Metals Newsletter

Energy Cables Sector (Inc. Super-Tension Cables and Power Cable Accessories)
Communication Cables Sector, Winding Wires Sector
Health and Safety and Environmental Committees
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Economic Indicators and Comment:

The OECD's composite leading indicators (CLIs), point to stable growth momentum in the OECD area as a whole as well as in Japan, Germany and the UK. The outlook is also for stable growth momentum in India. In the euro area, growth momentum continues to strengthen, particularly in France and Italy. Signs of easing growth momentum are emerging in the U.S., although these may reflect transitory factors. The CLIs continue to point to easing growth in Canada and China and to a loss in growth momentum in Brazil and Russia.

U.S. GDP contracted at a 0.7% annual rate during the first three months of the year, according to the 'second' estimate issued by the Commerce Department - the agency's initial estimate had shown a 0.2% growth. The economy has now contracted in three separate quarters since the recession ended in mid-2009. A harsh weather, a strong dollar and a labor dispute at West Coast ports appeared to be the biggest influences. Economists expect the economy to bounce back this spring in line with the roughly 2% overall pace of recent years. Annualized growth of between 2% and 3% during the current quarter is expected. Some of the strongest headwinds are tied to economic woes around the globe, including the U.S.'s biggest trading partners - the Canadian economy unexpectedly contracted at a 0.6% in the first quarter while Mexico recently dropped its forecast for growth this year. The stronger dollar has also impeded exports - the report showed that U.S. exports of goods fell by the most since early 2009.

Meanwhile, a plunge in energy-related drilling and sluggish manufacturing saw U.S. industrial output down for a fifth straight month in April. Overall industrial production slid 0.3% in April after a drop of the same size in March, the Federal Reserve said. The figures suggest that weakness in manufacturing and mining is weighing heavily on the economy.

India's GDP grew at 7.5% during the January-March period, faster than China's 7% in the same period, mainly on account of improvement in services and manufacturing sectors. For the full year 2014 the growth was 7.3%. The Chinese GDP expanded 7.5 % in 2014.

Economic recovery in the Eurozone accelerated in the first quarter by 0.4%, improving on the fourth quarter of 2014 when GDP increased by 0.3%. It was the fastest rate of growth in almost two years, boosted by a return to growth in France and Italy. The French economy beat expectations, expanding by 0.6% in the first quarter following zero growth in the previous quarter. Italy also returned to growth with GDP expanding by 0.3% and Spain was a star performer, growing by 0.9%. The German economy grew by 0.3%.

Eurozone industrial output unexpectedly fell in March on the year for the first time since August. Output dipped 0.1% from the previous year and 0.3% from February due to the steepest drop in energy production in nearly five years, Eurostat said. Weak energy output was partly due to a mild winter. Analysts polled by Reuters had expected a 1% rise in industrial production.

The Office for National Statistics reported its second estimate of first quarter UK GDP growth at 0.3% - unchanged from its first estimate - dashing market expectations of a further modest improvement of up to 0.4%. The figure marks a slowdown from the previous quarter's 0.6% growth and means GDP for the year is expected at 2.4%. The ONS also confirmed that UK GDP grew by 2.8% in 2014, compared with 2013. The revised figures show that the industrial sector grew by 0.1%, rather than shrinking by 0.1% while construction only contracted by 1.1% rather than the 1.6% previously indicated. These improvements were wiped out by the downward revision to the services sector from 0.5% to 0.4%.

Companies:

General Cable Corporation reported its results for the first quarter ended April 3, 2015. Volume in the Company's core operations increased 3% year over year principally due to demand for electric utility distribution cables and rod and strip products in North America. Adjusted operating income for the first quarter of 2015 of $48 million was up $27 million from the first quarter of 2014. The year over year improvement in adjusted operating income principally reflects the strong performance of the Company's European submarine turnkey project business and the benefit of restructuring initiatives, which more than offset the impact of selling higher weighted average cost inventory into a lower metal price environment.

Aurubis, the European copper producer and fabricator, reported an increase in its operating pre-tax profit in the first half of its 2014-15 fiscal year (October-September) helped by robust business and a €50 million euro one-off gain related to low precious metal inventories. Aurubis generated operating earnings before taxes of €180 million ($201 million) in H1 compared with €27 million a year earlier. Primary copper cathode output rose 4.7% on the year to 472,000t in the first half of while cathode from its recycling division was flat on the year at 95,000t. Copper rod production at 363,000t was up 1.4% on the corresponding 6 months of the previous financial year while second quarter production at 200,000t was down 1%. Commenting on the performance, the company said that demand for copper during the second quarter of 2014-15 was restrained and lacked "fundamental momentum and direction" due to the slowing economic momentum in China which outweighed the improved economic situation in the US and the Eurozone. The company reported a downtrend in European copper premiums, describing the European physical copper market as "very downbeat". The company expects the premium level to soften towards the end of the fiscal year.

Rusal, Russia's biggest aluminium producer, said profit rose almost 11% in the first quarter as an increase in sales volume and the rouble's depreciation countered weaker prices. Adjusted earnings before interest, taxes, depreciation and amortization climbed to $721 million from $651 million the previous quarter, the company said in a statement. Revenue fell 0.8% to US$2.48 billion. Net income totalled US$572 million in the quarter, compared with a net loss of US$102 million in the previous three months. Net cash flow from operating activities was US$612 million, the company said. That compares with US$1.4 billion net cash from operations for the whole of 2014. "The key factors driving our results were our supply discipline and cost control, strongly supported by local currency depreciation," Chief Executive Officer Vladislav Soloviev said

Market Commentary and News:

The International Wrought Copper Council (IWCC) has forecast a refined copper surplus of 225,000t in 2015 and a 300,000t surplus in 2016. It forecast 2015 global copper mine production to rise 3.8% year-on-year to 19.001 million tonnes, and rise 6.0% in 2016 to 20.139 million tonnes. The IWCC sees 2015 refined copper production rising 2.2% from 2014 levels to 22.059 million tonnes, it said. It expects 2016 global refined production to rise to 22.825 million tonnes. Global refined copper demand in 2015 is expected to increase by 1.8% to 21.831 million tonnes, while for 2016 the forecast is for a 3.2% rise to 22.522 million tonnes. China will continue to be the main demand driver for the metal and the second half of 2015 is expected to be stronger than the first half. The IWCC forecasts Chinese real demand for refined copper in 2015 to increase by 4.1% year-on-year to 10.150 million tonnes. In 2016, China's demand for refined copper is expected to rise 5.2% to 10.681 million tonnes. IWCC said Japan's refined copper demand in both 2015 and 2016 might increase by less than 1% in each of these two years. It expects U.S. demand for refined copper in 2015 to increase by 1.7% to 1.84 million tonnes with a further increase of 2.2% forecast for 2016. Demand for refined copper in the EU28 in 2015 is expected to increase by 1.8% to 3.081 million tonnes but expects little change in 2016.

The global refined copper market showed an apparent production surplus of 120,000t in February, according to data released by the International Copper Study Group. When making seasonal adjustments, February showed a production surplus of around 80,000t, the research group said. The refined copper balance for the first two months of 2015 indicates a production surplus of 153,000t, (or a seasonally adjusted surplus of 115,000t) compared with a production deficit of 148,000t (or seasonally adjusted deficit of 193,000t) for the same period of 2014. In the first two months of the year, world apparent usage is estimated to have declined about 3.5%, or 130,000t, compared with that in the same period of 2014. World mine production is estimated to have increased by around 2% (65,000 mt) in the first two months of 2015 compared with production in the same period of 2014. World refined production is estimated to have risen by about 5% (170,000t) in the first two months of 2015 compared with refined production in the same period of 2014.

GFMS, a division of Thomson Reuters, stated that global copper production rose 3% year-on-year in the first quarter despite disruptions at mines. Problems at some mines in Chile have led some analysts to scale back expectations for a surplus this year. The largest gains were recorded in the DRC (Democratic Republic of Congo) and Indonesia, the United States and Chile," GFMS, maintains that global copper output will grow 3% in 2015 and that the global market will have a supply-demand surplus of close to 400,000t.

Reuters published the results of a recent survey of market traders' and participants' forecasts of copper prices and market balances. The results showed:-

LME Copper - US$/t		
	2015	2016
High	6520	7600
Low	5542	5825
Mean	6130	6541

Market Balance - tonnes		
	2015	2016
High	+126,188	+207,597
Low	+13,000	-16,500
Mean	+166,211	+188,829

Chile exported 1.455 million tonnes of copper during the first quarter, up 4% from 1.395 million tonnes in the previous year's quarter, Chilean Copper Commission data showed. Exports of refined copper rose 18.5% to 673,400t from 568,100t a year earlier, while exports of concentrates fell 12% to 632,000t from 720,600t in 2014. China was the largest market, accounting for 38.2% of the total, followed by Japan (12.1%). India (8.4%) has overtaken South Korea (8.3%) and the US (8.2%) as Chile's third biggest market for the red metal.

At the end of May, Peru declared a state of emergency in the coastal province of Islay after two months of protests of the construction of Southern Copper Corp.'s Tia Maria copper mine claimed a fourth life. Farmers in Islay began street protests in March, saying Southern Copper's proposed US$1.4 billion project would cause air and water pollution.

Higher demand has narrowed China's refined copper surplus to an estimated 130,000t in March, down from 160,000t in February, Chinese consultancy Beijing Antaike said. It estimated China's March copper consumption at 730,000t, up 12% from February. China produced an estimated 610,000t of refined copper in March, up 7% from February, the report said. It put China's net refined copper imports at 250,000t in March, up 4% from February. Traders report that China's buyers of refined copper have reduced purchases of spot metal after domestic prices rose near 4% and local demand is not expected to rise strongly in the near term amid a slow economy. Traders said lower purchases of spot refined copper in the domestic market were adding pressure on already sluggish demand for imports. The slow domestic economy has cut orders to factories this year such as cable and copper plate manufacturers and the seasonal demand in the second quarter is expected to be moderate this year versus last year. Copper stocks in bonded warehouses in Shanghai are still plentiful after Chinese importers failed to sell their term shipments into the domestic market, said traders. Bonded copper stocks in Shanghai stood at around 500,000-550,000t last week, traders estimated, compared with less than 500,000 tonnes in January 2015. Chinese copper imports for the first four months of the year were 1.35 million tonnes, down almost 15% from a year ago.

China exported 1.07 million mt of mostly semi-finished aluminium products in the first quarter of this year, representing a year-on-year increase of 353,000t.The removal of a 13% export tax on May 1st and the consideration of further tariff reductions would suggest that Beijing has no intention of reining in this overcapacity but rather is setting course to support domestic producers as domestic demand slows.

Russian aluminium and copper exports to countries outside the Commonwealth of Independent States (CIS) increased by volume in the first three months of 2015, official customs data showed. The Federal Customs Service gave the following data for Russian aluminium and copper export tonnes:

	Jan - Mar 2015	Jan - Mar 2014
Aluminium:		
Total	911,300	639,300
Non CIS	899,000	624,300
CIS	12,300	15,000
Copper:		
Total	110,200	50,000
Non CIS	109,100	48,700
CIS	1,100	1,300

Market traders report that aluminium premiums for physical delivery have fallen in the U.S., down nearly 50% to around US$265/t for deliveries in July. Traders believe this is caused by primary metal is flooding into the U.S., from Canada, Europe, even India while the strong dollar is hindering US producers' ability to export semi-finished and finished products.

A global aluminium producer has offered Japanese buyers third quarter contract premiums at $130/t over LME cash, CIF Japan, which is 66% lower than Q2 premiums of $380/t plus LME cash CIF, sources have reported. A second global producer has offered $160/t over LME cash CIF, two Japanese traders said. Two Japanese buyers said $130/t was not acceptable as they were seeking a larger reduction in the quarterly premiums, of more than 74% or at less than $100/t over LME cash.

Japan's copper cable shipments including sales and exports in April are estimated to have fallen 3.1% from a year earlier to 57,500t, while the actual shipments for March dropped 1.5%, the Japan Electric Wire and Cable Makers' Association said.

The LME Exchange said it has developed a new warehouse receipt system called Sentinel which it intends to roll out globally and that could help advance its long held ambition to open warehouses in mainland China. This system will make the whole process of warehouse storage, the audit and trailing of warehouse receipts much easier to understand and much more useful, the LME said. The new system should help free up liquidity by increasing confidence in the sector and could help the LME's push to open mainland warehouses as part of its strategy of expanding into China.

LME warehousing company Henry Bath will open facilities in the Shanghai Free Trade Zone, the company said. As a bonded warehouse operator in the Shanghai area, the move is a "major milestone" for Henry Bath, it added. The new facilities will initially be located in the Yangshan area of the Shanghai Free Trade Zone, with direct links to the ports areas of Yangshan and Waigaoqiao.

Elsewhere, a joint warehousing venture by Impala, part of global trader Trafigura, and Chinese state-owned conglomerate CITIC is preparing to open domestic storage for metals and concentrates in China.

China will allow companies owned by the central government to trade overseas derivatives without having to seek approval in advance from the state assets regulator, according to sources with knowledge of the matter. The move would encourage more large Chinese companies to trade in global derivatives markets, marking a significant step after years of strict controls. The state assets regulator would also support these companies in obtaining foreign exchange quotas needed to conduct such business from the State Administration of Foreign Exchange, according to the sources.

LME Commentary

LME copper and primary aluminium cash prices in May failed to sustain the rallies seen in April as they fell sharply from the year’s highs at the start of the month. Indeed the aluminium price achieved a rare feat in May, hitting both the high and the low for the year in the space of just over 3 weeks.

The USD aluminium cash price hit the year’s high at $1919.00/t on May 1st while GBP copper prices hit the year’s high of £4240.26/t four days later. This continued the rally seen in April which was based on signs that copper supplies are tightening, speculation that demand from China will rebound and improved global GDP growth rates.

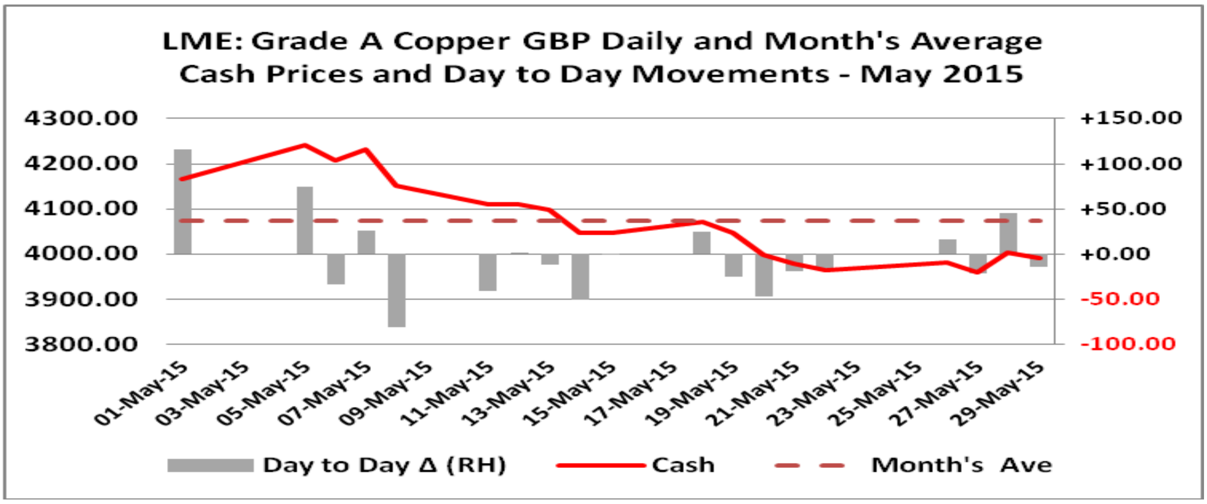
By mid month however, copper had fallen below £4000/t while aluminium traded below $1750/t as Chinese funds appeared to be re-establishing short positions. It is reported that Chinese investment funds expect the price of most base metals to move in a narrow range for much of this year and so see little incentive in backing them, preferring to put money into local equities instead.

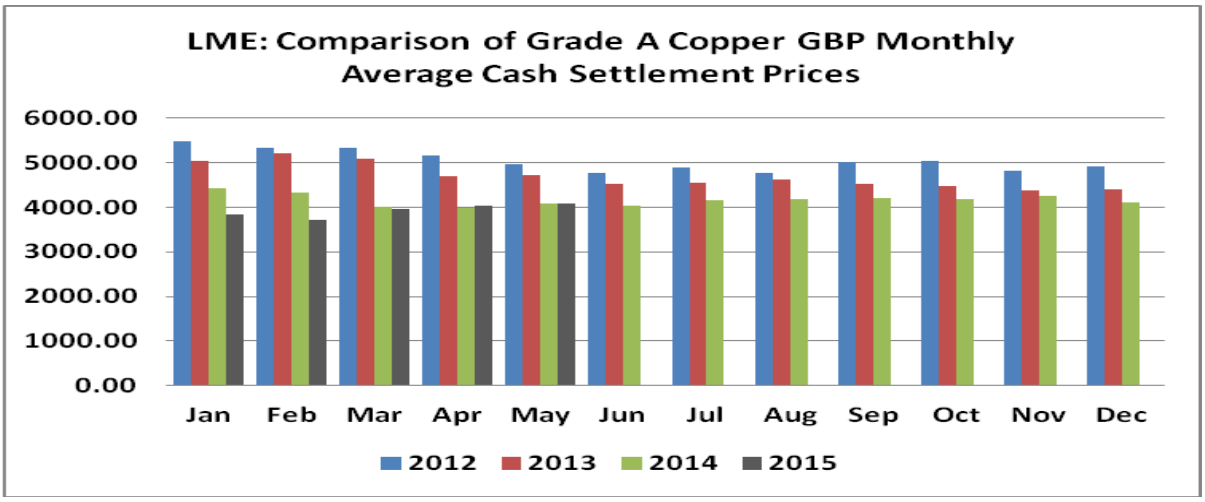
By month end copper had traded down to £3959.01/t, its lowest since mid April as Chinese data showed imports were 15% down year on year and there was evidence of abundant physical supply elsewhere, despite the fall in LME stocks. The month’s average cash price at £4073.87/t however, represents a further improvement on the last 4 months’ averages and was the highest since December 2014.

The aluminium cash price dropped down to $1699.50/t on May 27th, the lowest since March 2014 and closed at $1705.50/t, a loss of 11% on the month’s opening price - the biggest monthly drop since October 2012. This weakness was based on continued worries about output from China swamping the global market - data showed Chinese output rose to 2.59 million tonnes in April - greater physical availability and a rapid decline in global premiums.

LME Statistics and Charts: May 2015:

	Copper			Aluminium		
	Cash £/t	3M £/t	Stocks	Cash $/t	Stocks	USD:GBP
Opening	4,166.07	4,164.21	339,625	1919.00	3,814,825	1.5271
Average	4,073.87	4,076.11		1805.11		1.5468
High	4,240.26	4,241.74		1919.00		1.5809
Low	3,959.01	3,955.79		1699.50		1.5117
Range	281.25	285.95		219.50		
Closing	3989.84	3996.72	320,950	1705.50	3,723,950	1.5260
Opening:Closing Δ	-176.23	-167.49	-18,675	-213.50	-90,875	
Opening:Closing Δ %	-4.23	-4.02	-5.50	-11.13	-2.38	





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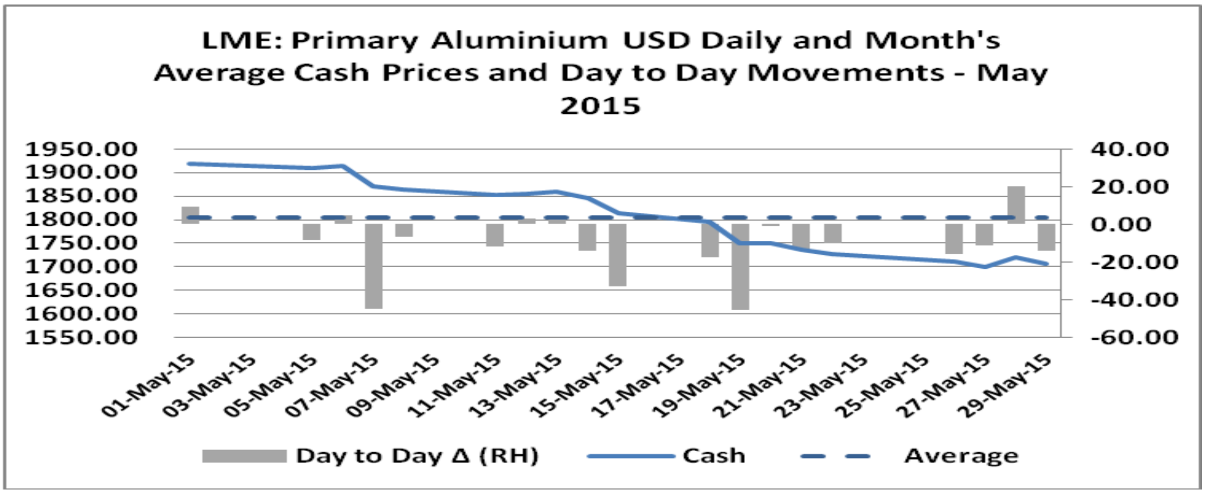

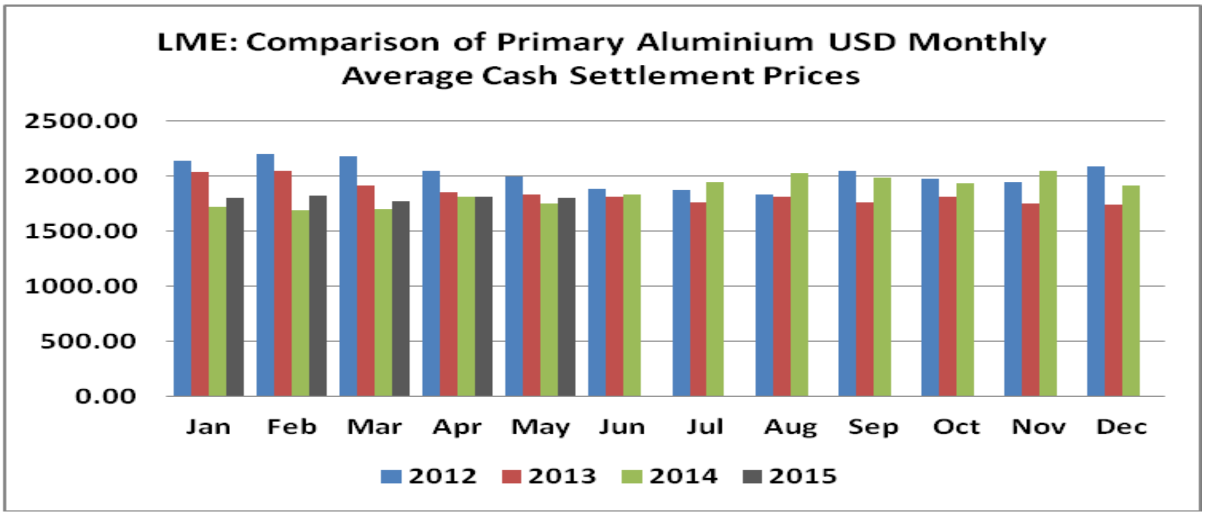

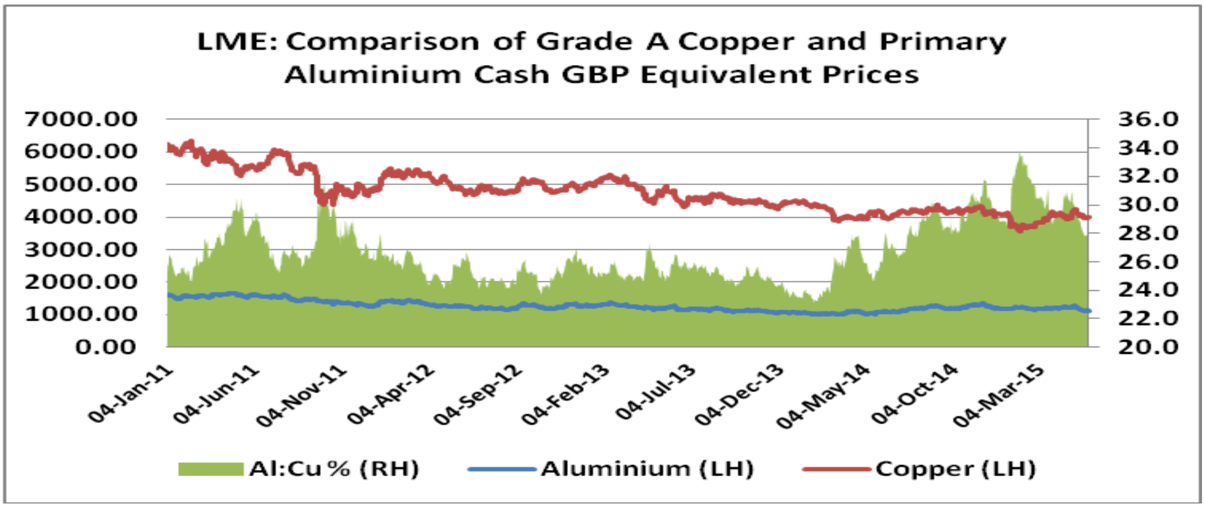

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