
Aluminum ratio signals copper drop - Technical analysis

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Bloomberg quoted Barclays Capital as saying that copper may decline as the ratio between copper and aluminum prices holds bearish seasonal tendencies.

The bank's analysts led by Mr Jordan Kotick global head of technical strategy said that "For 5 consecutive years this ratio has dropped in October."

He said that "With the ratio itself failing to surge meaningfully above its summer peak, the risks into year end are for copper to under perform and for the ratio to dip back to 3.00 to 3.05 below which would confirm a more significant top."

Copper for delivery in 3 months has almost doubled this year on the London Metal Exchange and traded at USD 5,960 per tonne at 9:49 AM Singapore time. 3 month delivery aluminum has gained 20% and traded at USD 1,845 at the same time.

Mr Kotick said that "When comparing median returns in the Q4 for copper and aluminum, copper consistently posts lower returns."

He said that in a sample of 7 securities including spot gold and the Reuters/Jefferies CRB Index of 19 futures, copper historically has the lowest median return with October being the worst month of the year for the metal used in construction and automobiles.

(Sourced from Bloomberg)

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