

The Financial Times online edition had a piece on iron ore today, Wednesday 16th February.

The Commodities note

Iron ore, the true king of commodities

Positive points to this article were:

- i. the iron ore market has changed dramatically in 2010 where annual contracts have gone and the prices have risen from US\$61 a tonne to spot prices, excluding transport, at US\$185 a tonne
- ii. iron ore markets will tighten and prices are expected to rise in 2011 with many expecting it to go beyond US\$200 a tonne. Many executives expect average prices this year to be higher than last
- iii. India are expected to ban iron ore exports so helping the price strengthen
- iv. Chinese iron ore production is reaching its limits and transport distances are becoming a factor
- v. Apart from China demand is strong for ore in Japan, Taiwan and South Korea
- vi. there are few new projects coming on stream over the next few years

The main negative is that there is growing cost inflation in production.

That said there is growing inflation concerns in all markets and sectors.

For us the key is in the title and that iron ore is the true king.

Long may the king reign!