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MONTHLY COPPER BULLETIN

May-2011

09th June 2011

LME CASH SELLER AND SETTLEMENT, MAY 2011



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OFFICIAL MARKET DATA & PRICE INDICATORS

DATE	CASH (USD/t)	CASH (EUR/t)	CASH (GBP/t)	WEEKLY AVERAGE (USD/t)	WEEKLY CHANGE %	YEARLY CHANGE %	LME STOCKS (Tonnes)	DEL NOTICE (€/100Kg)	DEL NOTICE HIGH
03.05.2011	9.245	6.256,3	5.608,8	9.391,5	-1,56%	-5,08%	463.800	634,03	636,33
04.05.2011	9.171,5	6.169,5	5.521,4	9.391,5	-2,34%	-5,83%	463.925	625,35	627,64
05.05.2011	8.791	5.922,3	5.323	9.391,5	-6,09%	-9,74%	467.450	600,69	602,99
06.05.2011	8.790	6.055,8	5.352,6	9.391,5	-6,40%	-9,75%	467.175	612,84	615,18
09.05.2011	8.908	6.187	5.442	8.999,4	-1,02%	-8,54%	468.600	627,38	629,75
10.05.2011	8.935,5	6.219	5.464,8	8.999,4	-0,71%	-8,26%	468.325	631,62	634
11.05.2011	8.750,5	6.092,4	5.306,9	8.999,4	-2,77%	-10,15%	468.350	616,92	619,29
12.05.2011	8.536,5	6.024,8	5.246,1	8.999,4	-5,14%	-12,35%	467.725	611,47	613,87
13.05.2011	8.857	6.198,0	5.443,8	8.999,4	-1,58%	-9,06%	468.525	628,24	630,63
16.05.2011	8.710	6.166,8	5.377,9	8.797,5	-0,99%	-10,57%	467.075	625,61	628,03
17.05.2011	8.863	6.255,7	5.460,9	8.797,5	0,74%	-9,00%	467.575	632,21	634,61
18.05.2011	8.896,5	6.249,7	5.506,6	8.797,5	1,13%	-8,66%	467.800	632,79	635,18
19.05.2011	9.006,5	6.322,6	5.564,7	8.797,5	2,38%	-7,53%	467.025	639,41	641,79
20.05.2011	8.982,5	6.314,1	5.534,2	8.797,5	2,10%	-7,77%	466.250	638,89	641,28
23.05.2011	8.831	6.291,7	5.474,9	8.891,7	-0,68%	-9,33%	468.175	639,16	641,59
24.05.2011	8.881,5	6.306,5	5.502,1	8.891,7	-0,11%	-8,81%	469.250	638,29	640,71
25.05.2011	9.019	6.404,6	5.556,7	8.891,7	1,43%	-7,40%	469.375	649,68	652,11
26.05.2011	8.990,5	6.338,9	5.509,6	8.891,7	1,11%	-7,69%	469.375	649,68	652,11
27.05.2011	9.151	-	-	8.891,7	2,92%	-7,69%	-	-	-
31.05.2011	9.224,5	6.413,9	5.589,9	8.974,6	2,78%	-5,29%	467.775	648,57	650,93
MONTHLY AVERAGES	8.927,1	6.220,5	5.464					630,68	633,05



MARKET COMMENTARY

After decreased to \$ 8,503 a tonne in May, copper trimmed its losses during the month and finished above \$ 9,000 a tonne, helped by expectations of higher demand from top consumer China, outweighing U.S. jobless claims data that signalled further slowing in the U.S. economy. Today benchmark copper on the London Metal Exchange was \$9,024 a tonne at 1603 GMT, from \$9,045 a tonne at the close of yesterday. The monthly average also went down 5.9% to \$ 8,927.

The metal used in power and construction was also supported by news that nearly half of the contractors in a strike that halved output at the world's No. 5 copper mine, El Teniente in Chile had ended the stoppage. The metal fell to a session low of \$8,932 after data showed jobless claims rose unexpectedly last week, and the European Central Bank's Jean-Claude Trichet signalled an interest rate rise is probably only a month away. "The jobs data was a little worse than expected, but I don't think that's a major surprise, we are definitely slowing down and we are going to start seeing poorer numbers over the next few weeks," MF Global analyst Edward Meir said.

"The other shoe will drop tomorrow when we get the Chinese numbers." China, which accounts for about 40 percent of global copper consumption, releases trade data on Friday. Its refined copper imports have slumped this year, but some market participants think underlying demand is still intact. "Base metal prices and especially copper will be supported by Chinese import data, which should be better given the sharp destocking over the last couple of weeks in Shanghai," said Daniel Briesemann, analyst at Commerzbank.



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Behind predictions of higher imports are copper stocks in Shanghai bonded warehouses, which are said to have fallen by about 200,000 tonnes from April to between 350,000 and 500,000 tonnes now. "It looks like China is going to need more copper very soon, those stocks will need to be replenished," a LME trader said.



MONTHLY REVIEW & INDUSTRY NEWS

- Chile's copper export revenues rose 22 percent to \$3.728 billion in April from a year ago, boosted by strong prices for the metal, the central bank said. Last month, the government reported that copper export revenue was down from \$3.876 billion for March. Chile is the world's top copper producer, mining about a third of global supply.
- KGHM Polska Miedz SA, Poland's sole copper producer, plans to increase copper output by as much as 36 percent through overseas acquisitions, its China unit said.
- KME Group's output of semi-finished copper, copper alloy and special products rose to 135,500 tons in the first quarter of 2011 from 125,600 tons in the same period of 2010, the group said.
- Copper output in Zambia, Africa's top producer of the metal, rose by 4.1 percent in the first quarter of 2011 and is expected to rise higher as new projects start production, the central bank said. January to March copper output rose to 204,597 tons in the first quarter of 2011 from 196,466 tons, the central bank said, while exports increased to 200,037 tons from 198,247 tons in the same period last year.
- Europe's No.2 copper producer KGHM expects copper prices to average between \$8,000 and \$9,000 per ton this year, its chief executive said.
- Copper demand from China is likely to remain strong despite the country's moves to slow growth to control inflation, the CEO of Europe's largest copper producer Aurubis said. China's moves to restrain its economy would only slow its rate of growth, which would still remain at a high level, Bernd Drouven told a telephone press conference after the company posted a sharp rise in earnings. "We believe that (copper) demand from China will stay strong," Drouven said. In Europe, Aurubis' dominant market for copper products, the company is experiencing firm demand, he said.
- Morgan Stanley said it expected base metals price volatility to persist in the near term, but added that the long-term outlook for most metals looked good. "In the short term, we are in a period of uncertainty when the dollar seems to be on a long-term stabilization trend, whereas there hasn't been any particularly negative macroeconomic data as yet," he said.

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- ✚ Global copper prices are likely to remain well-supported despite recent weakness with a global production deficit forecast in 2011, Aurubis, Europe's biggest copper producer, said on Monday. "The market's good fundamental conditions are still in place," Aurubis said in a report. "For example, a production deficit is still expected on the market as a result of good demand and insufficient production."
- ✚ Operational costs for Chile's top 11 copper producers increased 20% last year to \$21.16 billion compared to 2009, the Center for Copper Studies think tank, known as Cesco, said. High international copper prices on strong demand from emerging markets, especially from China, has helped make "increasing operational costs sustainable for a prolonged period of time...[although] this situation will pose serious challenges for the industry in coming years," Cesco said. Chile is the world's premier copper producer and exporter, accounting for a third of global supply.
- ✚ Jiangxi Copper Company Ltd's plants in Jiangxi province have sufficient power supply currently and have not been affected by China's power shortages, a company executive director said. Long Ziping told Reuters in Hong Kong that the firm was confident of meeting its 2011 refined copper output target of 940,000 tonnes. Jiangxi Copper is China's top copper producer and produced 900,000 tons of refined copper in 2010.
- ✚ Xstrata plans to phase out copper smelting at Mt Isa in Australia and refining in Townsville by the end 2016 due to a glut in global smelting capacity, the company said. "Market conditions have been very challenging for copper smelting and refining operations as a result of overcapacity in the global market, low treatment and refining charges and increasing operating and capital costs," Xstrata Copper North Queensland chief operating officer Steve de Kruijff said in a statement.
- ✚ Commodity prices are likely to fall further in the next month or two before rebounding towards the end of the year as demand continues to grow, prompting MF Global to expand its presence in the sector, a senior company executive said. Brokerage MF Global Holdings, with a market value of \$1.4 billion, maintained its long-term bullish outlook for the commodities and expected prices to raise 10-20 percent over the next 12 months from current levels due to a weaker dollar and rising global demand. "We will see some weakness between now and the end of summer and then I think we are going to see a steady move up," MF Global's Head of Commodities Fred Demler told Reuters.
- ✚ Copper demand from China's cable makers, the biggest user in the world's largest market, will more than double over the next 10 years as people move to cities and power grids expand, according to Hu An Cable Holdings Ltd. The industry's demand may increase by 10 percent to 15 percent per year over the next 10 years, similar to the rate in the past few years, Dai Zhixiang, chairman and chief executive officer, said in an interview.
- ✚ Codelco will boost production at its Radomiro Tomic copper mine in Chile by 18.4 percent this year, an official said in an e-mailed response to questions. Codelco will boost Radomiro Tomic's output to an estimated 444,000 tons in 2011, versus 375,000 tons last year.
- ✚ Japan's copper wire and cable shipments fell 1.4 percent in April from a year earlier, dropping for a second month as automakers reduced output after an earthquake and tsunami, an industry group said.

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