

## Iron ore price jumps on increased demand from Chinese steel mills



The iron ore price has jumped overnight to trade just below the \$US60 a tonne level, defying fresh bearish predictions from analysts.

Iron ore rose 4.2 per cent to \$US59.90 a tonne, up from \$US57.50 in the prior session.

The commodity's surprising strength over recent weeks has come as Chinese steel mills have taken advantage of higher steel prices and restocked their supplies of the raw material.

But Citigroup was the latest investment bank to join the chorus predicting that prices are set to decline.

The seaborne iron ore market faces a severe oversupply after the commodity's recent rally incentivised some high-cost

producers to restart production, Citi said.

The bank expects prices for both steel and iron ore to fall in the second half, tipping iron ore will average \$US45 a tonne this year higher than its previous forecast of \$US39.

The bank expects an average iron ore price of \$US39 during 2017 and \$US38 in 2018.

Elsewhere, analysts at brokerage and investment bank Clarksons Platou said in a note that the iron ore market has gotten ahead of itself, and tipped a "hard reversal" during the second quarter.

The iron ore price jump buoyed the Australian mining giants during London trade. BHP Billiton rose 1.8 per cent, while rival Rio Tinto added 1.7 per cent.

## China defends efforts to address steel crisis



China firmly defended its efforts to address the steel crisis, rebutting accusations that its cheap exports were causing plant closures and job losses across the globe. Ministers and top officials from steel-producing nations met in Brussels to address the crisis in a first round of talks described as "frank" by co-organizer Belgium.

"China does not subsidize its steel export industry. Everything we do is in strict compliance with World Trade Organization rules," China's Assistant Trade Minister Ji Zhang said after the talks ended.

"The financial crisis has led to slowdown in the world economy. This is the fundamental reason for steel over-capacity," he added. China's position was strongly contradicted by other producing nations, with a top US official warning Beijing about the economic hardship brought to steel-making regions in the United States.

"This is not an academic exercise. This is an exercise in dealing with real pains, real people, real workers, real economies," said US Deputy Trade Representative Robert Holleyman, sitting beside his Chinese counterpart.

Holleyman added that China's steel production still far exceeded its own domestic demand. China produces more than half of the globe's steel output and is accused of flooding the world market with oversupply sold at below cost in violation of global trade rules. Tata Steel put its loss-making British operation up for sale leaving thousands of jobs at risk, in the latest example of the crisis.

"The discussion today with all these countries coming together is something that we pushed for and China's participation will help make the difference," Britain's business minister, Sajid Javid, said on the sidelines of the talks.

## China vows to cut steel output - Sajid Javid



China has vowed to reduce the amount of steel it makes, Business Secretary Sajid Javid said. He spoke after a crisis meeting in Brussels about the global steel glut that was attended by 30 countries.

"China has absolutely recognised that it is a problem of overcapacity in their country", Javid said.

However, China rejected suggestions that

it subsidised its loss-making steel companies, and the meeting ended without any formal agreement.

Nevertheless, Javid said, "China is committing to do something about it and I think that's a very positive step forward". He said it was the first time all the major steel-producing nations had come together with the industry to discuss the issue of excess capacity. Javid admitted that

there was no overnight solution to the issue of excess production. "The discussion today with all these countries coming together is something that we pushed for, and China's participation will help make the difference."

Chinese steel output rose in March, according to official figures released recently, despite repeated pledges to cut capacity.