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Copper Rises to Five-Month High as Stocks Shrink for 30th Week
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By Anna Stablum

Sept. 17 (Bloomberg) -- Copper rose in New York and London to the highest price in almost five months as inventories of metal shrank for a 30th week in a row.

Stockpiles of copper tracked by the London Metal Exchange dropped to the lowest level in more than 10 months. Orders to draw metal from inventories posted the biggest weekly jump in four weeks. Goldman Sachs Group Inc. said copper is among raw materials it expects "to break out to the upside in coming months."

"The market is increasingly aware of fundamental tightness in copper," said Tom Kendall, an analyst at Credit Suisse Group AG in London. "Stocks keep being drawn down."

Copper for delivery in December gained 4.05 cents, or 1.2 percent, to \$3.534 a pound at 7:53 a.m. on the Comex in New York. The most-active contract touched \$3.5525, the highest price since April 26, and is up 3.7 percent this week, on course for the biggest weekly advance since July.

Supply deficits probably will "quickly deplete" stocks over the coming year, Goldman Sachs analysts including Jeffrey Currie said in a report. U.S. and Chinese government policies aimed at spurring growth will combine with "exceptionally high" demand in emerging markets, the bank said.

Copper for delivery in three months rose 0.9 percent to \$7,769 a metric ton on the LME. Among other main LME metals, tin gained for a ninth day in a row.

Inventories Shrink

LME copper stockpiles fell for a third day to 384,200 tons, the lowest level since Nov. 5, daily exchange figures show. They dropped 1.8 percent this week, the most since the week ended July 16.

Orders to draw copper from LME inventories, or canceled warrants, fell 4.6 percent to 29,775 tons. That pared this week's surge to 43 percent, the biggest since the week ended Aug. 20.

Copper stockpiles monitored by the Shanghai Futures Exchange gained by 200 tons to 98,225 tons this week, the bourse said today.

Cash metal's discount to the three-month contract shrank to \$8.25 a ton today, the narrowest intraday level since Sept. 14, 2009. The so-called contango was at \$10.75 in the prior session, according to LME data.

"Potential strikes in Peru" may aid prices, Credit Suisse's Kendall said. Miners in the country, the second-largest copper producer after Chile, may vote this week to start a national strike to press for better pensions and a greater share of profits, a union leader said Sept. 14.

Tin Advances

Protesters in Peru attempted to seize Xstrata Plc's Tintaya copper mine yesterday after clashes with police left two dead.

Tin for three-month delivery on the LME gained 0.9 percent to \$23,700 a ton after touching \$23,800, the highest intraday price since July 16, 2008. The metal is this year's best LME performer, adding 39 percent, compared with the 27 percent advance by closest rival nickel.

Supply lagged behind demand by 9,900 tons in the first seven months of 2010 after a year-earlier, 9,500-ton surplus, according to the World Bureau of Metal Statistics. Tin, which touched a record \$25,500 a ton in May 2008, has been bolstered by disruptions to production in Congo and Indonesia.

"With problems in the tin-rich province in Congo, there are some fundamental reasons for higher prices," said Barbara Lambrecht, a Commerzbank AG analyst.

LME stockpiles fell for a fourth week to 13,625 tons, taking this year's decline to 49 percent. One party held between 40 percent and 49 percent of the inventory as of Sept. 14, according to the LME.

Nickel, Lead

"There is some risk that market prices are overheating" because of the concentration of stockpile ownership, Lambrecht said.

Nickel rose 0.8 percent to \$23,440 a ton after reaching \$23,570, the highest intraday price since May 10. The market moved into a so-called backwardation for the first time in more than a year on Sept. 14 as immediate-delivery nickel traded at a premium to three-month metal.

Cash nickel traded at a premium of \$8 a ton to the three-month contract today, widening from \$7 in the prior session, according to the latest LME figures. Cash metal was at a discount of \$6 on Sept. 13.

Aluminum advanced 1.4 percent to \$2,196.75 a ton, lead climbed 1.6 percent to \$2,238 a ton and zinc jumped 1.8 percent to \$2,186 a ton.

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