

9 April 2009

WORLD COPPER MARKET REVIEW

(Week of 6-9 April)

Copper closed the week trading at 202.529 ¢/lb., up 8.1 percent over the previous Friday closing and chalking up its best performance since late October. Exchange inventories dropped 0.9 percent, closing at 562.6 kMT or 11.4 days' world consumption.

Copper prices rose to a new peak since late October as markets hailed the crisis-fighting measures agreed Thursday at the meeting of the G-20. In addition, the Japanese government announced it is doubling its fiscal stimulus package to over 2 percent of GDP, for a total of about US\$100 billion. Both these developments drove stock markets early in the week and helped copper rise to 196.428 ¢/lb. on Monday. Copper prices hovered in that vicinity through most of the week, then closed at above 200 ¢/lb.

In contrast to previous weeks, markets did not react with agitation at the U.S. unemployment report for March released on Friday, most likely because it contained little that was new. Indeed, the report only confirmed that U.S. unemployment has now reached 8.5 percent, the highest rate in a quarter century.

As to copper, the positive developments above provided additional momentum to the price rebound underway since earlier this month. These gains are being sustained by an increase in apparent demand from China which includes a strong inventory replenishment component from both government and private agents.

As such, next week's Chinese copper trade figures for March are expected to confirm refined copper purchases surpassing the record 270 kMT bought in February. Support for this view is provided by LME-Shanghai price arbitrage that favors China and a strong tightening in the scrap supply requiring additional refined copper purchases. A key indication of increased deliveries to China is this week's steep rise in cancelled warrants.

In addition, macro indicators are providing evidence of a slight recovery in Chinese manufacturing. Indeed, the PMI activity index moved from 49 points in February (contraction) to 52.4 points in March (expansion).

The week's developments caused all base metals to post gains, led by copper (8.1%), lead (5.4%), and nickel (4.3%). The good news went some way toward reducing risk aversion and caused precious metal prices to decline somewhat relative to the past few weeks.

Metal Exchange Inventories

Total exchange inventories fell 0.9 percent, closing the week at 562.6 kMT.

The drop involved London Metal Exchange warehouses in Europe, notably the Netherlands and Italy (11.8 kMT). Warehouses in the U.S. reported deliveries for 7.1 kMT, consistent with patterns noted through the past few weeks.

Significantly, cancelled warrants rose from 5.1 percent of total LME inventories on Friday to a substantial 62.6 kMT or 12.6 percent of inventories today.

Many of the cancelled warrants are now in European warehouses in the Netherlands and Italy, and are presumed to be headed for China as the Chinese leverage the LME-Shanghai price arbitrage.

Metal Exchange Activity

Good economic news and a strong push from China helped copper prices make significant headway this week. As a result, LME players again favored long positions.

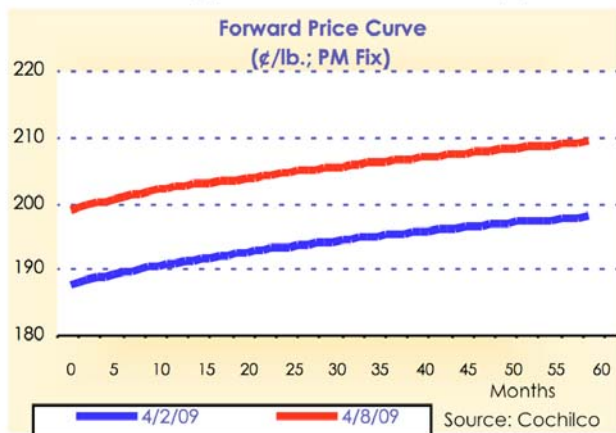
The forward price curve rose rather evenly, sloping more gently at shorter terms. Reflecting a tighter market, the current cash-3M contango was again down.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	40,800	(725)	(1.2%)
Dubai	3,075	(250)	
South Korea	25,950	+1,500	
Malaysia	1,025	(350)	
Singapore	10,750	(1,625)	
United States	254,150	+7,100	+2.9%
Baltimore	3,075	+0	
Chicago	4,725	+1,100	
California	-	+0	
Mobile	23,125	+0	
New Orleans	164,650	+4,775	
St. Louis	58,575	+1,225	
Europe	201,825	(11,750)	(5.5%)
Germany	17,450	(1,625)	
Belgium	12,825	(50)	
Spain	23,025	+2,325	
The Netherlands	95,450	(8,800)	
Italy	39,500	(3,475)	
United Kingdom	13,575	(125)	
Sweden	-	+0	
TOTAL LME	496,775	(5,375)	(1.1%)
COMEX	42,860	+474	+1.1%
SHFE	22,908	+0	+0.0%

TOTAL **562,543** **(4,901)** **(0.9%)**

N.B.: LME data to 4/9/2009; COMEX & SHFE data to 4/8/2009



LME Average Weekly Prices

Spot	¢/lb.	± %
Spot	197.420	8.2%
3 Mos.	198.753	8.0%
3 Mos. - Spot	1.332	-14.6%

(contango)

Week of 6-9 April 2009

Technical Analysis

The week's closing price was the highest since October 30. Thursday prices climbed near the US\$4,500/MT mark, overtaking the previous US\$4,400 foothold and confirming the strength of the uptrend gathering steam since mid-February.

Short-term technicals confirm an overbought trend as copper prices continue to make significant gains.

Chief among developments expected next week are reports on inflation and industrial activity in the U.S., the European Union and China. Note that the London Metal Exchange will be closed for trading on Easter Monday.



Expected Price Trends for the Coming Week	
Short Term (ST)	Consolidating/Up
Medium Term (MT)	Up

LME Daily Copper Prices (¢/lb.)

Date	Price
6 April	196.428
7 April	195.453
8 April	195.272
9 April	202.529
10 April	Statutory Holiday

Month	2007	2008	2009
January	257.171	320.283	146.088
February	257.479	357.780	150.353
March	292.680	382.800	170.086
April	352.281	393.942	191.892 ⁽¹⁾
Annual Average	323.246	315.316	159.429 ⁽¹⁾

Average to 9 April 2009.