

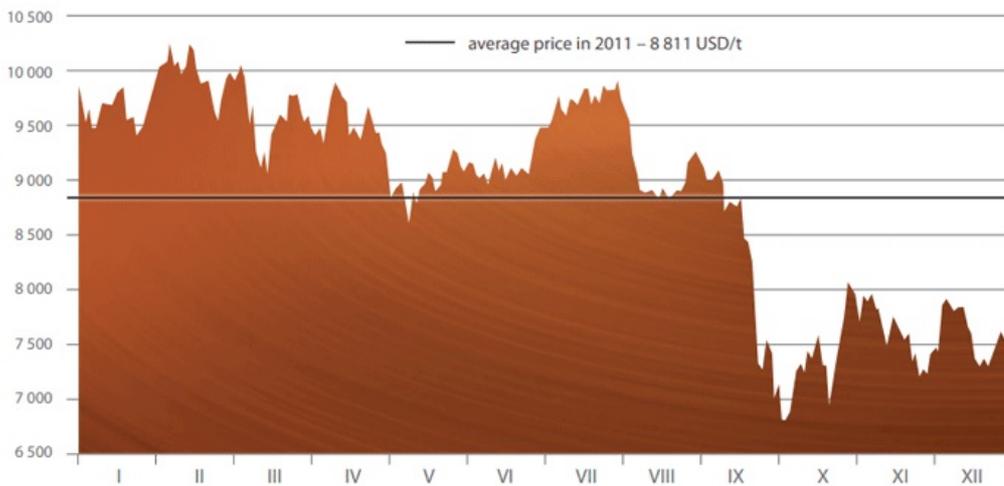
Situation on the copper market

2011 was another year of records on the copper market. The average price of copper in 2011 reached the highest level in history - 8 811 USD/t, or 17% higher than the year before. Specifically, on 14 February the highest daily price in the history of the metal was recorded - 10 179.5 USD/t. Nonetheless, the past year will be remembered not only for high copper prices, but also as a period of high price volatility.

As a result of restricted market supply of the metal, the stable increase in Chinese consumption and several months of stability on the financial markets, from the beginning of the year the price of copper remained at around the 10 000 USD/t level. In mid-March, the tragic events in Japan (earthquake and subsequent tsunami) caused a momentary drop in the copper price, though it quickly recovered to the levels at the start of the year. Investors came to the conclusion that the destruction in Japan will require reconstruction, and consequently the use of a substantial amount of raw materials, including copper. Another test of market strength occurred in May, when Greece came close to bankruptcy. Stock markets and raw materials prices headed downwards, as the market feared a reprisal of 2008, when Lehman Brothers went bankrupt. Fortunately the Greeks, thanks to aid by other European countries, avoided the worst-case scenario, and trust returned to the market, leading to higher prices. In the first half of the year the average copper price was nearly 9 400 USD/t.

Copper underwent a real test in September, when over the course of several weeks the copper price fell to around 7 000 USD/t. Another round of fears surrounding indebted countries, this time involving not only Greece, turned out to be much more serious than in May. Germany and France, which had long resisted providing aid to indebted countries, added fuel to the fire. At that point the copper price fell to its lowest level for the year - 6 721.5 USD/t, and subsequently stabilised towards the end of the year around 7 500 USD/t.

Daily LME copper cash settlement (USD/t)



Copper warehouse inventories, 2000-2011

