
Monday Market Monitor - Iron Ore (WEEK 34) - Buyers vanish

Monday, 24 Aug, 2009

The vagaries of Chinese Steel Industry are a colloquial topic but its whimsical pattern has left many operators in the lurch. A breathtaking revival is followed by an even more catastrophic retraction within a span of 2 weeks.

Steel market which rallied continuously for 10 week took less than a fortnight to crumble by CNY 900 (>10%). The crash was imminent in the absence of solid demand from the vital sectors. The much touted Stimulus Package along with a slew other demand stimulants in auto and white good segment definitely gave the desired thrust to the sagging industry. At the same time it was widely acknowledged that price hike was disproportionate. Steel mills made merry feasting on this positive sentiment by upward revision of prices week on week fanning speculation and leading to stockpiles devoid of commensurate consumption.

Iron ore being a key input for steel manufacturer has a strong bearing on the steel prices and vice versa. The fairy run of the Chinese steel prices saw the iron ore prices zoom by an astonishing 64% in during this period.

Grade	Change
Fe 63.5/63%	64%
Fe 63.5/62.5%	69%
Fe 63/62 %	70%
Fe 62 / 61%	68%
Fe 61 / 60 %	67%
Fe 60/59 %	78%
Fe 59 / 58 %	77%
Fe 58 / 57%	81%

Change is on 7th August 2009 as compared to April 26th 2009

In USD per tonne

Delivery FOB East coast of India

Chinese buyers of iron ore are at cross roads as the domestic steel prices continued crashing last week.

Class	14-Aug	21-Aug	Change	%
CLPPI	6597	6286	-311	-4.7%
CFPPI	6585	6226	-359	-5.5%
CHISPI	6590	6252	-338	-5.1%

CLPPI - Chinese Long Product Price Index

CFPPI - Chinese Flat Product Price Index

CHISPI - Chinese Steel Price Index

As a corollary of this crash in steel prices buyers have become cautious about futures and prefer to wait rather than to indulge in any activity. In the last week there has been perceptible drop in buying of Iron ore thereby putting pressure on sellers holding on to large volumes in the run up for maximizing profits.

The Iron ore prices had touched a peak of USD 110 CNF Chinese port (USD 82 per tonne FOB , East Indian Port) some deal had been reported at even USD 115 per tonne, CNF, Chinese port.

After golden run since April 23rd 2009, the iron ore spot market for exports of Indian iron ore fines 63.5/63% trading at USD 110 plus on CIF basis, which started to signs of softening on August 13th 2009, has weakened by 4% to 5% during last week.

Sentiment remains weak in iron ore spot market as most buyers are expecting a drop of roughly USD10 per tonne by month end. The domestic selling prices for iron ore in China have also gone down by CNY 60per tonne to CNY 70 per tonne during last week and they are likely to dip further this week.

The reduction in sea freight has softened the slide in FOB levels to some extent. But the newly introduced ad valorem royalty and higher inland railway freight in India has cast doom for Indian iron ore miners.

Export

Iron ore fines

FOB East Coast of India

Grade	Change
Fe 63.5/63%	-4%
Fe 63.5/62.5%	-4%
Fe 63/62 %	-4%
Fe 62 / 61%	-4%
Fe 61 / 60 %	-4%
Fe 60/59 %	-5%
Fe 59 / 58 %	-5%
Fe 58 / 57%	-5%

Change is on August 21st 2009 as compared to August 14th 2009

Thus, considering the steep fall in steel prices in China, market scenario for Indian iron ore spot cargos remains hazy but chances for corrections seem quite high, if not imminent, in coming days.

2. Domestic

Iron ore

Burbil

Type	Grade	Size	Change
IOS Secondary	BF	10-40	250
IOS-Primary	Fe 63%	5-18	350
Iron ore - BF	Fe 65%	10-40	-450
Iron ore - Fines	Fe 63%	Fines	100

Change is on August 21st 2009 as compared to August 14th 2009

Change is in INR per tonne

To know exact levels, likely scenario, domestic iron ore spot prices at Bellary and Barbil and FOB East Coast spot prices subscribe to "Iron Ore Services" of www.steelprices-india.com by registering or sending a mail to admin@steelprices-india.com along with your full contact details. Please note that this is a paid service with subscription charges of USD 600 or INR 30,000 plus ST for 12 months.

The accuracy and the speed of reporting changes is well appreciated by not only Indian miners, but by global iron ore majors as well as Chinese mills as many of them have subscribed to this service to maintain another but solid listening post as far as Indian spot market is concerned.

(Sourced from www.steelprices-india.com)

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