



8 April 2011

WORLD COPPER MARKET REVIEW

(Week of 4-8 April 2011)

Copper closed the week trading at 445.564 ¢/lb. in the London Metal Exchange (LME), up 22.09¢ (5.2%) from a week earlier. Inventories rose 1.9 percent, closing at 682.9 kMT or 12.3 days' global demand.

Spot price volatility was midrange, with a standard deviation near 10.3 ¢/lb. and a variation range of 419.64 ¢/lb. to 445.564 ¢/lb. These strong gains seem to confirm a shift in the downtrend observed as world markets first reacted to fighting in the Middle East and North Africa and the earthquake and tsunami in Japan.

Driven in part by changes in the financial position of metal investors, strong daily swings have been the hallmark of the copper market through the past few weeks. However, copper market fundamentals seem to be pushing medium- and long-term trends back up. Estimates by relevant market actors posted this week confirm a strong shortfall for 2011 and through 2012. Cancellation of Peru's Tía María project (120 kMTF a year) due to strong community opposition has done little to allay supply fears.

Fed Chairman Ben Bernanke's observation that high commodity prices are expected to have a limited impact on inflation and growth expectations were read as a sign of optimism across world markets.

Most copper market shifts and trends are being primarily driven by industry fundamentals, notably producer reports indicating that no significant production increases are foreseen at least through 2012. While expansion plans now underway should eventually shift the balance, this will not happen before at least two more years.

In industry news, Chile's new Esperanza project (some 200 kMT a year) went on stream this week. Also in Chile, Codelco said it would take it until 2020 to surpass the 2 million TMT mark, confirming the general view among analysts and producers attending CESCO Week here in Santiago that the copper industry had better get used to a new long-term scenario of tight balances and costlier projects.

Metal Exchange Inventories

Exchange inventories were back up after a brief hiatus last week, rising 12.9 kMT to close at 682.9 kMT.

Reporting inflows were both the LME and the Shanghai Futures Exchange (SHFE), notably the latter with 7.7 kMT (up 5%). In connection with this, senior analysts attending CESCO-CRU Week in Santiago were somewhat apprehensive about China's strong visible and invisible inventories, as these could be put up as collateral for investment purposes.

LME inventories rose 5.3 kMT (1.2%), notably at warehouses in South Korea and Singapore. Canceled warrants –a leading proxy for future outflows- stood at a marginal 2 percent of total inventories, suggesting few chances of continued outflows going forward.

Metal Exchange Activity

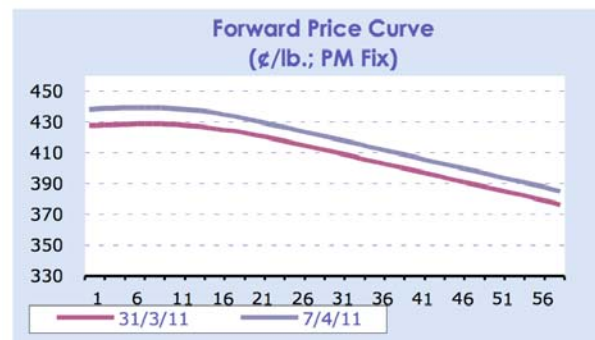
A review of LME prices and open interests through Thursday shows a week dominated by short position hedging helping prop up the uptrend underway.

The forward price curve tracked these developments, with prices in contango through 10 months. Contango in spot/3M prices rose 60 percent.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	157,825	+8,050	+5.4%
Dubai	-	+0	
South Korea	123,525	+7,850	
Malaysia	1,525	(375)	
Singapore	32,775	+575	
United States	257,225	(1,925)	(0.7%)
Baltimore	675	+0	
Chicago	33,875	(25)	
California	-	+0	
Mobile	6,425	+0	
New Orleans	116,225	(1,600)	
St. Louis	100,025	(300)	
Europe	29,125	(800)	(2.7%)
Germany	7,750	+0	
Belgium	750	+0	
Spain	1,525	+0	
Netherlands	15,300	(800)	
Italy	3,725	+0	
United Kingdom	75	+0	
Sweden	-	+0	
TOTAL LME	444,175	+5,325	+1.2%
COMEX	76,797	(64)	(0.1%)
SHFE	161,916	+7,687	+5.0%
TOTAL	682,888	+12,948	+1.9%

N.B.: LME data to 4/8/2011; COMEX & SHFE data to 4/7/2011



LME Average Weekly Prices

Spot	¢/lb.	± %
Spot	432.428	0.9%
3 Mos.	433.503	10.0%
3 Mos. - Spot	(Contango) 1.075	56.0%

Week of 1-8 April 2011

Technical Analysis

Starting on Tuesday, constant gains propelled prices straight past last week's suggested resistance. The week ended above the short-term moving average (40 days), suggesting that copper prices are again on the upswing.

Should prices stay above the short-term bottom of the band, support should hover at about US\$4.25/lb. and resistance at about US\$4.55/lb.

Our forecast remains contingent on financial market, economic, and industry developments. The U.S. will post inflation for March, industrial output and retail sales performance, and the balance of trade for February. China will report, inter alia, on March inflation, Q1 GDP growth, industrial output, and investment in urban fixed assets. The Eurozone will report on industrial output and March inflation.



Expected Price Trends for the Coming Week

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

LME Daily Copper Prices (€/lb.)

Date	Price
4 April	427.284
5 April	419.641
6 April	429.802
7 April	439.849
8 April	445.564

Month	2009	2010	2011
January	146.088	335.035	433.439
February	150.353	310.628	447.587
March	170.086	338.508	432.303
April	199.878	351.311	430.936(1)
Annual Average	234.217	341.978	436.944 (1)

(1) Average to 8 April 2011.