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Copper Has Longest Bull Streak Since October

By Nicholas Larkin - Mar 2, 2012

Copper traders are bullish for a fourth consecutive week, the longest streak since October, as manufacturing strengthens from [China](#) to the U.S. and stockpiles decline to the lowest in more than two years.

Thirteen of 29 analysts surveyed by Bloomberg expect the metal to gain next week and six were neutral. Inventories tracked by the London Metal Exchange fell to 289,000 metric tons today, the lowest since August 2009, and orders to withdraw more metal are at an almost eight-year high, bourse data show.

Manufacturing from China to the U.S. is expanding as the American recovery strengthens and European leaders work to contain the region's debt crisis. That's boosting demand for raw materials from consumers and investors, with [Barclays Capital](#) predicting a third consecutive annual shortage in global copper supplies in 2012. Commodities beat stocks, bonds and the dollar for the first time since July last month.

"People feel that the U.S. is on a gradually improving trend and overall the tone is better," said Carole Ferguson, an analyst at Fairfax IS in [London](#). "If you get a demand-led story in copper then it can rally again. It's supported by the long-term supply and demand picture."

Copper rose 13 percent to \$8,585 a ton this year on the LME, the best start to a year since 2008. The Standard & Poor's GSCI gauge of 24 commodities climbed 9.1 percent and MSCI All-Country World [Index \(MXWD\)](#) of equities advanced 11 percent. Treasuries lost 0.5 percent, a Bank of America Corp. [index \(MXWD\)](#) shows.

Manufacturing Gains

China's manufacturing expanded for a third month and at a faster pace in February, the statistics bureau and logistics federation said yesterday. An Indian purchasing managers' index released by HSBC Holdings Plc and Markit Economics was near an eight-month high. A U.S. factory index showed growth last month, the [Institute for Supply Management](#) said yesterday. China consumes about 40 percent of the world's copper and North America accounts for 11 percent of demand.

Investors are increasing bets on higher prices on mounting confidence the world will skirt another recession. About \$300 million was added to wagers on industrial metals in January, taking the total across commodities to \$3.7 billion, Barclays said in a Feb. 29

report. [Open interest](#), or contracts outstanding, across 24 commodities tracked by Bloomberg rose 3.3 percent last month, extending a 9.3 percent advance in January, the first back-to-back monthly gains in a year.

Copper consumption will outpace supply by 376,000 tons this year and there will be another shortage in 2013, Barclays predicts. London-based [Rio Tinto Group \(RIO\)](#), the world's third- biggest mining company, said Feb. 9 its mined copper output fell 23 percent last year because of lower ore grades.

ECB Loans

Slower growth in [Europe](#) may curb manufacturing and weaken construction, which accounts for about 40 percent of copper demand, according to the Copper Development Association. Euro- area manufacturing shrank for a seventh month in February, London-based Markit Economics said yesterday. The [European Central Bank](#) awarded 529.5 billion euros (\$706 billion) in three-year loans to 800 European banks on Feb. 29, after supplying 489 billion euros to 523 institutions on Dec. 21.

There's "less enthusiasm associated with the European longer-term refinancing operation," said [Bart Melek](#), the head of commodity strategy at TD Securities Inc. in Toronto. "Copper should correct next week as prices are likely higher than the fundamentals imply."

Bernanke Comments

Copper slid 1.2 percent on Feb. 29 after Federal Reserve Chairman [Ben S. Bernanke](#) gave no signal that the central bank will take new steps to boost liquidity. He described "positive developments" in the job market while saying it's still "far from normal" in testimony to lawmakers. Signs that growth prospects are improving in China may mean the government there will refrain from more monetary easing.

[Hedge funds](#) and other money managers cut [bets](#) on higher copper prices by 11 percent to 13,260 futures and options in the week ended Feb. 21, the first decline in six weeks, Commodity Futures Trading Commission data show. Speculators held wagers the week before at the highest level since August.

The metal's 14-day [relative-strength index](#) is at 57.8. A level of 70 indicates to some analysts who study technical charts that a drop in prices may be imminent and a figure of 30 suggests a rebound may be due.

Gold Survey

Twenty-one of 32 traders and analysts surveyed by Bloomberg expect gold to gain next week. Futures on the Comex in [New York](#) plunged 4.3 percent to \$1,711.30 an ounce on Feb. 29, and gained 9.2 percent this year. It is in the 12th year of a [bull market](#) and

holdings in gold-backed exchange-traded products stand at a record 2,404.2 tons, data compiled by Bloomberg show.

Eight of 13 people surveyed expect raw-sugar prices to decline next week. The commodity climbed 7.2 percent this year to 24.98 cents a pound on ICE Futures U.S. in New York.

Fourteen of 22 people surveyed anticipate higher corn prices next week, while the same amount said soybeans will climb. Corn rose 0.9 percent to \$6.525 a bushel this year as soybeans advanced 10 percent to \$13.295 a bushel.

“With the second LTRO completed and considering Bernanke’s comments, monetary policy will in all likelihood become less of an immediate market driver going forward,” said [Michael Widmer](#), the head of metals research at Bank of America Merrill Lynch in London. “The extent to which the rebound in the U.S. can be sustained may have more of an influence.”

Gold survey results: Bullish: 21 Bearish: 8 Hold: 3

Copper survey results: Bullish: 13 Bearish: 10 Hold: 6

Corn survey results: Bullish: 14 Bearish: 5 Hold: 3

Soybean survey results: Bullish: 14 Bearish: 6 Hold: 2

Raw sugar survey results: Bullish: 4 Bearish: 8 Hold: 1

White sugar survey results: Bullish: 4 Bearish: 7 Hold: 2

White sugar premium results: Widen: 5 Narrow: 5 Neutral: 3

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