Bearish on Metals, Cuts Copper Outlook

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Goldman Sachs Group Inc. delivered a bearish slate of forecasts across metals this week in a sign that the flogging commodity prices are taking still may have more to go.

Goldman on Wednesday lowered its copper-price outlook by as much as 44 percent through 2018 and expects Chinese demand to grow at the slowest pace in almost two decades. The cut came a day after Jeffrey Currie, the bank's head of commodities research, said gold could trade at its lowest level since 2009. Analysts earlier this week said iron ore will keep falling.

Copper fell to a six-year low this month, and gold is trading near its cheapest since 2010. Everything from oil to sugar has been declining as signs of expanding gluts drove the Bloomberg Commodity Index to a 13-year low on Wednesday. Global copper inventories tracked by the London Metal Exchange have more than doubled in the past year, signaling ample supplies

"We substantially lower our short, medium, and long-term copper price forecasts on the back of lower Chinese copper demand growth forecasts, increased conviction in copper supply growth over the next three years, and less conservative assumptions regarding mining cost deflation in dollar terms," analysts including London-based Max Layton said in an e-mailed report dated July 22.

On the London Metal Exchange, copper for delivery in three months fell 0.9 percent on Thursday to $5,311 a metric ton, the lowest level in two weeks.

Copper Prices

Goldman expects prices to reach $4,500 by the end of next year. That would be a 16 percent drop from Wednesday's close, and compares with an average analyst outlook for $6,608, according to 26 estimates compiled by Bloomberg.

Currie said Tuesday that the worst is yet to come for gold, which the next day capped its longest losing streak since 1996 in New York. He said that prices could fall below $1,000 an ounce by the end of the year. Futures for August delivery in New York settled at $1,091.50 on Wednesday, and touched $1,080 this week, the lowest since February 2010.

Rising seaborne iron ore supplies over the next two quarters will probably overwhelm weak demand from mills in China, analysts Christian Lelong and Amber Cai said in a July 20 report. The bank forecast that prices will fall over the next four quarters. The commodity sank to the lowest since at least 2009 this month amid concern that the biggest mining companies including Rio Tinto Group, BHP Billiton Ltd. and Vale SA are intent on boosting low-cost supply even as demand falters.

The LME Index of the six major metals traded on the exchange, which includes aluminum, nickel and lead, has slumped 14 percent this year and is heading for a third monthly decline.

“A lot of people feel aluminum, nickel and copper are signaling that something is truly rotten inside of China and maybe India as well,” said Eric Crittenden, chief investment officer at Phoenix-based Longboard Asset Management LLC, who manages $304 million.