

Iron Ore Fines- Report

Domestic Scenario

The end of the Chinese New Year saw a subdued market; however prices made a recovery after the holidays. Indian Iron Ore performed strongly well in the Chinese market, the price of Fe=63.5% has risen to around \$83-85/tonne on cfr basis after the holidays, up from \$79-81/tonne the week before the holiday. Till the second week of February prices have increased in the range of 3 to 4 percent across various grades. However, the market has again seen a dip since then with prices dropping by USD3/tonne in the last week of February. Indian fines of 63.5% ferrous content were traded thinly at \$81-83 per tonne cfr China in the spot market, down from \$84-86 per tonne in the third week. The month of March too started on a deteriorating note with prices making a significant drop across various grades. Grade Fe=63.5% saw a drop of 7 USD/tonne since the end of February and is currently prevailing at 67USD/tonne cfr China port. This is mainly attributed to the falling demand from China and reduced purchasing activity.

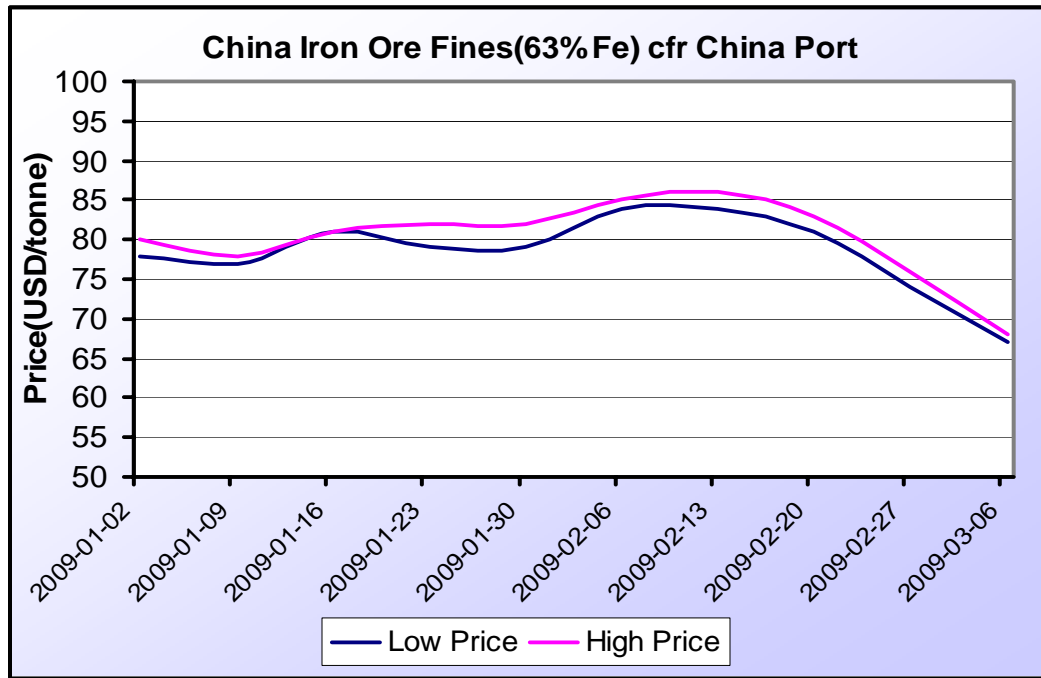
Many observers and traders feel that the market may further slide in the coming days.

Steel China Iron Ore Fines cfr main China port \$ per tonne

Price Date	Low Price	High Price
05-Dec-08	72	74
12-Dec-08	74	75
19-Dec-08	78	80
02-Jan-09	78	80
09-Jan-09	77	78
16-Jan-09	81	81
23-Jan-09	79	82
30-Jan-09	79	82
06-Feb-09	84	85
13-Feb-09	84	86
20-Feb-09	81	83
27-Feb-09	74	76
06-Mar-09	67	68

As seen from the above table, prices have seen a drop in the range of 8 to 9 percent over a week. Since the end of January prices of Fe=63% saw a rise by around 5 US/tonne, however the uptrend could sustain for sometime only as the market has again seen a slash in the last few days due to low demand coming from steel mills.

The graph below shows the price trend of Iron Ore fines on CFR China basis in USD/tonne for Fe=63%.



Source: Metal Bulletin

Auction Scenario

IOF Fe=62% fetched a price of Rs.810/tonne by Road on 3rd Feb, 2009 from a private client of Eastern region, while it achieved Rs.1240/tonne for Fe=62% by Rail on 12th Feb, 2009.

SAIL VISL fetched a price of Rs.1460/tonne in the auction held on 30th Jan, 2009 for Fe=63%, while the earlier price fetched was Rs.1071/tonne on 30th Dec, 2008.

SAIL ISP fetched a price of Rs. 400/tonne in the auction held on 20th Feb, 2009 for Fe=59% & below.

Price is basic

Outlook

Trader pessimism returns as spot iron ore price drops. Many traders believe the price could keep falling, reversing a gradual recovery over recent months which have seen prices increase by around 30% since a low of \$65/t in mid-October. Traders have become increasingly pessimistic, saying there have been very few transactions this week because most of their customers forecast that iron ore prices may decrease further next week. The Indian export market too saw a few transactions as most exporters in India could not receive orders from China due to slow steel market and weak demand from consumers.

In terms of the future market, players hold a pessimistic attitude.