

SE Finance  
HD **Fortescue fall prompts Forrest to splash out**  
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**BILLIONAIRE** mining magnate Andrew Forrest has spent almost \$5 **million** buying more shares in Fortescue Metals, reinforcing his faith in the outlook for the **company** amid a turbulent market for **iron ore**.

Regulatory filings released yesterday showed Mr Forrest spent \$4.9m to buy one **million** Fortescue shares between Monday and Wednesday last week, when the **company** was being sold down heavily on **iron ore** jitters.

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Fortescue came in for heavy selling last Monday, losing almost 10 per cent of its value as investors responded to a steep fall in spot **iron ore** prices out of **China**.

The new share **purchase**, carried out at an average price of about \$4.93 a share, is small in the context of the one **billion** shares Mr Forrest already holds in Fortescue but indicates a preparedness to add to his holdings amid falling prices.

After a strong performance last year, the price of **iron ore** and investor sentiment towards the companies that mine it have declined in recent months. That shift has driven a fall of more than 15 per cent in Fortescue's share price so far this year, wiping more than \$700m off the value of Mr Forrest's 33 per cent **stake**.

Last week's outlay by Mr Forrest will be dwarfed by the dividend cheque he is scheduled to receive early next month. The 10c fully franked interim dividend declared as part of Fortescue's recent half-year result will be worth about \$102.7m to Mr Forrest.

The turn in sentiment against the **iron ore** sector has been stoked by concerns about the availability of credit in **China** as well as weak trade data. In addition, stockpiles of both **iron ore** and steel have been rising strongly in **China** in recent months.

**Iron ore** stocks there have risen by almost 50 per cent since late August, while the country's stockpiles of steel rebar have climbed by 88.6 per cent since December.

Exports from Australia have also been rising, as major **iron ore** miners like Fortescue continue to boost their output.

Also, the cyclone season in Western Australia's Pilbara region has been particularly weak this year, allowing for higher than expected output.

But just as quickly as the price of **iron ore** fell, it began to recover.

After the benchmark **iron ore** price fell from \$US114.20 a tonne to \$US104.70 last Monday, it began recovering over the rest of the week before closing at \$US110.10.

Analysts at UBS led by Glyn Lawcock said in a research note that the volatility of the past week was "making our heads spin".

Macquarie Private Wealth analysts, meanwhile, were encouraged by the better than expected steel production volumes contained in **Chinese** economic data released last Thursday.

“We find that as long as demand conditions don't deteriorate further, **iron ore** should be able to trade at above its current price level for the June quarter,” the Macquarie analysts said in a note.

Shares in Fortescue closed down 7c to \$4.91 yesterday.

<b>CO</b>	ambol : Fortescue Metals Group Ltd
<b>IN</b>	i211 : Metal Ore Mining   i22 : Primary Metals   i221 : Iron/Steel/Ferroalloys   ibasicm : Basic Materials/Resources   imet : Mining/Quarrying
<b>NS</b>	ccat : Corporate/Industrial News
<b>RE</b>	austr : Australia   apacz : Asia Pacific   ausnz : Australia/Oceania
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