

Copper Enters Bull Market as Declining Stocks Ease Glut Concerns

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By Joe Deaux

(Bloomberg) -- Copper entered a bull market, with futures in New York posting the longest rally in 28 years, amid speculation that supply will tighten and signs of stabilizing demand in China, the world's biggest user.

Inventories tracked by the London Metal Exchange fell for a 14th straight day, the longest slide since March. Reports this week showed China's passenger-vehicle sales climbed for an eighth consecutive month, and China's central bank, which has held the benchmark interest rate at a record low for more than a year, said the current level is in line with economic fundamentals.

Copper, which has lagged gains in other metals this year, is on a roll. Futures in New York rose for a 12th straight session Tuesday, the longest run in data going back to 1988.

Hedge funds and other large speculators boosted their long positions in futures and options by 20 percent to a record, government data Friday showed. Antofagasta Plc's top executive is less pessimistic, while UBS Group AG said the prospect of supply disruptions in Chile means output will be lower than expected and supports a positive view on copper.

"We're getting the idea that these markets are a lot tighter than many people think, particularly as China continues to do pretty well," Bart Melek, the head of commodity strategy at TD Securities in Toronto, said in a telephone interview. "The PBOC is saying interest rates are in line with fundamentals, meaning they won't be doing anything new and they see stability there."

Copper for delivery in three months rose 2.7 percent to settle at \$5,235.50 a metric ton in London. That marked a more- than 20 percent gain from a low in January, meeting the common definition of a bull market. The metal touched \$5,250.50, the highest since October 2015.

Copper futures also entered a bull market, with the contract for December delivery rising 3.1 percent to \$2.38 a pound on the Comex in New York. The metal touched \$2.3825, the highest since October 2015.

Copper's surge fueled gains for mining stocks with First Quantum Minerals Ltd. and Freeport-McMoRan Inc. among the best performers in an index of 41 mining-company shares. Vale SA, the world's biggest iron-ore miner, rose to a two-year high as a gauge of iron prices rose and global steel indexes advanced.

* Aluminum, lead, nickel and zinc also climbed in London trading. Tin declined.

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