



[Print](#) | [Close this window](#)

METALS-Copper hits 11-wk high on tight supply

Mon May 19, 2014 4:29am GMT

- * Cash copper trades \$63.50 above benchmark, near 3-mth peak
- * Copper targets 200-day moving average at \$7,050 -analyst
- * Nickel up near 2 pct; consolidation seen -Triland (Adds comment, detail; updates prices)

By Melanie Burton

SYDNEY, May 19 (Reuters) - London copper hit its highest in 11 weeks on Monday as China pledged to quicken the pace of financial reform, supporting growth in demand for commodities as global exchange supplies of the metal dry up.

"It's been an impressive rally from the March lows with a very strong seasonal backdrop to copper ... total inventories are also declining very quickly at the moment," said analyst Mark Keenan at Societe Generale in Singapore.

"The recent fall was clearly viewed by many as a good entry point, and the subsequent rally and technical confirmations along the way just add to that. It's likely it will move up to the 200 MDA (moving day average) around \$7,050," he said.

Three-month copper on the London Metal Exchange was trading up 1.1 percent at \$6,936.50 a tonne by 0344 GMT, erasing small losses from the previous session. Copper earlier hit its highest since March 7 at \$6,954 a tonne, having recovered nearly 10 percent from around 3-year lows marked mid-March.

Copper pushed through its 100-day moving average, a buy signal for traders who use chart-based analysis.

The most-traded August copper contract on the Shanghai Futures Exchange jumped by 1.1 percent to 4,8910 yuan (\$7,800) a tonne.

China will try to quicken the pace of economic reform this year as part of the government's efforts to arrest a slowdown in the world's second-largest economy, the country's top economic planning agency said late on Saturday.

But tempering gains, growth in average new home prices in China slowed to a near one-year low in April, official data showed on Sunday, adding to concerns about the weakness of the property market and what policymakers can do if prices start to fall too sharply.

Construction is the biggest driver for China's copper demand.

Meanwhile, U.S. housing starts jumped in April and building permits hit their highest level in nearly six years, offering hope the troubled housing market could be stabilizing.

Spot supply of physical copper has tightened, with cash LME futures prices reaching their highest against the benchmark since late February CMCU0-3.

Also revealing a pick up in appetite for the metal from investors, speculators raised their net long position in copper in the week to May 13, according to data from the Commodity Futures Trading Commission on Friday.

In other metals, LME nickel climbed 1.9 percent to \$19,388 a tonne, far short of last week's 27-month peak of \$21,625 a tonne, but still up almost 40 percent this year.

In the case of nickel, Indonesia is proving its doubters wrong as the price of the metal soars and Chinese producers starved of raw material begin to ship equipment for processing plants to the Southeast Asian nation.

Still in the near term, prices may be set to consolidate, said London-based broker Triland.

"The \$21,600 price level ... seems unlikely to be revisited anytime soon," it said in a note.

PRICES

Three month LME copper

Most active ShFE copper

Three month LME aluminium

Most active ShFE aluminium

Three month LME zinc

Most active ShFE zinc

Three month LME lead

Most active ShFE lead

Three month LME nickel

Three month LME tin

(\$1 = 6.2334 Chinese Yuan) (Reporting by Melanie Burton; Editing by Richard Pullin and Joseph Radford)

© Thomson Reuters 2014. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.