

BIR CONVENTION - Pressure building up on copper prices - delegates

By Martin Hayes

Shanghai 28/05/2013 - Copper prices, which were above \$7,500 per tonne just over a week ago, are coming under increasing downside pressure, and moving into the summer months could be heading back below \$7,000, delegates attending the BIR (Bureau of International Recycling) convention here said on Tuesday.

"The market does not at all good from here - business is slow, and we are having to work very hard to maintain margins," a trader said.

On Tuesday in Asia, copper prices dropped to \$7,220 per tonne at one stage, then settled around \$7,245, ahead of the European and US markets re-opening later. Both the LME and CME markets were closed on Monday for public holidays. On Friday, the LME three months price closed at \$7,299.

"Whether you are trading cathode or scrap, it is a tough time to generate business. It is good to get price movement, but its the uncertainty that makes it difficult," one European scrap trader said.

With the Northern Hemisphere summer slowdown looming, actual end-user business will dwindle at a time of rising inventories. LME stocks currently stand at 621,175 tonnes, not far off levels not seen since 2003, despite recent drawdowns and more to come.

"Metal is just moving from one warehouse to another now - it is not real demand and it is not as if there isn't going to be enough copper if you need it in the next few months," the trader said.

On the supply/demand side the global refined market is expected to register surpluses of 137,000 tonnes and 431,000 tonnes respectively for 2013 and 2014, the International Wrought Copper Council (IWCC) said last week.

As well, going into the summer the wider macro-economic outlook is challenging - last week on the data side nearly all global PMIs suggested that economic growth prospects are patchy.

"Six months ago in Barcelona (BIR), we thought things would be better a year down the road. At the start of this year we thought much the same. Now, I'm not so sure, and you can tell by the numbers here this week - they are down a couple of hundred," an Asian-based recycler said.

Much of the movement in copper prices over the last few months has been generated by investment money, but this risk appetite is now being directed towards booming equity markets, leaving commodities looking vulnerable.

In copper's case the market's downside technical cushion stretches down to \$7,200, the previous ceiling of a \$400 range.

But if prices fall below \$6,800, there is likely to be a test of the April lows of \$6,762.25, which were the weakest since mid-2010.

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