

**COPPER MARKET**

These days you need a wide lens to observe the copper market. The central point of interest is repeatedly the economic situation, from which observers hope to get a picture of the trend in demand on the copper market. In the short term the focus is on the U.S. interest rate policy, which should help to combat the troubled economic prospects and prevent a possible recession, while in the longer term the focus is on the economic forecasts of the institutes and organisations, such as those of the IMF. The latter has just scaled down its forecast for global economic growth from 5.2 % to 4.8 %, which is of course still a considerable growth rate. Europe is forecast to have a slight decline in economic dynamics, but this is still hardly comparable with the situation in America where the real estate and financial crises still continues. China's economy is far from showing weakness with its growth rate of 11.5 % in the third quarter of 2007. In addition, according to official sources, the country has succeeded in changing from overheating to rapid growth, so that the economic development is under control. Thus, China, with more subdued demand in the classic copper sales markets, remains the main support for the rise in global copper demand. The ICSG credits the People's Republic with a rise in copper demand of 37 % in the period 01–07/2007 without including changes in inventories in its calculations. Other estimates are more moderate, but see the rise in Chinese copper demand in 2007 as still at 16 % plus. A change in policy cannot be expected before the Olympic Games in August 2008. Accordingly, China and other Asian countries are managing to compensate for the weakness in other regions and the substitution of copper recorded to date. Global copper demand could probably increase by 2 to 3 % in 2007. Some see the growth rate at 4 % and more. For 2008 an increase of more than 2 % can certainly be regarded as realistic.

It is justifiably doubted whether this demand can be sufficiently covered in the coming months. The capacity expansions at the smelters, above all in Africa and Asia, have certainly progressed and the global output of refined copper during the first six months 2007 is 4.5 % up on the prior year. However, capacity utilisation has declined at the same time from 83.8 % to 83.3 %. If the current copper stocks at the metal exchanges are compared with the level in 2001 to 2003, which was more than 1 million tonnes, it is clear that their contribution to providing sufficient supplies for the market can only be marginal. Current stocks levels amount to about 242,000 tonnes of copper, of which 64 % is stored in Asian, some 15 % in European and 21 % in U.S. locations. If freely available, they suffice to cover global usage for 4 to 5 days. According to ICSG the copper market shows a production deficit of 318,000 tonnes in the period 01 – 07/2007. Even in the event of a surplus in 2008, this is expected to be comparably small. Also during the LME Week, the analysts generally made overall positive estimates of copper year 2008. The price forecasts differed considerably, but were mostly above the US\$ 6,900/t mark. In October the copper price ranged between US\$ 8,300 and 7,700/t. However, fluctuations have increased again recently with declining backwardation.

**COPPER RAW MATERIALS AND PRODUCTS**

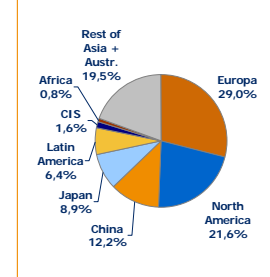
Business on the spot market for copper concentrates has declined significantly. The smelters are well supplied and are waiting to see what course the negotiations between mines and Japanese processors will take for the annual contracts 2008. The mines' idea of pursuing a further reduction in TC/RCs is meeting with fierce resistance from the smelter side. The TC/RC level for annual agreements 2007 was still at about US\$ 60/t and cents 6/lb, whereby the US dollar was worth more at that time. Supplies are good on the copper scrap market where the situation has not changed since the prior month. On the product side, the order intake in Germany for semi-finished products made of copper and copper alloys has declined compared with the excellent year 2006. However, in the first six months production output rose by almost 4 %. Of this, conductive material came off better than, for instance, copper tubes, where production declined significantly, above all, due to substitution.

**Changes in regional copper demand refer above all to China and North America**

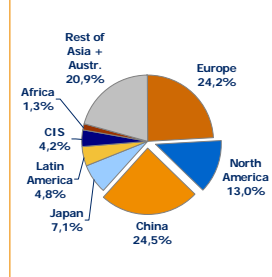


World demand for refined copper

2000 = 15.17 mill. t



2007 = 18.26 mill. t

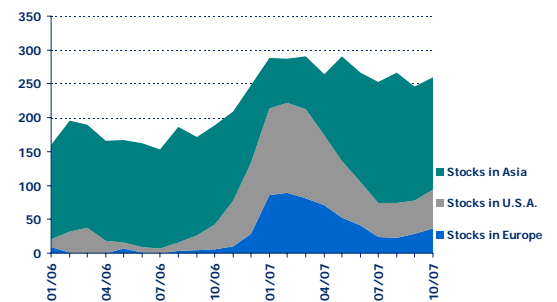


Source: Brook Hunt

**LME copper stocks increase by 45,000 t in October, but are still low**



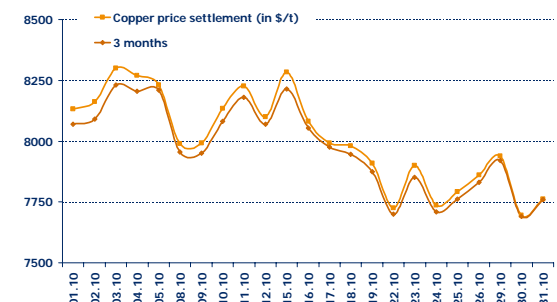
Copper stocks on the metal exchanges (in 1.000 t)



**Copper price holds its ground at a higher level in October, but since then has declined slightly**



Copper price settlement LME October 2007 (in \$/t)



**GLOSSARY:**

- Backwardation: amount by which spot price is higher than 3 month price
- Comex: New York Commodity Exchange
- ICSG: International Copper Study Group
- IMF: International Monetary Fund
- LME: London Metal Exchange
- Settlement : cash selling rate
- SHFE: Shanghai Futures Exchange
- SRB: Strategic Reserve Bureau
- TC/RC: Treatment and refining charges for concentrates

This information contains forward-looking statements based on current assumptions and forecasts. Various known and unknown risks, uncertainties and other factors could have the impact that the actual future results, financial situation or developments differ from the estimates given here.

NA Corporate Communications  
Dieter Birkholz  
Tel. 040/7883-3969, Fax. 040/7883-3003  
www.na-ag.com