

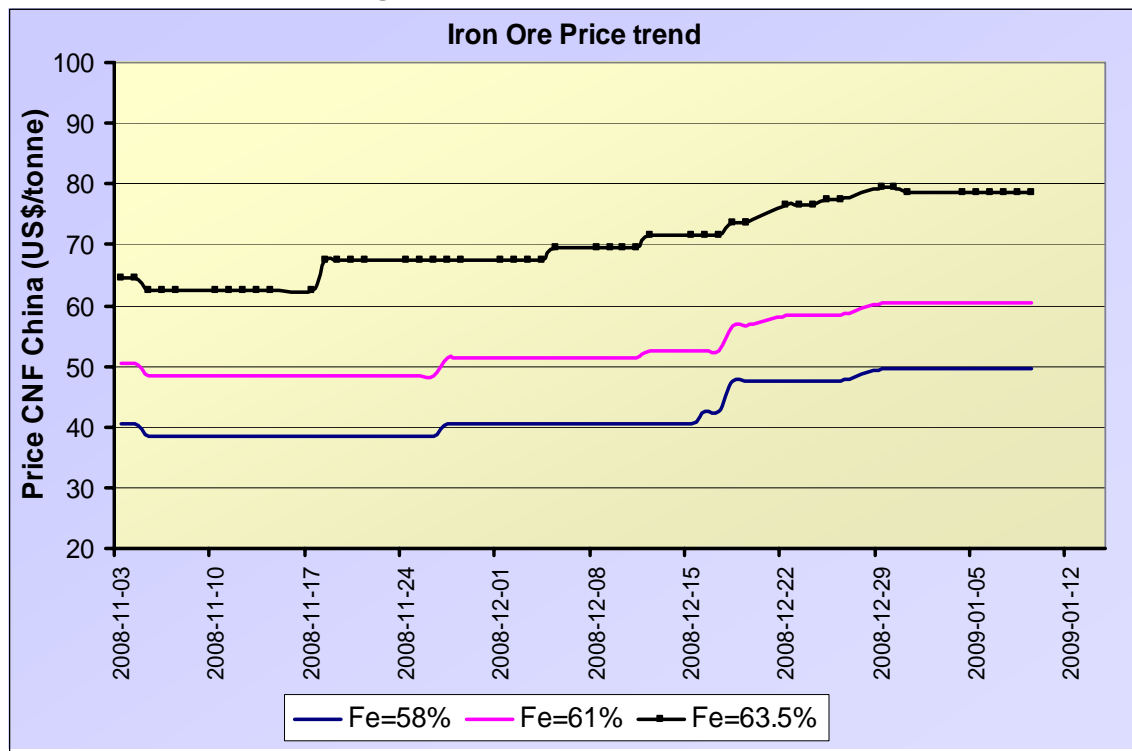
## Iron Ore Fines- Report

### Domestic Scenario

After a downturn noticed till the third week of November, **Iron Ore** prices have ruled stable since then across various grades. The export market has remained stable, conditions improved slightly with few buyers returning to the market in the New Year, but the overall demand still continues to run weak.

In terms of the future market, it is anticipated that the iron ore fines price will remain stable and it will be very hard for export price to increase as importers cannot accept higher price. Some are expecting the situation will improve as the Indian government has abolished the export duty on iron ore fines and releasing traders' pressure from high export cost, which may stimulate the market to rebound but that is again a possibility and the impact is still in a wait a watch mode. In the last few days the market has behaved reasonably well as compared to the earlier month with prices remaining stable.

**The graph below shows the price trend of Iron Ore fines on CNF China basis in USD/tonne across various grades.**



Source: Asian Metal

As seen from the above graph, prices have stabilized since the beginning of New Year across various grades. With some buyers returning to the market as steel mills demand increase slightly, a stable movement is seen at present and observers predict that market will keep firm in the coming month. Over a month, price of Fe=63.5% grade has seen a rise of around 13 percent, Fe=61% grade has seen a rise of around 18 percent and Fe=58% has seen a rise of around 22 percent.

Since the last VISL auction that was held on Dec30, 2008 prices have remained firm and there has not been much fluctuation in the market.

### **Auction Scenario**

IOF Fe=62% fetched a price of Rs.860/tonne by Rail on 17<sup>th</sup> Dec from a private client of Eastern region, while it achieved Rs.700/tonne one month back.

SAIL VISL fetched a price of Rs.1071/tonne for the auction held on 30<sup>th</sup> Dec for Fe=63%, while the earlier price fetched was Rs.500/tonne.

*Price is basic*

### **Outlook**

According to market sources, Indian Export Iron ore market is expected to improve as some buyers return to the market, importers begin to purchase the material in small quantities seeing that the steel market becomes stable and the Indian government canceled the export duty to stimulate the export, so traders are expecting the iron ore fines market to increase.

An Indian trader said that buyers from China bid USD77/t CIF for iron ore fines 63.5%, increasing by USD7/t compared with that of last month. Some steel mills in China resume production, which will support the demand to increase. In terms of the future market, it is predicted that the iron ore fines prices will remain stable to slightly upward.