
Monday Market Monitor - Iron Ore (WEEK 01) - No peak in sight

Monday, 11 Jan, 2010

Iron ore market is on a resounding run in opening week of 2010. The upturn which commenced on 11th December 2009 has accelerated with each passing day. The perception of shortage has led to an explosion thus amazing everybody.

It is learnt that current levels are for 63.5/63% iron ore fines is prevailing at USD 134 per tonne CFR Main Chinese port or USD 102 per tonne FOB Indian port.

The sprint was triggered by a combined effect of several factors

1. In the run to the Lunar Holidays, Chinese mills and traders have been anxious to amass stocks of iron ore to match surge in Chinese steel production
2. The situation is compounded by decrease in stockpile of imported iron ore at Chinese ports, which are currently at typically low level of about 66 million tonnes as against average of about 70 million tonnes during most of 2009.
3. The tug of war between mining majors from Australia and Brazil and Chinese buyers over settlement of contractual price is intensifying, with analysts and bank forecasting bigger hike.
4. Force majeure factors of state clamp down on illegal mines in the power houses of Karnataka and Orissa has also unleashed hike in domestic and export levels from India
5. The recent revival of 5% export duty by the government of India on Iron ore fines Fe 63.5/63% and increment from 5% to 10% on lumps has catalyzed the progression
6. The peculiarity of this boost is that the freight rate has seen disproportionate increase going up by at least USD 10 per tonne in the last 3 weeks. It is noteworthy that BDI was on down trend till January 4th 2010. The upward movement can at best be attributed to demand pull for vessels for India to China sector.

But the latest factor adding fuel to fire is the likelihood of yuan strengthening after a researcher with the Chinese Academy of Social Sciences, the top government think tank, said China should increase the yuan's exchange rate by 10% in a one off revaluation.

If this revaluation happens, imported ore would become cheaper for Chinese mills by about CNY 100 per tonne (USD 15), from existing level of CNY 950 per tonne FOT Chinese ports, thus giving room for increase in USD prices for imports.

Now the main issue is that are we looking at USD 150 per tonne mark in coming days.....

Iron ore fines

FOB India

?Grade	Change
Fe 63.5/63%	9%
Fe 63.5/62.5%	9%
Fe 63/62%	8%
Fe 62/61%	8%
Fe 61/60%	9%
Fe 60/59 %	9%
Fe 59/58 %	8%

Fe 58/57%	7%
Fe 57/56 %	6%
Fe 56/55%	5%
Fe 55/54 %	3%
Fe 54/ 53 %	4%
Fe 53/52 %	4%
Fe 52/51 %	5%

Change is on January 8th 2010 as compared to January 1st 2010

Iron ore

EX Mine Barbil

?Product	Grade	Size	Change
Iron ore - BF	Fe 65%	10-40	-9%
IOS-Primary	Fe 63%	5-18	-8%
IOS – Secondary	BF	-	-9%
Iron ore - Fines	Fe 63%	Fines	94%

Change is on January 8th 2010 as compared to January 1st 2010

Iron ore

EX Mine Bellary

?Product	Grade	Size	Change
Iron Ore Calibrate	Fe 65%	10-40	14%
Iron Ore Calibrate	Fe 64%	10-40	15%
Iron Ore Calibrate	Fe 62%	10-40	16%
Iron Ore Calibrate	Fe 60%	5-20	15%
Iron Ore Calibrate	Fe 62%	5-20	8%
Iron ore - Fines	Fe 63%	Fines	27%

Change is on January 8th 2010 as compared to January 1st 2010

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)

