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HD **Iron ore slide hits Fortescue, strips Forrest**

BY Max Mason
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Market - Resource stocks lead falls

GRAPH: HOW THE MARKET MOVED...SOURCE: BLOOMBERG

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Mining magnate Andrew Forrest could be the single biggest loser from iron ore's largest one-day fall since August.

Mr Forrest's Fortescue Metals has taken the hardest hit in the current bear market for the commodity, plunging 9.4 per cent to $4.92, to wipe more than $500 million from Mr Forrest's stake.

Moreover, along with rolling tumbles in overseas prices for iron ore over the past 11 days, that brings the decline in the value of Mr Forrest's stake to more than $1 billion.

On a day when the benchmark S&P/ASX 200 Index finished down 0.9 per cent on Monday, the materials subindex took most of the casualties, down 4 per cent. The 10 biggest losers for the day were all miners.

Rio Tinto shares dropped 5.8 per cent to 61.20, while rival BHP Billiton slipped 4.1 per cent to $36.16.

The price of iron ore has slumped 20 per cent since August and 15 per cent in 2014, as big miners continue to flood the market, raising fears of oversupply in the midst of a slowdown in the Chinese economy.

Iron ore slumped 2.3 per cent to $US114.20 on Friday night, its biggest one-day fall since August 7 and its lowest point in nearly a year.

"Prices dropped 15 per cent this year even as China's imports reached a record in January on expectations global supply will surge," RBS analysts said. "BHP Billiton and Rio Tinto predict lower prices after key producers in Australia and Brazil spent billions of dollars expanding output to supply China, the biggest buyer."

Even dramatically faster Chinese steel production growth would not be sufficient to absorb the growth in supply, said Citi commodities analyst Ivan Szpakowski.

"With 2014 and 2015 facing seemingly inescapable surpluses, the question becomes the price needed to force sufficient production curtailments to bring the market back into balance in 2016."

Declines in production growth coupled with a rise in iron ore imports in China have lifted inventory stocks to levels where there is limited upside for the iron ore price, said Deltec investment analysts.

"At present, total Chinese iron ore inventories are at elevated levels in a historic context. As iron ore inventories rise, price growth tends to decline. So, the sharp increase in iron ore inventories over the past three months, up 20 per cent, is consistent with a sharp decline in iron ore prices," Deltec analysts said.

Over the weekend, **China**'s trade balance swung into deficit; exports in February fell 18.1 per cent, according to official government data. Imports rose 10 per cent, pushing the deficit to $US23 **billion** ($25.4 **billion**), versus a surplus of $US32 **billion** in January.

Analysts have cautioned against reading too much into the numbers, with **China** slowing down in February for the Lunar New Year.

"We're going to see these kinds of big movements up and down [in the **iron ore** price]," MineLife senior resource analyst Gavin Wendt said.

"**China** accounts for about 60 per cent of the world's consumption of **iron ore**. When a commodity is so dependent on a one specific buyer, you get significant price volatility."

China imports 70 per cent of its **iron ore**, with 50 per cent of that coming from Australia.

IN i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

RE china : China | austr : Australia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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