

## Iron Ore Fines Report

### Market Scenario

The beginning of August has seen a surge in Iron Ore prices with export market moving in a positive direction. Seeing the expanded demand of iron ore fines from China, the major Indian iron ore market, and the relatively tight supply from other countries, like Australia, to China, Indian iron ore exporters moved the price up.

In recent weeks, the price of Indian iron ore fines has kept increasing in China and some Chinese import offers have taken place at USD 85/t, fob Indian East coast for the iron ore fines 63.5% rejection below 62.5% to Chinese buyers in the third week, some 10% higher than early this month.

However, since then the market has slowed down a bit and this is mainly attributed to the high inventories in Chinese market and falling steel prices that is dampening the market sentiment. “In this downward trend, steel mills have no intention of building up or replenishing stocks,” an iron ore trader in Beijing said. Customers are typically unwilling to purchase, believing prices will drop further.

**Drop in prices since Aug 21:** CFR rates for Fe 63% grade has gone down below 100USD/tonne in recent days a, drop of 10% noticed in a week. Prices are prevailing at \$95 per tonne, cfr China. Under the pressure of low price in the international market, the export price of iron ore decreased in India. The prevailing price of iron ore fines 63.5% rejection below 62.5% moves down to USD80-81/t FOB Indian east coast as on Aug21.

The price for 62% Fe content iron ore fell back sharply over a week. Prices were at \$94.70/dry metric tonne CFR Tianjin port, China. This was a \$10.30/dry metric tonne, or 9.8%, decrease from a week earlier, although it was noted that the volume of transactions was low as buyers and sellers waited for the market to settle. Within these delivered prices, rates for shipments from both the west and east coasts of India to China rose slightly from a week earlier.

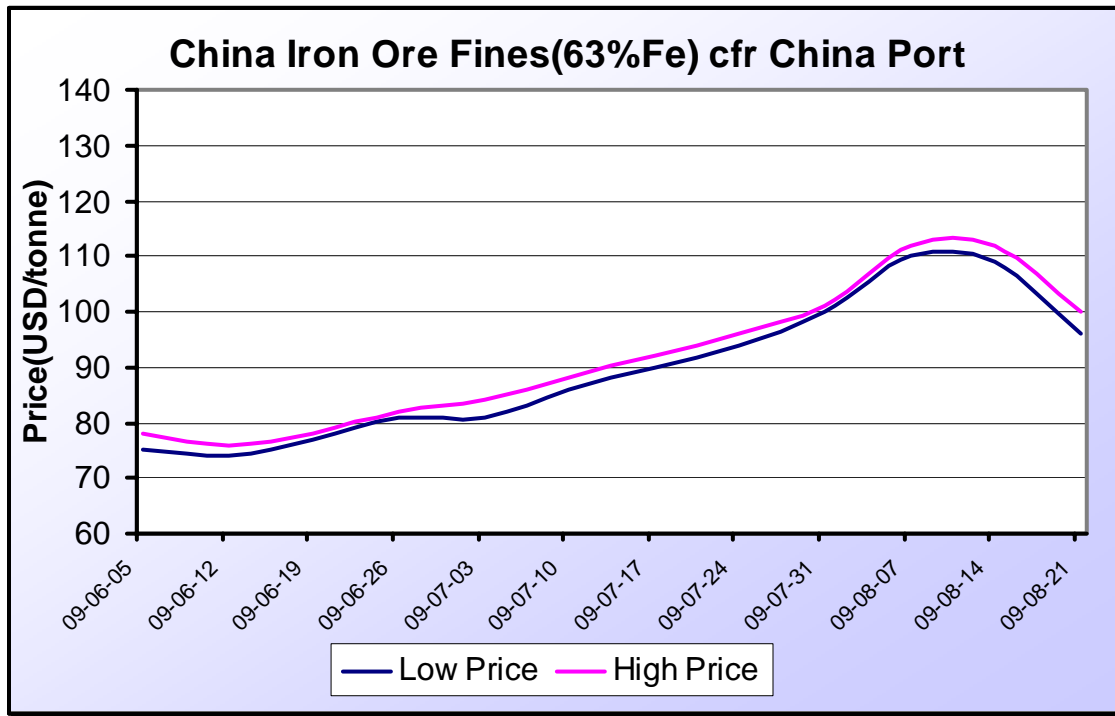
**Steel China Iron Ore Fines cfr main China port \$ per tonne for Fe=63%**

Price Date	Low Price	High Price
5-June-09	75	78
12-June-09	74	76
19-June-09	77	78
26-June-09	81	82
03-July-09	81	84
10-July-09	86	88
17-July-09	90	92
24-July-09	94	96
31-July-09	100	101
7-Aug-09	110	112
14-Aug-09	109	112
21-Aug-09	96	100

Source: Metal Bulletin

As seen from the above table, prices have seen a marginal rise of around 2 percent over a month and a drop of around 11 percent over a week.

The graph below shows the price trends of Indian Iron Ore fines on CNF China basis in USD/tonne for Fe 63%



Source: Metal Bulletin

### Auction Scenario

IOF Fe=62% fetched a price of Rs.710/tonne by Road on 18<sup>th</sup> June, 2009 from OMDC while Fe=62% by Rail fetched a price of Rs.840/tonne on 17<sup>th</sup> June, 2009.

SAIL ISP fetched a price of Rs.675/tonne in the auction held on 21<sup>st</sup> July,2009 while the earlier price fetched was Rs.480/tonne in the auction held on 30<sup>th</sup> June, 2009 for Fe=59% & below.

**Price is basic**

### Outlook

Chinese traders predict that Fe 63% price will drop below \$90/mt next week, if the current market atmosphere continues. Although many view the run of falling prices as a correction, which should be over by end-September, it is unlikely that traders will be able to hold onto their stocks until then. "There will always be some traders selling off their stocks earlier," a Shanghai-based iron ore trader says.