

Chinese steel mills' purchases lend weight to iron ore price revival

Asian iron ore prices rise 8% after a week of increased buying from Chinese steelmakers

ASIAN iron ore prices rose 8% today after a week of increased buying from Chinese steelmakers, instilling hopes of a rebound in demand after a lull of nearly three months, reports Reuters.

Traders in China and India said mills and speculative traders remained cautious as they were not confident the pick-up from the steel sector would be sustained.

"There are a few transactions being made," said a large Beijing-based iron ore trader.

"Steel mills are still being prudent and purchasing very small tonnages, with the majority of the transactions being carried out by traders themselves."

A trader in India echoed the same sentiment.

"There is an improvement in steel prices in China, but it is not proper yet to say prices have recovered," said the trader based in New Delhi.

China-based consultant Mysteel today quoted ores of foreign origin with 63.5% iron content at \$135 a tonne with freight, up from last week's \$125.

The Steel Index 62% iron ore index was unchanged on Wednesday at \$121.60, having risen 3.4% in the past week from its lowest since late December.

The iron ore swaps trade also improved today, reflecting an increase in buying interest in the physical market.

"Following the pick-up in the physical market early this week, the iron ore swaps gained further momentum for their third consecutive day," said Gabrielle Richou, an iron ore swaps broker at Freight Investor Services in Singapore.

August iron ore swaps cleared by the Singapore Exchange settled almost \$2 higher at \$125.62 on Wednesday.

In India, the physical supply of iron ore was poor due to monsoon-related disruptions, fresh talks of export duty hikes and a slowdown in the supply chain due to the lack of demand in the last few months. "There is hardly any ready cargo available. The only port that has some iron ore is Krishnapatnam port," one dealer said.

India's monsoon from June to September halts shipments of the powdery iron ore fines as the material tends to gain moisture and weight, and slows down transportation of iron ore lumps due to the torrential rains.

Trade also fell as Indian steel ministry officials publicly called for export curbs, raising concerns among market participants of an increase in taxes on iron ore exports.

The freight rate from the east coast's Paradip and Visakhapatnam port to main ports in China was at \$14-\$15 a tonne, which was nearly the same as last week, a trader based in the eastern state of Orissa said.