

# Copper to outshine Gold in the near future?

## Trade Idea

14 February 2013

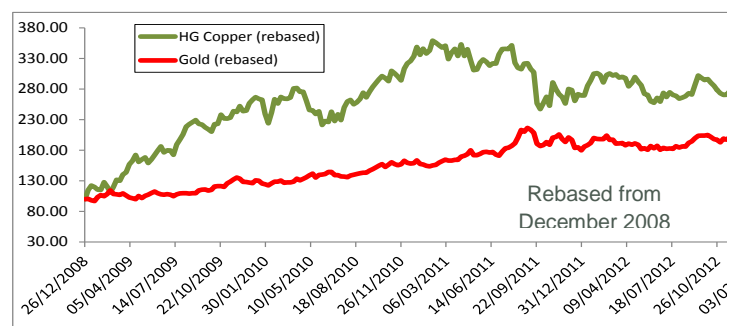
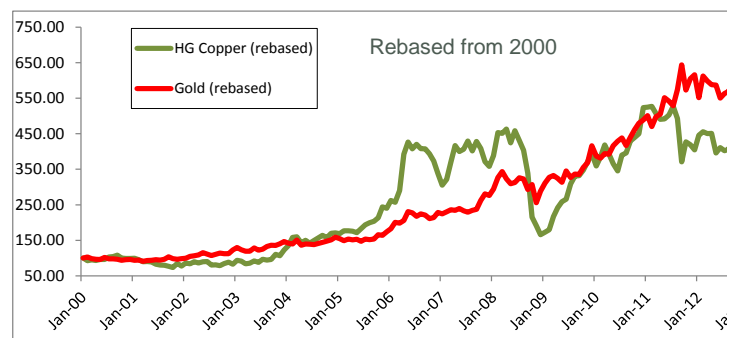
### Summary

- **HG Copper is expected to see prices remain relatively bid with gains to 400c per lb. possible**
- **Gold prices have been relatively soft and a turn to \$1,625/oz support and \$1,530/oz is expected**
- **This would be an approximate 6% move in either commodity over the coming weeks**
- **For those looking to trade the potential HG Copper outperformance and Gold underperformance then one could either buy Boost Copper 3x Leverage Daily ETP (3HCL) or Boost Gold 3x Short Daily ETP (3GOS). Buying both would give a leveraged return on this strategy**

HG Copper prices have remained relatively well supported this week even as China is on holiday (Lunar New Year holidays - Year of the Snake). The view over the coming weeks is that if the China growth outlook continues to improve then HG Copper prices would be expected to rally towards 400c per lb. and potentially higher. The risks to this view is that the growth outlook in China is lowered, or that Eurozone growth (or US) falters more than expected and drag prices lower. Gold prices are not finding buyers on China growth expectations though and even the bullish news this week (Bloomberg) that Russia added 570 metric tons to their gold reserves over the last 10 years and which such purchases are expected to continue, failed to support prices.

The two charts show HG Copper (front month) futures prices and Gold spot prices on two different rebased indices. The first chart (showing relative returns rebased from January 2000) shows that gold prices have outperformed HG Copper prices. The second chart uses weekly prices rebased from the December 2008 low in HG Copper futures and shows that HG Copper prices outperformed the rise in Gold prices since this trough. If the trend since the 2008 low in Copper remains in place then the rebased index chart from 2000 will show the returns in HG Copper and Gold converging again.

Risks to this long/short strategy would be HG Copper prices dropping below 360c per lb. (250-day moving average) or gains in Gold prices above \$1,700/oz.



Source: Data courtesy of Bloomberg and Reuters

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