Mining majors rerate as China, iron ore price defy gloom

Frik Els | **October 14, 2013** **Mining.com**

The price of iron ore jumped to a three-week high on Monday, after Chinese imports of the steelmaking raw ingredient hit new record highs and the country's blast furnaces continued to forge steel at a record pace.

The benchmark CFR import price of 62% iron ore fines at China's Tianjin climbed $0.50 to $133.60 a tonne on Monday, up 21% from its 2013 lows struck at the end of May, according to data provided by SteelIndex.

China forges almost as much steel as the rest of the world combined and to meet the demand for steelmaking raw material China's iron ore imports surged to a fresh record in September.

China imported a new all-time high of 74.58 million tonnes of iron ore during last month September, up 8% from August and up a surprisingly robust 15% compared to las year.

China has continued to produce steel at a record pace, upping the rate by 100,000 tonnes in September to 2.14m tonnes per day (and up close to 8% compare to the first 8 months last year), showing demand in the world's second largest economy is not as slack as many observers believe.

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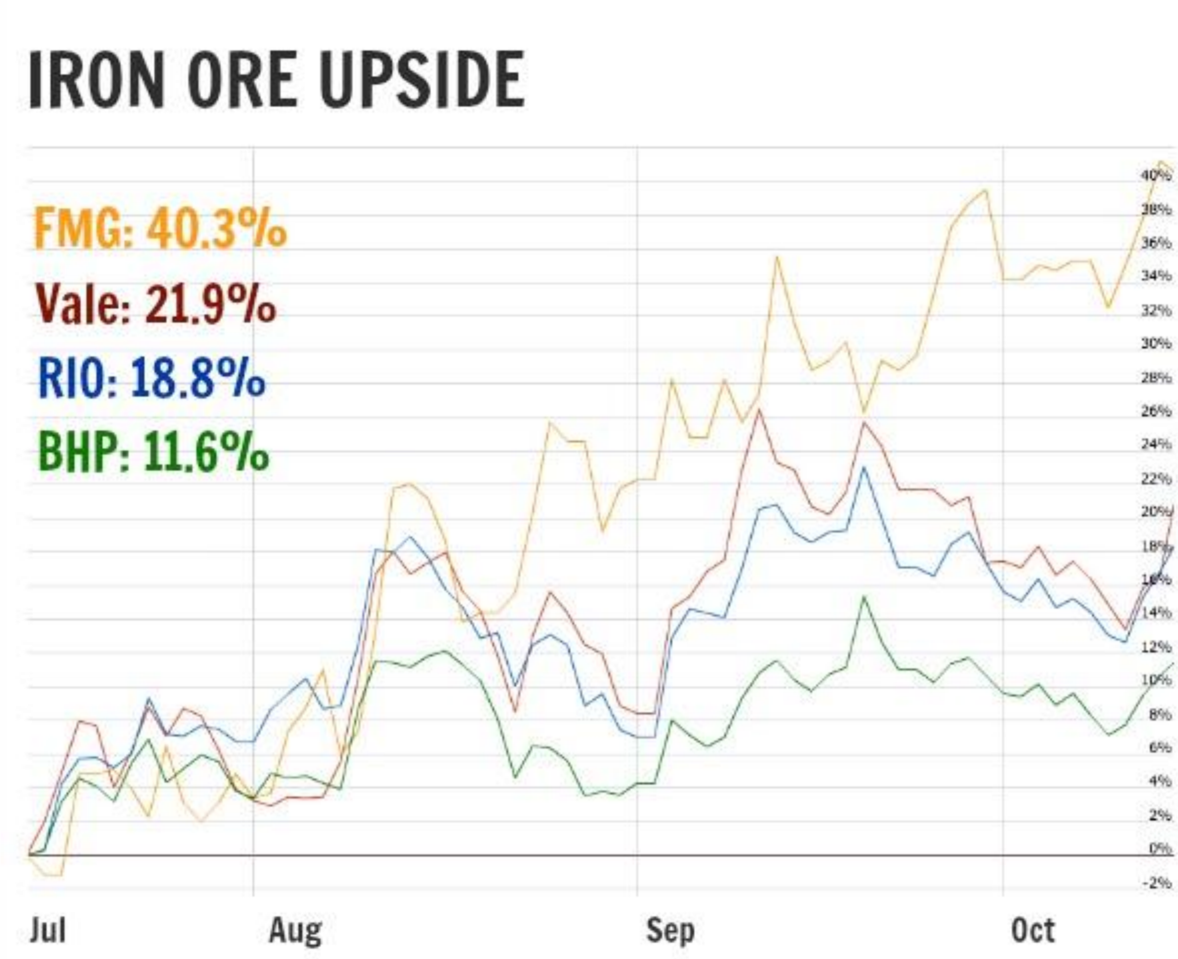
The Big 4 – number one producer Brazil's Vale (NYSE:VAL) and Australian giants Rio Tinto (LON:RIO), BHP Billiton (LON:BHP) and Fortescue Metals (ASX:FMG) – on Monday all added to strong gains enjoyed over the last three months.



Mining majors rerate as China, iron ore price defy gloom" title="Mining majors rerate as China, iron ore price defy gloom". ADRs of Vale, which this year expects to produce 302 million tonnes of iron ore, jumped 3.6% in New York and the value of the Rio de Janeiro-based company is up just over 21% over the last three months.

Number two Rio Tinto, which thanks to aggressive expansion in its home base of the Pilbara in Northwest Australia have been rapidly closing the output gap with Vale, added 1.7% in New York bringing its gains since mid-July to 18.8%.

BHP Billiton, which is also adding to its iron ore business this year even as it slashes budgets and sell off assets in other divisions, gained just over 1% in New York. The world's number one miner with a market value of $170 billion has gained 11.6% over the three-month period.

Sydney-listed Fortescue Metals Group is most exposed to China and has benefitted the most from receding worries about the growth prospects for the world's second largest economy.

FMG, which from zero production seven years ago is targeting output of annualized 155 million tonnes in 2014, is up an astonishing 40% in value over the last three months on the ASX.

The world's diversified majors are increasingly relying on iron ore as a source of profits with the raw material contributing upwards of 60% of overall profits.

Good performance in iron ore should flow through to the majors' other divisions.