

Copper Surges Most in 17 Months as U.S. Job Gain Revives Outlook
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May 3 (Bloomberg) -- Copper surged the most in 17 months after a government report showed hiring strengthened more than expected last month in the U.S., the world's second-biggest consumer of the metal.

Payrolls expanded by 165,000 workers in April following a revised 138,000 increase in March that was larger than first estimated, Labor Department figures showed. The median forecast of economists surveyed by Bloomberg was 140,000. Copper stockpiles tracked by the London Metal Exchange shrank for the first week since January, helping to revive demand prospects after prices through yesterday tumbled 15 percent this year.

"We saw a very good jobs number this morning, and the market is reacting to that," Brian Booth, a senior market strategist at Long Leaf Trading Group in Chicago, said in a telephone interview. "We'll have to wait and see whether these gains hold, but the initial reaction is very positive."

Copper futures for delivery in July climbed 5.1 percent to \$3.2625 a pound by 9:15 a.m. on the Comex in New York, heading for the biggest gain for a most-active contract since Nov. 30, 2011.

The European Central Bank cut its benchmark interest rate to 0.5 percent yesterday to help end a regional recession, and on May 1, the Federal Reserve said it would keep buying \$85 billion of debt a month to stimulate the U.S. economy.

Speculators and hedge funds have been trimming bets on a price decline that have been in place since February, government data show. Net-short positions in copper futures and options slid 43 percent in the week ended April 23, the third straight decline, according to the most-recent data. The U.S. Commodity Futures Trading Commission will update the data today.

Short Covering

Part of today's rally is being fueled by traders buying metal to close out bets on a drop, known as short-covering, according to Societe Generale SA.

The gains were "to some extent driven by short-covering," Jesper Dannesboe, senior commodity strategist at Societe Generale in London, said by telephone. "Maybe yesterday's rate cut from the ECB was a small contributing factor to that."

LME copper inventories fell 1.2 percent, the most since Oct. 25, to 608,700 metric tons, daily figures showed. That rounded out a 1.8 percent weekly drop, the first since the week

ended Jan. 25. Orders to remove copper from warehouses slid 4.9 percent, the most since March 6, to 158,900 tons. On the LME, copper for delivery in three months rose 5.1 percent to \$7,193.50 a ton (\$3.26 a pound). Zinc, lead, aluminum and nickel also gained in London. The LME will be closed May 6 for a national holiday.

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