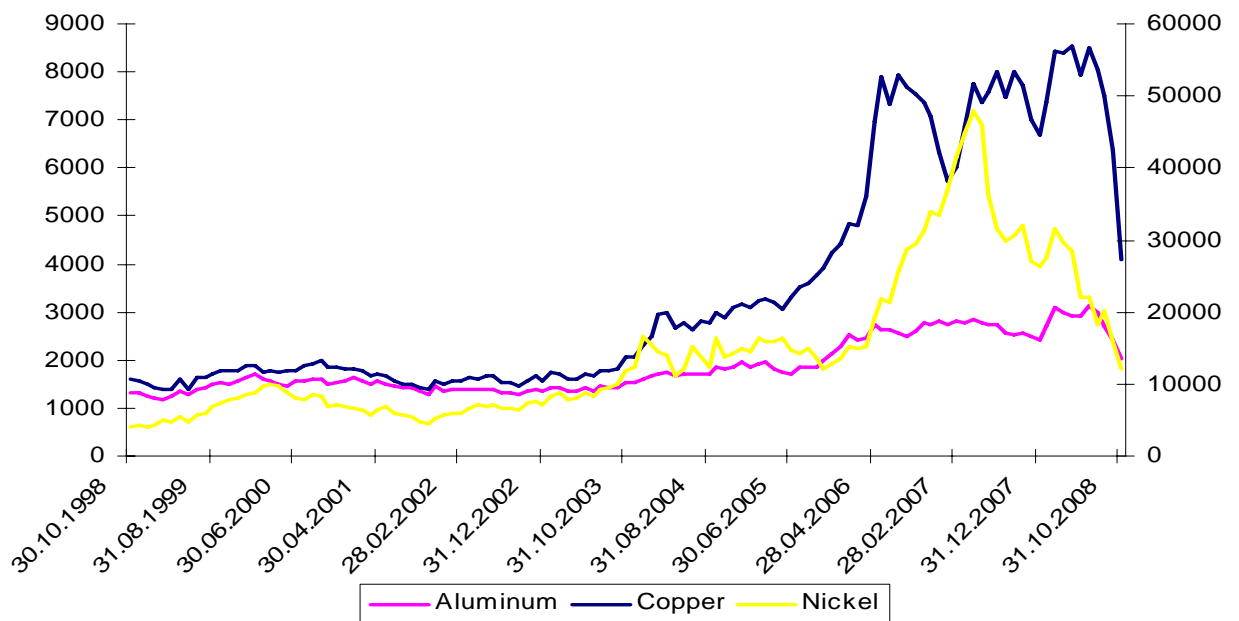


Metal markets lose shine

A three-year-long non-ferrous metal markets rally has eventually slowed (see the diagram). In the near future, we are not likely to see a price growth like the one we witnessed just a year ago.

Non-ferrous base metals prices at LME, dollar per ton



Source: LME

The core reason of the recession is the global crisis that had a double impact on non-ferrous base metal prices. In spring, when first symptoms of negative dynamics at financial markets showed up, investors started to pull out their money from trading places. Initially, this tendency was unobvious, but as the crisis snowballed, investors needed more free funds, so got rid of their specialized investments. Speculative position closing drove the market down even more dramatically. The final verdict to the metal market was ruled out in early autumn when it was clear that a large-scale crisis was to hit the real sector as well. Fundamental factors look too gloomy for metal producers. On the one hand, metal-working companies will be under pressure from the debt burden in the near future. As the debts are secured with company shares – now falling – banks toughen their margin claims to borrowers. On the other hand, companies will not be able to uphold production funding at a high level, which will affect already started or planned projects. Besides, the crisis caused the demand for metal products to drop globally. China, the

basic consumer of non-ferrous metals, is not an exception. So, to lower their costs, producers have to unload capacities and lay off personnel, which is quite costly for metal-working enterprises.

In the coming two or three years, the metals market will be hardly of interest to speculating players as price are unlikely to see any marked growth. Also, the balance of demand and supply does not favor rise in prices. Perhaps, we will witness some positions hitting historical lows. Huge profits must be forgotten for years to come.

By Galina Kovalishina