

## **Commodity Markets Another Sea of Red**

*Paul Ausick, <http://247wallst.com/commodities-metals/2015/08/24/commodity-markets-another-sea-of-red/>,*

*August 24, 2015 12:10 pm*

The bull cycle in commodities ended months ago, and prices for metals such as copper, iron ore and aluminum have slipped by double-digit amounts. Some of that is due to the drop in crude oil prices, because lower demand for energy typically indicates that the demand for base metals will soon follow suit.

Since May, copper prices have fallen from around \$2.90 a pound to about \$2.30, a decline of about 21%. Benchmark West Texas Intermediate (WTI) crude oil has dropped from around \$60 a barrel to around \$40, a drop of a third. Aluminum prices are down about 20%, and iron ore is down about 13% in the same period.

Metals miners have taken a lot of punishment, and in London Monday, big miners like BHP Billiton PLC and Glencore traded down about 7.5% and 10.5%, respectively.

One very hard hit U.S. mining stock recently has been Freeport-McMoRan Inc., which posted a new 52-week low Monday morning of \$8.17, down about 6.5% from Friday's closing price. The company's continuing squabble with the Indonesian government has left it without an export license for its copper production. If the company were stronger financially, that would not be an altogether bad thing, given the price of copper right now, but the company's long-term debt exploded in 2013, after spending \$20 billion on two acquisitions in the oil and gas sector. What looked like a shrewd move at the time has not exactly worked out as planned following the collapse in oil prices.

The three-month copper contract on the London Metal Exchange traded at its lowest level since 2009 Monday morning, at about \$2.23 a pound, and lead posted a five-year low of around \$0.82 a pound. The devaluation of China's currency combined with recent poor economic data from the single most important global consumer of metals have added to the impact of low global energy prices to tamp down demand not only in China, but virtually everywhere.

Agricultural commodities are faring a little better, but most are no better than unchanged. Corn was flat at \$3.77 a bushel, wheat was down less than 1% at \$5.03 a bushel, while soybeans were down 2% and feeder cattle down less than 1%.

WTI crude oil traded at less than \$39 a barrel, after posting a new 52-week low of \$37.75 shortly after the opening bell Monday. Brent crude traded at around \$43.40, after posting a new 52-week low of \$42.51 in the morning. Brent has not traded at this level in more than six years.

\*\*\*\*\*