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Raw material markets: Increasing uncertainty in the copper market

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Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1967			1968			
	May	August	November	February	May	May 24	June 6
HWWA-Index 1 (1952—1956 = 100)	92.6	90.5	94.2	99.6	95.0	95.6	94.4
Foodstuffs	87.8	83.5	87.9	91.8	90.8	91.2	88.1
Raw materials other than foodstuffs	94.9	93.9	97.3	103.4	97.1	97.7	97.4
Fuels	95.0	95.3	96.5	96.4	96.0	96.0	96.0
Raw materials for consumer goods	91.7	89.7	89.4	92.7	92.4	92.4	92.6
Raw materials for capital goods	96.9	95.2	103.3	117.6	101.3	102.9	102.0
Reuter's Index (16. 9. 1931) = 100	438.6	420.7	456.6	510.9	488.9	494.7	488.8
Moody's Index (31. 12. 1931 = 100)	372.7	367.2	362.8	361.8	364.6	365.4	368.3 *

¹ Index compiled by the Hamburg Institute for International Economics. ² June 6, 1968.

(after 5 per cent in 1967). This underlines the important experience gained in the last months, i.e. that the concussions of the world monetary system hitherto did not impair the international exchange of goods seriously. True, the price for this was another unfavourable development of the balance of payments in the USA

and Britain. In view of the usual delays as regards the carrying through of economic (rehabilitation) measures and their taking effect, this development has not been unexpected. But in the next half year success must become evident or the menacing dangers will grow serious also for the world trade system.

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.

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 820 £/lgt—has been moving between 442 and 482 £/lgt since the end of April. The disagio for forward transactions has meanwhile shrunk from approx. 170 £ to approx. 10 £, 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.

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

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