

Copper And Zinc Rally As Gold Retreats Ahead Of Fed Meeting

Written by David Dwiarto

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Copper and zinc helped lead gains in industrial metals as investors speculated that recent losses have been excessive before a meeting of the Federal Reserve.

Copper has fallen 13 percent in January, heading for the biggest monthly loss since September 2011, while zinc is down about 2 percent. Investors will be looking for clues on the timing of interest-rate increases from the Fed after Singapore's policymakers joined global peers in seeking to stave off deflation.

"The general macro sentiment over the last couple of weeks has been negative," David Wilson, the London-based director of metals research and strategy at Citigroup Inc., said by phone. "There has been overselling and we might get these bouts of short-covering."

Copper for delivery in three months rose 1.2 percent to US\$5,488.50 a metric ton on the London Metal Exchange at 10 a.m. in London. The metals 14-day relative strength index closed on Jan. 27 for the fourth session at or below 30, a level that indicates to some analysts that the metal is oversold.

The Bloomberg Commodity Index slid to a 12-year low this week, with crude, hogs and Copper leading losses in 2015. Inventories are rising after a decade-long bull market spurred fanners, miners and drillers to increase production. A strengthening dollar and falling energy prices are threatening to prolong the rout as they make it cheaper to produce more.

"The market is hoping the US won't make signals about raising interest rates," said Will Yun, a commodities analyst at Hyundai Futures Corp. in Seoul. "This is not the time to raise rates. The dollar is already strong after the problems in the euro zone, especially with Greece."

Copper futures for March delivery in New York rose 1 percent to \$2,487 a pound. In London, nickel and tin rose more than 1 percent, while zinc advanced 1.4 percent to \$2,134.50 a ton.

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Meanwhile, gold declined, paring the biggest rise in a week, as investors assessed the outlook for US interest rates before the Fed ends a two-day meeting on Wednesday.

Bullion for immediate delivery lost as much as 0.3 percent to \$1,288.65 an ounce and was at \$1,290.71 by 247 p.m. in Singapore, according to Bloomberg generic pricing. Prices rose 0.9 percent on Tuesday, the most since Jan. 20, after data signaled a global slowdown may be hurting US growth. Gold for April delivery fell 0.1 percent to \$1,291.60 on the Comex.

Gold rose 9 percent this year amid speculation the Fed will hold off raising borrowing costs amid data showing a contrast between an encouraging US performance and a global outlook that has darkened since it last met. The Swiss central bank unexpectedly abandoned the franc's cap against the euro before the European Central Bank (ECB) announced an asset-purchase program to spur inflation, boosting demand for a store of value.

"It will be quite important to see what they do say because this will be the first that we've heard from the Fed since the SNBs move and the ECBs QE program was announced," Victor Thianpiriya, an analyst at Australia New Zealand Banking Group Ltd., said by phone from Singapore, referring to quantitative easing. "there's still a lot of conjecture as to when" interest rates will increase, he said.

The Fed is forecast to leave rates unchanged this week, a Bloomberg News survey of economists shows. Chair Janet Yellen said Dec. 17 the Fed is unlikely to move before end-April. The central bank has kept its target for the federal funds rate at zero to 0.25 percent since 2008.

The Swiss National Bank in a statement on Jan. 15 scrapped its three-year policy of capping franc at 1.20 per euro. The European Central Bank pledged Jan. 22 to inject €1.1 trillion (\$1.2 trillion) into the currency blocs Economy.

In the US, orders for durable goods unexpectedly fell in December, data from the Commerce Department showed on Tuesday. That follows a report on Jan. 16 showing factory production cooled. The International Monetary Fund and the World Bank cut outlooks for global growth this month.

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Silver for immediate delivery dropped 0.2 percent to \$18,027 an ounce. Palladium was little changed at \$781.03 an ounce, while platinum retreated 0.2 percent to \$1,261 an ounce.
Bloomberg

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