

Situation on the copper market

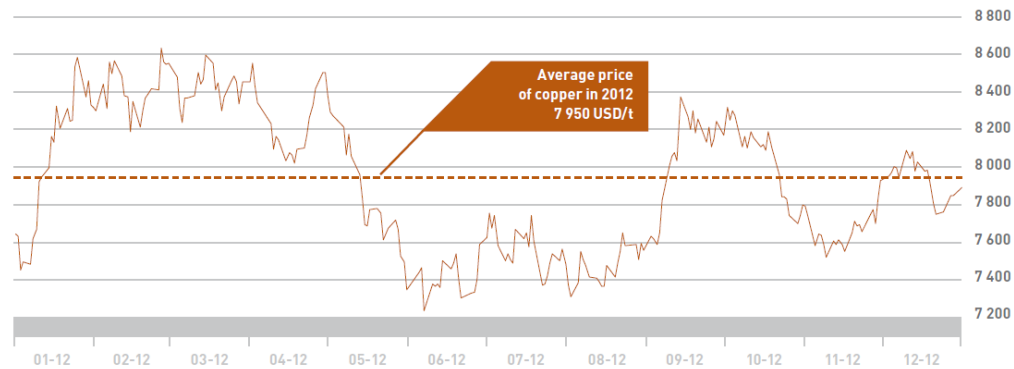
After the record-breaking 2011, the past 12 months saw a drop in the prices on the copper market. The average price of copper in 2012 approximated 7 950 USD/t, 10% down from the previous year.

At the beginning of 2012, prices oscillated around 7 500–7 600 USD/t, close to the price level of the last quarter of 2011. The optimism triggered by a considerable demand for cathodes on the Chinese market and symptoms of the possible growth in consumption in Europe boosted the prices to the level of 8 600 USD/t to 8 700 USD/t at the end of February. Subsequently, in view of building up inventories and a weakening demand in China, the price dropped to 7 200–7 700 USD/t around mid-year. The negative market sentiment was caused by the problems in the Eurozone and the escalation of the crisis in the Greek economy. As of Q3, copper began to respond more actively to macroeconomic data and the information published by the central banks. As a result, the increasingly pessimistic figures reported from the global economy triggered a rise in the prices of copper. In this way, the market tried to discount, at least partially, the growing probability of the launch of economic stimulus packages, especially in the US and in China. In response to the observed slowdown in the economic growth rate, the Chinese Government announced large-scale infrastructural investments in the country. Furthermore, the approval of the European Stability Mechanism (ESM) in the Eurozone and announcement of another round of quantitative easing by the FED supported the recovery of demand on the metals market and drove the price of copper up to the level of 8 100- 8400 USD/t.

In Q4, the copper prices ranged between 7 500 and 8 400 USD/t and were dictated by the developments in the United States (general election and the fiscal cliff), China (changes in the top level national authorities) and Europe (the recurring problem of indebtedness).

It should be noted that after a period of sudden and considerable movements in the prices between 2009 and 2011, 2012 saw reduction in the volatility on the market of raw materials, including copper.

Daily LME copper cash settlement in 2012 (USD/t)



Source: LME, KGHM