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MONTHLY COPPER BULLETIN

Jan-2015
05th Feb 2015



2 - 4 March 2015
Dubai World Trade Centre, UAE
Stand: 8A28



OFFICIAL MARKET DATA & PRICE INDICATORS

| DATE | CASH (USD/t) | CASH (EUR/t) | CASH (GBP/t) | WEEKLY AVERAGE (USD/t) | WEEKLY CHANGE % | YEARLY CHANGE % | LME STOCKS (Tonnes) | DEL NOTIZ (€/100Kg) | DEL NOTIZ HIGH |
|-------------------------|----------------|----------------|----------------|------------------------|-----------------|-----------------|---------------------|---------------------|----------------|
| 02.01.2015 | 6309,00 | 5240,47 | 4089,85 | 6383,50 | -1,17% | -0,79% | 177025 | 533,87 | 536,48 |
| 05.01.2015 | 6216,00 | 5223,09 | 4085,44 | 6332,50 | -1,84% | -2,25% | 178425 | 532,74 | 535,42 |
| 06.01.2015 | 6191,00 | 5199,03 | 4074,90 | 6332,50 | -2,23% | -2,64% | 178775 | 531,31 | 533,99 |
| 07.01.2015 | 6170,00 | 5212,91 | 4078,80 | 6332,50 | -2,57% | -2,97% | 178675 | 532,59 | 535,29 |
| 08.01.2015 | 6230,50 | 5290,40 | 4134,65 | 6332,50 | -1,61% | -2,02% | 179225 | 540,10 | 542,81 |
| 09.01.2015 | 6151,00 | 5204,77 | 4064,63 | 6332,50 | -2,87% | -3,27% | 187475 | 531,56 | 534,26 |
| 12.01.2015 | 6131,00 | 5199,29 | 4051,68 | 6191,70 | -0,98% | -3,59% | 187400 | 530,32 | 533,02 |
| 13.01.2015 | 5915,00 | 5021,22 | 3898,37 | 6191,70 | -4,47% | -6,98% | 191325 | 512,31 | 515,02 |
| 14.01.2015 | 5627,00 | 4785,68 | 3706,61 | 6191,70 | -9,12% | -11,51% | 194000 | 489,45 | 492,16 |
| 15.01.2015 | 5719,00 | 4872,63 | 3749,43 | 6191,70 | -7,63% | -10,06% | 198725 | 499,51 | 502,24 |
| 16.01.2015 | 5660,00 | 4883,52 | 3730,80 | 6191,70 | -8,59% | -10,99% | 200400 | 499,38 | 502,13 |
| 19.01.2015 | 5671,00 | 4886,27 | 3744,96 | 5810,40 | -2,40% | -10,82% | 210600 | 500,20 | 502,95 |
| 20.01.2015 | 5760,50 | 4969,80 | 3797,80 | 5810,40 | -0,86% | -9,41% | 216225 | 508,38 | 511,14 |
| 21.01.2015 | 5630,50 | 4858,07 | 3724,61 | 5810,40 | -3,10% | -11,46% | 219450 | 497,30 | 500,05 |
| 22.01.2015 | 5742,00 | 4936,38 | 3779,12 | 5810,40 | -1,18% | -9,70% | 225375 | 504,68 | 507,43 |
| 23.01.2015 | 5581,00 | 4988,83 | 3727,38 | 5810,40 | -3,95% | -12,23% | 235150 | 510,61 | 513,47 |
| 26.01.2015 | 5490,00 | 4881,74 | 3657,32 | 5677,00 | -3,29% | -13,67% | 236850 | 500,30 | 503,14 |
| 27.01.2015 | 5557,00 | 4917,26 | 3675,02 | 5677,00 | -2,11% | -12,61% | 238225 | 503,85 | 506,68 |
| 28.01.2015 | 5485,50 | 4831,34 | 3609,36 | 5677,00 | -3,37% | -13,74% | 244675 | 493,94 | 496,74 |
| 29.01.2015 | 5390,50 | 4771,20 | 3563,73 | 5677,00 | -5,05% | -15,23% | 247450 | 487,66 | 490,48 |
| 30.01.2015 | 5505,00 | 4869,10 | 3658,05 | 5677,00 | -3,03% | -13,43% | 248125 | 496,49 | 499,30 |
| MONTHLY AVERAGES | 5815,83 | 5002,05 | 3838,21 | | | | | 511,26 | 514,01 |



MARKET COMMENTARY

Copper prices retreated by 13% in January and lost a whopping \$700/ton at one point over a two-day period. The selloff was attributable to reports of put accumulation and heavy selling by Chinese funds, along with indications of a growing Chinese slowdown. The forecast from an investment bank calling for a \$5700 low for 2015 was promptly blown out of the water and analysts must now be zeroing in on lower numbers, particularly in light of the \$5353 intraday low reached two weeks ago. The latest Reuters poll has prices averaging \$6,362 in 2015 and \$6,779 in 2016, but these were compiled before the latest selloff and will likely be revised.

Meanwhile, copper miners, among them, Codelco, Vedanta and Antofagasta have all announced capital spending or production cuts, but whether this will be enough to tip the market into a deficit from an expected surplus (estimated at 96,000 tons by the Reuters consensus), remains to be seen. Certainly, from what we are seeing so far, this does not look likely.

For one thing, Chile is still expected to produce 6 mln tons of copper in 2015, higher than the 5.78

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mln tons produced last year. Furthermore, LME inventories have been moving sharply higher since Jan 1st, (up some 50,000 tons) and we are seeing similar increases in Shanghai. For its part, China imported a record 3.59 mln tons in 2014, but much of this took place during the first half of the year (pre-Qingdao). In addition, a good amount of imports may be going into Chinese stockpiles, not exactly a source of fresh demand.

Through all this, Chinese local production continues to grow – up some 14% y-o-y – and clearly outpacing local demand growth, meaning that imports will likely decline going into 2015. Despite this negative backdrop, we could see a steady period this month for copper as the market consolidates amid a short-covering rally and lingering expectations of a Chinese rate cut. A \$5350-\$5800 trading range should prevail for the month.

London copper sank in this morning from two-week highs touched the session before as traders who bought copper on talk of fresh easing measures by China took profits after it cut its bank reserve requirements. China's central bank made a system-wide cut to bank reserve requirements on Wednesday, the first time it has done so in over two years, to unleash a fresh flood of liquidity to fight off economic slowdown and looming deflation.

"The market is not too fully convinced that this is the real deal in terms of boosting metals demand," said analyst Dominic Schnider of UBS in Hong Kong. "The focus remains on why they are doing this in the first place, and the focus is weak activity," he added. UBS expects copper to potentially test the \$5,000 a tonne level.

Three-month copper on the London Metal Exchange had fallen 1 percent to \$5,647 tonne. Prices hit the highest since Jan. 22 at \$5,755 a tonne on Wednesday before closing with modest gains.

Physical demand remains weak ahead of Lunar New Year in China, traders said, with consumers reluctant to stock up given slowing demand growth and ample supply expected in the world's top user of metals.

Tempering appetite for risk, the European Central Bank abruptly cancelled its acceptance of Greek bonds in return for funding on Wednesday, shifting the burden onto Athens' central bank to finance its lenders and isolating Greece unless it strikes a new reform deal.



MONTHLY REVIEW & INDUSTRY NEWS

- ✚ BofA Merrill says lowers average 2015 copper price forecast to \$6,425/t from \$6,939/t earlier; sees 2016 outlook at \$5,864/t.
- ✚ Morgan Stanley said the refined copper market will be in a deficit of 70,000 mt to 110,000 mt from 2015 to 2017.
- ✚ Consumption of copper in China's power sector could rise 8.7 percent in 2015 because of strong investment by the state power grid, after a rise of 7.6 percent in 2014, a senior analyst at state-backed research firm Antaika said.
- ✚ China's stockpiler plans to buy about 200,000 mt of refined copper in 2015 from the international market and may more than double the amount if global prices are low, three industry sources said. The State Reserves Bureau (SRB) has set a rare "flexible" buying plan in 2015 after having bought more copper than it had planned in 2014 due to low prices.

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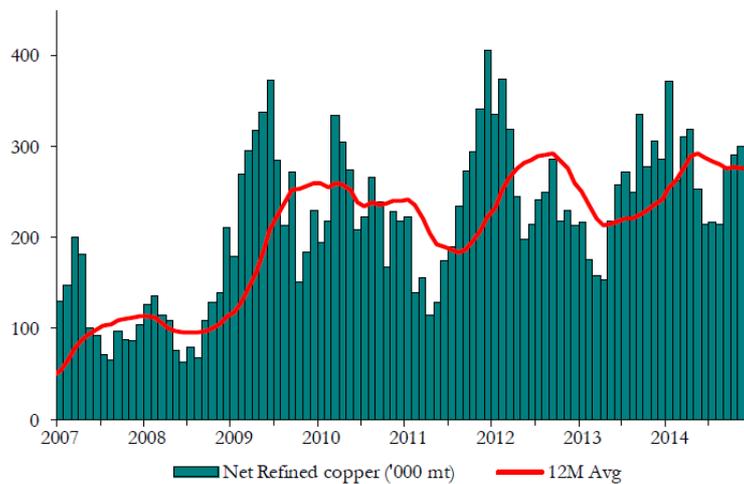
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- Chilean state copper commission Cochilco cut its forecast for 2015 average copper prices to \$2.85 per pound, from a prior \$3.00 estimate, amid a collapse in commodities prices, a strengthening U.S. dollar, and worries about top consumer China. It also forecast average copper prices of \$2.80 per pound in 2016.
- World No. 1 copper producer Chile produced 522,674 mt of copper in December, a 0.5 percent decrease from a year earlier, due to lower ore grades and maintenance work at mines, the government said.
- Top copper exporter Chile is expected to produce 6 million mt of copper in 2015, said Cochilco, who had previously forecast output of 6.23 million mt for the year. That compares to the 5.78 million mt produced in 2014, according to data published earlier in the day by the government's INE statistics agency. Cochilco also forecast a surplus in the global copper market of 275,000 mt in 2015 and 404,000 mt in 2016.
- China's 2014 copper imports rose to 3.59 million mt, up 12 percent over 2013.



- Japan's output of rolled copper product rose 1.8 percent from a year earlier to 67,140 mt in December on a seasonally adjusted basis, preliminary data showed.
- Kazakhstan produced 293,948 mt of refined copper in 2014, down 16.5 percent year on year from 352,034 mt, China's state-owned nonferrous metals information division Beijing Antaika reported Tuesday on its website.
- Peru will increase copper production to 1.43 million mt this year from an estimated 1.3 million mt in 2014.
- Mexican copper output jumped 27.7 percent to 34,700 mt in November compared to the same month a year ago, preliminary data from the National Statistics Institute showed.
- Mongolia exported about 1.38 million mt of copper concentrate in 2014, more than double the 649,800 mt exported in 2013, according to data released by the National Statistical Office of Mongolia.
- Chinese copper producer Jinlong Copper, produced a record high of more than 460,000 mt of refined copper in 2014 amid adverse market conditions. In 2013, it produced 455,000 mt of refined copper.

- ✚ Norilsk's 2014 copper production fell to 368,000 mt, down 1 percent from the previous year. The company management expects that copper production in 2015 will amount to 360,000 - 368,000 mt, which exceeds the figures for 2014, due to increased volumes of ore and copper content in it.
- ✚ China's Jiangxi provincial government eliminated 304,500 mt/year of outdated copper smelting capacity in 2014 to cut pollution in the region, the provincial government said.
- ✚ Rio Tinto 2014 copper production rose to 603.100 mt, up 4 percent from the previous year.
- ✚ Anglo American reported fourth quarter production on a contained metal basis decreased by 18 percent to 174,800 mt.
- ✚ Chilean mining firm Antofagasta, which like others in the copper sector faces falling ore grades, rising costs and weaker prices, produced 704,800 mt of copper in 2014, 2.3 percent less than the previous year due to lower grades at its Los Pelambres mine but in line with its 700,000 mt target. The company said it expects production of about 710,000 mt of copper in 2015.
- ✚ China's Jinguan Copper expects to produce more than 365,000 mt refined copper in 2015, up from an estimated 357,000 mt produced in 2014, parent company Tongling Nonferrous Metals Group said in a report on its website
- ✚ BHP Billiton total copper production decreased by two per cent in the December 2014 half year to 813,000 mt. Guidance for the 2015 financial year remains unchanged at 1,8 million mt.

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