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# Copper Mail
# Norddeutsche Affinerie AG

## COPPER MARKET

The first week in February was full of activity. Lent started on Ash Wednesday in Germany. The Year of the Rat began in China, which according to Chinese belief will be eventful and lively. As different as these celebrations are, the situation on the respective copper markets also showed disparate trends. After the economic highs of the last few years, the period of fasting seems to have dawned in the major industrial countries. The subprime and financial crisis is having an increasing impact on the real economy. Economic growth in the U.S.A. dropped from 4.9 % in the 3rd quarter to 0.6 % in the 4th quarter 2007. In Japan as well, there are many signs of a stronger slowdown in economic growth. In Europe, an economic cooling down phase is expected in the coming months, although worries about a recession are unfounded here. European industrial output continues to appear stable. The positive trend on the labour market and higher wage agreements could stimulate high street spending. Despite the pessimism at the meeting of the G7 states on 9 February, the stability of the economic basis was not in doubt.

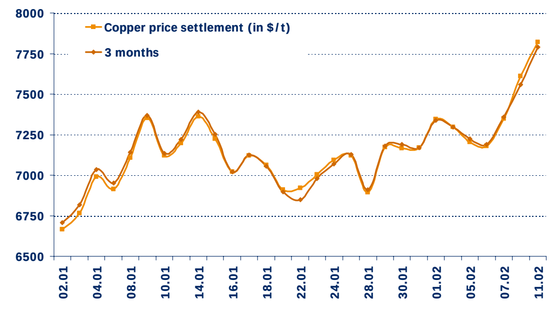
The copper price performance, which is often seen in connection with the economic trend, remained unimpressed by these developments. The copper price has remained stable since the beginning of the year at over US$ 7,000/t. In February it has even moved upwards and has reached a level over US$ 7,800/t. In addition, the futures structure again showed backwardation. How so? The „China“ factor contributed to the present price trend. After the end of the celebrations for the Year of the Rat, the Chinese copper demand is expected to have very high intensity. In the last three years China has also been a substantial cathode buyer in the first quarter. On top of this, the worst snow storms in decades have weighed on the copper production in the country and paralysed transport. In addition, the resumption of the energy-intensive copper production will take time after the return to normal weather conditions, since the energy supply of other sectors that are indispensable to life will have priority. In Europe and North America, production in the processing industry has been gaining momentum as of February after the year-end public holidays. Copper stocks in the warehouses of the LME, which still amounted to 200,000 tonnes at the beginning of January 2008 have declined to 164,000 t. A further 40,000 t are planned to be removed from storage (cancelled warrants). Only 20,000 tonnes of copper are stored at the SHFE, while just 12,700 tonnes is at the Comex. Despite unfavourable economic developments, everything again points, at least in the short term, to a tighter supply. This is also reflected in the spot premiums for physical cathodes, which have increased considerably in January in Europe and the USA and have already risen strongly for the past two months in China.

## COPPER RAW MATERIALS AND PRODUCTS

The supply on the spot market for copper concentrates has improved considerably in the last few months on account of good mining output with comparably low production losses. Thus, the concentrate output in Chile rose 1.8 % to 2.81 million tonnes in 2007. In addition, concentrate demand is currently lower than expected, due above all to standstills for maintenance at local Chinese smelters and extreme weather conditions which will have an impact on China’s concentrate demand short-term. The copper scrap market in 2008 has not yet recovered to the level of the second half of 2007. While the trade showed a lack of willingness to deliver, the supply remained limited despite high copper prices. Chinese buyers are expected to return soon. The European market for copper wire rod benefited from the high demand for cable and wires that was supported by increased investment in the energy sector. Growth impulses came from the renewable energy production sector and the decentralisation of the networks. The order intake from the European semis fabricators offered another picture. Although there were clear signs of stabilisation and an increase in demand in the flat product sector, the order receipts in other sectors did not meet expectations.

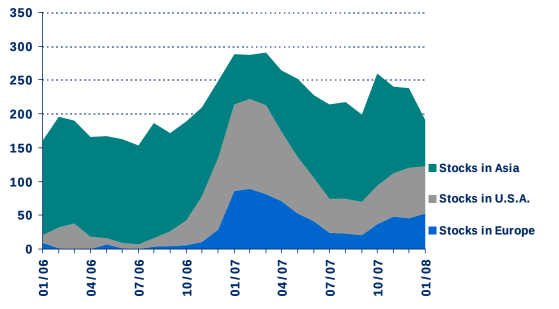
**Copper price rises after stable phase**

Copper price settlement LME January 2008 (in $/t)



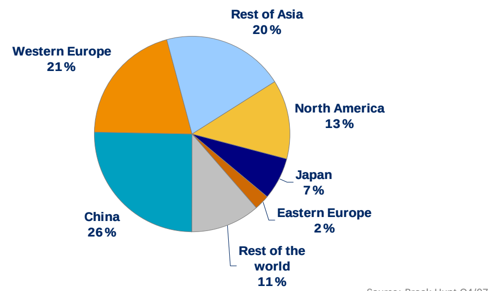

**LME copper stocks decline again**

Copper stocks on the metal exchanges (in 1,000 t)




**Growth markets dominate global structure of copper demand**

Global copper demand: 18.125 million tonnes in 2007




Source: Brook Hunt Q4/07

**GLOSSARY:**

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| 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 |



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