

# Copper premiums on hold for China's return; nickel buoyant

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London, 18 February 2010 - Base metals premiums were mixed this week amid low-key conditions due to holidays in many Asian countries, traders said on Thursday.

Markets in China and Taiwan were closed all week for the Lunar New Year holiday, while South Korea, Hong Kong and Singapore only reopened on Thursday.

Copper premiums eased back from elevated levels in the absence of Chinese buying. But although a small number of trades was reported, offers remained high on expectations demand will pick up when China returns on Monday.

"There is a wait and see attitude ahead of China's return," a physical trader said.

"We're offering high and are not prepared to let it go [low] because we expect premiums to pick up when the Chinese come back," another said.

As a result, although warrants in Busan, Johor or Singapore traded in the region of \$45-50 per tonne on top of LME cash prices, offers were reported as high as \$75.

Premiums in Shanghai last traded at \$120-125 on a cost, freight and insurance (CIF) basis at the end of last week, but offers were heard around \$140-150.

Elsewhere, nickel was the most active metal in the physical market with premiums rising to their highest level for around three months on strong demand and expectations that LME prices will keep rising.

Briquettes were in strong demand, with premiums in Rotterdam trading as high as \$95, up from \$80 last week and their highest since November last year.

Full plates in Rotterdam could still be picked up at level through clearing due to the large inventory in that location - 71 percent of total LME on-warrant stocks. But in Singapore, where supply is scarce, their cost rose to \$60-80 from a previous \$50-70, also their highest since November last year.

"There is more demand in general from the stainless steel sector and from foundries. Plants are out of stocks and have to buy even at these high prices," another trader said.

"The general feeling is that nickel prices will go up this year - they are above \$20,000 now but could easily go to \$25,000 and above by the end of the year," he added. LME nickel hit a six-month high of \$20,600 per tonne on Thursday.

Aluminium premiums held steady in Asia, Europe and US amid tight supplies as most LME stocks remain tied up in warehouse financing deals. Shipments are also affected by logistical problems at LME-registered warehouses in the US, especially Baltimore, as well as bad weather in Russia and the North Sea.

"It's still tight - there's not much available on the spot market," a trader said. "Usually it is like that at this time of the year. There are delays in regards to shipments, especially in the North Sea where the water is very rough, and St Petersburg is sometimes frozen. And there are still logistics problems in the US."

"But the premiums are reaching levels which make it attractive to start selling into," he said.

Elsewhere, zinc premiums eased slightly as the recent nearby backwardation attracted metal into warehouses, with on-warrant stocks jumping almost 40,000 tonnes or eight percent this week to 535,900 tonnes, around the highest since September 2005.

"The zinc squeeze had the desired effect and brought the stocks to the LME," noted one trader.

Lead premiums also eased slightly on the back of higher inventories and weak demand, while tin premiums rose further in Europe to fresh one-year highs on a lack of nearby supply.

Warrants, issued by the warehouse company for each lot of LME-approved metal held within an LME-bonded facility, are a means of delivering metal under LME contracts. Their price, influenced by supply and demand, also varies according to their location and the tonnage of the transaction.

To get delivery of the warrant, the buyer must also pay removal fees to the warehouses - the free on truck (FOT) charges - as well as freight and insurance costs.

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