



16 December 2011

WORLD COPPER MARKET REVIEW

(Week of 12-16 December 2011)

Copper closed the week trading in the London Metal Exchange (LME) at 332.937 ¢/lb., down a weekly 20.9 ¢/lb. (5.9%). Global exchanges rose a slender 0.4 percent, closing at 540.36 kMT or 9.7 days' consumption.

As the week drew to a close, word came that the summit of European leaders had agreed to increase economic coordination with a view to preventing future debt crises. However, Moody's said it would go ahead with plans to revise eurozone sovereign ratings in Q1 2012, arguing that crisis-fighting measures adopted at the summit were modest and inconclusive. Meanwhile, despite market expectations of a drop to 46.5, the eurozone's manufacturing PMI actually rose from 47 in November to 47.9 in December. While most analysts expect Europe to spend the first half of 2012 in a moderate recession, the Director of the IMF says that the outlook for the global economy remains gloomy and that no country is immune.

Fitch Ratings dealt another blow to the global financial system as it downgraded seven of the world's largest financial institutions, including the Bank of America, Barclays, Citigroup, and Deutsche Bank. Pessimism over Europe also dealt a blow to the euro and commodity currencies, which drove copper prices down.

Preliminary Chinese reports showed copper imports in November at a robust 452.02 kMT. This strongest performance since March 2010 was chalked up by China watchers to lower prices. In metals market news, in Q1 2012 a Bank of China (BOC) subsidiary is set to join the London Metal Exchange, a development expected to improve market liquidity and drive competition among financial institutions.

The news out of the U.S., especially on the unemployment and manufacturing fronts, were again upbeat this week. Initial jobless claims came in at 366,000, the lowest since May 2008, confirming that the labor market is picking up. In addition, the Philadelphia Fed Index rose from 3.6 in November to 10.3 in December. These figures show that the U.S. economy continues expanding at a modest rate, even as markets remain circumspect about the European situation.

In industry news, the prolonged labor conflict that shut down the Grasberg mine in Indonesia (3.5 percent of world copper production) has been settled.

In Chile news, Cochilco data showed that Chilean production of saleable copper in October stood at 468.40 kMT, up 7.1 kMTF (1.5%) from a year earlier. Production in January-October was 4,277.2 kMTF, down 3.95 percent year-on-year. Accounting for most of the drop were Escondida (down 218.50 kMTF) and Collahuasi (down 47.5 kMTF), partly offset by increases at, inter alia, Codelco divisions Andina (up 43.0 kMTF) and Radomiro Tomic (up 21.2 kMTF). Details in Cochilco's Monthly Bulletin, available from our web site (www.cochilco.cl).

Metal Exchange Inventories

Metal exchanges rose a marginal 1.98 kMT (0.4%), closing at 540.36 kMT.

LME holdings fell 4.82 kMT (1.2%), closing at 381.25 kMT worldwide. Outflows were strongest in Asia, where warehouses are at historically low levels. Warehouses rose 2.97 kMT (1.1%) in the U.S. and dropped 1.57 kMT (3%) in Europe.

Comex holdings shrank 44 MT (0.1%) while the Shanghai Futures Exchange (SHFE) rose a strong 6.85 kMT (9.4%).

Canceled warrants stood at 37.52 kMT or 9.84 percent of total inventories, suggesting an upswing in manufacturing activity.

Metal Exchange Activity

Most traders chose to close out long positions through Thursday, driven by slides in the open interest and copper prices. This suggests continuing trader caution, fueled by the ongoing European crisis and the downgrades announced by leading rating agencies. The forward price curve fell strongly over the week before.

Spot/3M prices were down 4.8 percent.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	49,125	(6,225)	(11.2%)
Dubai	-	+0	
South Korea	34,750	(5,100)	
Malaysia	2,500	(300)	
Singapore	11,875	(825)	
United States	280,600	+2,975	+1.1%
Baltimore	625	+0	
Chicago	46,450	+525	
Mobile	3,275	(75)	
New Orleans	128,550	+2,125	
St. Louis	101,700	+400	
Europe	51,525	(1,575)	(3.0%)
Germany	7,800	+0	
Belgium	425	+0	
Spain	1,025	+0	
Netherlands	32,400	(100)	
Italy	9,800	(1,275)	
United Kingdom	75	(200)	
Sweden	-	+0	
TOTAL LME	381,250	(4,825)	(1.2%)
COMEX	79,549	(44)	(0.1%)
SHFE	79,570	+6,858	+9.4%
TOTAL	540,369	+1,989	+0.4%

N.B.: LME data to 12/16/2011; Comex & SHFE data to 12/15/2011.



LME Average Weekly Prices
Week of 12-16 December 2011

Spot	¢/lb.	± %
Spot	337.033	-4.8%
3 Mos.	338.249	-4.8%
3 Mos. - Spot	(Contango) 1.216	-1.1%

Technical Analysis

Weekly prices came in below both the short-term (40-day) and medium-term moving averages.

Price support and resistance expectations for the coming week stand at 325 ¢/lb. and 360 ¢/lb., respectively. Weekly prices will likely be driven by developments in Chinese demand and the impact of credit quality downgrades announced last week.

Developments expected in the U.S. next week include reports on housing starts, home sales, construction permits, and quarterly GDP growth. The eurozone is to report on consumer confidence, while China will post final copper import data as well as the HSBC manufacturing index.



Expected Price Trends for the Coming Week

Short Term (ST)	Stable
Medium Term (MT)	Stable

LME Daily Copper Prices (¢/lb.)

Date	Price		
12 December	345.252		
13 December	344.095		
14 December	333.390		
15 December	329.490		
16 December	332.937		
	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	436.321
August	279.653	330.395	410.106
September	281.065	349.688	377.155
October	219.183	376.137	333.277
November	302.800	384.188	342.543
December	316.685	414.913	347.238
Annual Average	234.217	341.978	401.709 ⁽¹⁾

Average to 16 December 2011.