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Raw Material Markets

Increasing Uncertainty in the Copper Market

The fall in prices in the international copper markets in connection with the successive resumption of work in the American metal industry did no longer continue during the last weeks. The cash price for wire rods at the London Metal Exchange—which on the peak of the boom caused by the strike at the beginning of March had been £200 to £242 per ton—has since the end of April. The disfavour for forward transactions has meanwhile shrunk from approx. 100 to approx. 50, which indicates that at present direct supply difficulties are no longer apprehended.

The boom in copper prices early this year had its main origin in the strike of the American metal workers, which—only after eight and a half months’ duration—could finally be settled early in April and which caused a production loss of 1.3 to 1.4 million sh.t. Moreover, currency speculations at the beginning of March as well as the escalation of the Vietnam war forced copper prices up. After these factors tending to raise prices had largely lost their influence, the decline in copper prices was nevertheless limited, because it took nearly one month, until production in the USA had again somewhat normalised.

Without the strike in the USA, already in 1967 a production surplus would have arisen in the Western world. But under these circumstances, only outside the USA there was a surplus of ca. 223,000 lgt, 153,000 lgt of which were imported by the USA. The major part of its consumption surplus of 349,000 lgt the USA met by means of stockpile purchases and consumer stocks. As a whole, production in the Western world in 1967 increased by 8.4 per cent to 4.78 million lgt, and consumption—aFFECTED by the trend of economic activity—dropped by 6.7 per cent to 4.91 million.

The uncertainty concerning the further development of copper prices has intensified during the last days, because of the new price policy of the most important producers. Lately, prices for regular buyers are no longer oriented to the forward quotation but to the cash quotation for wire rods. Thus, producers intend to enable themselves to influence the development of copper prices without disturbances by the speculation in futures. For instance in case of a further decline of copper prices due to the growing adjustment of production to consumption, they could effect backings. However, up to now it is rather doubtful, whether they will indeed intervene and—should the case occur—at which price level.

Compiled by the Department for Business Trends Research of the Hamburg Institute for International Economics