

Metal Bulletin

Iron Ore Index

Metal Bulletin 60% Fe Iranian Fines Index (MBIOI-IR)

7th October 2015

On 7th October 2015 Metal Bulletin launches a new index to represent the price of Iranian iron ore sold into China on the seaborne market. The Index will be referred to as the Metal Bulletin 60% Fe Iranian Fines Index (MBIOI-IR).

BACKGROUND AND DEVELOPMENT

Over the past few years Metal Bulletin has observed a growing spot market for Iran's ore being exported into China and a growing demand for a fair and robust benchmark. The MBIOI-IR launch follows an extensive period of development and calibration. The Index has been calculated (without publication) since January 2015, and a nine-month historical price series is available. The development period has allowed the robustness of the Index to be tested in varying states of market liquidity, as well as ensuring the reliability of the normalisation procedure.

INDEX SPECIFICATION

Variable	Base	Min.	Max.
Price	US\$ per dry metric tonne, CFR China		
Material Origin	Iran		
Fe (%)	60	56	65
Si (%)	6.0		10.0
Al (%)	1.5		4.0
P (%)	0.10		0.20
S (%)	0.10		0.25
Moisture (%)	4		10
Granularity	>90% <6.3mm		
Trade Size (Tonnes)		10,000	
Payment Terms	Payment at sight		
Delivery Port	Qingdao		
Delivery Period	Within 8 weeks		
Publication	Weekly – Wednesday, 7pm Singapore		

The full Metal Bulletin Iron Ore Index methodology guide is available at www.mbioi.com

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METHODOLOGY

The MBIOI-IR is calculated using the same methodology as Metal Bulletin's other iron ore indices, which are widely used in both the physical and financial markets. The methodology is designed to meet market requirements for a fair and robust representation of the physical iron ore spot market.

Data Collection

Metal Bulletin collects data from all parts of the market through various channels. Data is treated confidentially and stored on secure servers, accessible if required for audit purposes. The index is based on actual transactions, although Metal Bulletin will also collect assessments, offers and bids from the market to supplement transaction data when necessary. All non-transaction data will be weighted at the minimum tonnage for the index.

Market Representation

Metal Bulletin's unique mechanisms ensure a structurally balanced, fair and representative index price. Each data point is entered into one of three sub-indices representing producers, consumers and traders. The final price is a straight average of these sub-indices to ensure an unbiased index with equal impact from all sides of the market. Metal Bulletin also removes potential distortion with an in-built mechanism to remove outlier data points of +/- 4% away from a preliminary calculation. These outliers are automatically removed and the index recalculated.

Normalisation

Normalisation is the adjustment of the price of material to account for differences from our base specification, and is critical to the index. Data is normalized using an in-house developed model based on regression analysis of transaction data, allowing Metal Bulletin to capture the value-in-use applied by the market to different material and adjust to a single specification. The normalization coefficients for the index will be updated quarterly to reflect the changing nature of market dynamics over time.