

26 February 2010

WORLD COPPER MARKET REVIEW

(Week of 22-26 February)

The price of copper averaged a monthly 310.628 ¢/lb. in February, down 7.9 percent over January. Metal exchanges rose about 56.9 kMT or 7.7 percent over the month before, led by the Shanghai Futures Exchange (SHFE) with 48.3 kMT and the London Metal Exchange (LME) with 8.7 kMT. Comex was practically unchanged. This week, copper closed at 320.781 ¢/lb., down 1.7 percent over the previous Friday closing. Metal exchanges were up 3.5 percent, closing at 793.2 kMT or 2.3 weeks' global consumption.

On Monday copper continued to rally as it had for over ten days. The uptrend reverted on Tuesday as uncertainty increased across markets following disappointing reports on global economic performance.

The U.S. Index of Consumer Confidence slipped in February to 46 points, a 10-month low. This development, which impacted market sentiment and became a key impediment for additional gains, further confirmed the close link between market shifts and copper prices.

Germany's Ifo Business Confidence Index dropped to 95.2 points in February, down from 95.8 points the month before, contradicting the market consensus that expected a more healthy 96.1 points. Reaction to these developments pushed up the value of the U.S. dollar against most major currencies. This held throughout the week, as the disappointing news increased risk aversion across markets, keeping commodity prices down. Chief among U.S. underperformers were new home sales, which dropped a monthly 11.2 percent in January –well below market expectations.

That said, specific industry fundamentals continue to give signs of growth. Evidence of this was provided by increased shipments of copper cable and wire from Japan, which grew year-on-year in January for the first time since September 2008. In monthly terms, however, shipments of 54 kMT were down over the 55.9 kMT chalked up in December. Japanese production of rolled copper products rose 71.4 kMT in January, up 5.1 percent over December and a 55.2 percent increase over the year before.

In other news, China posted final copper purchase figures for the month, which proved in line with preliminary estimates. While refined copper import were down 19 percent to 196.9 kMT over December, this was still 9 percent above the figure from a year earlier. The decline was partially offset by an increase in concentrates, which rose 18.8 percent over December, providing evidence of continuing Chinese market growth. Scrap imports slipped 24.1 percent over December, mostly due to low scrap volumes being generated outside China.

Metal Exchange Inventories

Inventories rose a weekly 26.5 kMT, closing at 793.2 kMT.

After a one-week recess, Shanghai was alone in reporting inflows (32.3 kMT). The rise was not a cause for alarm among market players, as it was due to transfers from non-visible inventories in anticipation of purchases expected once the market recess was over.

The LME reported outflows after seven straight months of gradual weekly increases. This is regarded as a sign of change in the inventory dynamics seen since mid-2009, associated with recovering demand. Cancelled warrants stood at 19.5 kMT (3.5 percent of total inventories), suggesting further increases in outflow volume going forward.

Metal Exchange Activity

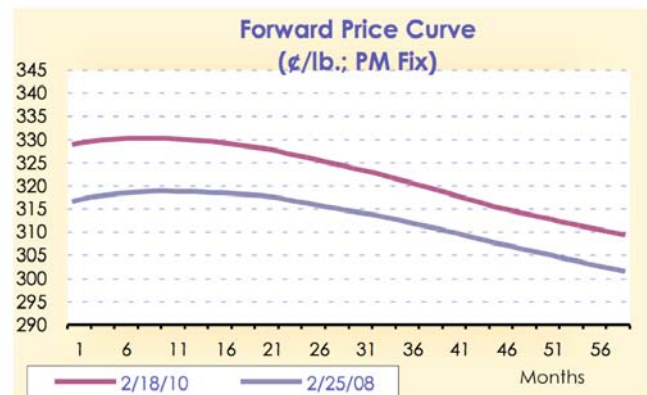
LME prices and open interests showed players mostly selling their long positions, driven by the weekly fall in prices.

The Thursday forward price curve was up at nearer terms. The contango in weekly prices rose 19.3 percent as backwardation over longer terms continued to increase.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	122,850	(8,275)	(6.3%)
Dubai	500	+0	
South Korea	90,250	(7,125)	
Malaysia	7,325	+0	
Singapore	24,775	(1,150)	
United States	333,675	+4,700	+1.4%
Baltimore	-	+0	
Chicago	28,525	+0	
California	-	+0	
Mobile	12,225	+950	
New Orleans	212,050	+3,225	
St. Louis	80,875	+525	
Europe	93,200	(1,475)	(1.6%)
Germany	11,525	(475)	
Belgium	2,325	+0	
Spain	15,700	+0	
Netherlands	45,225	(25)	
Italy	8,525	(350)	
United Kingdom	9,900	(625)	
Sweden	-	+0	
TOTAL LME	549,725	(5,050)	(0.9%)
COMEX	93,981	(787)	(0.8%)
SHFE	149,478	+32,309	+27.6%
TOTAL	793,184	+26,472	+3.5%

N.B.: LME data to 2/26/2010; COMEX & SHFE data to 2/25/2010



LME Average Weekly Prices

Spot	¢/lb.	± %
Spot	324.001	1.5%
3 Mos.	325.344	1.6%
3 Mos. - Spot	(contango) 1.343	19.3%

Week of 22-26 February 2010

Technical Analysis

Chief among weekly events was the technical correction predicted last week. Still, prices stayed within the range provided by a support at about \$3.15 ¢/lb. and a resistance at about \$3.34 ¢/lb.

While current prices stand above the trendline, short-term indicators suggest increased risk of price losses.

The significant linkage between copper prices and market shifts suggest that prices will remain determined by developments in global economic variables.

Chief among developments expected next week are reports on U.S. construction spending, car sales and unemployment, plus the ISM Index of National Manufacturing Conditions. Also expected is the February PMI Index for both China and the Eurozone. Europe will also report on GDP growth in Q4 2009, retail sales and unemployment. In addition, the ECB will hold its regular rates meeting.



Expected Price Trends for the Coming Week

Short Term (ST)	Stable/Down
Medium Term (MT)	Down

LME Daily Copper Prices (¢/lb.)

Date	Price
22 February	332.846
23 February	327.811
24 February	318.966
25 February	319.601
26 February	320.781

Month	2008	2009	2010
January	320.283	146.088	335.035
February	357.780	150.353	310.628
Annual Average	315.316	234.217	322.831⁽¹⁾

Average to 26 February 2010.