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Copper Advances for a Second Day on Surge in Stockpile Orders  
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By Agnieszka Troszkiewicz

March 23 (Bloomberg) -- Copper rose for a second day in New York as orders to draw metal from inventories jumped the most in 11 months, feeding speculation that demand will outpace supply in 2011.

Canceled warrants, as the orders are known, surged 45 percent, the most since April 21, to 15,525 metric tons, daily London Metal Exchange figures showed today. LME inventories of copper shrank for the first time in six sessions. Prices also gained as figures showed that euro-area industrial orders increased for a fourth month in January.

"We know that copper is in deficit this year," said Andrey Kryuchenkov, an analyst at VTB Capital in London. "In the long run, people remain bullish."

Copper for May delivery added 9.5 cents, or 2.2 percent, to \$4.408 a pound at 8:21 a.m. on the Comex in New York. The metal for three-month delivery climbed 2.1 percent to \$9,691 a ton on the LME. Aluminum reached the highest price since September 2008 as all of the six main metals traded on the LME gained.

Copper demand will exceed supply by 889,000 tons this year, Barclays Capital estimated in a March 15 report. The International Copper Study Group is predicting a 435,000-ton shortfall for refined metal this year, more than the shortage of 306,000 tons in 2010.

#### Inventory Estimate

Stockpiles of copper will fall to a record low in the third quarter as demand outpaces supply and China, the world's biggest consumer of the metal, resumes buying, according to Barclays Capital.

"We think the market is in such a large deficit this year that sometime in the third quarter, copper stocks are going to hit the lowest level they've ever been," Kevin Norrish, a managing director at the bank, told reporters in London yesterday.

Copper inventories tracked by the LME fell for the first time since March 15 today, dropping 200 tons to 434,150 tons. The decline is "helping to push sentiment higher," said Robin Bhar, an analyst at Credit Agricole SA in London.

Industrial orders in the euro area rose 0.1 percent from December, the European Union's statistics office said today. They jumped 21 percent from a year earlier.

Copper, aluminum and zinc are likely to benefit the most from rebuilding work in Japan after this month's earthquake, given their usage for construction and power grids, Standard Chartered Plc said.

#### Japan Rebuilding

"Forward-looking investors have begun to focus on reconstruction activity, which is expected to start generating strong demand for base metals in the next two to three months," the bank said in a report.

Aluminum for three-month delivery on the LME rose as high as \$2,638.50 a ton, the highest price since Sept. 15, 2008, and was last up 0.8 percent at \$2,620 a ton. Prices climbed as oil rose to a two-week high in New York amid concern Libyan exports will remain disrupted.

"Demand for aluminum has been very strong since the financial crisis, probably one of the strongest of the metals," Credit Agricole's Bhar said. "With the higher oil price, that's feeding into fears that costs of production may make some of the smelters, particularly in China, but in Europe and the U.S., uncompetitive."

A single party continued to hold 50 percent to 79 percent of LME copper stocks as of March 21, the exchange's warrant holdings report showed, unchanged from March 18.

Zinc, lead, nickel and tin also advanced in London.

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