20 January 2012

WORLD COPPER MARKET REVIEW

(Week of 16-20 January 2012)

Copper closed the week trading at 373.329 ¢/lb. in the London Metal Exchange (LME), up a weekly 12.02 ¢/lb. (3.33%). Global exchange inventories rose 0.6 percent, closing at 561.88 kMT or 10 days' global consumption.

In Europe, short-term sovereign debt issues did well as the European Central Bank (ECB) pumped additional liquidity into the system. French and Spanish bond issues played successfully despite Standard & Poor's downgrade of both countries' credit standings. Year-on-year inflation in the eurozone stood at 2.7 percent in December, below the expected 2.8 percent, giving the ECB extra latitude for further interest rate cuts. In other news, the European Commission came out in support of pumping an additional €500 billion into the International Monetary Fund (IMF), a decision intended to send markets a clear signal about the IMF's improved ability to react. The Greek government, for its part, remained in talks with private creditors to define debt relief amounts. Meanwhile, IMF and World Bank growth estimates for the eurozone were slashed to -0.5 and -0.3, respectively. The IMF and the World Bank also cut global growth estimates to 3.3 percent and 2.5 percent, respectively.

In the U.S., industrial output rose 0.4 percent in December, posting the best performance in a year. Consumer confidence was also up, reflecting increased faith in the economy. A lower-than-expected CPI in December showed that inflationary pressures are down, which might give the Federal Reserve some leeway to further stimulate the economy. Initial jobless claims dropped to 352,000 last week, a four-year low suggesting that the labor market may be coming back. Real estate remained weak as housing starts fell 4.1 percent to a seasonally-adjusted 657,000 units in December, showing that the market isn't recovering any time soon.

In China, growth in Q4 2011 exceeded expectations, a result that dispelled fears of a protracted slowdown and filled financial and commodity markets with optimism. The Chinese economy grew 9.2 percent in 2011, above the government's target range, while annual industrial output and retail sales rose a healthy 12.8 percent and 18.1 percent, respectively. The HSBC Manufacturing PMI for January stood at 48.8, below the 50-point growth cutoff, albeit the official PMI for December came in at a surprising 50.3. With conditions seemingly deteriorating beyond expectations, government and Central Bank stimuli are expected to remain in place. That said, the World Bank's chief economist expects the Chinese economy to soft-land in 2012, global slump notwithstanding, aided by strong currency reserves that should help China prevail over external pressures and keep the economy growing at rates of 8 percent and up.

Metal Exchange Inventories

Weekly inventories rose 3.23 kMT (0.6%), closing at 561.88 kMT.

LME holdings fell 8.07 kMT (2.3%), closing at 348.75 kMT worldwide. Asian inventories chalked up new lows. U.S. and European warehouses were down 5.55 kMT (2%) and 1.85 kMT (3.9%), respectively.

The Shanghai Futures Exchange (SHFE) rose 11.19 kMT (9.3%) while Comex was up a marginal 115 MT (0.1%).

Canceled warrants stood at a significant 68.60 kMT or 19.7 percent of total inventories, suggesting increased demand for industrial purposes.

Metal Exchange Activity

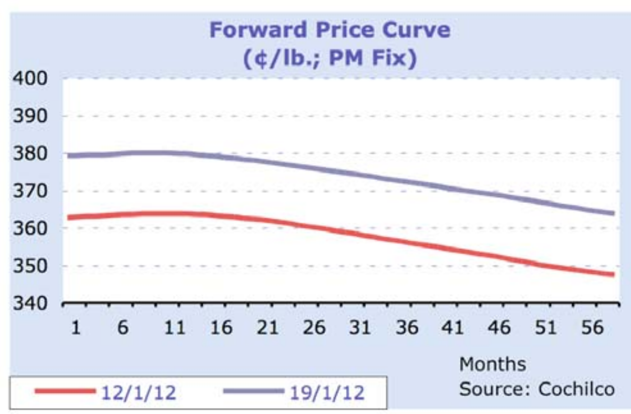
Traders took out new long positions this week, driven by fresh optimism across the copper market and global exchanges. Copper prices and futures contracts were up amidst lower market liquidity. The forward price curve was up significantly over the week before.

Spot/3M prices rose 8.1 percent.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	**28,375**	**(675)**	**(2.3%)**
Dubai	-	+0	
South Korea	17,650	+0	
Malaysia	875	(675)	
Singapore	9,850	+0	
United States	**275,275**	**(5,550)**	**(2.0%)**
Baltimore	275	+0	
Chicago	47,300	(750)	
Mobile	3,075	(175)	
New Orleans	118,675	(4,300)	
St. Louis	105,950	(325)	
Europe	**45,100**	**(1,850)**	**(3.9%)**
Germany	5,450	(1,350)	
Belgium	250	(100)	
Spain	1,025	+0	
Netherlands	29,775	(450)	
Italy	8,525	+50	
United Kingdom	75	+0	
Sweden	-	+0	
TOTAL LME	**348,750**	**(8,075)**	**(2.3%)**
COMEX	**81,490**	**+115**	**+0.1%**
SHFE	**131,645**	**+11,193**	**+9.3%**
TOTAL	**561,885**	**+3,233**	**+0.6%**

N.B.: LME data to 1/20/2012; Comex and SHFE data to 1/19/2012.



LME Average Weekly Prices
Week of 16-20 January 2012

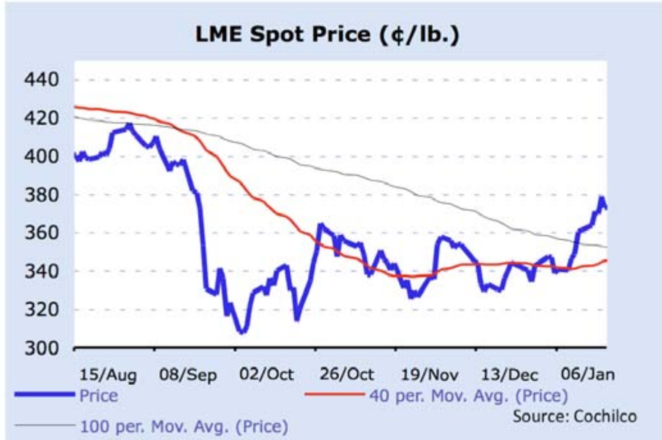
Spot		¢/lb.	± %
Spot		371.429	8.1%
3 Mos.		372.178	8.1%
3 Mos. - Spot	*(Contango)*	0.748	-8.3%

Technical Analysis

Weekly prices came in strongly above both the short-term (40-day) moving average and its medium-term (100-day) counterpart.

Copper prices shot past last week's expected resistance, driven by upbeat news from both China and Europe. Price support and resistance expectations for the coming week stand at 350 ¢/lb. and 385 ¢/lb., respectively.

Expected next week are U.S. reports on consumer confidence, new home sales, core durable goods orders, and the Fed's decision on interest rates. The eurozone, for its part, will report on the manufacturing PMI, new industrial orders, and consumer confidence.



Expected Price Trends for the Coming Week	
Short Term (ST)	Stable/Down
Medium Term (MT)	Stable

LME Daily Copper Prices (¢/lb.)

Date	Price
16 January	363.827
17 January	371.265
18 January	369.950
19 January	378.772
20 January	373.329

	2010	2011	2012
January	335.035	433.439	356.352
Annual Average	**341.978**	**399.656**	**356.352** (1)

Average to 20 January 2012.