

17 April 2009

## WORLD COPPER MARKET REVIEW

*(Week of 13-17 April)*

Copper closed the week trading at 214.322 ¢/lb., a 5.8 percent increase from a week earlier and its best performance since last October. Total exchange inventories fell 4.8 percent, closing at 535.5 kMT or 10.8 days' world consumption.

Although the trading week was shorter than usual due to the Easter holiday, copper prices rode to a six-month high at the London Metal Exchange (LME). Driving this impressive performance was preliminary copper trade reports from China, which while in line with expectations, showed a significant 14 percent monthly increase in imports. Chinese purchases of copper cathodes, alloys and products stood at a remarkable 374.9 kMT.

Low copper prices, declining scrap supplies due to low activity and a favorable LME/SHFE price differential all combined to boost Chinese purchases above and beyond State Reserve Bureau imports. The factors that propelled copper prices this week illustrate just how dependent on Chinese demand the market has become. Indeed, in spite of guarded improvements in player perceptions of crisis-fighting measures, the fact is that the U.S., Japan, and most of Europe remain in a severe recession.

Reports released this week attest to the severity of the slump. In the Eurozone, February industrial output fell 18.4 percent from a year earlier, the biggest plunge since record-taking started in 1990. The U.S. industrial output fell 1.5 percent in March, the same as February.

Macroeconomic data for China shows annualized Q1 growth of 6.1 percent, below the 6.8 percent reported in Q4 2008 and slightly under the expected 6.3 percent. Other indicators, however, are pointing to signs of recovery. Industrial output in March was up 8.3 percent year-on-year, a strong rebound from the 3.8 percent low posted in January-February and well above the 6 percent most analysts expected. In addition, the infrastructure investment index for March rose 28.6 percent from a year earlier.

The Cochilco Monthly Bulletin for March reports that mine copper production in February stood at 373.9 kMTF, a 10.8 percent decrease over 2008. Annual production to date stood at 802 kMTF, down 6.4 percent year on year. Reporting lower production were Escondida (59.8 kMTF; falling grades, SAG mill issues), Codelco (15.2 kMTF), and Anglo American Sur (9.2 kMTF). Increases came from Gabriela Mistral (24.9 kMTF) and Spence (4.4 kMTF), both new facilities gearing up to full-capacity operation, and Collahuasi, up 3.7 kMTF from operating and planning improvements.

### Metal Exchange Inventories

Weekly inventories dropped 27 kMT (4.8%), closing at 535.5 kMT. Most drawdowns (27.1 kMT) were from LME warehouses, which reported over 40 percent (11.6 kMT) of the week's drawdowns on Wednesday alone, the sharpest daily drop since June 2002. Warehouses involved were in the Netherlands and Italy, and to a lesser extent, in Singapore and South Korea.

Cancelled warrants remained at considerable levels, rising this week by 1.8 kMT to 13.7 percent of total LME inventories.

Drawdowns at the SHFE were a moderate 203 MT. Exception made of significant deliveries to LME warehouses in the U.S., Comex was alone in posting gains (271 MT).

### Metal Exchange Activity

Rapid price gains over the past two weeks led investors to taking short positions, suggesting that price gains might be about to slow down or fall back over the short term.

The forward price curve flattened considerably across the board, keeping the price contango low through most of the week. Friday prices went into backwardation for the first time this year, reflecting a certain market tightness in the wake of spiking demand from China.

### Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
<b>Asia</b>	<b>30,300</b>	<b>(10,500)</b>	<b>(26.9%)</b>
Dubai	2,725	(350)	
South Korea	21,825	(4,125)	
Malaysia	175	(850)	
Singapore	5,575	(5,175)	
<b>United States</b>	<b>257,325</b>	<b>+3,175</b>	<b>+1.2%</b>
Baltimore	3,075	+0	
Chicago	5,075	+350	
California	-	+0	
Mobile	23,125	+0	
New Orleans	166,475	+1,825	
St. Louis	59,575	+1,000	
<b>Europe</b>	<b>182,000</b>	<b>(19,825)</b>	<b>(9.8%)</b>
Germany	17,450	+0	
Belgium	11,700	(1,125)	
Spain	23,025	+0	
The Netherlands	81,775	(13,675)	
Italy	34,475	(5,025)	
United Kingdom	13,575	+0	
Sweden	-	+0	
<b>TOTAL LME</b>	<b>469,625</b>	<b>(27,150)</b>	<b>(5.5%)</b>
<b>COMEX</b>	<b>43,131</b>	<b>+271</b>	<b>+0.6%</b>
<b>SHFE</b>	<b>22,705</b>	<b>(203)</b>	<b>(0.9%)</b>
<b>TOTAL</b>	<b>535,461</b>	<b>(27,082)</b>	<b>(4.8%)</b>

N.B.: LME data to 4/17/2009; COMEX & SHFE data to 4/16/2009



### LME Average Weekly Prices

Spot	¢/lb.	± %
Spot	213.449	8.1%
3 Mos.	214.096	7.7%
3 Mos. - Spot	0.646	-51.5%

(contango)

Week of 14-17 April 2009

## Technical Analysis

Weekly copper prices rose a strong 5.82 percent to above US\$4,750/MT, its best performance since late October.

In this new scenario, prices settled above the US\$4,400/MT foothold reached late last week. Should the rally endure, the next resistance level is expected to hover around US\$4,950-5,000/MT.

The short-term technicals remain on the overbought side, keeping alive the chances of consolidation in response to the rapid gains of the past few weeks. Medium-term indicators remain pointing up, a view that may gain further credence should the moving average move up from today's 200 days to about 225 days.

Chief among developments expected next week are U.S. home sales reports and the German ZEW and IFO investor and business confidence indexes. China, for its part, will post final copper trade figures.



### Expected Price Trends for the Coming Week

Short Term (ST)	Consolidating/Up
Medium Term (MT)	Up

### LME Daily Copper Prices (¢/lb.)

Date	Price
13 April	Statutory Holiday
14 April	207.836
15 April	215.456
16 April	216.182
17 April	214.322

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	199.731 <sup>(1)</sup>
<b>Annual Average</b>	<b>323.246</b>	<b>315.316</b>	<b>162.349 <sup>(1)</sup></b>

Average to 17 April 2009.