

China Copper Weekly

November 28 2016
Published by SMM

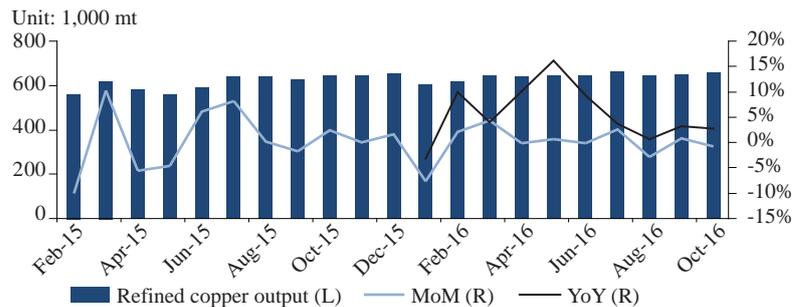


Data Summary

		11/25	11/18	11/11	11/4
Spot premiums/discounts (RMB/mt)	Shanghai	-125	-110	5	145
	Shandong	-155	-95	-25	70
	North China	-140	-15	-40	75
	South China	-15	40	0	135
SHFE/LME copper price ratio		8.18	8.09	8.15	7.91
Import gains/losses (RMB/mt)		-514	-894	-1,914	-686
Import Premiums (USD/mt)	Yangshan copper premiums	70	75	80	85
	US		121.3		121.3
	Singapore	7.8	12.8	9	9.5
	Europe	48.3	51.7	51.7	51.7
SHFE copper inventories (mt)	Shanghai	118,123	110,723	91,196	77,689
	Guangdong	16,686	14,561	9,639	8,434
	Jiangsu	6,229	6,229	8,691	8,691
	Zhejiang	3,025	3,025	3,025	3,025
	Jiangxi	0	0	0	0
LME copper inventories (mt)	Asia	123,275	138,100	158,475	193,275
	Europe	25,600	29,975	32,175	33,750
	North America	88,325	85,625	80,200	77,875
COMEX copper inventories (mt)		76,362	75,049	72,534	71,983
Copper inventories in bonded areas (1,000 mt)		47	47	47	47
Imported copper concentrate	TC (USD/mt)	95	100	100	100
	CIF prices for #1 scrap copper (¢/lb)	13	11	12	10
Scrap copper	CIF prices for #2 scrap copper (¢/lb)	27	23	24	20
	price gap between refined and scrap copper (RMB/mt)	3,060	2,443	2,261	1,442

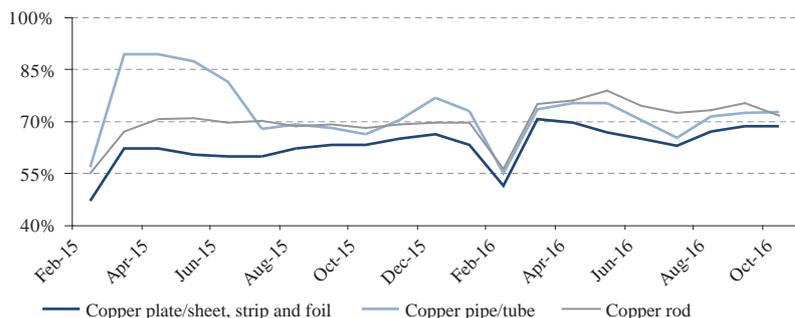
Sources: SMM, COMEX and LME CIF prices for scrap copper are offered based on September Comex copper.

SMM Exclusive: Refined Copper Output



Source: SMM

SMM Exclusive: Copper Processors Operating Rates



Source: SMM

Contact us

Hotline:
+86-21-5155-0322

Mail:
service.en@smm.cn

Fax:
+86-21-5155-0345

Address:
8th FL in North Section, Building 9, Lujiazui Software Park, No. 20, Lane 91, E'Shan Road, Pudong New Area, Shanghai, 200127, China.

Macro Economy

Base Metals to Carry on Rising Momentum

Base metals drifted higher last week, with prices for some metals exceeding high levels posted three weeks ago. Chinese yuan's depreciation remained the major driver behind the rally. A strong US dollar caused yuan to depreciate sharply and US Fed's November meeting minutes further strengthened the US dollar. The negative impact on commodity market from a firm dollar was reflected mainly on precious metals rather than base metals, though.

As of 4 pm, November 24, Beijing time, offshore yuan was reported as low as 6.9650, down 4.37% from before the Chinese National Day holiday in early October. Yuan devalued 0.84% against the US dollar last week. Yuan kept crashing through key support levels, but the People's Bank of China (PBOC) has taken no action. This strengthened expectations for further devaluation of yuan. With growing inflationary pressure in China, prices of commodities priced in yuan rose sharply.

Sources from Chinese banks said many state-owned banks have received instructions to take yuan's selling orders when yuan's exchange rate reaches 6.9200 so as to prevent further fast fall in yuan. While it is difficult for the PBOC to prevent yuan from depreciating against the US dollar, the PBOC hopes to control the pace of yuan's devaluation.

Hawkish minutes of the US Fed's November meeting, released last Thursday, strengthened expectations for US rate hike in December. According to the US Mortgage Bankers Association (MBA), interest rate for 30-year mortgages shot up rapidly in recent two weeks to 4.16%. The high level was seen early this year shortly after the US Fed ended QE and announced the first interest rate hike in December 2015.

The US dollar index has been hovering at above 100 for many days, partly due to growing expectations for US rate hike and partly because of doubt over stability in the euro zone's political outlook. Despite positive manufacturing PMIs in main members of the euro zone in November, possibility is high for change of leadership in major euro zone countries next year since leaders failed to properly handle European debt crisis and refugee issue. Concerns are growing that there may be black swans in the euro zone's political situation following UK's decision to leave the EU and Trump's success in US presidential election.

This week, market will continue closely watching changes in Chinese yuan. Base metals will extend gains. But, investors should also be alert to potential risks for downward corrections.

Hot Topic

SMM Exclusive: Surging Copper Prices Hurt Copper Wire & Cable Producers?

Recent sharp gains in copper prices bit into profit at some copper wire & cable producers. Are they really significantly hurt by this?

SMM understands any impact on these producers was limited from surging copper prices at a whole.

Some copper wire & cable producers peeled finished products and then sold them to scrap copper producers, so as to gain higher profit. These producers had high finished product inventories on hand due to surge in copper prices.

Some copper wire & cable plants reported higher cost burden after copper prices increased drastically, especially those that had locked finished product prices. So they breached contracts with copper rod producers, which negatively affected copper rod producers, one copper rod producer told SMM. Nonetheless, only limited producers broke contracts with them to secure trading reputation.

SMM understands some copper rod producers increased use proportion of scrap copper as the price spread between refined and scrap copper expanded recently. Some copper rod plants using refined copper as raw materials were affected as producers using scrap copper gained higher market share.

Nonetheless, this gave limited effect on refined copper demand due to technical and quality requirements and low base for copper rod produced with scrap copper.

Some copper wire & cable producers suffered from lower profit or even severe losses due to rising copper prices. These producers had signed contract at a fixed selling prices with downstream buyers.

But some only witnessed limited effects from big copper price gains. Some producers decide finished product selling prices according to copper price fluctuation. Some sold finished product inventories produced over the past few months. Hedge operation helped some producers reduce negative effects from rising copper prices, and even left some profit.

Almost all copper wire & cable producers plan to hike selling prices in the near term in the face of higher cost. Some producers increased raw material inventories out of concerns that copper prices will rise further.

Copper wire & cable plants still execute existing orders, so their purchase for copper did not decrease despite rising copper prices. Orders in November remained largely flat at October's thanks to large power grid projects.

As copper wire & cable producers' ability in risk aversion has improved, they were not impacted significantly by surging copper prices.

Surveys

Survey of Chinese Copper Smelters

Company Size	Number of Smelters	Total Capacity	Daily Production	Refined Copper Inventory	Average Operating Rate
≥ 30	11.00	590.00	15,002.67	26,300.00	91.54
10≤X<30	16.00	236.10	4,696.67	15,450.00	71.61
< 10	2.00	14.00	280.00	100.00	72.00
Sum	29.00	840.10	19,979.33	41,850.00	85.62

UPDATE : 2016-10
Capacity: 10,000 mt/yr
Production: mt
Inventory: mt

Change in Operating Rate (%)

Month	Average Operating Rate
2015-10	83.73
2016-09	83.34
2016-10	85.62

UPDATE : 2016-10
Source: SMM

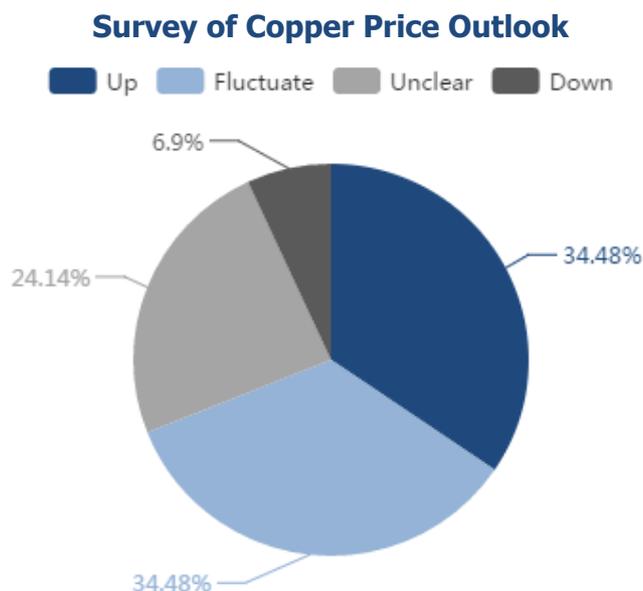
Average Operating Rate Up to 85.62% in October

The average operating rate at those surveyed was 85.62% in October, up 2.28 percentage points MoM and 1.89 percentage points YoY. The rising rate was due mainly to the following factors. First, TCs for copper concentrate stayed high between USD 100-105/mt and processing fees for blister copper held stable at RMB 1,500/mt, both giving smelters incentive to produce. Second, spot premiums were high in October, which briefly reached to a year's high of RMB 310/mt. This also encouraged production.

Copper Inventories at Smelters Grow 1,335 mt MoM in October

Refined copper inventories at smelters surveyed by SMM were 41,850 mt MoM in October, up 1,335 mt from 40,515 mt in September. Output at surveyed copper smelters grew in October on a monthly basis, while utilization rates at downstream producers fell due to the week-long Chinese National Day holiday. Meanwhile, high copper prices also reduced buying interest of downstream producers, which

largely chose to consume inventories. With the nearing of annual negotiations for copper term shipments, some smelters may control copper shipments, also a possible factor behind the growth.



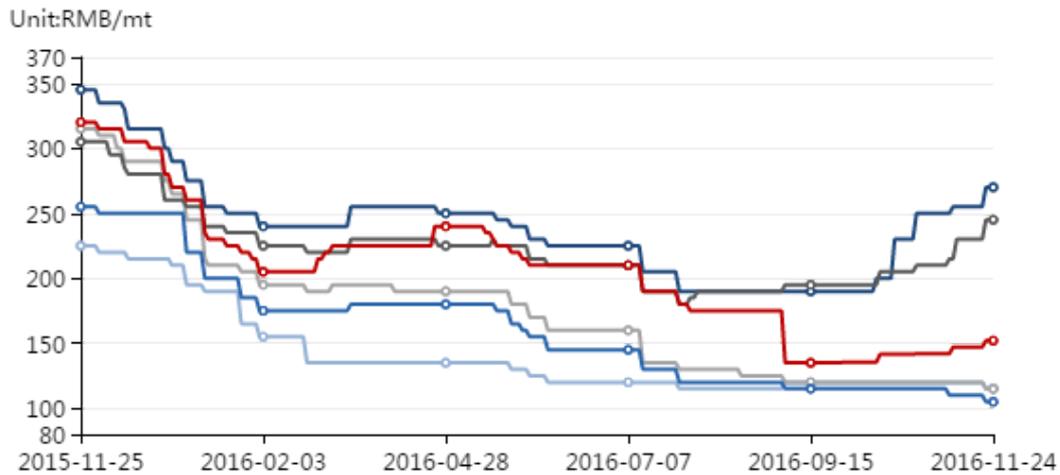
UPDATE : 2016-10
Source: SMM

Sulfuric Acid Prices Stabilize in October

Sulfuric acid prices averaged RMB 152/mt in domestic market in October, up 3.4% MoM. Sulfuric acid prices inched up in Southwest China, South China and East China thanks to strong downstream demand, but dropped in North China, where sulfuric acid plants cut ex-works prices because of environmental protection pressure. Sulfuric acid prices were steady in Central and Northwest China. Sulfuric acid plants were under normal production and sold mainly under term contracts. Sulfuric acid supply was plentiful, but downstream buying interest was not high. Sulfur prices dropped. Sulfur stocks were at reasonable levels at major domestic ports. Sulfur producers were in normal production and reported weak downstream demand. Chemical fertilizer producers ran at low capacity. Ammonium phosphate exports were down from last year. Chemical fertilizer producers were inactive in raw material purchases due to uncertainty over winter stocking. Sulfuric acid demand is modest in domestic market at present. Downstream producers are likely to increase raw material purchases out of environmental protection and transport considerations. As such, sulfuric acid prices are expected to rise slightly in November.

China Sulfuric Acid Price Trends

○ Average price in southwest ○ Average price in northwest ○ Average price in central China
 ○ Average price in south China ○ Average price in east China ○ Average price in north China



Source: SMM

Refined Copper Market

Review

Last week, the commodity market advanced across the board. The US dollar index fell back after climbing to 100, sending up the commodity prices. After releasing of US's November hawkish meeting minutes, the index surged to a 14-year high of 102.5, as the minutes strengthen market expectations over a rate high in December's meeting. However, the commodity market shouldered off negative impact from the surging index and soared across the board instead, and global debt and gold markets tumbled, and equities in US, Japan, Europe and China hit new highs. This was because US positive results of most data, such as durable goods orders and consumer confidence index, which were much higher than estimation, and Donald Trump's infrastructure plan boosted market expectation over US economy and inflation. Moreover, Eurozone composite PMI reading for November registered the fastest growth since the beginning of the year, and the commodity market made a quick response to signs of world's economic recovery to lurch higher together.

Last week, LME copper opened at USD 5,446.5/mt and registered a 4-day rising streak after entering of longs and exit of shorts, briefly hitting USD 5,957.5/mt. The single day gain on Wednesday reached USD 156/mt. Finally, LME nickel finished the week up by 7.65%. Positions held flat on a weekly basis, and trading volumes were up more than 10,000 lots. Technically, upward momentum is strong from major moving averages on the LME copper market.

Chinese yuan, a major driver behind recent gains in the commodity market, dived as low as to 6.9650, and its depreciation is expected to be continuing for the foreseeable future. Despite stricter measures introduced by domestic bourses, the commodity market neglected them and kept advancing. Last week, non-ferrous metals replaced ferrous metals to lead price gains in China's market, especially copper, which outshined others. SHFE 1701 copper, the most actively traded one, opened the week at RMB 48,900/mt, with the largest gain as much as 12.13%. The SHFE/LME

copper price ratio rose to around 8.25. Positions on the SHFE copper market were up 43,000, and trading volumes were down by more than 1 million mt. As of Nov. 25, SHFE copper monthly increase was as high as 25%, the biggest monthly gain in 10 years. Technically, upward momentum has been asserted on the SHFE copper market.

Copper prices remained high recently. But downstream buyers were forced to accept higher-priced copper as they had almost run out of inventories. Traders mostly looked for cheaper resources in the morning last week. Cargo holders sold steadily due to market optimism, locking spot discounts between RMB 160-90/mt.

SHFE 1701 copper rose by daily limit on Thursday, with quotes mixed, and leaving downstream still on the sidelines. Many downstream buyers entered the market at the week's end despite corrections in SHFE copper prices. Overall trading was relatively brisk. Supply was ample, especially low-end imported copper and hydro-copper. Availability of goods with November VAT invoices was limited early in the week.

SMM Price – #1 Refined Copper

Date/Region	Shanghai	Shandong	North China	South China	Shanghai Spot Premiums/Discounts
2016-11-28	48,270 - 48,430	48,220 - 49,040	48,180 - 49,040	48,380 - 49,180	-160 - -110
2016-11-25	47,510 - 48,090	47,480 - 48,060	47,470 - 48,100	47,620 - 48,200	-140 - -110
2016-11-24	47,560 - 48,360	47,590 - 48,360	47,580 - 48,390	47,700 - 48,460	-160 - -90
2016-11-23	45,500 - 45,750	45,480 - 45,800	45,480 - 45,850	45,620 - 45,940	-100 - -60
2016-11-22	44,400 - 44,740	45,410 - 45,940	45,420 - 46,000	45,560 - 46,090	-150 - -100

UPDATE : 2016-11-28

Source: SMM Unit: RMB/mt

LME and SHFE Copper Price Trends



Sources: LME, SMM

SHFE Front-Month Copper Contract Prices and Spot Premiums/Discounts in China



Source: SMM

Copper Trading in Major Markets

Spot Trading

Copper prices experienced corrections last week and then surged, hitting the highest for the year. The average spot copper price in Shanghai was nearly RMB 48,000/mt at one point. Cargo holders stepped up sales, pushing down spot discounts. Purchases were initially done at lower prices actively, but then muted.

East China: Downstream buyers that had not built stocks replenished stocks modestly two weeks ago after copper prices plunged November 11. SHFE copper prices opened low but moved higher last week, attracting downstream buyers to purchase actively. Cargo holders lowered their quotes to

promote sales. But as copper prices advanced rapidly, trading muted in the latter half of the week despite large spot discounts. Spot prices in Shandong followed Shanghai price trends.

North China: Operating rates at downstream producers were low due to the low-demand season. Spot discounts fell with East China, and were RMB 180-100/mt at the week's end when SHFE copper surged.

South China: Falling SHFE copper prices early last week attracted downstream buyers to enter the market. Outward shipments averaged over 3,200 mt in the first three trading days, leaving spot premiums of RMB 10-40/mt in the first half of the week. But after SHFE copper soared in the latter half of the week, consumption softened, leading to spot discounts of RMB 30-0/mt at the week's end.

Price Forecast

Forecast

Last week, base metals across the board, and copper market is outshining as speculative funds dominate the market against the background of global inflation expectation and Chinese yuan's depreciation.

US's hawkish meeting minutes for November, assuring market expectation over December's hike, pushed up the US dollar to 102.5. The commodity market, however, advanced instead, a reflection that the market chose to neglect negative impact from a strong dollar after a 100% chance for rate hike in December's meeting. The rise behind the surging commodity market is largely because of market expectation over US infrastructure plan after Trump takes office and global inflation. The US's new president will carry out a typical Keynesian fiscal policy after taking power. The policy will grow inflation pressures while putting a positive impact on economic growth. Large-scale infrastructure investment will grow demand for industrial raw materials and will also bolster commodity prices. And White people in the US will pay high costs for services if the new president implements his immigration policy, which will deport thousands of illegal immigrants. Meanwhile, individual income in the US will grow after cutting taxes, and this will also push up inflation.

This week, US will release its October's personal income (monthly change) and major economic data for November, including ADP job data, non-farm payrolls, ISM manufacturing index and Conference Board's consumer confidence index. Market expects US's November non-farm payrolls to reach as high as 180,000, much higher than the previous level of 161,000. US consumers are optimistic towards personal income and country's economic outlook after Trumps starts its new role. Hence, Conference Board's consumer confidence index is also estimated to be far better than the previous level. US's strong data is expected to bolster the dollar, and inflation expectation as well. This week, both the dollar and commodity market are expected to join hands to lurch higher.

Mario Draghi, President of European Central Bank (ECB) said last week that it is necessary to keep its QE program in place so as to reach its inflation target. On December 4, Italy will hold constitutional referendum, and Eurozone may be exposed to crisis in a broad way by the referendum. The euro will also weaken as a result, a potential inflation pressure. Currencies in new emerging markets will be weighed down by Trump's protectionism and a strong dollar, and inflation pressures will be also

intensified in response. Hence, the global inflation pressure will continue push speculation funds into commodity market for value saving or increasing and so the rising trend is not expected to be curbed.

Last week, the rising strength on the LME copper was asserted by a 4-day rising streak, with longs dominating the market. The 5-day moving average points upwards, and other technical indicators also bode well for copper prices. LME copper is expected to keep rising and to challenge USD 6,025/mt.

In China's market, Chinese yuan remains on its downward track, briefly slid to 6.9650 last week, and its weakness will likely bolster commodity prices in domestic market. Besides, Chinese yuan's devaluation will bring imported inflation pressure considering the rally in commodity market from late October and PPI's influence on CPI. Hence, China will face a growing inflation pressure in 2017.

This week, China will announce official and Caixing manufacturing PMI data for November. Readings of the data are expected to be positive and stand above 50, as enterprises have to step up production to finish orders already signed and to complete annual targets, despite the surge in commodity market. The stabilizing economy in China will also support the commodity market.

Last week, SHFE copper market posted a strong rally, reaching as high as RMB 48,900/mt, a 2-year high. Positions on the SHFE copper increased by 32,000 lots over the week, a sign of strong bullish funds. Despite of SHFE's tougher regulations, SHFE copper kept surging with strong speculative activities. As Chinese yuan will keep falling in the short term, bullish sentiment will remain in place in domestic copper market, and SHFE most-actively traded copper will head higher for RMB 49,000/mt and try to challenge RMB 49,500/mt.

In China's spot markets, cargo holders are actively liquidating stocks at the month-end. Spot discounts will unlikely narrow given ample spot supplies. Both traders and downstream buyers will replenish inventories after delivery, with spot discounts expected to be RMB 160-100/mt this week. Trading will be weak initially and then improve.

Copper Imports

Refined Copper Imports

Yangshan copper premiums continued to fall last week, and were quoted at USD 65-75/mt as of Friday, with the average down USD 5/mt on a weekly basis. The SHFE/LME copper price ratio increased further due to Chinese yuan's continuous depreciation, and was 8.17 on Friday, with import losses above RMB 500/mt.

Spot trading was very quiet last week as traders were busy signing term contracts for 2017. Meanwhile, offshore yuan against the US dollar is expected to fall further in the near future, leaving limited buying interest. Bid prices for import premiums fell to USD 65-75/mt, priced in December. Quotes by cargo holders were limited after import premiums decreased, with mainstream between USD 70-80/mt, priced in December. Demand was extremely soft, and trading did not improve through the week's end.

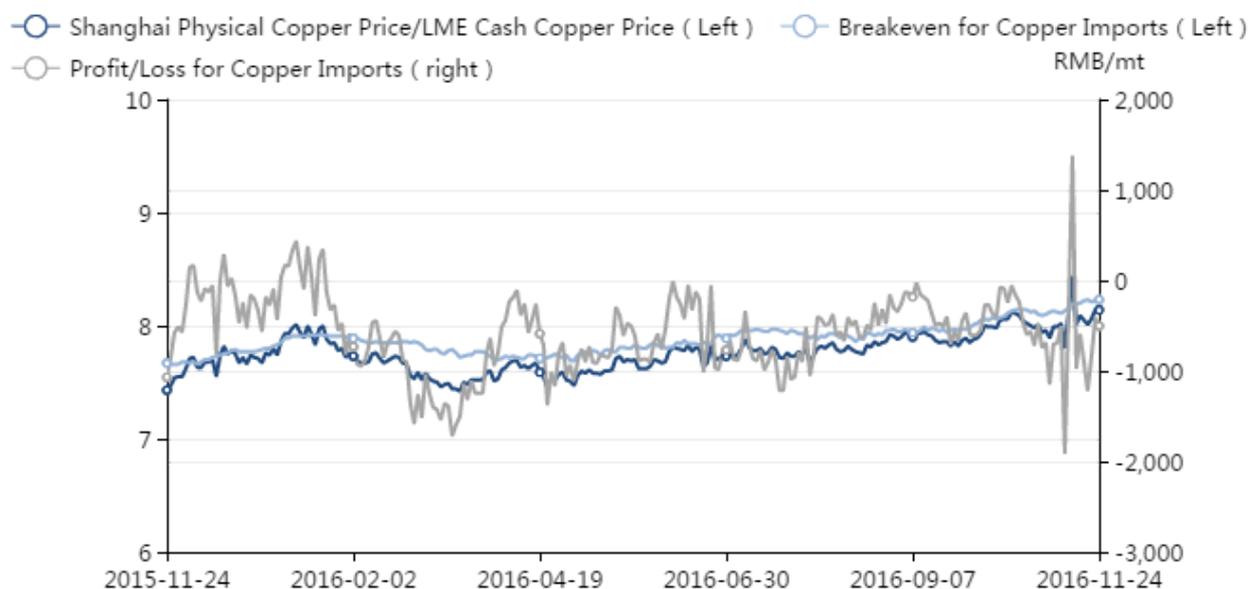
On the bill of lading front, bid prices were much lower than traders' floor price. Quotes were high and mainly for bill of lading arriving in December, with trading sluggish.

Premiums for Imported Copper



Source: SMM

Profit/Loss for Copper Imports



Source : SMM, LME, SHFE

Copper Concentrate Market

Copper Concentrate

Spot TCs for clean imported copper concentrate were quoted at USD 90-100/mt last week, down slightly on a weekly basis, with mainstream offers below between USD 90-95/mt. Market supply remained tight. Traders reported low inventories on-hand, and spot TCs traded below USD 90/mt, some smelters said.

After TCs agreement between Freeport McMoRan and Jiangxi Copper during CESCO's Asia Copper Week, major domestic copper smelters followed up and signed 2017 TCs for copper concentrate for term shipments at USD 92.5/mt. Currently, it goes smoothly in signing of term contracts.

Prices of Chinese copper concentrate (Cu 24%) were around 85.5% of copper prices for delivery to factory last week.

Scrap Copper Market

Scrap Copper

Scrap copper rose with SHFE copper prices early in the week. The average price for #1 bare bright copper including tax rose RMB 600/mt last week. Cargo holders sold proactively, leaving supply sufficient. Downstream buyers entered the market and purchased as needed.

The price spread between refined and scrap copper expanded to RMB 2,895/mt last week as scrap copper prices resisted both increases and declines. Copper wire rod producers increased purchases, improving scrap copper sales. But after SHFE 1701 copper rose by daily limit on Thursday, there were barely any quotes for scrap copper. The market was in chaos.

CIF quotes for bare bright copper were ¢3/lb below December Comex copper last week. CIF prices for #1 scrap copper were offered ¢13/lb below December Comex copper, and those for #2 scrap copper were offered ¢27/lb below December Comex copper.

Price Difference Between #1 Refined Copper and Scrap Copper

Date	Refined Copper Average (A) (Including Tax)	#1 Bare Bright Copper Average (B) (Including Tax)	#2 Copper Average (C) (Including Tax)
11.21 - 11.25	45,480	42,852	39,165
11.14 - 11.18	44,833	42,202	38,514
11.07 - 11.11	41,185	39,317	35,629
10.31 - 11.04	38,694	37,343	33,655

UPDATE : 2016-11-25

Source: SMM Unit : RMB/mt

Price Difference Between #1 Refined Copper and Scrap Copper

Date	Price Difference 1 (A-B)		Price Difference 2 (A-C)	
	Current Difference	Reasonable Price Gap	Current Difference	Reasonable Price Gap
11.21 - 11.25	2,628	2,110	6,315	5,229
11.14 - 11.18	2,631	2,097	6,319	5,190
11.07 - 11.11	1,868	2,024	5,556	4,971
10.31 - 11.04	1,351	1,974	5,039	4,822

UPDATE : 2016-11-25

Source: SMM Unit: RMB/mt

Price Spread between #1 Refined Copper and Scrap Copper

Date	Refined Copper (Including Tax)	#1 Bare Bright Copper	#2 Copper (Excluding Tax)
	Average (A)	Average (B) (Excluding Tax)	Average (C)
11.21 - 11.25	45,480	39,510	36,110
11.14 - 11.18	44,833	38,910	35,510
11.07 - 11.11	41,185	36,250	32,850
10.31 - 11.04	38,694	34,430	31,030

UPDATE : 2016-11-25

Source: SMM Unit: RMB/mt

Price Spread between #1 Refined Copper and Scrap Copper

Date	Price Difference 1 (A-B)		Price Difference 2 (A-C)	
	Current Difference	Reasonable Price Gap	Current Difference	Reasonable Price Gap
11.21 - 11.25	5,970	4,338	9,370	6,502
11.14 - 11.18	5,923	4,293	9,323	6,445
11.07 - 11.11	4,935	4,042	8,335	6,124
10.31 - 11.04	4,264	3,870	7,664	5,905

UPDATE : 2016-11-25

Source: SMM Unit: RMB/mt

Notes: 1. Copper wire rod producers refer to price gap 1, and other producers used scrap copper as raw materials refer to price gap 2.

2. Price quotations for scrap copper are based on average price quotation (excluding tax) in Guangdong.

3. The tax levy point for bare bright copper is 7.8%, effective since August 2016.

Advantage of Refined Copper vs Scrap Copper



Unit: RMB/mt

Note: (1) The Y axis denotes the difference between current price spread and rational price spread between the average refined copper price and the average price for #1 bare bright copper (including tax);

(2) The result above 0 means scrap copper has an advantage, and the result below 0 means refined copper has an advantage.

Scrap Copper Markets by Region

Scrap Copper Trading

Hebei & Tianjin: Mainstream traded prices for bare bright copper were RMB 38,100-41,800/mt last week. Low-oxygen copper rod prices were between RMB 39,600-43,300/mt. Downstream buyers accepted high scrap copper prices as SHFE copper continued to rise and purchased scrap copper. Supplies were ample. Low-oxygen copper rod reported smooth sales, with trading for scrap copper brisk.

Guangdong: Mainstream traded prices for bare bright copper were RMB 38,000-41,700/mt. Cargo holders sold actively at highs, adding to supplies. As the price spread between refined and scrap copper expanded, some downstream buyers entered scrap copper market, improving trading.

Jiangsu, Zhejiang and Shanghai: Mainstream quotes for bare bright copper were RMB 37,900-41,700/mt. Downstream buyers replenished stocks, but trading did not improve noticeably as scrap copper supply was still limited. CIF quotations for US brass, Central and Western were at USD 3,850-3,900/mt last week. CIF quotations for Spanish brass were USD 3,525/mt.

Maintenances at Major Copper Producers

Unit Maintenance at Major Copper Producers

Company	Company Capacity	Start Time	End Time	Note
Jiangxi Copper	1,000	Oct. 2016	Nov. 2016	Maintenance
Minmetals Resources (Hunan) Copper Co. Ltd.	100	early Sep. 2016	late Sep. 2016	Maintenance
Hunchun City Zijin Copper Co. Ltd.	100	28 Aug. 2016	late Sep. 2016	Maintenance
Chifeng Yuntong Nonferrous Metal Co. Ltd.	100	early Jun. 2016	10 Jul. 2016	Maintenance
Baiyin Nonferrous Metals Company	200	late Jul. 2016	late Aug. 2016	Maintenance
Zhongtiaoshan Nonferrous Metals Group	200	mid Jun. 2016	late Jul. 2016	Maintenance
Fuye Group	200	21 Aug. 2016	23 Sep. 2016	Maintenance
Shandong Dongying Fangyuan Nonferrous Metals Co. Ltd.	700	late Jul. 2016	late Aug. 2016	Maintenance
Tongling Jinchang	180	mid Jul. 2016	late Jul. 2016	Maintenance
Zhongyuan Gold Smelter	200	early Sep. 2016	late Sep. 2016	Maintenance
Jinchuan (headquarters)	400	Oct. 2016	Nov. 2016	Maintenance
Yantai Guorun Copper Industry Co., Ltd.	120	Oct. 2016	Oct. 2016	Maintenance

UPDATE :

Source: SMM

Unit: 1,000 mt/yr

Positions in LME Copper and LME 3-Month Copper Prices

Positions in LME Copper and LME 3-Month Copper Prices



Source:SMM

LME Inventory and Canceled Warrants

Date	Total Inventory	Canceled Warrants
2016-11-24	235,875	75,350
2016-11-23	239,400	73,650
2016-11-22	242,275	71,825
2016-11-21	247,075	72,100
2016-11-18	253,700	73,275

UPDATE : 2016-11-24

Sources: LME

Unit: mt

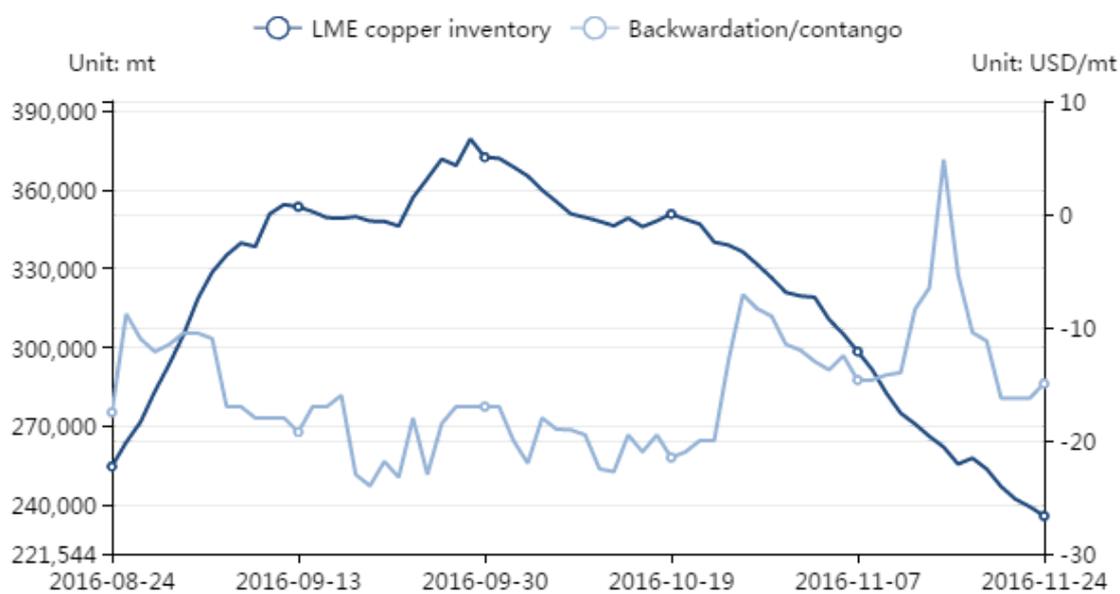
LME Copper Inventory Distribution

Date	Asia	Europe	America
2016-11-24	124,750	26,575	84,550
2016-11-23	126,475	27,625	85,300
2016-11-22	128,675	28,175	85,425
2016-11-21	132,375	29,150	85,550
2016-11-18	138,100	29,975	85,625

UPDATE : 2016-11-24

Source: LME

LME Copper Inventory and Cash-to-3-Month Backwardation/Contango



Source: LME

SHFE Copper Prices and Inventories

SHFE Copper Inventory and Spot Premium/Discount in China Copper Market



Sources: SHFE, SMM

SHFE Copper Inventory

Date	Total Copper Inventory on SHFE	Weekly Change	Canceled Warrants	Weekly Change
2016-11-25	144,063	9,525	35,698	6,300

UPDATE : 2016-11-25

Source: SHFE

Unit: mt

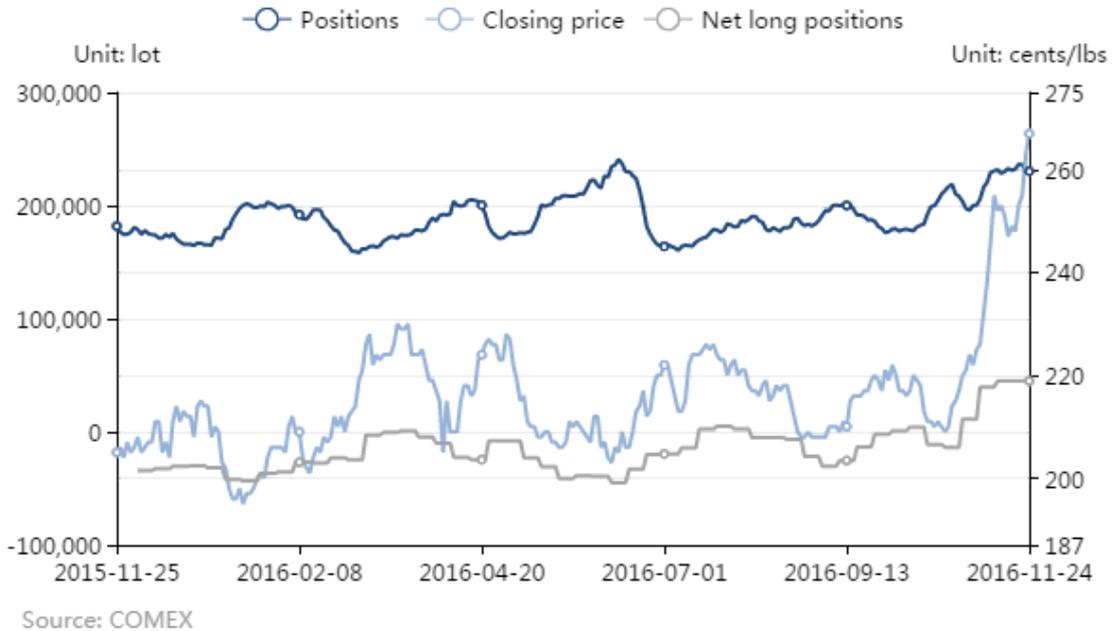
Positions in SHFE Copper and SHFE 3-Month Copper Closing Prices



Source: SHFE

Positions, Prices and Inventories of COMEX Copper

Positions and Closing Prices of COMEX Copper



COMEX Copper Inventory

Date	Total Inventory
2016-11-23	75,900
2016-11-22	75,463
2016-11-21	75,092
2016-11-18	75,049
2016-11-17	74,896

UPDATE : 2016-11-23

Source: COMEX

Unit: mt

Other Metals

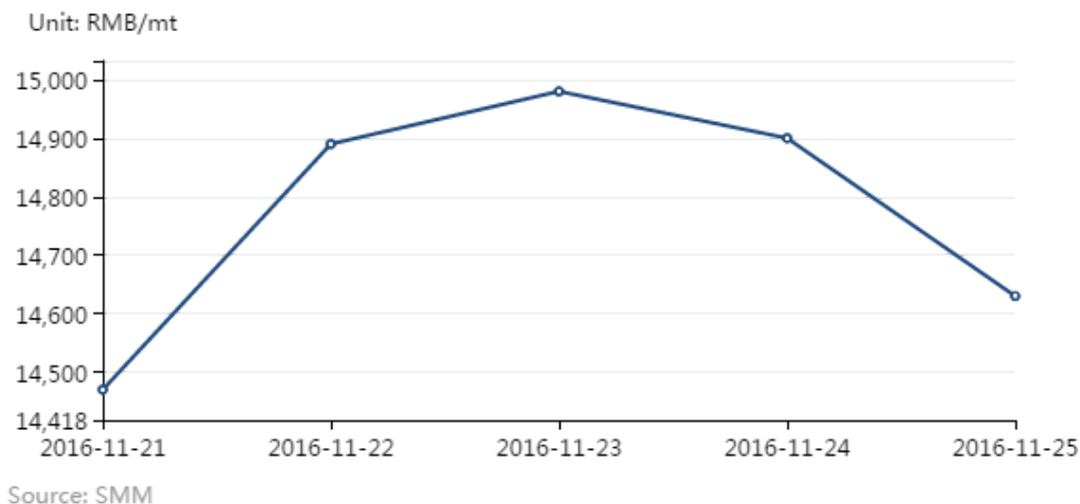
Aluminum

Chinese yuan's sharp depreciation allowed commodity prices to rise across the board last week. LME aluminum stopped falling after touching the 40-day moving average and shot up from USD 1,682.5/mt to a weekly high of USD 1,789/mt. LME aluminum ended the week up nearly 4.8%, with positions down slightly.

SHFE 1701 aluminum rebounded during the night session on November 18 after a brief retreat to below the 20-day moving average. The most active SHFE aluminum contract, which turned from

1701 to 1702 contract, moved mainly between RMB 13,200-14,000/mt, hitting a weekly high of RMB 14,115/mt and ending the week up 4.3%. Trading volumes increased noticeably.

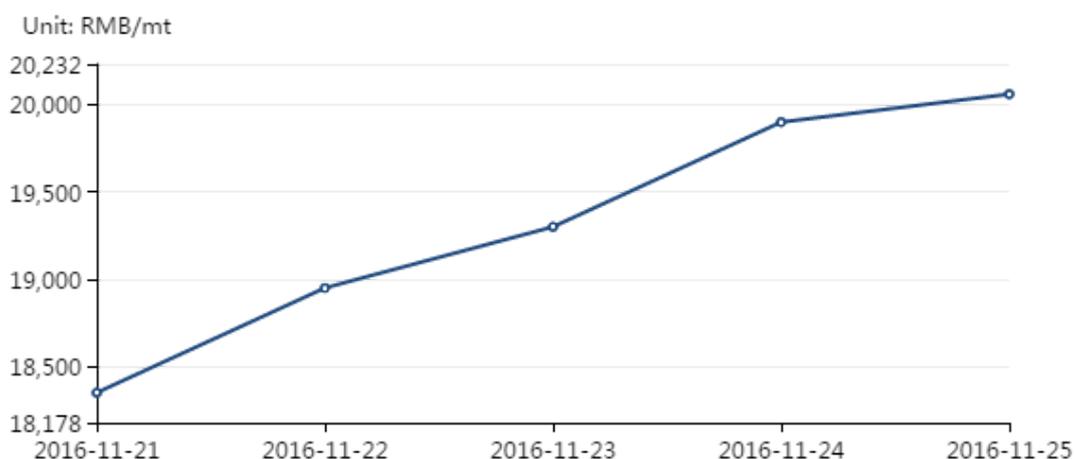
Shanghai Spot Aluminum Prices



Lead

Earlier last week, the US dollar index dropped slightly from 101 to 100 after a long rising streak, and later climbed above 102 after US's November hawkish meeting minutes, which strengthened market expectations over a rate hike in December's meeting. LME lead registered a 4-day rising streak and stood firm at USD 2,200/mt, briefly hitting USD 2,282.5/mt, a refreshed high. SHFE 1701 lead also reported a big rise last week. Chinese yuan kept depreciating, with offshore yuan briefly diving below 6.95. Commodity futures prices in China were buoyed up, and SHFE lead gained rising momentum and surged to a weekly high of RMB 20,475/mt. The SMM/LME lead price ratio surged to 8.96.

Shanghai Spot Lead Prices



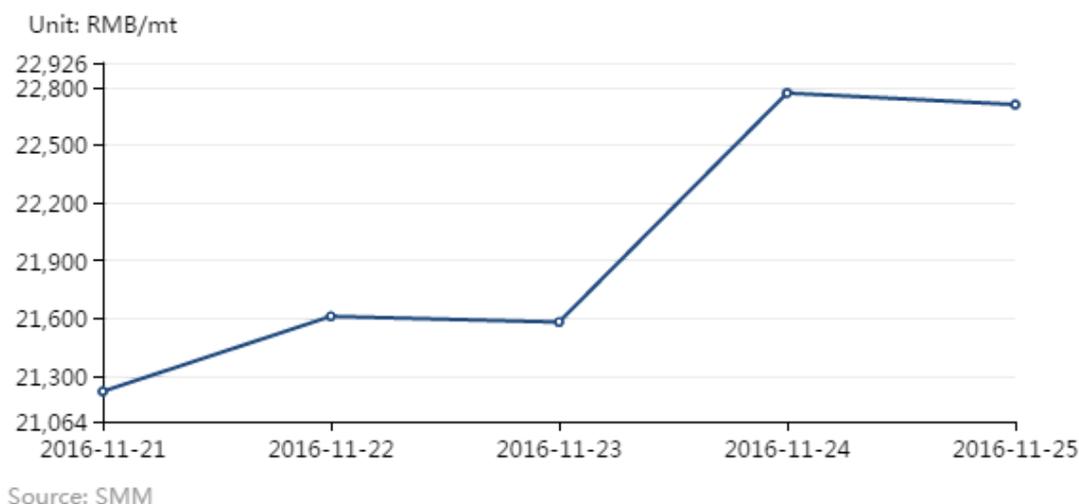
Zinc

LME zinc reported a 4-day winning streak and hit the highest in nearly 8 years last week. LME zinc dropped in the week ending November 18 and then rallied from USD 2,550/mt last week. According to Fed's November meeting minutes, many officials expect that a Fed interest rate hike is nearing, growing market expectations of a Fed rate hike in December. The US dollar index thus climbed to 102 at one point. But LME zinc breached USD 2,700/mt and touched USD 2,760/mt, the highest from March 2008. As of Thursday, trading volumes decreased 16,000 to 46,000 lots, and positions added

900 to 306,000.

SHFE 1701 zinc rose by daily limit last week. Chinese yuan weakened to 6.92 as the People's Bank of China (PBOC) did not intervene, driving large amount of speculative capital into nonferrous metals, which rose over 9%. SHFE 1701 zinc rose from RMB 21,000/mt. Trading volumes broke through 1 million lots on November 21 and November 24, sending SHFE 1701 zinc to RMB 22,000/mt. The SHFE further hiked margin and enhanced restrictions on price change limit for many products, but did not dampen long momentum. SHFE zinc and copper rose by daily limit. As of Thursday, SHFE 1701 zinc pointed toward RMB 23,000/mt. Trading volumes on SHFE zinc decreased 900,000 to 3.80 million lots, and positions increased 29,000 to 470,000.

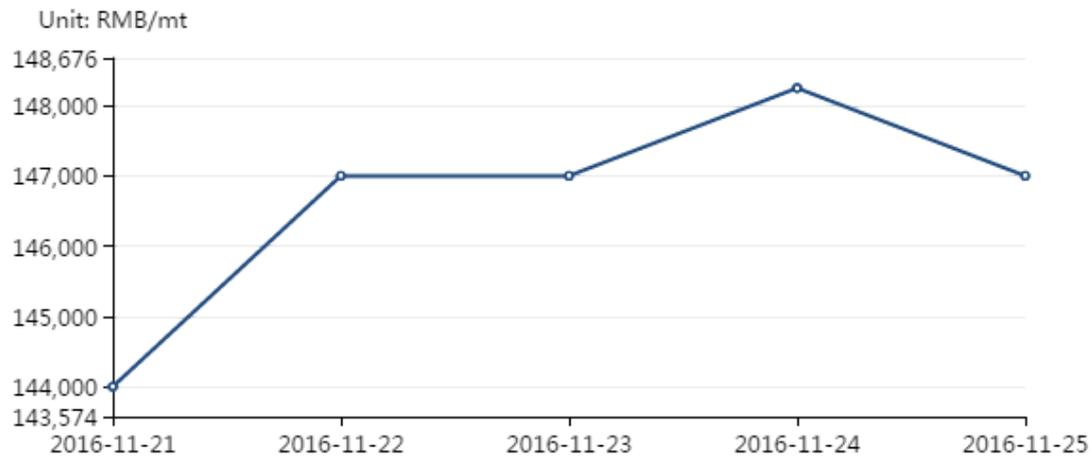
Shanghai #0 Zinc Prices



Tin

LME tin dropped from highs last week, up to as high as USD 21,500/mt last Thursday. The contract later dropped slightly, hurt by strong US dollar index and slowing depreciation of Chinese yuan, and tested the 5-day moving average last Friday. LME tin closed last Thursday at USD 21,300/mt, up USD 1,090/mt or 5.4% on a weekly basis. Falling Chinese yuan was due large to the rising tin prices. SHFE 1701 tin increased at first and then dropped last week. The contract climbed to nearly RMB 150,000/mt last Monday and Tuesday, supported by increasing LME tin and other rising base metals. SHFE 1701 tin later dropped after meeting resistance last Wednesday and closed last Thursday at RMB 146,700/mt, up RMB 5,180/mt or 3.7% week-on-week.

Tin Prices

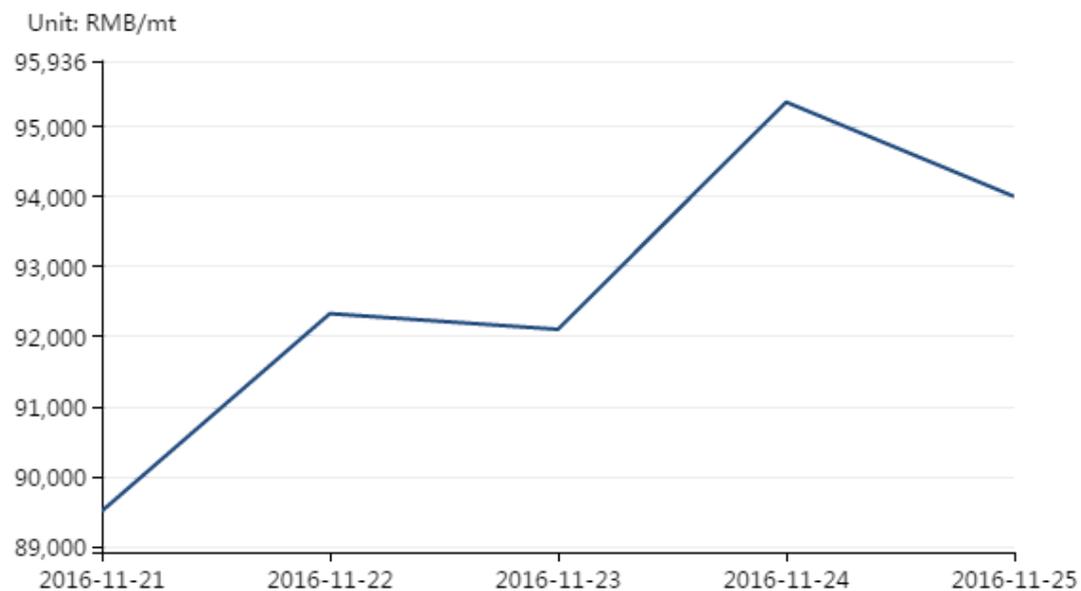


Source: SMM

Nickel

The message of rate hike in December's meeting, indicated by US FOMC meeting minutes sent the US dollar index up to a new high of 102.05 while Chinese yuan kept falling, with offshore yuan once down to 6.965. Speculating investors dominated the market with dropping Chinese yuan and expectation on US's inflation after Trump coming into power. Last week, LME nickel regained the previously lost ground and moved above the 5 and 10-day moving averages, up to as high as USD 11,755/mt Thursday. On Friday, LME nickel moved weakly. As of 15:00 last Friday, LME nickel was USD 11,575/mt, up 5.95% on a weekly basis. SHFE 1701 nickel rallied to above the 5 and 10-day moving averages, up to as high as RMB 96,660/mt on Thursday. The contract closed Friday's mid-day trading at RMB 95,200/mt, up 4.94% week-on-week. Trading volumes fell 1.10 million to 3.05 million lots and positions reduced 80,000 to 290,000.

Shanghai Spot Nickel Prices



Source: SMM

Economic News

Chinese Yuan Keeps Falling, with Offshore Yuan Closer to 6.95

Onshore yuan against US dollar depreciated below 6.90 and 6.91 in a row on November 23's night, hitting eight and a half-year low. Offshore yuan also beat a record low to nearly 6.95. US dollar index increased in a row while Chinese yuan dropped below 6.70 and 6.80 after Trump won presidential election. Chinese yuan against US dollar declined 1.11% from the week ending November 28, beating the year's largest weekly decline.

Zhou Hao, Senior Economist of Commerzbank, Asia Branch, said to Wallstreet that Chinese yuan will not reverse its downward trend if US dollar keeps firm. There is a big possibility for Chinese yuan to fall below 7 in the next year, or even drop to 7.2-7.3. People's Bank of China is expected to take action in December, and Chinese yuan is expected to increase around Merry Christmas, when trading is quiet, to provide room for next year's decline.

PBOC Deepens Free Trade Zone Financial Reform

People's Bank of China (PBOC) announced at a news conference in Shanghai on November 23 the notice of extending cross-border financial services in the Shanghai Free Trade Zone (FTZ) to encourage scientific and technological innovation and the real economy.

Main contents of the notice include providing full life-circle cross-border financial services for enterprises in the "Made in China 2025" strategy, the public entrepreneurship and the multitude innovation, providing free trade account services for technological innovation enterprises to introduce overseas talents, providing cross-border financial services of integration of domestic and foreign currency for cross-border e-commerce business, providing one-stop, all-round cross-border financial services for enterprises in the "Made in China 2025" strategy to support their foreign-related economic activities, such as in the Belt & Road Initiative and Going Out, encouraging financial institutions to develop international trade financing and re-financing business, supporting cross-border equity investment in free trade zone, and building an all-dimensional risk management mechanism.

China Income Tax Reform to Progress in Phases

A new Chinese individual income tax regime is quickly taking shape and may make its long-awaited debut in the first half of next year. The goal of individual income tax reform is to establish an income tax system that combines classified and comprehensive taxation systems. The most watched and important part of the reform is tax deduction, and education expenses will likely become the first item to be deducted, and mortgage payments may also be added to the list of tax deductions. And it will be a practical way for the reform to progress in phases. In the long run, expenditures such as those on eldercare and raising second child will be also added to the list with optimizing of matched requirements and taxation mechanism.

Reporter learns that income from salaries, remuneration for labor and equity transfer will be most likely to be included in the comprehensive taxation system.

Most Fed Officials Expect Interest Rate Hike to Come Soon in November's Meeting

US Federal Reserve released November's meeting minute on November 24. Most Fed officials indicated that interest rate hike will come soon with falling unemployment. And some officials even pointed out that it is appropriate to hike the rate in December. Wallstreet reported that the minutes

strengthened market expectation on US hike interest in December. According to the minutes, most officials indicated that Fed should hold interest rate unchanged in November's meeting, waiting for more market direction. And interest rate hike will come soon if economic data improves further. Fed officials are generally positive toward employment condition as labor market improves continuously. However, some said that unemployment rate should decline below normal level to push inflation.

Industry News

Cochilco: Chile Mines See Lower Cost in 2016

The Cochilco said in a report the average cash cost at Chile's copper mines slid 16% YoY in 2016, and will have room to fall further. The country's copper output will grow at a slower pace in the next ten years, it said.

China Unwrought Copper Exports up 111.1% YoY in October

China Customs reported November 24 China's unwrought copper exports were 22,909 mt in October, up 111.1% YoY, with the growth down for 3 months in a row. Exports were 75,007 mt in July, the second highest in record.

Zambia Copper Output to Increase 4% in 2016

Zambia Chamber of Mines expects the country's copper production to rise 4% to 740,000 mt this year, it said November 23.

Zambia is the second largest copper producing country in Africa.

Tongling's Jinguan Reports Above-Target Copper Production Jan.-Oct.

Tongling Nonferrous Jinguan Copper Co.'s copper production topped its target in the first ten months of the year. It processed 1.37 million mt of copper concentrate in this period, and processed 344,600 mt of cathode copper and 1.30 mt of sulfuric acid, which outstripped target by 4%, 3.39% and 5.48%, respectively.

Indonesian AMNT Approved for Copper, Gold Exports from Jan. 2017

An official from Indonesia's Ministry of Trade said Tuesday that PT Amman Mineral Nusa Tenggara (PTAMNT) has gained export license from the Ministry of Mines & Energy which allowed it to begin exporting copper and gold concentrate from January 2017.

Its Batu Hijau mine will export 149,000 mt of copper concentrate after receiving approval, said Bambang Gatot, Director of the company's coal & mining department.

SMM Also Issues

Non-ferrous Metal Annual Reports:

- China Copper Industry Chain Annual Report, 2016-2019
- China Aluminum Industry Chain Annual Report, 2016-2020
- China Nickel Industry Chain Annual Report, 2016-2019
- China Lead Industry Chain Annual Report, 2016-2018
- China Zinc Industry Chain Annual Report, 2016-2019
- China Rare Earth Industry Chain Annual Report, 2016-2019
- China EMM Industry Chain Annual Report, 2016-2019

Non-ferrous Metal Regular Reports:

- China Base Metal Briefing (weekly)
- China Copper Weekly
- China Aluminum Industry Chain Weekly Report
- China Zinc Weekly
- China Lead Weekly
- China Copper Monthly
- China Aluminum Monthly
- China Nickel Monthly
- China Manganese Monthly
- China Silicon Metal Market Monthly
- China Rare Earth Quarterly

Steel Regular Reports

- China Steel Briefing
- China Iron Ore Weekly Monitor
- China Iron Ore Monthly Monitor
- China PMI Monthly
- China Iron & Steel Industry Quarterly

Contact us

SMM Research Team
8th FL, North Section, Building 9, Lujiazui Software Park, No.20, Lane 91, E'Shan Road, Pudong New Area, Shanghai, 200127, China
Tel: +86-21-5155-0306
Fax: +86-21-5155-0345
Email: service.en@smm.cn
<http://www.metal.com>