Jefferies Bache Base Metals Report

Monday, September 23, 2013

Macro-economic Developments and Comments

American macro economist Dr. David Horner had the following comments to make on the US economy and monetary policy in his weekly report to clients:

Monetary Policy: *I was wrong on the FOMC decision! But was the Fed wrong? I have been a strong advocate of the Fed's QE policy and continue to be. But as indicated last week, monetary policy works with a long and variable lag and the FOMC must make policy by anticipating what will happen in the quarters to come, not what the current situation is (although the latter has a bit effect on the future). The data is pointing up, the Fed prepared investors for some tapering and a "down payment" reduction of, say, $15 billion, and in bond purchases would still leave monetary policy very, very accommodative. So why did the FOMC decide not to reduce QE purchases?*

Heretofore QE has been used to stimulate the economy and contribute to growth that would bring down unemployment as long as prices were well controlled. It mostly works indirectly by hiking asset prices and, thus, making consumers and businesses fell wealthier and spend more as a result. This increases demand and growth. So it is not surprising that most studies do not show its direct effect on the economy, especially since fiscal consolidation and other factors have been inhibiting growth.

In my opinion, this particular Fed decision is an attempt to "buy insurance" rather than maintain the level of stimulus (although it does accomplish the latter). In his press conference Chairman Bernanke made it clear that the two primary reasons not reducing stimulus are (1) the recent spike in market rates potentially slows growth and (2) uncertainty about Fiscal policy, including the potential for shutting down the government (which has already been subtracting more than 1% from growth this year) and could have an even bigger negative impact on growth and jobs.

I agree with the reasons that Bernanke gave for "buying insurance". Even so I would be critical of the FOMC's decision were it not for one overlooked fact. And this is terribly important and usually overlooked by the pundits, often cynical, who pontificate on the decision. Ultimately the Fed makes its decisions on its forecasts of economic data in the future. If you look at the forecast the Fed released yesterday, not a single governor or Fed president, including Kansas City Fed President Esther George, forecast inflation above the Fed's 2.5% upper allowable bound through 2106! My conclusion is that I got it wrong. Most Fed watchers, like myself, got it wrong. Most market participants got it wrong. The Fed got it right!

The Economy: *Despite an economy that is growing more slowly than desirable, jobs have been increasing at a steady if moderate pace for over two years. At the same time, the fiscal stimulus that contributed to reversing the "great recession" of 2009 is being rescinded and by the CBO's and other*

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forecaster's estimates is reducing GDP growth by 1-1.25%. All things considered the economy is doing about as well as could be expected following the biggest financial and economic crisis on the post WW2 period.

Now, however, despite the inability of Congress to work for the good of the people and the economy, things are looking up. As indicated in my comments last week, new orders are rising as measured by both the ISM Manufacturing Index and non-Manufacturing index. Despite some potential distortions, Jobless Claims have fallen to near 300,000 a week, an encouraging sign. And the Philadelphia Regional Manufacturing Index came in at a very strong 22.3, much higher than the 10 expected. August leading indicators came in at a strong up 0.7%, following a healthy 0.5% in July. Finally, whether you agree with their decision or not (see below for my analysis), the Fed remains extremely accommodative, which is supportive as well. I am holding my growth forecast for both the third and fourth quarters at 2.5%. The economic data is encouraging but the third quarter likely started out a bit sluggish. Thus, there is a slight downward bias to my third quarter forecast, but, if anything an upward bias to my fourth quarter forecast.

Reuters reported on Sunday that:

The European Central Bank is ready to boost liquidity in the credit market by issuing another long-term loan if necessary, ECB Governing Council member Erkki Liikanen was quoted as saying on Sunday by Italy's Corriere della Sera newspaper. The ECB carried out so-called long-term refinancing operations (LTROs) to ease funding strains at the height of the euro zone debt crisis.

"I am ready to act, if necessary," Liikanen told the paper, when asked if another such loan was planned. He did not give a timeline for any such move.

Markets have already begun to speculate on the chances of another of the operations which saw the ECB flood banks with more than 1 trillion euros ($1.35 trillion) in cheap three-year loans in late 2011 and early 2012. The ECB's Governing Council, in contrast with the U.S. Federal Reserve's move towards reining in stimulus, has said it is willing to take further steps to keep market interest rates low given continuing concerns over European growth.

Reuters reported on Friday that:

Low readings on inflation mean that the U.S. Federal Reserve can be patient on deciding when to scale back its pace of asset purchases, a senior Fed official said on Friday, cautioning that he would not back action until price pressures picked up. "While I expect inflation to rise during the coming quarters, I want to see evidence of such an increase before endorsing less accommodative policy action by the FOMC," James Bullard, president of the St. Louis Federal Reserve, said.

Bullard said earlier on Friday in an interview with Bloomberg television that the Fed could still scale back its massive bond-buying campaign at its next meeting, at the end of October, if the data was strong enough.

Bullard said the prospects for tapering would harden if U.S. payroll and unemployment data recovered further. "To the extent that these two important labor market indicators continue to show improvement, the likelihood of tapering policy action will continue to rise," Bullard said in remarks to the New York Association for Business Economics.

Bullard, a committee voter this year, supported the decision on Wednesday not to alter the current pace of bond purchases. The move stunned financial markets, which had expected a modest adjustment that would have signaled the beginning of the end to a phase of ultra-easy U.S. monetary policy that has already lasted five years.

"The empirical evidence from these two episodes provides striking confirmation that changes in the expected pace of purchases act just like conventional monetary policy," he said. Defending their action, Bullard noted that policymakers were forced to curb 2013 and 2014 growth forecasts, as well as expectations for inflation, which has challenged the confidence they felt in June that the second half would be stronger.

"Normally, the committee would not want to reduce policy accommodation in this situation," he said. Bullard is usually seen as a policy centrist, but has become one of the central bank's most vocal doves due to concern that inflation remains too far beneath the Fed's goal of 2 percent, which he worries could lead to damaging deflation. "The main macroeconomic surprise in the U.S. since September 2012 has been a lower rate of inflation," said Bullard, who dissented in June because he wanted a firmer commitment from the Fed to defend against price pressures slackening too far.

China

<u>The Financial Times reported this morning that:</u>

A private survey of the world's largest manufacturing base beat expectation this month, suggesting that Beijing's "fine-tuning" efforts are paying off. The Markit/HSBC Flash Manufacturing PMI rose to 51.2, ahead of forecasts at 50.9 and better than August's 50.1 score. Anything above 50 suggests growth.

Hongbin Qu, Co- Head of Asian Economic Research at HSBC:

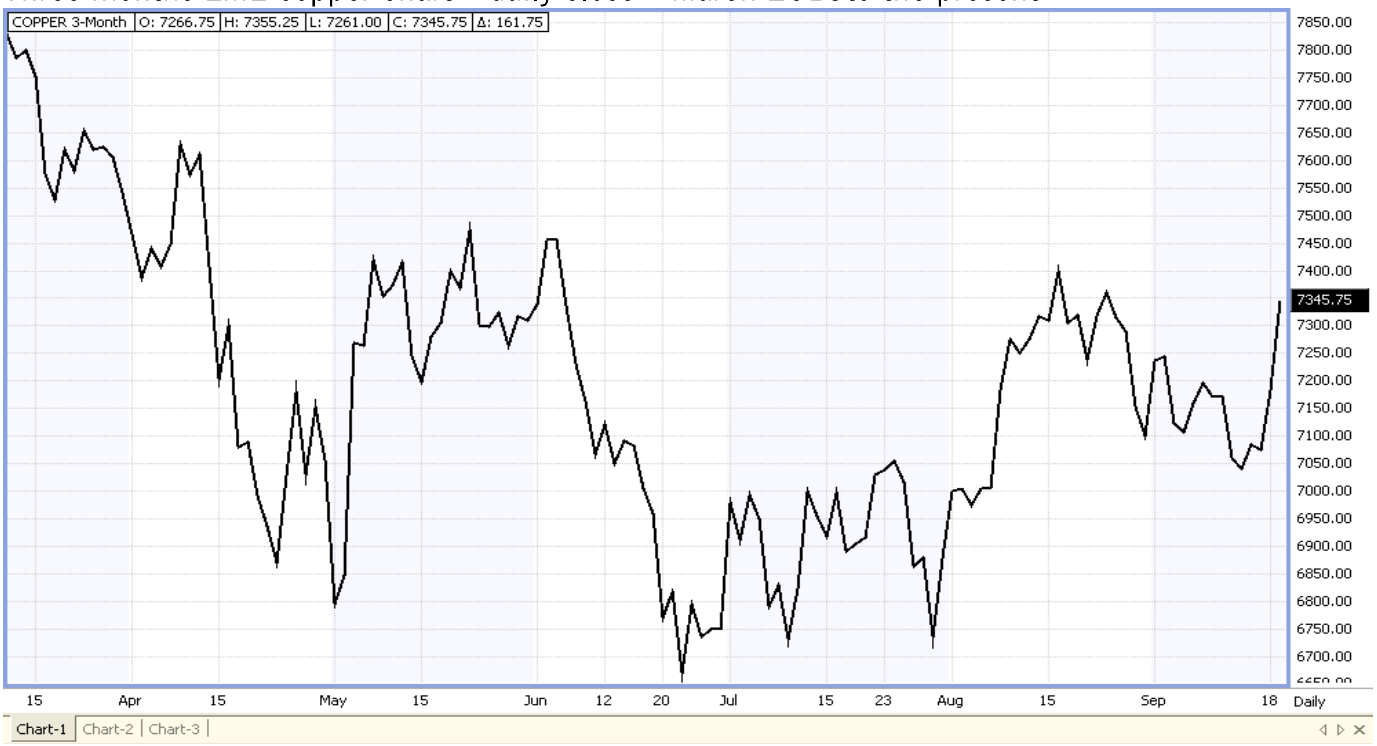
The firmer footing was supported by simultaneous improvements of external and domestic demand conditions. We expect a more sustained recovery as the further filtering-through of fine-tuning measures should lift domestic demand. This will create more favorable conditions to push forward reforms, which should in turn boost mid- and long-term growth outlooks.

This is the "flash" survey based on 85-90 per cent of responses. A fuller survey comes out next week. Just before the release, Capital Economics' economist Mark Williams warned that optimism about China's economy speeding up is misplaced:

Evidence of an economic revival over the summer has settled the nerves of the many China watchers who had been worrying about an imminent crash. Those earlier fears were probably exaggerated, but *the relief with which the upturn has been greeted is misplaced too. A further slowdown would be in China's economic interests.*

Copper

Three months LME copper chart – daily close – March 2013to the present



Source: FutureSource

Three months LME copper closed on Friday at $7,280 per tonne. This morning three months LME copper is trading at $7,212. Dollar/euro is $1.3540 versus a close on Friday of $1.3530.On Friday copper had a contango of $23 per tonne versus a contango of $30 per tonne on the previous Friday. Copper rose 3.4% last week after falling by 1.7% in the previous week. Shanghai copper stocks were unchanged last week due to holidays at 157,164 tonnes. The Fed's surprise announcement last Wednesday that there would be no tapering made copper jump by $60 per tonne. And even by Friday copper had managed to hold on to most of its gains although other base metals fell back on the realization that tapering in some form may happen before the end of the year. Fed board member James Bullard suggested on Friday that the Fed could begin tapering in October. This is earlier than the December consensus view. Mr. Bullard's comments pushed Treasuries lower and firmed up the dollar.

Chinese markets reopen on Monday and the market will watch with interest what the Chinese decide to do. We doubt if the ever price sensitive Chinese will chase after copper at these levels. The next Chinese holiday is in October. The National Day/Golden Week holiday runs from the 1st of October through to and including the 7th of October. Technically speaking, copper has moved up in range again and is now looking at good support in and around the $7,200 area basis three months while overhead resistance comes in at around the $7,410 to $7,420 level basis three months. We doubt if the Fed's decision will actually fuel a lasting rally. We agree with the comments made last Wednesday by the chief economist of a large European hedge fund when he said in a note to clients:

"The decision by the Fed was all the more surprising given that Bernanke has continued to stress the need for forward guidance in the market. That the consensus could therefore be so wrong has undermined the Fed's credibility."

"Moreover, it also raises the possibility that if US data does not improve, or in a worse-case scenario actually deteriorates, then the Fed could be forced into open-ended quantitative easing. Against this background near-term upside risks for risk assets look to have shifted higher although any rallies are likely to struggle against a continued weak macro environment and in the case of industrial metals, uninspiring physical market fundamentals."

China's long term aim is to greatly increase its overseas ownership of copper mines so that its percentage of imported concentrates continues to rise. The present breakdown of China's copper consumption is: 29% from refined copper imports; 19% from domestically mined copper; 19% from scrap copper; imported blister copper 6%; and 28% from imported copper concentrates.

China's latest acquisition is widely believed to be Glencore Xstrata's Las Bambas mine in Peru. The acquisition of Las Bambas, together with the ramp-up of Toromocho, represents something of a quantum leap for Chinese overseas concentrate production. While the scale still remains relatively small compared with the projected level of copper unit imports, this undoubtedly gives Chinese smelters a greater feeling of supply security than in the past.

This increased confidence was demonstrated last week with the Chinese smelters opening stance on what they expect next year's TC/RCs to be. The Chinese copper smelters are looking for up to a 50% increase in annual term treatment and refining charges (TC/RCs) for 2014. They are obviously encouraged by the greater availability of concentrates and with spot charges hitting two-year highs. The smelters are looking for TC/RCs of about $105 a tonne and 10.5 cents a pound when they meet with miners during London Metal Exchange (LME) Week, which begins on October 7.

The trend towards increased concentrate imports has been progressing for much of the past decade. However, these have tended to play second fiddle to cathode imports – initially due to a lack of smelting capability in China to process concentrate, but backed up by cathode being the only available material in the market, with mine output as the bottleneck.

Given that global mine output is now starting to perform as it should, concentrate availability has improved. Thus, as with any metal, if there is raw material available this will be soaked up by China, with refined product imports falling to compensate.

This year, many analysts believe Chinese consumption of copper units in imported concentrate will match that of cathode, and will actually surpass them next year.This is mirrored in China's overseas copper investment, with many recent purchases which have been focused on SX-EW cathode assets *over the last two to three years. However, volumes remain small from these acquisitions compared with overall consumption.*

But in terms of new projects, securing concentrate supply is certainly the main focus, reflecting the overall shift in the market as a whole. Glencore's 400kt Las Bambas project in Peru has received little attention over the past and has seen slippage. But in the hands of Chinese buyers it is much more likely to be progressed than under its current ownership, particularly given Glencore's much stressed aversion to greenfield projects at this stage of the investment cycle. But ownership of this asset will form a crucial part in Chinese "control" of copper concentrate supply in the coming years, and it will take Chinese state-owned companies from being "steady growth" players into the big league in terms of global mine output.

Meanwhile, Chinalco's 230kt Toromocho mine (also in Peru) continues to edge towards commissioning next year. Chinalco, which is spending some $3.5 billion on the project, has also recently approved an expansion plan, which could take output to 300kt in a second phase.

Metallurgists point out that Toromocho will not produce a clean copper concentrate of Escondida or Los Pelambres standard. But this is not likely to be a problem given the relative availability of blending alternatives. Meanwhile, there are a number of other Chinese-owned concentrate projects on the agenda for the coming years, including further investments in Africa and Latin America, plus the recently acquired Northparkes mine in Australia (China Molybdenum), though it should be noted much of the material from the latter is committed to Japanese smelters under long term deals.

The impact of China's push into overseas assets remains small compared with overall consumption, accounting for only 5% of copper units consumed this year. Even including domestic concentrate output the contained copper units under Chinese ownership will only reach 22% – much lower than in peer metals.

However, with global concentrate output rising at a high single-digit year on year rate of growth, the balance is certainly shifting in favor of buyers. Moreover, the addition of Las Bambas to the portfolio will provide another significant lift to China's self-sufficiency (taking it to ~26%) into the latter part of the decade.

In fact rising copper mine output over the next few years will reverse the supply tightness that has featured the copper market for the last 10 years. It is notable that Chinese concentrate imports rose 37% year on year in the January – July 2013 period. This highlights just how plentiful and available copper concentrate has become. The resilient performance of the copper price so far this year owes more to pockets of tightness in the cathode market than it does to anything else. This growing availability of concentrate, plus the potential of increased supply under Chinese control (which can be taken to include the imminent concentrate shipments from Oyu Tolgoi), is certainly making Chinese smelters feel more confident about their security of supply.

Other Copper News

Bloomberg reported last week that:

Japan's output of copper and copper-alloy fabricated products climbed 0.8 percent in August from a year earlier, gaining for a second month as demand for exports increased, an industry group said. Production, including sheets and tubes, was 58,590 metric tons last month, compared with 58,110 tons a year ago, the Japan Copper & Brass Association said today, citing preliminary data. Output was 69,785 tons July, up 1.8 percent from a year ago.

Japan's total exports increased the most since 2010 in August, boosting Prime Minister Shinzo Abe's growth drive even as rising energy costs extended the streak of trade deficits to the longest since 1980. Exports rose 14.7 percent from a year earlier, the sixth straight advance, a Finance Ministry report showed yesterday. The trade gap was 960.3 billion yen ($9.7 billion). "Although it's not a big output increase in August, this is showing improvement for the second half," said Keizo Tani, a research manager at the association. Production for exports rose 13 percent last month from a year earlier, while output for domestic consumption fell 1.6 percent, the industry group said.

The association cut its demand estimate for the year ending March 2014 to 793,200 tons from a March projection of 800,500 tons. Production totaled 759,051 tons in the previous year. The country's copper wire and cable shipments declined 1.4 percent in August to 54,900 tons from a year earlier, advancing for the fourth straight month, the Japanese Electric Wire and Cable Makers' Association said today. Shipments totaled 61,688 tons in July, up 3.6 percent from a year earlier, data showed.

Reuters reported last week that:

Pay talks at Freeport-McMoRan Copper & Gold Inc's Indonesian unit have stalled but a deadline for an end to negotiations has been extended, a union official said on Thursday, easing the threat of any disruption. Pay negotiations between workers and management at Freeport's remote Grasberg mine in Papua, the world's second-biggest copper mine, resumed in late June after being suspended in May when a tunnel collapse killed 28 people. "Freeport only offered us a quarter of the pay rise that we are demanding," union spokesman Juli Parorrongan told Reuters in a text after talks this week involving Freeport Indonesia CEO Rozik Soetjipto and Freeport CEO Richard Adkerson.

"Workers cannot accept the offer because it is considered too low," said Parorrongan, adding that the union was pushing for a 40 percent pay increase over two years or two annual 20 percent rises. Relations between Freeport and the union have been strained in recent years following a three-month strike in late 2011, May's deadly accident and a series of minor spats. The Freeport union agreed a deal for a 37 percent pay rise over two years in late 2011, after initially pushing for a pay rise to as much as $200 an hour compared with a pay rate at the time of $2-$3 an hour. Under the current wage agreement, which is due to end on Sept. 30, the majority of workers are paid 4.6 million rupiah to 7.7 million rupiah ($400-$670) a month, said Parorrongan on Thursday. Freeport Indonesia employs about 24,000 workers, including contractors and staff. About three-quarters are union members. Talks on a new pay deal had been expected to last up to 60 days, and Parorrongan said a

new deadline of Oct. 4 had been set for talks to conclude. Freeport unions had yet to decide what action to take if no agreement was reached by the new deadline, Parorrongan said. Freeport Indonesia could not be reached for immediate comment on Thursday.

Platts reported last week that:

China's Jingcheng Copper is raising its copper futures hedging to Yuan 70 million ($11.4 million) this year, up 40% from the previously planned Yuan 50 million, with the increase in its copper plate and strip output and stocks, the producer said in a filing to the Shenzhen Stock Exchange late Wednesday. Based in Anhui province, Jingcheng Copper said its product inventories have grown in tandem with higher production this year. "So the company will add an extra Yuan 20 million in copper futures hedging to lower risks stemming from price volatility," it said. Jingcheng Copper had previously said its copper hedging would amount to Yuan 50 million in 2013. Its hedging activities in 2012 were at "not less than Yuan 50 million," according to the company's annual report.

The producer has set a production target of 108,750 mt in 2013, or 16% higher than its output of 93,872 mt in 2012, Platts reported previously. Jingcheng Copper has so far produced 53,748 mt in the first half of 2013, up 29% from the 41,631 mt in the same period last year. Its full-year 2012 output was up 13% from the 83,373 mt in 2011. The copper plate and strip products are used in the machinery, construction, car, power, home appliances and telecommunications sectors.

Reuters reported last week that:

Global miner Southern Copper expects to start work on two delayed copper projects in Peru next year and could see production from them as early as 2016, the company's chief executive said on Wednesday. Chief Executive Oscar Gonzalez said in an interview that if copper prices remained around current levels of $3.20 to $3.25 per pound as he expects, the company should have no problem moving forward with investment plans in Peru and Mexico. Southern Copper, a unit of Grupo Mexico and one of the biggest copper producers in world, expects a little over 650,000 tons in output this year because of stronger activity at its Buenavista mine in Mexico, Gonzalez said.
In Peru, the company's $600 million expansion of its Toquepala mine and the construction of its $1 billion Tia Maria project have been repeatedly delayed because of local opposition and slow-coming government permits. Gonzalez said the central government has indicated a renewed willingness to move the projects forward. "We had not seen the kind of support that the government is now talking about. We hope that will help and we will continue our work with locals," Gonzalez said on the side-lines of a mining conference. "We expect that with both projects, construction can start next year, and they will be ready to operate in 2016," he said. Tia Maria in southern Peru is expected to produce 120,000 tons per year.

The company is also carrying out more than $3.5 billion in investments at its Buenavista and Agangueo mines in Mexico. Gonzalez said Southern Copper should boost its annual copper production by 75 percent to 1.2 million tons per year in 2016 if current projects go forward as planned. A feasibility study for a new mine, Chancas in Peru, is also underway, Gonzalez said, but higher industry expenses mean it could cost more than the $1.2 billion investment previously forecast. "We expect the feasibility study to be ready this year, and next year, if it's viable, we'll start doing work with *communities," he said. Gonzalez also said Southern Copper is on the lookout for new projects in Peru, Chile, Argentina, Ecuador and Mexico.*

Bloomberg reported last week that:

Red Kite Group's three founders separated their business, spinning off a $1.1 billion mine finance fund under managing partner Oskar Lewnowski, 48. RK Mine Finance Fund II will be renamed Orion Mine Finance Fund I and will operate as a separate business, according to a joint statement today from Michael Farmer, David Lilley and Lewnowksi. They decided to split the business Sept. 3, according to the statement. Red Kite Group had more than $2.3 billion under management as of Aug. 31, according to its website. Orion Mine Finance had about $1.14 billion under management as of June 30, according to its website. Limor Nissan joined Orion Mine Finance Fund I as chief operating officer and general counsel, according to the statement. She was previously COO at Société Générale *Energy and RBS Sempra Commodities. Lewnowski, chief investment officer, and portfolio managers Douglas Silver, Ray Jenner and Peter Rozenauers will continue to work with rest of their team in New York, Denver and Sydney. Paul Coughlan and Grant Gilmour will join Farmer, Lilley and CIO Harry Tefouglou on Red Kite Mine Finance Fund I's investment committee, according to the statement. Red Kite Metals Fund returned 25 percent in the first four months of the year, and Red Kite Compass fund rose 20 percent, people with knowledge of the information said May 7. London- based RK Capital Management LLP, which ran the funds, managed about $3.5 billion at the time. Red Kite was co-founded in 2005 by Michael Farmer.*

Reuters reported last week that:

Peru's President Ollanta Humala will ask Congress next week to approve a new package of laws to "untangle" investments from red tape that has delayed mining projects, the finance minister said on Tuesday. Minister of Economy and Finance Luis Miguel Castilla said lowering investment hurdles would help boost mineral output in Peru at a time when lower mineral prices are hurting the country's export earnings and slowing economic growth. "We are going to include modifications to the law on public-private investments, change tax methods to improve them, and introduce improved municipal procedures to get larger flows of investment," Castilla told reporters on the side lines of a mining conference. He offered no further details. The former World Bank economist, widely praised by investors but targeted by the Peruvian left, also denied recent rumors in local media that he was considering resigning. "I will continue to work as long as the president continues to trust me. I have no plan to leave the government," Castilla said.

The Australian Broadcasting Corporation reported last week that:

Papua New Guinea's government has rammed legislation through parliament giving it complete ownership of the controversial Ok Tedi mine. Standing orders in parliament were suspended late yesterday so prime minister Peter O'Neill could pass a bill for the state to take complete ownership of the Ok Tedi copper and gold mine on the Fly River in Western Province. Tailings from the BHP mine caused widespread damage to the Fly River in the 1980s and 90s. In a deal with the then government in 2001, BHP divested its majority share of the mine to a charitable trust called the PNG Sustainable

Development Program, and in return was granted legal immunity. The mine has continued to operate with the profits being used to promote development in communities affected by the pollution.

Mr. O'Neill says the decision to grant immunity to BHP was a bad one and must be corrected. He has told parliament the deal is unfair and BHP Billiton must own up to its responsibilities resulting from the mine tailings washing down the river. "This parliament has done gross injustice to our people, denying their right to have access to have their say and have their claims against the damage that was done to the environment and themselves," he said. "This proposed bill now removes that waiver for BHP Billiton, meaning that the land owners or any other affected party are free to bring any action or enforce any right." The PNG Sustainable Development Fund had owned 63 per cent of the mine, with the state owning the rest. The bill cancels PNGSDP's shares and issues new shares to the state, giving it complete ownership. Mr. O'Neill says the government is not taking the shares and PNGSDP will be provided "some" compensation.

In a separate bill, parliament passed legislation making the BHP Billiton now liable for environmental damage caused by the Ok Tedi mine. Mr. O'Neill says corporate entities must own up to their responsibilities and pay compensation. Mr. O'Neill has run a long campaign against BHP and the PNG Sustainable Development Program or PNGSDP as its known. He believes PNGSDP has failed to live up to its development mandate and is still operating under the influence of BHP.

Former Prime Minister Sir Michael Somare was the only MP in the house to urge caution. "Interpretation of the outside world will say this is the country that is moving towards nationalization of major companies in the country. Let us not give that impression please," he said. The current chairman of the PNGSDP is another former prime minister, Sir Mekere Marauta. He says the government's move to forcibly take ownership of the mine amounts to theft. "This is very important legislation. For the first time expropriating assets without payment from the people of Papua New Guinea, not from foreigners," he said. It is likely the battle for Ok Tedi will go to court, meaning it will probably be some time before the government takes ownership of the mine, if it ever does.

<u>Reuters reported last week that:</u>

Indonesia's Energy and Mineral Resources Ministry is in talks with lawmakers to ease mining regulations that will ban mineral ore exports from January. Indonesian policymakers are scrambling to ease nationalistic resource rules that threaten to slash mining exports next year, and potentially widen a current account deficit already at a near record high. One option being discussed is to allow limited exports from companies that have already made investments or signed agreements to process ore domestically, such as PT Perusahaan Perseroan Aneka Tambang (Antam).

<u>Platts reported last week that:</u>

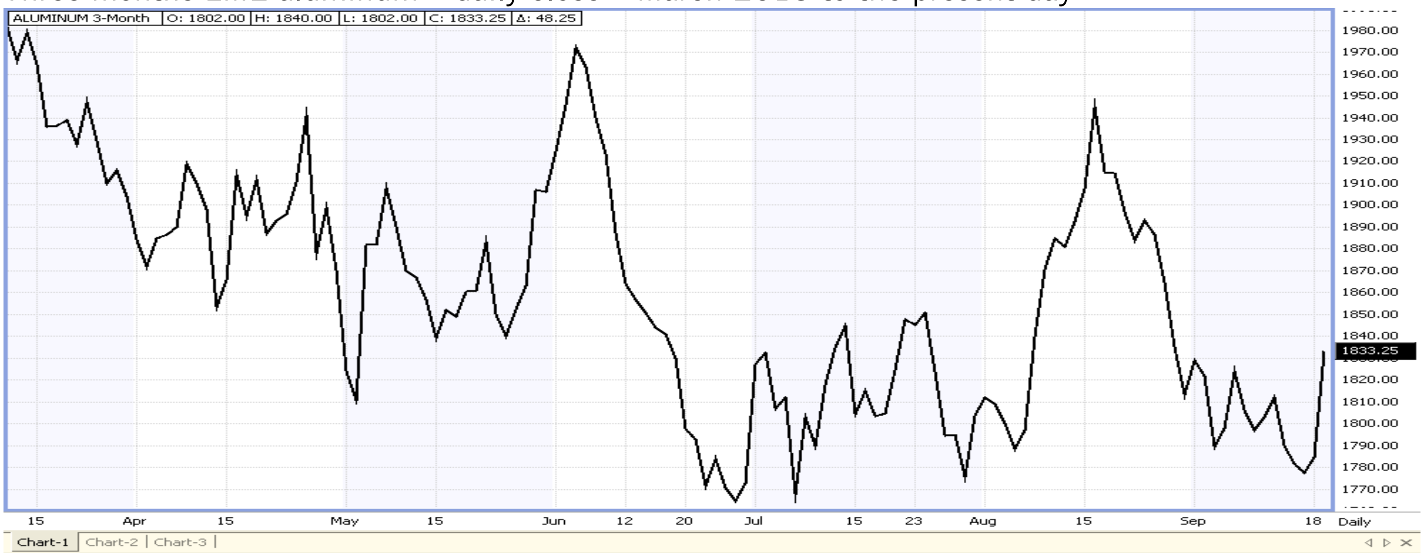
Australia's Altona Mining has entered into a binding agreement for an exploration joint venture with China's Chinalco Yunnan Copper Resources for Altona's Roseby copper project in Queensland, the company said Tuesday. Under the deal, Chinalco Yunnan Copper Resources can earn up to a 70% interest in the project for a total expenditure of up to A$4 million ($3.7 million) on exploration over five years. The Chinese company is 43% owned by Yunnan Copper Industry (Group), which is a subsidiary of Aluminum Corporation of China. The Roseby project has an estimated 216 million mt of *ore, containing 1.52 million mt of copper and 384,000 oz of gold. It includes a 39,000 mt/year copper development project at Little Eva, which is currently undergoing a definitive feasibility study.*

The American Metal Market reported last week that:

Copper and brass service centers report that demand has slowed down throughout the supply chain, causing lead times for some grades to shrink. Lead times from mills to service centers for copper sheet and coil fell to a range of four to six weeks from six to eight weeks previously. Earlier in the month sources expected business and copper prices would improve, but the market has done the opposite, sources said.

Aluminum

Three months LME aluminum – daily close – March 2013 to the present day



Source: FutureSource

Three months LME aluminum closed on Friday at $1,800 per tonne. This morning three months aluminum is trading at $1,799. On Friday aluminum had a contango of $45 per tonne versus a contango of $45 per tonne on the previous Friday. Aluminum rose 0.6% last week after falling by 1.7% in the previous week. Shanghai aluminum stocks were unchanged last week due to holidays at 257,445 tonnes. Aluminum is currently sitting in about the middle of its trading range. The top end of the range is seen as being around $1,840 to $1,850 per tonne basis three months while support comes in at around the $1,750 to $1,770 level basis three months. It remains difficult at present to see what could push aluminum through its current level of overhead resistance.

The Financial Times carried the following story on Thursday:

The deputy chief executive of Rusal, the world's largest maker of aluminum by volume, has called on non-Chinese aluminum producers to cut their production by 2m tonnes to end the oversupply that has pushed smelters into losses. Oleg Mukhamedshin, also Rusal's director for strategy and business development, said: "The industry needs to be more disciplined." The world's aluminum producers –

including Rusal, Alcoa and Rio Tinto – are feeling increasing pressure from low prices of the metal, but output cuts have been insufficient to remove the metal surplus from the market and output in China is still expanding.

The problem has been especially acute for the Russian group, which has been struggling to service its net debt, which stood at $9.9bn last month. To strengthen its cash flow, Rusal, led by chief executive Oleg Deripaska, needs higher revenues. For that, it needs the aluminum price, which has fallen about 40 per cent over the five years, to recover. The worry for Rusal is that the market dynamics that normally control supply in the commodities markets do not seem to be working in aluminum.

"In China, the government subsidizes lossmaking smelters; vertically integrated companies let profitable downstream products subsidies losses upstream; and multi-commodity groups let other metals subsidies aluminum," Mr. Mukhamedshin says in an interview on the side lines of Metal Bulletin's International Aluminum Conference in Geneva.

Rusal, which suffered a $439m operating loss in the first half of 2013, made interest payments of $406m in the same period. Debt levels have fallen faster than some analysts have expected, but its shares have more than halved since the beginning of the year, to HK$2.37.

The Russian aluminum producer also relies on future dividends from its stake in Norilsk Nickel to service its debt. Vladimir Potanin, Norilsk Nickel's single biggest shareholder with 30 per cent and chief executive, last week told the Financial Times that the company will "make some adjustments to the dividend policy".

The weak aluminum price has also hit others in the industry. Rio was forced to scrap the sale of Pacific Aluminum, which has high-cost smelters in New Zealand and Australia and an alumina refinery.

Rusal is doing what it preaches. The company is on course to cut its own production by 357,000 tonnes this year, from the 4.17m tonnes it made in 2012. Taking the costliest production lines out of use will save the company about $50 a tonne, or $170m-$180m a year, according to Mr. Mukhamedshin.

"If everyone [outside China] cuts 7 per cent" the industry can achieve the annual production reduction he wants. While Mr. Mukhamedshin does not expect increased "discipline" from Chinese smelters, he thinks the Chinese market as a whole will remain balanced. "I don't think we will see aluminum exports from China." But he thinks shareholder pressure will force non-Chinese companies to cut supply. He says that with new chief executives at the helm of Rio and BHP Billiton, "it will take them some time to act, but once they do, they will act fast".

However, some analysts say the inventory of the metal is too big for a few companies to make a difference. World aluminum stocks stand at about 12m to 13m tonnes, according to Macquarie in London. This is the rough equivalent to three times the annual output of Rusal. "You could shut down Rusal for three years and the market would not even notice," says Duncan Hobbs, metals analyst at Macquarie. Other analysts echo Rusal's view. Standard Bank, which predicts annual surpluses over *the next few years, says: "It seems some degree of supply-related discipline will be required in order to start the rebalancing process."*

Although many in the market expect the aluminum price to remain depressed, Mr. Mukhamedshin is hopeful that the physical price will drift up to $2,400-$2,500 a tonne "in two to three years' time, if the industry behaves the way we expect now", from the current $2,000 level. "If it takes action to cut supply" it could be faster, he says, adding Rusal itself stood to cut more if necessary.

Other Aluminum News

Reuters reported last week that:

UC Rusal wants to establish fixed-pricing on some of its aluminum supply contracts next year. "Last year, we felt that floating [prices] gave a fair outcome for producers and consumers. This year, we would look to fix some of our requirements and not leave it open. We will fix what we can," the company's chief executive of marketing said. Premiums for Europe are still being discussed, and he gave no figures for the region. For Japan, premiums for the next quarter were being finalized, likely to be settled between $245-249 per ton

Reuters reported last week that:

Opting for aluminum over steel in new automobile construction to improve fuel economy is also the best way to reduce energy consumption and carbon emissions, according to a new study by the United States Department of Energy`s Oak Ridge National Laboratory (ORNL). "As the U.S. works to reduce dependence on foreign oil, promote clean energy and combat climate change, this report definitively documents why aluminum offers the most promise for cutting total automotive-related carbon emissions and energy use," said ORNL`s Sujit Das, a widely respected expert on product lifecycle assessments.

"This study adds even more evidence that switching car bodies from steel to aluminum is the next logical step for car makers to take in the drive to reduce emissions," said Randall Scheps, chairman of the Aluminum Association`s Transportation Group (ATG) and automotive marketing director for Alcoa, Inc. "There is already ample evidence that aluminum is a safe, durable and cost effective material for car bodies. Now ORNL has shown that aluminum is better than steel on a full lifecycle CO2 basis. That is the icing on the cake."

Highlights from the ORNL study include: Reducing vehicle weight with aluminum can result in the lowest total vehicle lifecycle environmental impact - cradle to-grave - as compared to both traditional and advanced steels.

An aluminum-intensive vehicle can achieve up to a 32 percent reduction in total lifecycle energy consumption, and up to a 29 percent reduction in CO2 emissions, compared to a typical vehicle on the road today which uses traditional and high-strength steel in the body construction. While a lightweight steel vehicle has a lower production phase environmental impact, those initial gains are erased by higher energy use and carbon emissions during the steel vehicle`s use phase.

More than 90 percent of automobile energy consumption and carbon emissions occurs during the vehicle`s use phase, with the mining, production and manufacturing phases accounting for just 10 percent or less. For an aluminum intensive vehicle, the breakeven point in its use phase for making up the energy consumed during the initial production phase is 9,300 miles - of which most automobiles on U.S. roads would reach in their first year of operation.

<u>Reuters reported on Friday that:</u>

Japan's aluminum premiums for October-December shipments were mostly set at $245-$247 per tonne, down from around $250 in the previous quarter, four sources directly involved in the talks said on Friday. Japan is Asia's biggest importer of the metal and the fee sets the benchmark for the region. The latest quarterly pricing negotiations began late last month between Japanese buyers and global miners including Rio Tinto Ltd, Alcoa Inc, BHP Billiton, and United Company Rusal.

<u>Reuters reported last week that:</u>

Iran plans to invest around 8.5 billion euros ($11.4 billion) in its aluminum industry as part of plans to nearly quadruple production by 2025, an official at mining group Imidro said on Thursday. Iran is the 20th largest producer of aluminum in the world, according to the Iranian Mines and Mining Industries Development and Renovation Organization (Imidro), and needs the extra supplies to meet demand which is growing by 10 percent a year. Aluminum is a lightweight metal used widely in transport, packaging and construction. It can also be used to make tubes for uranium enrichment gas centrifuges.

Iran's economy has been hobbled by western sanctions aimed at pressuring Tehran to stop efforts to enrich uranium to levels that could be used in weapons. Iran produced 338,000 tonnes of aluminum last year and is aiming for 770,000 tonnes in 2016 and 1.5 million tonnes by 2025, Panthea Geramishoar, senior expert in Imidro's non-ferrous department said at a Metal Bulletin conference in Geneva. Geramishoar did not give a timeframe for the eight projects involved in the programme, but added that bidding was underway for one plant(Persian Gulf Alumina) and financing was being arranged for two others(Salco, Kalco). Iran could struggle to increase production so quickly given it is heavily dependent on importing the raw ore bauxite or the refined ore alumina at a high cost. Alumina costs have been pushed up by the impact of sanctions. According to Press TV, an Iranian news site, Iran's aluminum output hit 119,560 tonnes in the first four months of the current Iranian calendar year, which began on March 21. At this rate, the country would produce 358,680 tonnes for 2013, just 6 percent above last year's output level.

<u>Bloomberg reported last week that:</u>

SNC-Lavalin is pleased to announce that Phase II of the Emirates Aluminum Smelter Complex (EMAL II) project in Abu Dhabi achieved first hot metal nearly three months ahead of schedule. SNC-Lavalin has been contracted to provide engineering, procurement and construction management services for EMAL II.

Once completed, the Emirates Aluminum Smelter Complex will be one of the largest single-site aluminum smelters in the world with an annual production of 1.35 million tonnes per year. With the *longest potline and largest gas treatment center in the aluminum sector, a 2,000-volt rectifier/transformer and the biggest captive gas-fired power plant in the world, the Emirates Aluminum Smelter Complex has set many records in the industry. "Achieving first hot metal nearly three months ahead of an ambitious target was only possible because the EMAL and SNC-Lavalin teams were unified in their commitment, determination and dedication to deliver a world-class project," said Brian Murphy, Project Director, EMAL II, SNC-Lavalin Group Inc.*

Nickel

Three months LME nickel – from March 2013 to the present – daily close

Source: FutureSource

Three months LME nickel closed on Friday at $14,035 per tonne. This morning three months nickel is trading at $13,928. On Friday nickel had a contango of $67 per tonne versus a contango of $65 per tonne on the previous Friday. Nickel rose 1.2% last week after falling by 0.8% in the previous week. Nickel seems to be consolidating at the present time with most CTAs and technical trading funds standing to one side awaiting clearer directional signals. The top end of the trading range appears to be around $14,300 to $14,400 per tonne while underlying support seems to be in and around the $13,200 to $13,300 per tonne level. On the news front, the International Nickel Study Group reported last week that in the January to July period the nickel supply surplus increased to 90,200 mt from 35,300 mt in the same period last year. In July, refined production was 158,000t vs. demand of 144,100t, for a surplus of 16,900t. A monthly surplus has existed since September. 2011

Other Nickel News

The American Metal Market reported last week that:

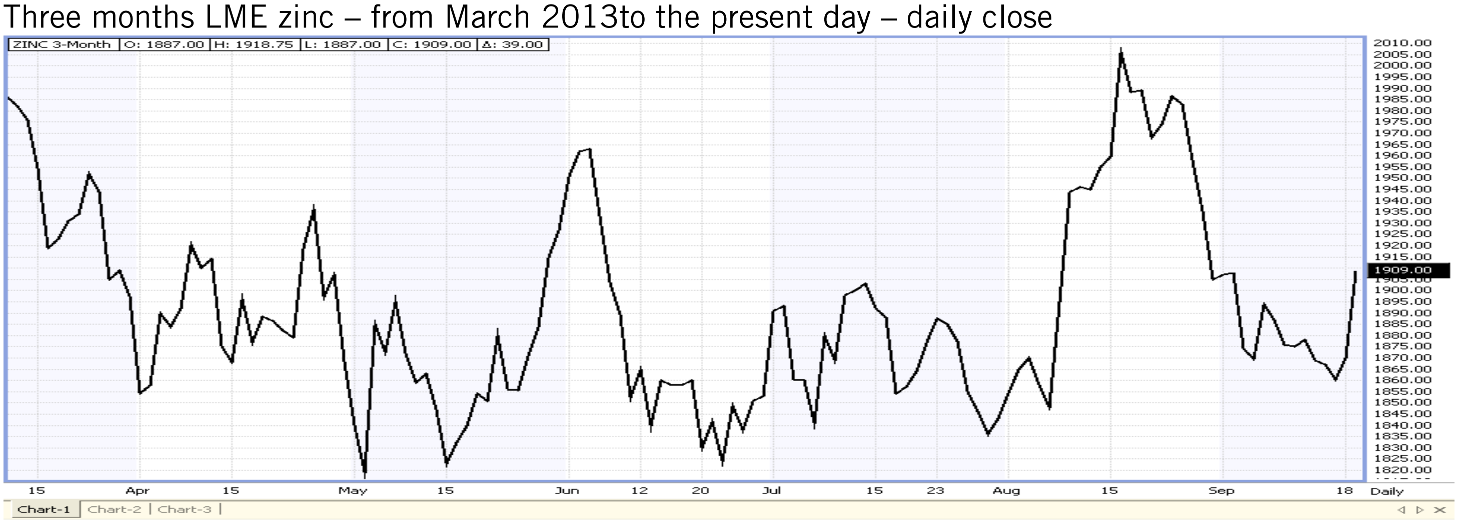
Stainless steel market participants remain wary about the demand outlook as the industry struggles to emerge from a period of destocking and low nickel prices. Some delegates at AMM's 27th Annual Stainless and its Alloys Conference in Chicago this week presented a grim picture when asked about future stainless demand and pricing. "So many people think that the return in demand will come suddenly, but it will be slow considering how much damage was done. ... I think we're about to enter another period of destocking. I'd say the prices only got a bump recently because we were coming out of summer," one distributor said. "You've still got distributors out there acting like a bank, offering 30-day, 60-day, 90-day payment terms to attract business," one trader said. "Distributors keep discounting, thinking they're going to get more business that way; but the guy making a stainless widget is still making the widget no matter what he pays. So they're only hurting themselves."

Several delegates flagged up the likelihood of further consolidation in stainless production, including Universal Stainless & Alloy Products Inc. chairman, president and chief executive officer Dennis Oates, who was pressed about his company's growth plans following the ramp-up of its North Jackson, Ohio, facility. "Frankly, right now the market is not all that good. We have made a fairly sizable investment for a company of our size that we need to digest," he said. "I still think consolidation in certain sectors of our market is very compelling for a number of economic reasons and has got potential down the road."

Fiscal austerity in Europe and margin compression in the United States is more a "rightsizing" than a temporary lull, Steel & Metals Market Research GmbH (SMR) managing director Markus Moll said. "The crisis is becoming the new normal. Everyone is thinking back to 2006 when it was raining gold, but that was not normal. The normal is what we are having today, with OK volumes and lousy margins."

Zinc

Three months LME zinc – from March 2013to the present day – daily close



Source: FutureSource

Jefferies

Three months LME zinc closed at $1,872 per tonne on Friday. This morning three months zinc is trading at $1,872. On Friday zinc had a contango of $38 per tonne versus a contango of $38 per tonne on the previous Friday. Zinc rose 0.1% last week after falling by 1.3% in the previous week. Shanghai zinc stocks were unchanged last week due to holidays at 253,795 tonnes. Zinc is a quietly steady market with support sitting in and around the $1,850 to $1,860 per tonne level basis three months. Overhead resistance comes in at around the$1,910 to $1,920 per tonne area basis three months.

<u>On the news front, Platts reported last week that:</u>

Delayed shipments stemming from a ship rudder replacement cut Australia-based MMG's zinc concentrate sales in the first half of 2013, the company said in a filing to the Hong Kong Stock Exchange Thursday. China Minmetals Corporation owns 72% of MMG. MMG's H1 zinc concentrate sales were 252,520 mt, down 7% year-on-year. "Owing to a rudder replacement on the MV Wunma, MMG's transfer ship, which delivers concentrates from Century Karumba Port to export ships in the Gulf of Carpentaria, concentrate sales from Century were affected by postponed shipments," MMG said. MG produced a total of 280,968 mt of zinc concentrate in H1, down 16% year on year. "Despite a strong performance at Rosebery [in Tasmania], it was offset by reduced output at Century [in Queensland], whose output was affected by lower ore grade," the company said. However, MMG's H1 copper sales hit 86,668 mt, up 33% year-on-year. The company attributed the higher copper sales to improved efficiency at Kinsevere in the Democratic Republic of Congo, Sepon in southern Laos and the recently started-up copper oxide open pit at Golden Grove in Western Australia.

<u>The Globe and Mail of Toronto reports that:</u>

Selwyn Resources Ltd. has decided against restarting the ScoZinc mining project in Nova Scotia at this time, due to uncertainty over the price of zinc and other metals, and close its head office in Vancouver. Instead of deploying money received from the sale of its interest in the Selwyn project towards the ScoZinc restart, the company plans a special cash distribution to shareholders. It's also considering options such as a sale of the company. Selwyn said amount of the pay-out to shareholders has yet to be determined and will be subject to approval at a special shareholders meeting, expected to be held in November, the company announced Friday.

The company also announced Friday it has replaced both its chief executive and chief financial officer and will close its head office in Vancouver when the lease expires in October. It didn't say how many jobs are affected by the closure. According to a regulatory filing in May, it had 18 full time employees at its head office in Vancouver, and 19 full time employees at ScoZinc, which has an idled mine 50 kilometres from Halifax near Gays River, N.S. Joseph Ringwald has been selected as interim president and CEO, replacing Harlan Meade, who held the post since March 2004. Ringwald, who joined Selwyn in January 2011, will continue to be based in Vancouver. As vice-president for engineering, he was responsible for preparing two prelimary economic assessments for the restart of the ScoZinc Mine. "In light of the current uncertain environment for metal prices and mine development financing, the board does not believe that it is in the best interest of the company to proceed with the restart of the ScoZinc Project at this time," a company statement says.

<u>Bloomberg reported last week that:</u>

MMG Group has cancelled an engineering, procurement and construction (EPC) contract for the processing facility at the Dugald River project in Queensland, Australia, in light of the recently-discovered complexities in the high-grade lead-zinc ore body. The Hong Kong-listed group, majority-owned by Minmetals, arranged financing of up to $1 billion to fund development of the mine in June but announced a review of the mine plan two months later after drilling and geotechnical work revealed unspecified complexities in the ore body.

Dugald River is intended to replace up to 40% of output that will be lost from the planned closure of MMG's Century mine. MMG expects to complete the review by the end of the year, at which point it will make a final investment decision on the project, the company said on Thursday September 19.

Minmetals will pay a severance fee to Forge Group Minerals & Resources to cancel the EPC contract but it does not expect this to have an adverse effect on its earnings, it said in on Wednesday. "To focus resources on the mine method review and manage short-term capital expenditure, the company has decided to suspend most earthworks at the project site. This includes on-going engineering, procurement and construction of the processing facility for the Dugald River project," MMG said.

Lead

Three months LME lead – from March 2013 to the present day – daily close

Source: FutureSource

Three months LME lead closed on Friday at $2,084 per tonne. This morning three months lead is trading at $2,082. On Friday lead had a contango of $28 per tonne versus a contango of $26 per tonne on the previous Friday. Lead rose 0.6% last week after falling by 3.7% in the previous week. Shanghai lead stocks were unchanged last week due to holidays at 94,284 tonnes. Lead is a quietly steady market. Some technical analysts are turning friendlier towards lead and looking to buy any good price dips with a view to seeing the market rise again towards the $2,200 per tonne level. Mind you, the first level of overhead resistance has to be taken out at the $2,120 to $2,130 per tonne level basis three months. Support comes in at $2,030 to $2,050 per tonne.

Reuters carried the following story on Tuesday:

Lead's relative out performance among the base metals traded on the London Metal Exchange (LME) came to an abrupt end last week. Just as analysts were turning increasingly friendly to the metal, lead's evolving bull narrative took a heavy knock. A 50,450-tonne knock to be precise. That was how much metal suddenly "appeared" at LME-registered warehouses in Vlissingen in the Friday stocks report. The Dutch flood places a major question-mark against the validity of the previous long-running downtrend in LME stocks and raises the possibility that there may be more to come.

But in truth, Friday's warranting merely corrects some of the statistical anomalies in the lead market. And even if there is another tranche of metal to come, it shouldn't mask some price-positive underlying dynamics. The market appeared to be caught off-guard by the amount of metal that showed up in the LME system at the end of last week. Three-month metal promptly collapsed through the $2,100-per tonne level, a chart point that was last week reinforced by the presence of the 100-day moving average. As of this morning lead has traded down to $2,055, its lowest level since late July.

From being the most resilient of the LME base metals at the start of the month, lead has swiftly been demoted to fourth-worst performer. Yet, there were plenty of flashing warning signs that something like this was on the cards. The LME's market positioning reports had shown for many weeks the presence of a major short position on the September prime prompt date (today).

With nearby spreads easing rather than contracting as might have been expected if that position were being rolled forward, the potential for the short to deliver looked increasingly likely. And the size of that position, originally in excess of 170,000 tonnes, should give pause for thought as to whether there might be more from where Friday's "arrivals" came. At least the source is relatively clear. LME storage in Vlissingen is dominated by Pacorini, which operates 52 out of a total 54 registered sheds in the Dutch port.

Pacorini is owned by Glencore Xstrata. Superficially, Friday's mass delivery of metal onto LME warrant changes what had been a bullish lead stocks picture. LME inventory had been steadily falling over the course of the year, even if the downtrend had shown signs of slowing over the last couple of months. Prior to Friday LME stocks were down by 135,500 tonnes or 43 percent, on the start of the year.

As of today's report, the net decline now stands at just 81,400 tonnes, or 26 percent. The inflow has also reshaped the composition of what's sitting in the LME warehouse system. Before Friday cancelled tonnage accounted for 41 percent of total registered tonnage. Today that ratio stands at 31 percent. Yet, if anything, the Vlissingen warranting merely irons out a problematic disconnect between LME stocks and underlying market balance. LME inventory had fallen a lot further and faster than appeared fundamentally justified.

The International Lead and Zinc Study Group (ILZSG), for example, assessed the refined lead market outside of China as being in 83,000-tonne deficit in the first half of this year.

LME stock falls were clearly overstating that deficit and it appears that some of the change in visible inventory amounted to no more than a reshuffling of units. This is by no means the first time that LME inventory trends have generated a false signal.

Something very similar happened last year, a prolonged downtrend over the course of the second and third quarters being swiftly reversed by a sharp inflow of metal at Antwerp at the start of the fourth. Moreover, the composition of LME stocks may not really have changed as much as might first appear to be the case. Friday's warranting has served only to further concentrate LME lead stocks into a handful of locations.

Four out of five of the largest concentrations are at Vlissingen, Johor, Antwerp and Detroit. All four are what might be politely termed problem locations, characterized by long load-out queues of other metals. Vlissingen is itself a prime example. Even if Friday's inflow is made available to the market, anyone wanting physical delivery will have to settle for 500 tonnes per day because of the aluminum queue.

In other words, the long running game of chess that has for many months been the LME lead market shows every sign of continuing, just with the pieces rearranged. Away from the LME chessboard, however, there are some developments that should give lead bulls reason for cheer.

The ILZSG figures for the first half of this year showed that, stripping out China, supply in the rest of the world contracted. Mine production fell by 2.4 percent and refined production by 0.9 percent. Analysts at Barclays Capital argue that production at both stages of the primary metal supply chain will remain challenged.

"At a mine level there are a shortage of production growth sources with just Magellan and Mount Isa mines offering even potential for output to rise next year (+80Kt combined)." "Second, at a refined level the closure of the 120Kty Herculaneum smelter/refinery in the U.S. counteracts ramp-ups at the 40Kty Oued el Heimer (Morocco) and 100Kty La Oroya (Peru) facilities."

Indeed, the long-planned closure of Herculaneum, the last primary smelter in the U.S., is a potential game-changer, increasing the country's need for imports to meet a widening domestic market shortfall. Scrap production is a particularly important supply stream for the lead market but here too there are evident tensions between availability and demand as evidenced by rising prices for battery scrap and shrinking margins for secondary producers.

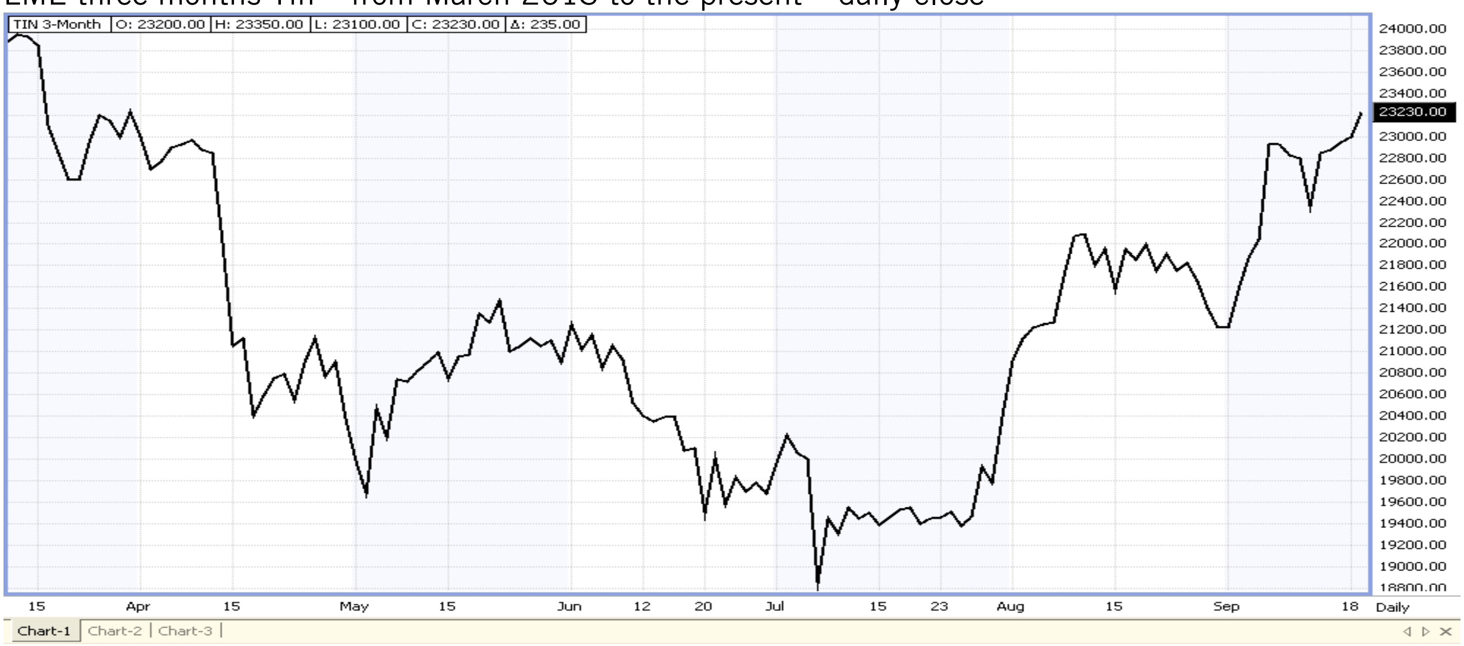
Barclays Capital may be at the bullish end of the analyst spectrum but most, it seems, are expecting the lead market to steadily tighten in response to such supply challenges. The moral of this story, however, is that LME stocks may be a poor reflector of the process. Just as the stocks downtrend over the first part of the year overstated lead's bull credentials, the Friday flood overstates the bear case. If anything, it was simply a missing piece of the statistical jig-saw falling back into place. "Warehouse wars" and queue dynamics have caused LME stocks to lose much of their previous signaling power *about the real-time dynamics of the underlying markets. But never more so, it seems, than when it comes to the lead market.*

Platts reported last week that:

Prices of used lead-acid batteries in the North American market fell a cent this week because of an abundant supply flow and a falling London Metal Exchange lead price. But at least one source cautioned that, with the export market reigniting used battery prices might soon reverse course and rebound higher. The Platts assessment for 50% lead, starter-lighter, ignition batteries fell to 34-36 cents/lb., picked-up basis, on September 17, from last week's range of 35-37 cents/lb. Some lead smelter sources have recently told Platts that they are not buying heavily in the open market, as much of their scrap requirements are covered via conversion agreements. A battery broker put his buying range at 34-37 cents and pegged the high end of that range for purchases on the East Coast and the lower end for deals in the South-eastern non-coastal areas and in the Midwest. The broker noted that his company paid the higher price -- 37 cents -- because a smelter customer needed the batteries "urgently." But the broker added; "Exports are coming back into the market, because the LME lead prices are stabilizing." He said buying competition would increase and, presumably, so would use battery prices. For example, "China pays a higher premium," for used batteries, he said. A used battery trader said he was quoting a buying price of 34 cents, picked up. "It seems everybody has an awful lot of batteries," he said. "They're coming out [of vehicles] at a pretty good clip." The trader predicted: "I think used batteries will head down to about 30 cents; we'll see if they level off there." Another used battery trader said he received bid this week at 37 cents, but did not book.

Tin

LME three months Tin – from March 2013 to the present – daily close



Source: FutureSource

Three months tin closed at $23,045 per tonne on Friday. This morning three months tin is trading at $22,850. On Friday tin had a contango $36 per tonne versus a contango of $13 per tonne on the previous Friday. Tin rose 0.1% last week after falling by 0.4% in the previous week. Technical analysts see the big test for tin coming in the next few days. If it can break overhead resistance in the $23,200 to $23,300 per tonne area basis three months then we could be heading for $24,100 to $24,200 per tonne. Meanwhile, good support exists in and around the $21,900 to $22,000 area basis three months. Traders were reporting that the Indonesian government is hoping to lift average tin prices by around 25% thanks to its move to limit exporters to trading their tin only on a local exchange. This is causing a sharp drop in exports as result. We would point out that if this is actually the true objective of Jakarta then they will stand a good chance of losing about 15% of the tin market which goes into chemicals. Chemical manufacturers don't have to use tin. There are substitutes they can switch to if prices rise by 25%. And we would also expect thrifting to begin in all the other tin applications.

<u>Meanwhile on Monday, Bloomberg reported that:</u>

The Indonesia Commodity and Derivatives Exchange traded 20 tons of physical tin in Jakarta today, according to a statement on its website. Indonesia, the largest tin shipper, required ingots of a minimum 99.9 percent purity to be traded on a domestic exchange before export with effect from Aug. 30. PT Timah, the country's biggest producer, Toyota Tsusho Corp. and Noble Resources Ltd. are among companies that trade tin at the ICDX.

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Stochastic

	RSI (14)	%K fast	% D Fast (3)	%D Slow (3)
Copper	69.96	95.60	95.33	75.29
Aluminum	57.04	76.74	62.76	41.11
Zinc	57.12	72.16	74.87	58.23
Nickel	68.60	90.22	90.92	84.92
Lead	47.56	74.52	74.59	50.67
Tin	74.72	90.00	88.65	89.16

Source: Royal Bank of Canada

Moving Averages

	10 day	30 day	100 day	200 day
Copper	7166	7226	7115	7465
Aluminum	1801	1845	1842	1931
Zinc	1879	1923	1886	1954
Nickel	13952	14218	14307	15678
Lead	2100	2163	2100	2176
Tin	22915	22188	20882	22135

Source: Royal Bank of Canada

Support and Resistance

	3rd support	2nd support	1st support	Last price	1st resistance	2nd resistance	3rd resistance
Copper	6602	6931	7024	7343	7115	7175	7222
Aluminum	1758	1773	1807	1825	1845	1861	1878
Zinc	1812	1870	1897	1901	1940	1953	1972
Nickel	11675	12260	13205	14342	14218	14307	14735
Lead	2100	2122	2094	2105	2156	2175	2257
Tin	20882	21600	22188	23285	23325	24391	25050

Source: Royal Bank of Canada

High – Lows for 2013 and 2012

	copper	aluminum	lead	zinc	nickel	tin
2013 high/lo	8346/6602	2184/1758	2499/1938	2230/1811.75	18770/13205	25250/18809
2012 high/low	8765/7219.5	2361.5/1827.25	2347.75/1742	2220/1745	22150/15236	25880/17125

Source: LME – all prices basis three months and in dollars per tonne

The Six LME Metals' Stocks and Prices

	LME closing price 20/9/13	LME closing price 13/9/13	LME closing price 6/9/13	LME closing price on 30/8	LME closing price on 23/8	LME closing price 16/8/	LME closing price 9/8/13
Cu	7,280	7,041	7,160	7,100	7,360	7,400	7,275
Al	1,800	1,790	1,824	1,814	1,893	1,945	1,871
Pb	2,084	2,071	2,151	2,152	2,212	2,250	2,180
Zn	1,872	1,869	1,894	1,905	1,987	2,006	1,944
Ni	14,035	13,875	13,980	13,800	14,525	15,000	14,680
Sn	23,045	22,850	22,940	21,225	21,750	21,950	22,075

Source of prices: LME. All prices in dollars per metric tonne and basis three months LME.

LME Warehouse Stocks

LME stocks	20/9/13	13/9/13	6/9/13	End 2012 stock level	Change since end 2012	% ch since end 2012
Copper	562,250	577,525	600,275	320,050	242,200	75.7
Aluminum	5,420,800	5,348,325	5,375,450	5,210,050	210,750	4.0
Lead	244,375	231,675	183,400	320,325	-75,950	-23.7
Zinc	978,850	983,075	984,475	1,220,750	-241,900	-19.8
Nickel	219,246	217,422	215,538	139,908	79,338	66.7
Tin	13,740	14,190	14,685	12,825	915	7.1

Source: LME N.B. all figures are metric tonnes

Cash LME prices in US dollars per Metric Tonne

	Closing price 20th September 2013	2013 YTD	Average 2012
Aluminum	$1,755	$1,875	$2,018
Copper	$7,257	$7,386	$7,950

Lead	$2,056	$2,155	$2,061
Nickel	$13,967	$15,427	$17,527
Tin	$23,009	$22,054	$21,092
Zinc	$1,834	$1,912	$1,946

Source: LME-LME closing price-1700hrs London time. Year to date averages calculated from official fixes

Cash London bullion prices in US dollars per troy Oz

	Closing price 20th September 2013	2013 YTD	Average 2012
Gold	$1,349	$1,460	$1,669
Silver	$22.74	24.91$25.03	$31.16
Platinum	$1,447	$1,518	$1,548
Palladium	$726	$725	$647

Sources: London Bullion Market Association, London Platinum and Palladium Market. All prices are based on the London PM fix except for silver which is based on the London AM fix.