

Copper Rises to One-Week High on Speculation Dollar to Retreat

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March 17 (Bloomberg) — Copper prices rose to a one-week high on speculation that low interest rates will spur a retreat by the dollar and boost demand for commodities as alternative investments.

The Federal Reserve yesterday affirmed a pledge to keep its benchmark rate close to zero percent for an "extended period." The greenback dropped 4.2 percent against a basket of currencies last year as central banks around the world lowered borrowing costs to spur economic growth. Copper futures have almost doubled in the past 12 months.

"Copper is moving on some carry through from yesterday's Fed announcement and the idea that the dollar will continue to weaken," said Frank McGhee, the head dealer at Integrated Brokerage Services LLC in Chicago.

Copper futures for May delivery gained 4.4 cents, or 1.3 percent, to \$3.409 a pound at 12:07 p.m. on the Comex in New York. Earlier, the metal reached \$3.436, the highest level for a most-active contract since March 10.

The dollar was little changed against the currency basket. Yesterday, the gauge dropped 0.6 percent. Before today, the measure advanced 2.4 percent this year.

Copper also gained as equities climbed and inventories of the metal fell for the 11th straight session. Stockpiles in warehouses monitored by the London Metal Exchange fell to 525,575 metric tons, the lowest level since Jan. 18.

Fed 'Pedal'

"The Fed is keeping the pedal to the metal," said

David Thurtell, an analyst at Citigroup Inc. in London. "Copper stocks keep declining, and the dollar is weakening."

Copper for delivery in three months gained 1.5 percent to \$7,516.50 a ton (\$3.41 a pound) on the LME. Zinc, aluminum, tin, lead and nickel prices also rose in London.

LME copper will increase to \$8,045 in six months, Jeffrey Currie, an analyst at Goldman Sachs Group Inc., said yesterday in a report. The metal will trade at \$7,825 in a year, he said. Supplies probably will tighten as demand in developed nations improves, he said.

Economic growth may slow in the second half as government- stimulus measures expire, pressuring copper prices, said Michael Pento, the chief economist at Delta Global Advisors in Holmdel, New Jersey.

"The demand picture in metals looks less inspiring to us, making the current move higher dangerously dependant on currency factors alone," Edward Meir, an analyst in Darien, Connecticut with MF Global Ltd., said in a report.