

May be reproduced freely. Citation of source is appreciated.

1 August 2008

WORLD COPPER MARKET REVIEW

(Week of 28 July-1 August)

Copper prices at the London Metal Exchange (LME) averaged 381.655 ¢/lb. in July, up 1.9 percent month-on-month. Total exchange inventories rose 20 kMT (12.1 percent) following deliveries to the LME (19.8 kMT) and Shanghai (4.4 kMT). These were offset slightly by a 4.2 kMT drawdown from COMEX.

Prices trended downward through mid-week, then rebounded to about 374 ¢/lb. on Thursday to close the week at 367.228 ¢/lb., down 0.8 percent over the previous Friday. Prices moderated early in the week as the U.S. dollar gained 0.7 percent over the euro following improved economic and financial news from the U.S. Chief among these was a consumer confidence index for July of 51.9, above the 50-point mark markets expected and a definite improvement over last month, which had returned the lowest reading of the past decade.

Strong inventory growth came mostly from the LME, driven by the customary reduced demand caused by the northern summer season. However, new reports on physical market fundamentals released this week point to ongoing tightness as the supply continues its unexpected slide and markets expect Chinese activity and associated demand to bounce back before long.

Thursday's rebound was largely a reaction to statements by spokesmen for the strikebound Cananea mine, who said that production losses total 190 kMTF and that no end to the walkout is in sight. Cananea mineworkers walked off the job in July 30, 2007 over improved working conditions and contract renegotiation.

Markets expect continued high metal prices after Chinese leaders held a meeting on economic policy for H2 in which they expressed more concern over a potential slowdown than inflationary pressures. As it focuses on maintaining high growth, markets expect China to hold the line on interest rates and move to alleviate the energy shortage.

In Chile news, Codelco said that over the next decade it plans to spend US\$13 billion on 41 new projects and prospects, including the Ministro Hales deposit and Phase II of planned expansion of its Andina Division. Codelco also said that it expects a new life-of-mine level at its El Teniente facility to be completed by 2017 and underground development of the Chuquicamata mine to commence in 2018.

Metal Exchange Inventories

Exchange inventories rose 3.4 percent to 187 kMT or 3,7 days' consumption. In spite of strong deliveries in recent weeks, inventory levels remain among the lowest of the past 18 years, reflecting extremely tight market conditions.

Some 11 kMT of cathodes were delivered to LME warehouses in Rotterdam, Europe's leading port of entry. As metal exchanges at the start of H2 remain sluggish due to the northern summer, inventory rises are to be expected. Cancelled warrants -a leading LME drawdown indicator- rose 14.2 kMT (9.8 percent), which does not suggest significant drawdowns going forward.

Inventory drops came mostly from Shanghai (SHFE), which was down 10.3 percent, mostly on account of import reductions announced the previous week.

Inventories at COMEX were down for the fourth consecutive week, sliding to just 5 kMT. Still, non-warranted levels dropped to 353 MT, providing few chances of significant drawdowns.

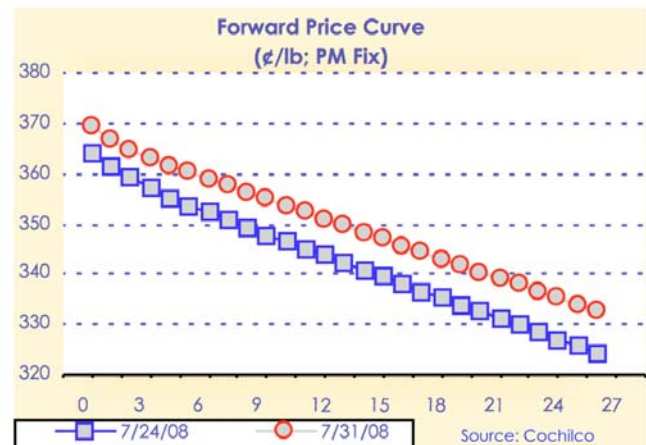
Metal Exchange Activity

Trading was on the quiet side through Thursday, when players again took long positions. Backwardation (negative spread between three-months and cash prices) closed at 190 ¢/lb. as inventory increases suggested a slightly more comfortable market.

Exchange Inventories (Metric Tons, Weekly Closings)

Market	Final	± MT	± %
Asia	85,875	(450)	(0.5%)
Dubai	25	+0	
South Korea	70,975	(700)	
Malaysia	2,675	+0	
Singapore	12,200	+250	
United States	28,875	+2,500	+9.5%
Baltimore	-	+0	
Chicago	-	+0	
California	-	+0	
Mobile	11,050	+400	
New Orleans	3,200	+325	
St. Louis	14,625	+1,775	
Europe	29,900	+9,125	+43.9%
Germany	3,900	+2,875	
Belgium	2,025	+1,025	
Spain	3,925	(100)	
The Netherlands	9,325	+5,275	
Italy	7,700	+50	
United Kingdom	3,025	+0	
Sweden	-	+0	
TOTAL LME	144,650	+11,175	+8.4%
COMEX	5,736	(726)	(11.2%)
SHFE	36,839	(4,251)	(10.3%)
TOTAL	187,225	+6,198	+3.4%

N.B.: LME data to 8/1/2008; COMEX & SHFE data to 7/31/2008



Price	¢/lb.	± %
Spot	369.202	-2.1%
3 Mos.	360.443	-1.9%
3 Mos. - Spot	-8.759	-10.4%

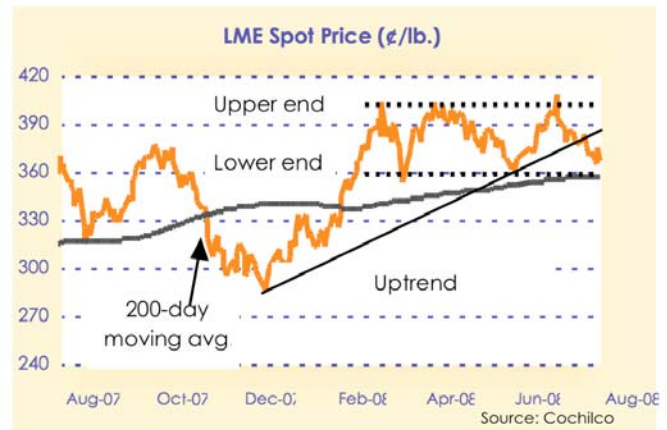
(backwardation)

Technical Analysis

The price of copper continued to fall for the fifth consecutive week, losing a combined 41.3 ¢/lb. (10.5 percent) since the 407.553 ¢/lb. high it hit nearly a month ago. This trend, driven by financial factors and reduced seasonal demand, has pushed prices closer to their current lower end (see chart) near the 200-day moving average.

Short-term indicators are consistent with a fall in prices and further losses are still possible. Medium-term prospects, on the other hand, should remain stable.

Our forecast remains contingent on financial market, economic, and industry developments. Expected next week are the conclusions of the regular interest rates meetings of both the European Central Bank and the U.S. Federal Reserve.



Expected Price Trends for the Coming Week

Short Term (ST)	Down
Medium Term (MT)	Stable

LME Daily Copper Prices (¢/lb.)

Date	Price
28 July	371.492
29 July	367.228
30 July	365.369
31 July	374.690
1 August	367.228

Month	2006	2007	2008
January	214.746	257.171	320.283
February	225.998	257.479	357.780
March	231.461	292.680	382.800
April	289.745	352.281	393.942
May	364.954	348.457	380.235
June	326.478	339.100	374.694
July	349.815	361.691	381.655
August	349.069	340.807	367.228 ⁽¹⁾
Annual Average	305.295	323.246	369.920 ⁽¹⁾

(1) Average to 1 August 2008.