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## How long this rally in spot prices of iron ore last

Friday, 16 Apr, 2010

The surge in spot prices of Indian iron ore fines is continuing and the CFR prices for 63.5%/63% are reported to have crossed USD 180 per tonne. As a result, FOB India levels have surged by about 15% in last 15 days especially for higher grades.

Market players are totally puzzled and do not understand what is happening, why its is happening and how long it would last. They are highly concerned over the future and sustainability of such levels. It is clear that the surge in iron ore prices is propelled by speculators as the quantum of steel prices hike in Chinese domestic market does not justify so much increase in iron ore import prices.

But the indications are that if this rally continues for some more time, we shall be seeing USD 200 per tonne CFR China for 63.5%/63% soon, especially for prompt shipments as buyers are afraid to take long positions due to looming uncertainties.

On the other hand one can not rule out possibility of a major crash as Chinese steel mills, which so far had assumed an adamant posture are likely to give in face of surging spot prices vis a vis what they will pay if they sign on the dotted lines as dictated by Big 3. Big 3 are reported to have secured about 100% hike from Japanese and Korean mills for April to June quarter taking iron ore quarterly prices to about USD 110 per tonne on FOB as against spot nearing to USD 150.

In all likelihood Chinese steel mills would not like to commit mistake of last year when they did not agree for benchmark price and paid through their nose in the later half of the year and would agree to the demands of Big 3. Any kind of settlement would reverse the fortunes of spot sellers who may face unpleasant situation with buyers.

This sentiment was reflected in the recent statement from China Iron % Steel Association's latest statement. According to Mr Luo Bingsheng vice chairman of China Iron & Steel Association, global iron ore miners have put aside essential iron ore price talk and turned to spot prices. He said "The three giant miners have been using their position to control prices at unreasonably high levels, putting global steel mills in a difficult situation. Now, it is not price negotiations, it's that they fixed a price and you have to accept, if not, they cut off the supply."

In addition, Chinese measures to control the property bubble would drive down the steel prices, which could also hinder the price hike in iron ore.

This week's rally brings to about 40% gain in just about 34 days

FOB India

March 11th to April 15th 2010

Grade	Change
Fe 63.5/63%	45%
Fe 63.5/62.5%	43%
Fe 63/62%	44%
Fe 62/61%	45%
Fe 61/60%	46%
Fe 60/59%	39%
Fe 59/58%	36%
Fe 58/57%	32%
Fe 57/56%	30%
Fe 56/55%	27%

Fe 55/54%	25%
Fe 54/53%	27%
Fe 53/52%	30%
Fe 52/51%	38%

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](http://www.steelprices-india.com) by registering or sending a mail to [admin@steelprices-india.com](mailto: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.

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