22 July 2011

WORLD COPPER MARKET REVIEW

(Week of 18-22 July 2011)

Copper closed the week trading at 439.894 ¢/lb. in the London Metal Exchange (LME), up a weekly 1.0 percent. Exchange inventories rose 13.6 kMT (2.1%), closing at 658.6 kMT or 11.9 days' global demand.

Relative price stability has been the norm in recent weeks. Standard deviation this week was only 2.871 ¢/lb., one of the lowest in the past four months. That said, on Wednesday prices peaked at 442.996 ¢/lb., the highest level since April 11.

Early in the week copper prices rallied to their best performance in three months, driven by reports of significant copper purchases by China and by upbeat reports about the U.S. economy, especially construction sector performance. June housing starts were up a monthly 14.6 percent –the steepest rise since January- resulting in an estimated 629,000 units this year, well above the 575,000 expected by the market. Construction permits rose 2.5 percent, vastly exceeding the 1.4 percent drop many analysts expected.

In other news, prospects for a way out to the debt crisis affecting some European countries pushed the euro up, helping commodities traded in U.S. dollars post additional gains.

Metal prices tumbled on Thursday after the HSBC Purchasing Managers Index for China showed that industrial output expectations for the Asian powerhouse had come in 50.1, their lowest since July 2010. Analysts agree that while these results aren't encouraging, they are the obvious result of tough monetary tightening measures imposed in the past few months. Recent inflation data, they note, shows that these measures can be expected to be relaxed over the next few months, resulting in a relatively moderate annual impact.

Late in the week, a further slide in the value of the U.S. dollar plus the one-day walkout by mine workers at Chile's Escondida operation gave new impetus to prices.

This week China posted preliminary data on net copper imports for June. These stood at 438.4 kMT, a 25 percent increase over the month before. The highest increase was in refined copper, up a monthly 36 percent. On an annualized basis, however, Chinese imports remain down 23.3 percent.

Metal Exchange Inventories

Weekly inventories rose 2.1 percent to 13.6 kMT, closing at 658.190 MT.

All three exchanges reported inflows, led by warehouses in the U.S. and Europe with 6.2 and 5.6 percent, respectively. Canceled warrants rose a weekly 10 percent, suggesting increased activity and demand going forward.

Comex was up a modest 1.1 percent while the SHFE rose 2.4 percent.

Metal Exchange Activity

Open interests were down in stronger trading. Weekly prices were largely unchanged, leading players to hedge short positions through Thursday, suggesting greater optimism by investors.

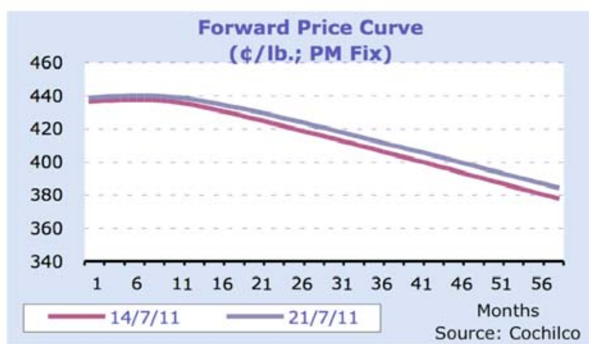
This sentiment is in synch with news from the U.S. construction sector and the overall weakness of the U.S. dollar. On the other hand, markets continue to expect a shortfall this year.

The forward price curve was up as a result of higher prices. Both spot and 3-month prices were up a weekly 1.1 percent.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	**176,800**	**(3,100)**	**(1.7%)**
Dubai	-	+0	
South Korea	119,750	(2,925)	
Malaysia	12,500	(125)	
Singapore	44,550	(50)	
United States	**262,775**	**+15,325**	**+6.2%**
Baltimore	675	+0	
Chicago	33,400	+8,200	
Mobile	5,275	(200)	
New Orleans	124,275	+7,250	
St. Louis	99,150	+75	
Europe	**32,750**	**(1,925)**	**(5.6%)**
Germany	7,350	(250)	
Belgium	750	+0	
Spain	1,525	+0	
Netherlands	16,850	(1,325)	
Italy	6,200	(350)	
United Kingdom	75	+0	
Sweden	-	+0	
TOTAL LME	**472,325**	**+10,300**	**+2.2%**
COMEX	**73,819**	**+792**	**+1.1%**
SHFE	**112,046**	**+2,585**	**+2.4%**
TOTAL	**658,190**	**+13,677**	**+2.1%**

N.B.: LME and Comex data to 7/22/2011, SHFE data to 7/21/2011



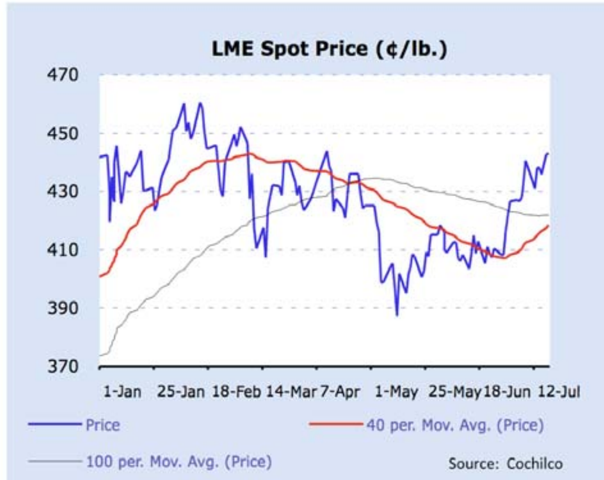
LME Average Weekly Prices

Spot		¢/lb.	± %
Spot		440.125	1.1%
3 Mos.		441.010	1.1%
3 Mos. - Spot	*(Contango)*	0.885	-9.7%

Week of 18-22 July 2011

Technical Analysis

As in previous weeks, uptrend was the operative word in moving average behavior. The chart confirms that the short-term (40 day) and medium-term (100 day) moving averages continue to converge.



While weekly prices were mostly unchanged, significant peaks briefly returned prices to levels unseen in three months. Through the next few weeks, prices are expected to consolidate at more or less current levels. As such, we expect to see support at around 432 ¢/lb. and resistance at about 445 ¢/lb.

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

Major developments expected next week include U.S. reports on durable goods orders, GDP growth in Q2, the Chicago PMI and the Fed's Beige Book on the state of the economy. Europe, for its part, will post investor confidence and business climate indicators.

LME Daily Copper Prices (¢/lb.)

Date	Price
18 July	439.531
19 July	442.479
20 July	442.956
21 July	435.766
22 July	439.894

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	430.153
May	207.229	310.152	404.924
June	227.429	294.803	410.294
July	236.573	305.506	434.868
Annual Average	**234.217**	**341.978**	**427.260** [1]

Average to 22 July 2011.