

Copper in record territory

Surging world demand, speculators lead to first closing price above \$4

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David Johnson, senior geologist and president of Bronco Creek Exploration Inc., searches for signs of copper on a section of Bureau of Land Management land just south of the Silver Bell mine, west of Marana, where his company is leasing mineral rights. Surging copper prices have encouraged such exploration.

Kelly Presnell / Arizona Daily Star 2008

NEW YORK — Copper rose to a record close Wednesday as investor demand for metals, energy and agricultural products extended the rally in raw-materials prices.

Copper closed at \$4 a pound for the first time ever. Earlier, futures for May delivery touched \$4.022 a pound on the New York Mercantile Exchange's Comex division, approaching the record of \$4.04 set in May 2006. Commodities surged the most in weeks Wednesday, with crude oil and corn reaching records, as traders snapped up futures as a hedge against inflation.

A "tidal wave" of \$70 billion has poured into commodity markets this year from hedge funds and other investors, Citigroup Inc. said in a report this week. Copper has gained more than fivefold since 2001 as consumption surged in China, the world's largest metals buyer.

Global copper demand "remains strong and there are challenges to the industry to provide supplies of copper," Richard Adkerson, chief executive officer of Phoenix-based Freeport-McMoRan Copper & Gold Inc., said Wednesday. "To have copper approaching \$4 a pound is remarkable."

Robust global consumption will buoy copper, Adkerson said in a Bloomberg Television interview. Freeport is the world's biggest publicly traded copper producer.

"We see a very strong market," said Bret Clayton, chief executive officer of Rio Tinto Group's copper division. "We are in a very finely balanced market, with very low stock levels."

Copper supplies may fall short of demand this year, Clayton said in an interview in Santiago, Chile, Wednesday. He said China's copper consumption may grow as much as 10 percent this year. Citigroup estimates China accounts for 24 percent of copper consumption.

Physical demand, not speculative investment, is driving copper prices, Clayton said. Rio Tinto is the world's third- largest mining company.

Still, some analysts have expressed concern over the role investors have played in copper's rise this year.

Speculators, not physical supply or demand issues, were the driving force behind copper's rally this year, according to Austin Brown, an analyst at the \$3.5 billion hedge fund Touradji Capital Management LP. He commented on the rally last week.

A "buying orgy" in commodities inflated prices and increased the risk of collapse, Touradji founder Paul Touradji said in March.

A commodity "bubble" could be poised to burst, Tobias Levkovich, Citigroup's chief U.S. equity strategist, said last month. The Reuters-Jefferies CRB Index of 19 futures has gained 30 percent in the past 12 months, including a 14 percent rise this year.

A slumping dollar and the prospect of accelerating inflation also boosted the copper price Wednesday.

"Once we get another big break in the dollar, that's when we'll see another good push in copper," said Matthew Zeman, a trader at LaSalle Futures Group Inc. in Chicago. "As the dollar keeps moving lower, copper will" surpass its record.

The dollar has dropped 7.9 percent against the euro this year. The European currency reached a record \$1.5903 March 17.

"The main drivers for copper have been in place for some time," Ron Goodis, a futures trading director at Equidex Brokerage Group Inc. in Closter, New Jersey, said this week. "There's continuing global growth that's been pushing demand. When you combine that with the push from speculators, you have this huge move."