
Curtains for Iron Ore

This morning I received a refreshingly direct research note from Asian research specialists J Capital:

Iron Ore Poised for Steeper Fall

\$100 Coming Soon

We are expecting a fall in steel production to the August seasonal low two months early, meaning June should see about 7 mt less production than May. That is equivalent to a month-on-month drop of 10 mln tons in iron ore. This is curtain time for iron ore: prices should slide from here in toward \$100 and then possibly not come back.

Any questions or comments, please contact ...

No misconstruing the thrust of that piece of research.

It's worth remembering we have been here before. August 2012 saw China bears like yours truly [rolled out](#) to explain the slump in iron ore prices to less than \$90 per tonne. A few months later it was trading back at \$150 again.

My gut feel is that this time around it's permanent. The last selloff had an element of panic about it. This time the iron ore price falls day by day as analysts rationally update their estimates of supply, demand and the Chinese economy. The same holds true for the Aussie dollar. I couldn't believe it held up as long as it did but – yes, forecasting currencies is a mug's game – I doubt we'll see it break the buck again for a very long time.