MetalMiner™

An executive whitepaper written by Aptium Global, Inc.

Q1 Metal Price Trends

MetalMiner™ is the creation of Lisa Reisman and Stuart Burns, the co-founders of Aptium Global Inc. Both Reisman and Burns have sourced and traded metals products around the world. The authors of dozens of articles, sourcing tools, and white papers, Reisman and Burns write their award-winning blog MetalMiner™ to share strategies, insights, and trends for cost avoidance and cost savings opportunities for metals related purchases. MetalMiner™ is available online at:

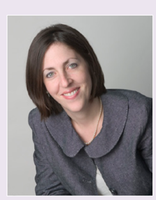
www.agmetalminer.com

A note from the authors and founders

This may sound sad, but it's true: We lie awake at night thinking about how manufacturers could save or avoid spending money on their metal purchases. It's a strange thing to think about, but alas, someone has to do it. Through MetalMiner™, we take a global perspective on the issues, trends, strategies, and trade policies that will impact how you source and/or trade metals and related metals services. From aluminum and steel to rhodium to gallium, from the thinnest gauge foils to the largest castings and forgings available today, we'll cover a wide range of diverse topics—including green sourcing, lean sourcing, global pricing trends, capacity constraints, supply market M&A activity, and more. As always, you can reach us at info@agmetalminer.com to share comments and ideas.

Continue reading for our cost-cutting ideas.

Lisa Reisman and Stuart Burns




Platinum, Further to Go?

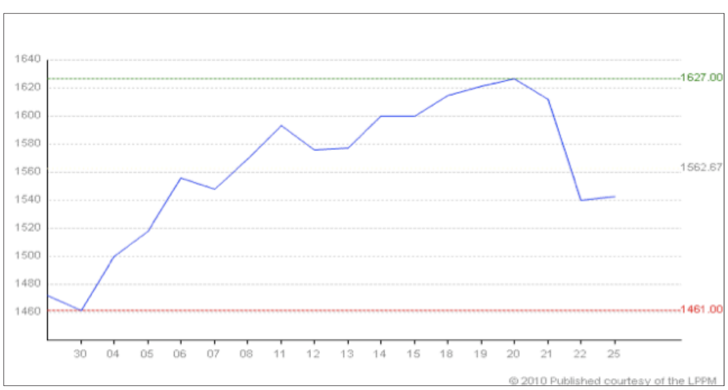
Stuart Burns, January 27th, 2010

Gold, the darling of 2009 appears to be the ugly duckling of 2010 as investors' focus switches to platinum and palladium. In spite of incessant broker promotion the gold price has stagnated over the last month after reaching a peak of nearly $1220/oz in December before becoming range bound either side of $1120/oz.

Investor interest has shifted to platinum and palladium as automotive manufacturing has finally come out of the parking lot in North America and Europe. Sales are predicted to pick up some 5–7% according to supplier to the industry Alcoa in their 4th quarter earnings report but some boosters are predicting an even stronger rebound. Automotive will expand output by 20% this year, Evan Smith, who helps manage $2 billion at U.S. Global Investors is quoted as saying in this blog (http://professor1x2.blogspot.com/2010/01/top-stories-commodities.html).

One of gold's principal supporters over the last two years have been Electronic Traded Funds, but this year ETF Securities launched their metal backed platinum and palladium funds and saw a surge in demand lifting their holdings to a record 594,465 ounces. Standard Bank called out the upside for platinum late last year in their Commodities Daily reports, largely on the back of the stronger fundamentals of restricted South African supply and returning automotive demand.

So far the price has risen strongly this month only to be knocked back by President Obama's comments about the banks, few seem to think that set back will be enough to slow platinum's rise.



There seems to be no end to some supporters enthusiasm Joerg Ceh, head of commodity trading at Landesbank Baden—Wuerttemberg in Stuttgart, Germany's biggest state-owned lender is reported to have said prices could reach $2,400/ounce—one wonders just what kind of a long position he is sitting on.

Where is Nickel Going in 2010?

Stuart Burns, January 26th, 2010

According to the LME, some 65% of nickel goes into making stainless steel so it is no surprise that three years of falling stainless demand have decimated nickel prices. What is more of a surprise is that as stainless steel mills continue to report poor sales and idled capacity the nickel price has been powering ahead in spite of rising inventory levels. This week Bloomberg (http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aniCiOSus7Ao) reported that ThyssenKrupp, Germany's biggest steelmaker, said in November it would cut stainless steel output by 25% in the first half of this year as weakening demand from car-makers and builders hits sales. Finland's Outokumpu Oy, the world's fourth-biggest stainless-steel maker, last month cut its fourth-quarter profit target, while Spain's Acerinox is on a 50% capacity reduction for 2010. Not only are mills reporting generally poor stainless sales but producers are continuing the gradual migration from nickel containing 300 series grades to low or zero nickel containing 200 and 400 series grades. Just this week, Baoshan Steel, China's largest steel producer and second largest stainless producer, announced it would reverse its 60/40 ratio of nickel containing to non nickel containing grades in an effort to boost profitability and cut costs.

So why should nickel prices be so strong when demand appears so weak? Well at the same time western demand has been falling, demand for stainless steel in China has been rising. Both Baoshan Steel and the country's number one producer, Shanxi Taigang Stainless have said they intend to increase overall stainless production in 2010 to meet continuing strong domestic demand. So the reality is we have a market of two halves, weak in the west and strong in the east, or at least strong in China. How will this play out in 2010 and where will it drive nickel prices in the year ahead? Leave your details in the links below.

Molybdenum Prices Moving up in 2010?

Lisa Reisman, January 12th, 2010

It has been nearly a year since we last wrote about molybdenum. Molybdenum just doesn't get the airtime that the other metals receive, mainly because it is used as an alloying element to make high strength steels along with stainless steels, super-alloys and tool steel. However, 2010 could prove an interesting year for molybdenum as it along with cobalt will trade on the LME by the end of February, according to the LME website. Already, people believe the metal (http://seekingalpha.com/article/181393-molybdenum-poised-for-massive-comeback-thompson-creek-a-way-to-take-advantage) will make a "massive comeback" if for no other reason in that the price has hit its 5 year low and the arrival of the new futures contract will bring more market transparency and market participation. The contract will be priced in US dollars. Here is a five-year historical chart from InfoMine:

After just having done an interview with FoxBusiness yesterday, the final question came to us, “What do you think? Single stocks or ETF’s?” Of course working with metal buying organizations we probably don’t pay too much attention to the stock price of all the companies our clients buy from. But if we learned one lesson in 2009 it was this: once a market opens up for ‘other’ market participants, the price tends to follow. We should also point out that metal buying organizations have the opportunity to also take advantage of these contracts. As my colleague wrote on these pages a year ago, “Although the new market will allow producers and consumers to hedge their forward sales and purchases, the greatest beneficiaries will probably be the smaller processors in between who will be able to hedge their exposure on their WIP (Work in Process).

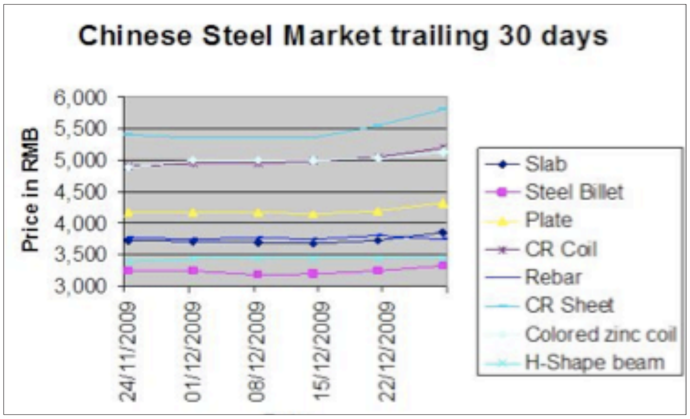
We’ll keep you posted on both the cobalt and molybdenum LME contracts.

China Steel Price Movements December 2009

Stuart Burns, January 6th, 2010

Tracking the daily price changes in the Chinese market via the MetalMiner IndX does allow us at MetalMiner to spot some metal price trends in the country before they become headline grabbing issues so we periodically like to share some recent trend lines for those interested in keeping a tab on price movements in the Chinese market. It is sometimes easy to lose sight of the fact that there is a macro and a micro market in operation in China. At the macro level we and many others look at GDP growth, housing starts, stimulus dollars, bank lending and so on but for buying organizations, this really has the biggest impact when translated into actual supply, demand and price movements. The last few months have all been about China’s continued growth, rising GDP figures quarter on quarter, massive bank lending—reigned in a little since the summer but still high, continued strong auto sales and recently, fears of an inflation bubble building in the housing market. The construction market, we are told has remained pumped up by massive highway building, rail construction and electrification projects. On the supply side iron ore, coal and raw material imports have been strong all year and prices have been rising as a result.

Meanwhile in the rest of the world after modest rises in steel prices up to the summer, mills have found price rises difficult to make stick in the Fall. To make matters worse for producers, prices for some products have slipped back and although capacity utilization has improved it is more due to idling plants than any dramatic increase in demand. Prices in the New Year are expected to rise a little for some steel products, driven by gradually improving demand and rising raw material costs. November and December's steel pricing though has remained under pressure in the US and Europe. In China, prices have continued to rise from late November through to-date, as continued strong demand has allowed mills to pass on rising raw material costs. Some products have performed more strongly than others as the chart below illustrates.



Products used by the consumer goods and automotive industries like cold rolled sheet and coils and those used by heavy industry like plates have risen significantly in the second half of the month. China became (http://www.google.com/hostednews/ap/article/ALeqM5jnLvATfENcYIMMfdPa2_raXimdNQD9CF3JMO0) the world's largest auto market last month, up 50% from a year earlier and looks set to continue as stimulus measures support sales.

Steel products used by the construction industry however such as reinforcing bars and structural sections (H shaped Beams) have strangely remained flat or even slightly down suggesting possibly that demand is slackening for these products or that the market is in over supply, even if the market is not in outright decline. The former, while good for the prospects of cooling inflationary pressures in construction does not bode well for maintaining strong GDP growth, now running close to 10% per annum equivalent. The latter suggests we may see more Chinese construction steel products in export markets in the coming year. MetalMiner will continue to monitor price and market movements to bring you developments on the steel markets in the coming weeks.

What the Uncommon Economic Indicators Tell Us About the Economy

Lisa Reisman, January 5th, 2010

When gauging the health of the economy, some people look at housing starts while others examine consumer confidence data, wholesale prices or new orders. But according to this story in yesterday's Wall Street Journal (http://online.wsj.com/article/SB10001424052748704789404574636413584486326.html), some analysts gauge the strength of the economy by examining rhodium prices, diesel fuel and railroad traffic. According to the article, because these commodities do not trade on any exchange, and therefore aren't subject to speculative feeding frenzies (our words, not theirs) they tell a truer story about economic demand than say, copper. And what do the gauges tell us? Well, rhodium, up 60% since the start of last year indicates an uptick in automotive demand (and as we go to press December auto sales numbers will come out, likely higher than expected). We have also reported (http://agmetalminer.com/2009/12/17/will-enormous-projected-auto-demand-drive-the-hybrid-electric-vehicle-market/) that analysts believe auto sales will jump in 2010. Rail traffic has also inched up in December as has the prices for other key raw materials such as iron ore and coking coal that we have been reporting.

In addition, other commodities such as oil have also increased (though oil is obviously subject to speculation). So what other metrics make for good proxies of economic activity? Here are a few oldies but goodies:

1. Steel scrap—this was Alan Greenspan's favorite leading economic indicator. Though prices had dipped in Q4, the trend line appears to be moving in the right direction (up)
2. Baltic Dry Index—dipped in November but is comparatively on the rise as this chart shows: View the full INDEX:BALDRY chart (http://www.wikinvest.com/chart/BALDRY) at Wikinvest
3. Temporary labor movements (number of new hires) followed by rates

It's also easy to get caught up in a euphoric frenzy. Anecdotally, the little guy on the street still thinks that the 2010 will not bring much positive economic activity. And certainly the commercial construction sector remains weak but don't let me rain on the parade.

J P Morgan Commodity Predictions for 2010

Stuart Burns, December 30th, 2009

JP Morgan has come out with their predictions for 2010 and said they see two principal drivers to commodity prices taking hold. The first is a return to the fundamentals of supply and demand driving prices. The second is the withdrawal of liquidity from the investment market as the US stimulus package is wound down in late 2010.

The bank forecasts (http://communities.thomsonreuters.com/BaseMetals/483676?utm_source=20091216&utm_medium=bmemail) "above-trend growth" in the global economy in 2010 and 2011, which it said was good in general for commodities but some commodities are expected to move in one direction while others are expected to go in another. Oil and oil products for example are in oversupply. Inventories of distillates, which include diesel and heating fuel, have risen beyond market expectations due to sluggish industrial demand and unseasonably warm weather in the United States, the world's largest energy market. The surplus in distillates will have implications over the next three to four months in terms of prices the bank believes, saying they do not expect the oil price to go anywhere in the first quarter or even into the second.

For industrial metals, JPM expects prices to be fairly strong in the first half of 2010, before losing some momentum and consolidating through 2011, specifically calling out the following price points next year:

US$/metric ton	Current Price	Q1	Q2	Q3	Q4
Copper	$6,905	$7,350	$8,000	$6,800	$6,250
Aluminum	$2,268	$2,150	$2,400	$2,200	$2,000
Nickel	$17,625	$17,000	$17,500	$16,500	$16,000
Zinc	$2,440	$2,300	$2,700	$2,650	$2,500
Lead	$2,348	$2,300	$2,700	$2,650	$2,500
Tin	$15,950	$15,000	$15,500	$15,000	$15,000

Lead and copper demand is being driven by strong growth in China due to automotive and infrastructure investment. They have been the star performers in 2009 and look set to continue in 2010. Aluminum has confounded many predictions this year, ours included, despite rising LME stock levels it has powered ahead as physical tightness has resulted from rising demand meeting so much of the material in warehouses being tied up in long term financing deals. JPM see this strength continuing into 2010 and mill premiums for both extruded and rolled products in the semi's markets appear to be supporting this prediction. Nickel and tin however have had a lackluster year. Nickel reacting recently to concerns over the reinstatement of a 5% Russian export tariff rose strongly but nickel stocks are at 150,498 tons, just below all-time highs and stainless demand remains weak. The removal of liquidity in the second half of 2010 will, JPM believes, impact investor liquidity and hence the flow of money into the metals markets.

In addition, the bank sees more metal coming onto the market as long term financing deals are gradually unwound. As a result, the bank sees most metals prices easing in the latter half of 2010 and early 2011.