

## Spot Iron ore prices zooms

Following the lead of Chinese futures which closed limit-up 6%, the spot iron ore price rocketed higher, rising to the highest level seen since June 12 last year.

The spot price for benchmark 62% fines surged by a further 3.05%, or \$1.92, to \$64.77 a tonne. In the past three sessions alone the price has jumped by 11.1%, extending this year's gains to an amazing 48.7%. That's nearly 50% in just 75 sessions of trade, something few saw as likely, let alone possible, as the price crashed to multi-year lows on a near daily basis last December. According to analysts, the gains in the spot price were driven yet again by another surge in Chinese steel prices.

"Gains in the iron ore spot market came after China's spot rebar market skyrocketed to a new year-to-date high amid a booming billet market in Tangshan," they said in their market update. "Given time, output will be raised to a level that tips the market back into oversupply," said Xu Xiangchun, chief analyst at Mysteel Research. "China's steel industry remains in severe overcapacity, so a glut will return."



## China's record output by mills fails to replenish inventories



Unexpected rebound in China's steel market this year is set to keep rolling because record output by mills has so far failed to replenish inventories as the government cranks up stimulus to boost growth.

Stockpiles of steel reinforcement bar, used in construction, sank for a sixth week, contracting 6.8 percent in the period to April 15 in the biggest drop since October 2014, according to Shanghai Steelhome Information Technology Co. Rebar futures in Shanghai rallied to the highest in a year, and are up 39 percent in 2016. Spot prices have risen 46 percent.

The rally in 2016 follows five straight years of declines and has been a welcome respite for the world's largest steel industry, which has been grappling with overcapacity, losses and forecasts for a long-term drop in the nation's demand. In March, mills in China churned out more metal than any month on

record as the economy stabilized, with a surge in new credit spurring a property sector rebound. The surprise rally in the biggest steel producer has also helped to lift global iron ore prices.

"Mills now have their order books filled till July or onward," said Li Qibao, an analyst at Changjiang Futures Co. in Wuhan, who predicts that prices will go on rising. "There are unmistakable signs of recovery in demand, with the help of an 'iron rooster'-style construction boom that has come back at full speed," Li said, referring to a nickname for China's previous growth model as the Chinese pronunciation of the phrase translates as 'railroad, highway, infrastructure.'

Producers and traders, anticipating further losses this year, didn't carry out their usual

seasonal stockpiling in the winter, resulting in an exceedingly low level this spring, according to Li Wenjie, general manager at Beijing Shougang Alliance of Xingang Science & Trade Co.

Steel demand from the construction sector has been boosted by stimulus and fueled by easing credit conditions, according to Fitch Ratings. Aggregate financing was 2.34 trillion yuan in March as easing filtered through the financial system. Home sales jumped 71 percent recently from a year ago, while investment in real-estate development rose 6.2 percent in the first quarter. Fixed-asset investment also gained.

The surge in steel prices has been a boon for mills' shares. Wuhan Iron & Steel Co. has rallied 33 percent since a closing-low in early February. Angang Steel Co. has bounced 17 percent, even after warning this month that it still faced a first-quarter loss.

This section is a compilation from various company press releases, business dailies & trade publications.

JOIN US **Steelworld**



To Get More Updates On

**Iron and Steel Industry**

Use the below Link & Like the Page

<https://www.facebook.com/pages/Steelworld/621590691216613>

To Know the Inside of Industry

<http://steelworldblog.wordpress.com/>