

5 March 2010

WORLD COPPER MARKET REVIEW

(Week of 1-5 March)

Copper closed the week trading at 338.675 ¢/lb., down 5.6 percent over the previous Friday closing. Metal exchanges dropped 1.1 percent, closing at 784.5 kMT or 2.3 weeks' global consumption.

Following last week's downtrend prices bounced back to mid-January levels, driven first by uncertainty about the impact of the Chile earthquake, then by reports and indicators suggesting the likelihood of new price gains.

Early Saturday morning, a mega-earthquake measuring 8.8 on the Richter scale hit central and southern Chile, impacting mining operations in the Valparaiso, O'Higgins, and Metropolitan regions. Some came to a sudden halt as the power went down, but suffered no operating damages. According to reports, most power problems centered at the distribution rather than the generation or transmission levels and were subsequently solved. The port of San Antonio is operating at partial capacity.

Leading operations in the affected area, including El Teniente (404.1 kMTF), Pelambres (322.6 kMTF), Anglo Sur (276.9 kMTF), Andina (209.7 kMTF) and Candelaria (134.2 kMTF), produced a combined 1,347.5 kMTF in 2009. All remain operational. Anglo American estimated its losses at 1,500 tons, while Codelco projected less than 9,000 tons or under 0.5 percent of planned annual production. Based on these reports, we stand by our world production estimate for 2010 and believe it entirely possible for these losses to be reverted and for Chile's projected 5,732 kMTF target to be met.

As fears of the quake's potential impact on a tight world mine copper supply dissipated, so did the positive effect on prices. Later, the negative reports of the previous week were superseded by more upbeat developments in the global economy and finances.

The most important of these was announcement of Greece's new fiscal austerity plan, designed to keep the deficit below 9 percent of GDP. The plan's strong reforms –worth as much as €16 billion– and ambitious goal of achieving a budget surplus above 3 percent of GDP by 2013 led markets to take the announcement seriously. The euro rose to US\$1,37/€1 on Wednesday, also driven by rosier industrial growth prospects noted in the PMI Index.

The general market effect of these developments positively impacted most metal prices to varying extents, depending on individual fundamentals. All base metals posted gains, led by nickel (up 9.8%), aluminum (up 7.3%) and copper. Gold was up 2 percent while silver gained 7 percent.

Other indicators released this week (China's PMI, U.S. ISM) tended to curb prices since, while they remain pointing to industrial expansion ahead, they were weaker than expected. By the close of the week the U.S. dollar had risen to below \$1.36/€1, driven by remarks from the European Central Bank chairman reinforcing expectations that Euro rates will remain unchanged or otherwise low, slowing down gains in the price of copper.

Metal exchange inventories

Exchange inventories fell a weekly 8.7 kMT, closing at 784.5 kMT.

All metal exchanges reported outflows, led by LME warehouses in Europe. Cancelled warrants rose to 31 kMT (5.7 percent of total inventories), concentrated mostly in Europe, suggesting chances of further outflows going forward.

The Shanghai Futures Exchange was down 0.6 percent, cutting short the rises posted last week. These were mostly driven by a price arbitrage effect which encourages transfers from LME warehouses, particularly in South Korea.

Comex was mostly unchanged, with weekly outflows on the order of nearly 1.3 kMT.

Metal Exchange Activity

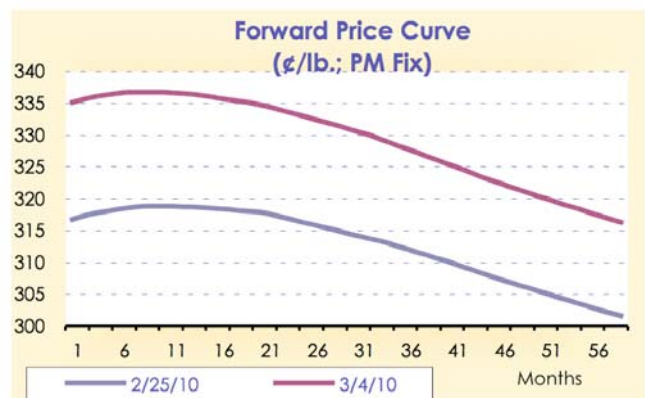
LME prices and open interests showed players mostly taking out long positions on the strength of the global economic and market fundamentals noted above, suggesting low chances of new price drops in the near future.

The Thursday forward price curve was up, remaining in contango through terms of up to 12 months and in backwardation thereafter. Consistent with falling inventories, the spot-3M contango was up again, especially on Wednesday and Thursday.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	120,450	(2,400)	(2.0%)
Dubai	500	+0	
South Korea	88,425	(1,825)	
Malaysia	6,675	(650)	
Singapore	24,850	+75	
United States	336,250	+2,575	+0.8%
Baltimore	-	+0	
Chicago	28,275	(250)	
California	-	+0	
Mobile	12,275	+50	
New Orleans	214,075	+2,025	
St. Louis	81,625	+750	
Europe	86,450	(6,750)	(7.2%)
Germany	11,525	+0	
Belgium	750	(1,575)	
Spain	15,650	(50)	
Netherlands	40,875	(4,350)	
Italy	8,375	(150)	
United Kingdom	9,275	(625)	
Sweden	-	+0	
TOTAL LME	543,150	(6,575)	(1.2%)
COMEX	92,707	(1,274)	(1.4%)
SHFE	148,620	(858)	(0.6%)
TOTAL	784,477	(8,707)	(1.1%)

N.B.: LME data to 3/5/2010; COMEX & SHFE data to 3/4/2010



LME Average Weekly Prices

Spot	¢/lb.	± %
Spot	336.833	4.0%
3 Mos.	338.335	4.0%
3 Mos. - Spot	(contango) 1.501	11.8%

Technical Analysis

The week was off to unexpected price gains which grew stronger toward midweek, following the two shocks noted above. With this, the current transaction range stands at \$3.27-3.40/lb.

Future prices will be determined by short-term indicators in an overbought condition suggesting a technical correction, within the context of a midterm trend pointing to further gains.

Chief among developments expected next week, the U.S. reports on retail sales performance, China releases inflation, industrial output, retail sales and fixed asset investment figures, while the European Union reports on industrial output.



Expected Price Trends for the Coming Week

Short Term (ST)	Correction/Up
Medium Term (MT)	Stable/Up

LME Daily Copper Prices (¢/lb.)

Date	Price
1 March	332.710
2 March	333.799
3 March	339.446
4 March	339.537
5 March	338.675

Month	2008	2009	2010
January	320.283	146.088	335.035
February	357.780	150.353	310.628
March	382.800	170.086	336.833 ⁽¹⁾
Annual Average	315.316	234.217	324.387 ⁽¹⁾

Average to 5 March 2010.