

July 27, 2005

## What Hu Jintao can do for Nickel

Whilst copper clambered to new highs on the London Metal Exchange and aluminium prices firmed, yet without reaching the highs seen at year start, nickel did not reflect itself very positively during the last couple of weeks. In a very thin and volatile market, nickel was not able to recover from the price drop experienced at the end of June. Indeed, the range was broken on the downside and prices of below USD 13,900 /mt were seen, marking a temporary new low. Last January is the last time prices were seen at this level. However the market does seem to be supported here as prices are moving within a range of USD 13,900 /mt and USD 14,500 /mt. Reports of a stagnant turnover and production cuts at numerous stainless steel producers have already been absorbed into the price. Further changes in production numbers do not seem to be under discussion according to latest information.

A revaluation of the Chinese Yuan against the US-Dollar was, according to analysts, expected to put new impulses into the raw material market, as this would lead to imports into China being more favourable for them (their buying power increased). The revaluation so far of only 2.1%, less than expected and hoped, can only be seen as a political gesture to the growing foreign pressure to revalue the currency. The well-known fact that prices expressed in the local currency, next to the original dollar rates, has a considerable effect on demand also applies in China where people are price conscious. In anticipation of a revaluation, it is not yet clear if buying in China has been put on hold by using up existing stocks. This should be made clear soon, unless there are further revaluations awaiting us. The impression does not deceive that with regards to currency relations, we are at the very beginning of a development where the Chinese state will always have its own economic interests at heart.

An interesting report regards the important raw material customer and steel consumer China: on 20th July 2005 the National Development and Reform Commission (NDRC) revealed its plan for the further development of the Chinese steel industry for the next 15 years. Central to this plan is the more efficient use of raw materials as well as the aim of consolidating the industry to create a more competitive entity. As far as raw materials are concerned, the main focus is on state aid to invest in raw material sources or even to purchase raw material companies, should Chinese companies wish to secure their raw material supply from abroad. The consolidation part is concerned with the promotion in integration of companies by the NDRC, which can so assure production numbers and extensive agreements in planning, development and investment of the Chinese steel companies. The main goal is that the ten largest steel producers in China should cover 50 % of the total domestic steel production by 2010 and 70% by 2020. This new policy does not only affect the domestic market, but also to a noticeable degree the external markets. Foreign steel producers who wish to invest in China are only welcome if they have an annual production capacity of 10 Million tons raw steel or more.

Norilsk Nickel had a nickel production in the 2nd quarter 2005 of 61,000 tons, the whole production for the first two quarters of 2005 totals 120,000. In 2004 production in the first two quarters was 122,000 tons, 1.67% more. The total production for the year 2004 was 243,000 tons (2003: 239,000 mt).



## LME (London Metal Exchange)

### LME Official Close (3 Month)

July 26, 2005			
	Nickel (Ni)	Copper (Cu)	Aluminum (Al)
Official Close 3 Mon. Ask	14.000,00USD /mt	3.458,00 USD /mt	1.823,00 USD /mt

### LME stocks in mt

	July 4, 2005	July 27, 2005	Delta in mt	Delta in %
Nickel (Ni)	6.882	7.002	+ 120	+ 1,74 %
Copper (Cu)	29.625	26.550	- 3.075	- 10,38 %
Aluminum (Al)	535.175	526.150	- 9.025	- 1,69 %