

Iron Ore Fines Report

Market Scenario

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.

Chinese enquiries for lower grade (52-60% Fe) iron ore remained strong, reflected in the fact that more deals were being concluded than for higher grades and prices firmed up, according to a Goa-based trader.

The export price of **iron ore fines 58%** rejection below 57% ruled at USD58-59/t FOB Indian west coast in the end of Nov Week1 supported by stable demand. The increase in transportation cost due to hike in fuel price and the rising freight rate further continued to enhance the rise in prices.

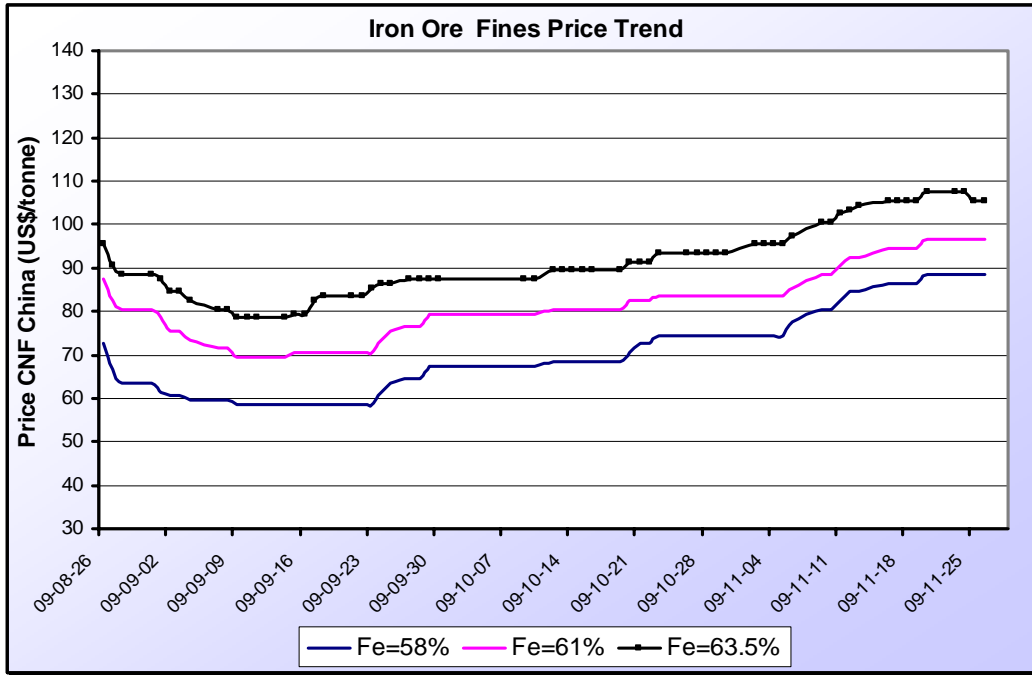
The latter half of the month continued to witness a positive price movement with stable Chinese demand, recovery in Chinese steel sector and strengthening freight rates. Prices for Indian iron ore exports to China firmed to \$103-106/tonne cfr in the third week for **63.5% Fe fines** from \$100-101/tonne cfr the week before. Lower grade Goan fines (**54% Fe**) remained stable at \$48/t fob. 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. Lower grade ore from the western territory of Goa remained in demand. A source reported that because the government shut down some illegal iron ore mines, the supply becomes tighter than that in past months. The source now holds a stock of 50,000t in hand, lower than the level of 80,000t early this month. Supported by the tight supply and the low inventory, the price moves up gradually.

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

China’s domestic iron ore prices up slightly: 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.

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



Source: Asian Metal

As seen from the above table and graph, since the last auction held on Oct 9, prices have seen a rise of around USD 17-21/tonne in the Indian export market till date. Fe 63% has seen a rise of around 20.5% since Oct10, Fe 61% has seen a rise of around 21% while Fe 58% has seen a rise of around 31%.

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 11, 2009 from OMDC.

SAIL ISP fetched a price of Rs.890/tonne in the auction held on Oct 26,2009 while the earlier price fetched was Rs.580/tonne in the auction held on Oct 20,2009 for Fe=59% & below.

SAIL RMD fetched a price of Rs.1100/tonne in the auction held on Nov 19, 2009 for Fe=62.5%.

Above Price is basic

Outlook

Trading is expected to remain active with customers purchasing more iron ore fines in order to meet the demand of expanded production under the actively global steel market. Supply conditions are still expected to remain tightened in India; however the price rise can see some correction but to only limited extent in the coming days. The downturn of freight rates could take prices lower. Average India-China freight rates dropped to \$21.273 per tonne from last Friday's \$21.65.

"In the past few weeks, Chinese buyers were looking anxiously for Indian material anxiously, so Indian suppliers were tough to deal with," said a trader. "But market enthusiasm ebbed away due to high prices at this level, and the Indian side is not as hawkish on price as in previous weeks."