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Iron ore takes hit as China launches probe into high prices

Economy



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NDRC Spokesperson, Meng Wei. Source: CGTN



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- Beijing launches a fresh probe into strong iron ore prices, prompting a sudden drop in the commodity's price
- China's National Development and Reform Commission (NDRC) has repeatedly tried to rein in the price of the metal but to no avail – until now
- The NDRC says “exclusive agreements, spreading price increase information, bidding up prices and hoarding” are all punishable under the law
- Iron ore prices took a hit following the news, with its spot price slipping almost 5 per cent to around US\$208 per tonne (A\$277 per tonne) this morning
- It's important to note, however, that iron ore sentiment was already suffering by a seasonal slowdown in Chinese steel production before the announcement

Beijing has revealed a fresh probe into the spot price of iron ore following the commodity's stellar run over recent months, prompting a sudden price drop.

China's National Development and Reform Commission (NDRC) has repeatedly [warned of punishment](#) for “excessive price speculation, price gouging and other violations” around iron ore, but until this week, the threats did little to stem the price of the metal.



AZ Thomson Resources' (ASX:TMZ) placement backed by US investors **AZJ** Aurizon (ASX:AZJ) to buy One tonne) hit in May.

However, the NRDC on Monday said the sustained strong price of the metal was taking a heavy toll on China, the world's biggest iron ore importer.

As such, it has launched an investigation into the trading volume and spot price of the commodity.

“China supports the sound development of the iron ore spot trading platform in line with the law,” the NDRC said, according to The Global Times, China's state-run tabloid.

“At the same time, the country will keep a close watch on the spot market price, promptly identifying abnormal transactions and speculation.”

The NDRC specifically flagged “exclusive agreements, spreading price increase information, bidding up prices and hoarding” as activities that could be punishable by law if uncovered by the investigation.

Iron ore prices took a hit following the announcement, with the spot price of the commodity slipping almost 5 per cent to around US\$208 per tonne (A\$277 per tonne) this morning — still holding ground above US\$200 but well below its May peak.

Of course, prices were already under pressure before the announcement was made, according to Reuters, so it's uncertain if the price drop was caused by the NDRC announcement or simply exacerbated by it.

Reuters claims iron ore sentiment was suffering by a seasonal slowdown in Chinese steel production.



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