



27 January 2012

WORLD COPPER MARKET REVIEW

(Week of 23-27 January 2012)

Copper closed the week trading at 390.543 ¢/lb. in the London Metal Exchange (LME), up a weekly 17.2 ¢/lb. (4.6%). Exchange inventories slid 2.3 percent, closing at 548.76 kMT or 9.7 days' global consumption.

Weekly developments were marked by continuing debt restructuring talks between Greece and its creditors. The talks are expected to conclude later this week.

Weekly good news were provided by Germany, where the GfK Consumer Confidence Index climbed unexpectedly to 5.9 in February, up from 5.7 the month before, posting its best showing since April 2011. In a show of German resilience in the face of the prevailing crisis, the Ifo Business Confidence Index rose from 107.3 in November to 108.3 in December.

Also in Germany, Markit's preliminary eurozone manufacturing and service PMI results for January chalked up an upbeat 48.7 and 50.5, respectively. Service industry strength should help offset the manufacturing backslide, increasing the chances for a milder recession in H1 2012.

In the U.S., the week ended with a string of good news, notably a Fed announcement that it intends to keep interest rates at near-zero through late 2014. The Fed also noted that it will contemplate a further fiscal stimulus package, if warranted. As markets welcomed the news as proof that the Fed stands behind revitalizing the economy, demand for metals, copper included, was up. These announcements also caused the U.S. dollar to slide strongly, further increasing demand for commodities.

For its part, the U.S. Department of Commerce reported that durable goods orders climbed 3 percent in December, while the Chicago Fed noted that the National Activity Index rose to 0.17 in December, up from -0.46 in November.

While last week's initial jobless claims were up, the underlying trend shows that labor market conditions are on the mend. Striking a discordant note was the real estate market, as new home sales in December dropped 2.2 percent to a seasonally-adjusted annual rate of 307,000 units.

In other news, last week China posted final net copper import data for December. Overall imports stood at 664.9 kMT, up 5.5 percent from the month before. Net copper concentrate purchases were down 16.3 percent, while refined copper rose 17.9 percent over November. Year-on-year, overall net imports in December were down 2.9 percent.

Metal Exchange Inventories

Weekly inventories shrank 13.12 kMT (2.3%), closing at 548.76 kMT.

Outflows were led by the LME, which dropped 13.32 kMT (3.8%) to close at 335.42 kMT worldwide. Holdings in Asia and the U.S. hit new lows after sliding 4.2 percent and 2.6 percent, respectively. Drawdowns in Europe stood at a significant 10.8 percent or 40.22 kMT.

Comex was up a slim 0.2 percent, closing at 81.69 kMT, while the Shanghai Futures Exchange (SHFE) was closed for Chinese New Year festivities.

Canceled warrants were a significant 90.42 kMT or 29.96 percent of total inventories.

Metal Exchange Activity

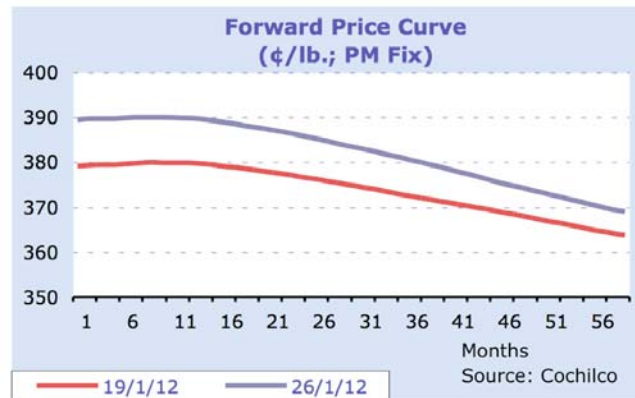
Spurred by rising prices and falling open interest, upbeat traders chose to hedge their short positions. The forward price curve was up again.

Spot/3M prices rose 2.7 percent.

Exchange Inventories (Metric Tons, Weekly Closings)

Ubicación	Final	Var. TM	Var. %
Asia	27.175	(1.200)	(4,29)
Dubai	-	+0	
Corea del Sur	16.550	(1.100)	
Malasia	875	+0	
Singapur	9.750	(100)	
Estados Unidos	268.025	(7.250)	(2,69)
Baltimore	275	+0	
Chicago	46.500	(800)	
Mobile	2.450	(625)	
New Orleans	112.875	(5.800)	
St. Louis	105.925	(25)	
Europa	40.225	(4.875)	(10,8)
Alemania	3.900	(1.550)	
Bélgica	250	+0	
España	1.025	+0	
Holanda	27.850	(1.925)	
Italia	7.125	(1.400)	
Reino Unido	75	+0	
Suecia	-	+0	
TOTAL BML	335.425	(13.325)	(3,89)
COMEX	81.693	+203	+0,2
SHFE	131.645	+0	+0,0
TOTAL	548.763	(13.122)	(2,39)

N.B.: LME data to 1/27/2012; Comex and SHFE data to 1/26/2012.



LME Average Weekly Prices Week of 23-27 January 2012

Contado	Valor	\$/lb.	Var %
Contado	381,390	2,7	
Precio 3 Meses	382,098	2,7	
3 Meses - Contado	(contango)	0,708	-5,5

Technical Analysis

Weekly prices again came in strongly above the short-term (40-day) moving average and its medium-term (100-day) counterpart.

Driven by the upbeat news provided by both the Fed and the eurozone, copper prices again broke through last week's expected resistance. Price support and resistance expectations for the coming week stand at 365 ¢/lb. and 395 ¢/lb., respectively, although strong weekly gains make a slight downward correction likely.

Expected next week are U.S. reports on non-farm job creation, the ISM manufacturing index, and consumer confidence. The eurozone will report on unemployment, the manufacturing PMI, and retail sales. China, for its part, is expected to post manufacturing PMI results.



Expected Price Trends for the Coming Week

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

LME Daily Copper Prices (¢/lb.)

Date	Price		
23 January	377.979		
24 January	374.985		
25 January	375.166		
26 January	388.275		
27 January	390.543		
	2010	2011	2012
January	335.035	433.439	362.941
Annual Average	341.978	399.656	362.941⁽¹⁾

Average to 27 January 2012.