

Copper market

Copper was firm at the turn of the year 2009/10. After the copper price initially held up well at clearly over US\$ 6,800/t, it climbed to more than US\$ 7,000/t in the last week of December and reached a high of US\$ 7,346/t on 31 December 2009. This was 153 % higher than the prior-year closing price of US\$ 2,902/t. An average copper price of US\$ 5,164/t can be calculated for 2009, which clearly joins the high values of the second half decade. Two points are of particular note: firstly the copper price performed well in 2009 despite the impact of the global economic and financial crisis. On the other hand the recent rise in copper inventories in the warehouses of the metal exchanges has not had any effect on the price, which was mainly due to the strong inflow of investor funds in the commodity investment category. Nothing is currently indicating that this inflow could come to an end at short notice, which was also reflected in the statement made by a representative of the Standard Bank at the beginning of December to the effect that commodity investments are still significantly underrepresented in many portfolios and there is still some catching up to do. This also means that the copper market will receive further support from this side.

Fundamentally, copper started the year 2010 with some solid strikes. At Codelco, strikes were held at the North Chilean mine Chuquicamata and Radomiro Tomic, and at Xstrata's Altonorte smelter. In both cases it has however been confirmed that the companies' willingness to make concessions in the collective agreements is high. Agreement was reached quickly in each case and production was only affected to a very limited extent.

The inventories on the metal exchanges have continued their upward trend in the new year. The daily increase at the LME is currently about 2,000 to 4,000 t of copper, where stocks have reached 515,000 t. Comex by contrast reports only low increases with inventories at about 90,000 t of copper. The Shanghai Futures Exchange also shows an upward trend, but with an only moderate increase of 3,500 t in January to 99,000 t.

These two factors which should really put pressure on the copper price are faced with Chinese copper imports in December that are 27 % higher than expected (369,368 t) and expected rising demand when the economic trend picks up. The copper price has nevertheless maintained its uptrend and currently amounts to US\$ 7,685/t. Over the last two weeks, the copper market has still maintained its seasonal quiet period from the physical perspective. Only a few market participants are back in active business.

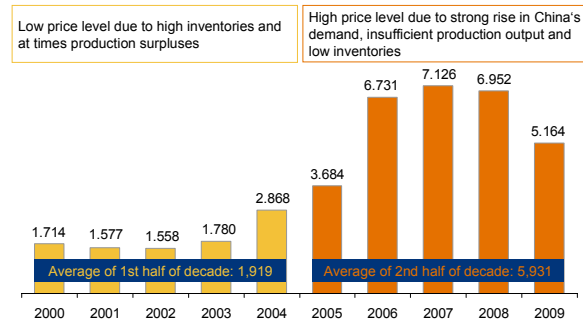
Since there is a lack of new hard facts so early in the year, softer and more long-term aspects are leaving their mark on opinions. The International Monetary Fund confirmed at the turn of the year that raw material prices had further potential for rising since the increase industrialisation of emerging markets produces new demand. Attention was given to the publication of plans of nine European countries to build a joint high-voltage grid under the North Sea, for which copper-intensive undersea cable should connect offshore wind farms with water and tidal power stations and wind and solar plants on land. By 2020 a fifth of the EU electricity should be obtained from regenerative sources. Together with the already running eco-electricity projects, these should result in special effects for the European copper demand in the next few years. A further point attracting increased attention was the onset of winter in China and the resultant electricity rationing in industry. The copper industry is also exposed to such risks, if the adverse weather conditions last for a long time. The very low TC/RCs could also have an impact on the production of Asian smelters, which were agreed in the annual negotiations at the end of December (see below). Production cutbacks are certainly a possibility at high-cost smelters due to the lack of profitability. A clear trend cannot currently be deduced under these circumstances; however it can generally be assumed that the high copper prices will prevail in 2010.

Copper raw materials and copper products

A Chinese and several Japanese copper smelters have concluded concentrate agreements with Freeport McMoran just before Christmas at extremely low TC/RCs of US\$ 46.5/t and cents 4.65/lb. This has provided indications for negotiations of other mines and smelters. The good European copper scrap supply has hardly changed in the past weeks. However, business has been quiet overall without special activities due to the public holidays. Sales of copper products were stable in the weeks before Christmas and have started in the New Year on an overall positive trend.

In 2009 copper maintained the high price level of the second half of the last decade

Average Cu settlement quotation (in US\$/t)

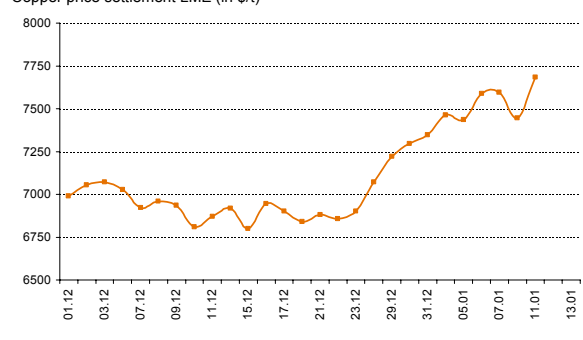


Low price level due to high inventories and at times production surpluses

High price level due to strong rise in China's demand, insufficient production output and low inventories

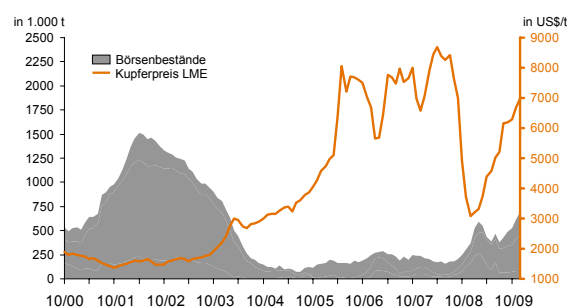
Copper price rise continues

Copper price settlement LME (in \$/t)



LME-Kupferbestände nehmen weiter zu

Kupferpreis und Börsenbestände



Glossary:

Arbitrage	Price difference between metal exchanges
Backwardation:	amount by which spot price is higher than 3 month price
Cancelled warrants:	Delivery notes registered for shipment
Contango:	amount by which the forward price is higher than the spot price
Comex:	New York Commodity Exchange
ICSG:	International Copper Study Group
LME:	London Metal Exchange
Settlement:	cash selling rate
SHFE:	Shanghai Futures Exchange
SRB:	State Reserve Bureau
TC/RC	Treatment and refining charges for copper concentrates