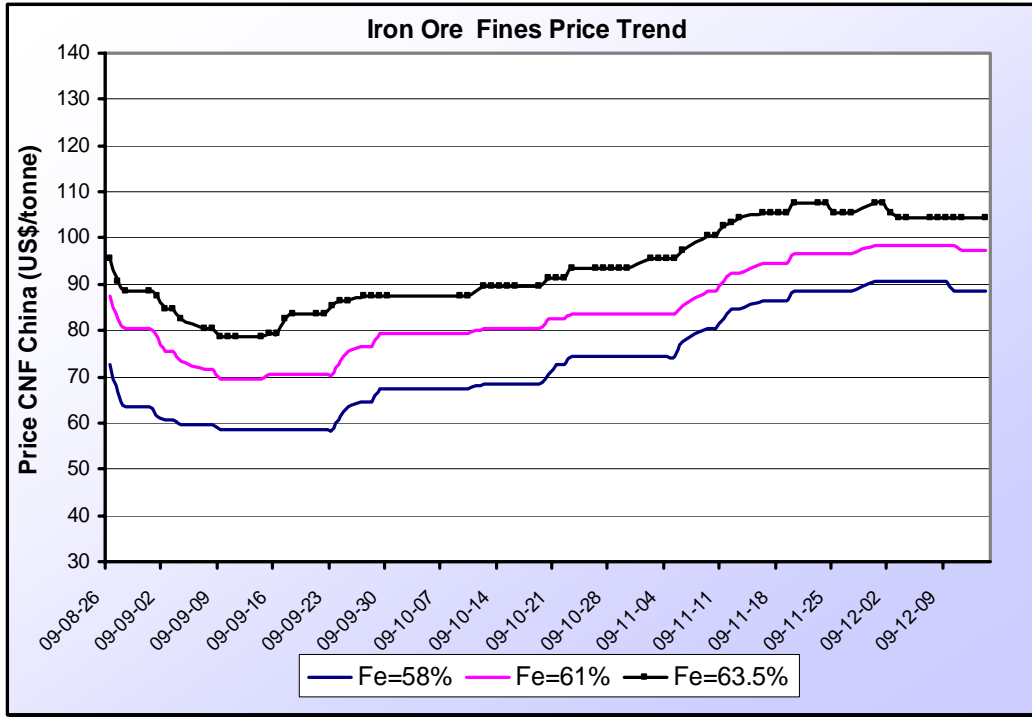
***The month of December started on a weaker note with Indian Export market remaining thin. Transaction*** volumes remained thin in the first seven days with offer prices also lowering down. Fe63.5% grade saw a drop of USD 3/tonne in a couple of days. Ocean freight rates moved down gradually following the decrease of BDI, so the price of CNF price also went down. In view that the price on CNF basis decreases, many customers prefer to watch the market and wait for a lower price. Therefore, they do not place orders as actively as that in past weeks. In order to attract more customers and clear stocks, the exporter moves down the price on FOB basis slightly. Prices were quoted at USD83/t FOB Indian east coast for iron ore fines 63.5% rejection below 62.5% in the first week, USD3/t lower than the last day of November.

The export market remained quiet in Dec Week 02 as well. Iron ore production in Karnataka’s Bellary-Hospet region has slowed over recent weeks due of a central government probe into nearly 40 allegedly illegal iron ore mines in the area.

The scarcity of ore supply and lack of buyer interest is also evident in the eastern state of Orissa. “There is hardly any stock at Paradip port and the waiting time for loading there is now only four days, compared to 25-30 days normally,” a Shanghai-based trader.

Chinese domestic market remained stable beginning of December with transactions taking place at around \$106-110/tonne, including VAT for Fe 66% grade. Market is expected to remain firm in the short-term as demand from mills remains good; however demand is expected to reduce when mills begin their maintenance work this month.

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



Source: Asian Metal

Iron Ore Fine Indian 63.5%min CNF China USD/tonne	Avg price(USD/tonne)	Iron Ore Fine Indian 63.5% min FOB India USD/tonne	Avg price(USD/tonne)
2009-12-09	104.5	2009-12-09	83.5
2009-12-10	104.5	2009-12-10	83.5
2009-12-11	104.5	2009-12-11	83.5
2009-12-14	104.5	2009-12-14	83.5

Iron Ore Fine Indian 61%min CNF China USD/tonne	Avg. Price (USD/tonne)	Iron Ore Fine Indian 61%min FOB India USD/tonne	Avg price(USD/tonne)
2009-12-09	98.5	2009-12-09	75.5
2009-12-10	98.5	2009-12-10	75.5
2009-12-11	97.5	2009-12-11	75.5
2009-12-14	97.5	2009-12-14	75.5

Source: Asian Metal

## Auction Scenario

IOF Fe=62% fetched a price upto Rs.1100/tonne by Rail on Oct 28, 2009 from OMDC.

IOF Fe=57-59% fetched a price upto Rs.760/tonne by Rail on Nov 19, 2009 from OMDC.

SAIL ISP fetched a price of Rs.820/tonne in the auction held on Dec 07,2009 while the earlier price fetched was Rs.890/tonne in the auction held on Oct 26,2009 for Fe=59% & below.

*Above Price is basic*

## Outlook

Prices are not expected to move down sharply in a short time. Exporters will not receive so many orders in December than that in October or November because many Chinese steel mills finished building stocks for the winter production. Therefore, Indian traders do not hold any large inventory at present and are planning to clear the existing stock. However, with the bulk sea freight rates reducing and Chinese steel mills going to slow on bookings as winter sets in, prices are expected to remain on a lower note.