
Copper post new records but aluminum has greatest upside - RBS

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The Royal Bank of Scotland has released its latest Commodity Companion, covering base and precious metals, iron and the energy complex. Among the major conclusions are the beliefs that copper will make new record highs by 2013 but that from current prices aluminum may well have the greatest longer term upside.

RBS is looking for world GDP to rebound by 3.6% in 2010 but is looking for commodity prices to pause for breath after their recent strong rallies. Thereafter the picture brightens considerably.

To put this into context, basis the official LME close on October 6th 2009 the major base metals have rallied as follows:

	Date of low	Recovery
Nickel	24-Oct'08	191%
Zinc	12-Dec'08	176%
Lead	29-Dec'08	145%
Copper	24-Dec'08	109%
Aluminium	24-Feb'09	39%

The study produces sets of ranked forecast price moves over 2 time frames; one year ahead compared with spot average for September 2009 and then through to the average of the H2 of 2013. For the shorter term, natural gas is the top ranked among the commodities covered followed by palladium, oil and natural gas. Then, among the industrial metals, aluminum comes top in terms of projected price gains with copper in second place on both counts.

Over the longer term palladium takes the spoils with a projected gain of over almost 140% followed by natural gas, aluminum and copper and the rankings also alter among the other industrial metals. The longer term shifts in the sector overall are driven in part by the study's expectations for the emergence of deep inventory draining deficits with the world economy back in full swing and for commodities in general to be in an effervescent mood.

RBS states that a crucial phase has now been reached as the emphasis moves from a financially driven risk rally to the expectation for an upturn in the world business cycle in 2010. Commodities have reached a point at which the financial stimuli are starting to move aside in favor of economic growth generating real consumer demand although it is still very early days. Perhaps ironically given the recent plethora of headlines, gold has been the worst performing major metal so far this year although from price cycle peaks, gold has fallen by the least amount with natural gas and nickel the biggest sufferers.

(Sourced from Mineweb.com)

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