

# The Copper Bull Market: Unearthing Profitable Opportunities with This Red-Hot Metal

*An Investment U White Paper Report*  
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The price of copper has skyrocketed in the past year.

In fact on May 1, 2006, copper hit an important milestone.

On that day, according to the NYMEX, the underlying value of the U.S. nickel (which is composed of 75% copper) surpassed its face value for the first time. With copper prices soaring to \$3.50 per pound, the value of the nickel coin hit \$0.0535... approximately 107% of its face value.

Despite the fact that prices have dipped a bit since peaking in May, with copper now trading just above \$3.00 a pound, the overall outlook for this base metal remains extremely promising.

But before you try smelting a pocketful of nickels, let's take a look at a more practical, advantageous plan for *investing in the copper market*. In this exclusive Investment U research report, we'll closely examine the following:

- The fundamentals driving up the price of copper
- The reasons this trend should continue, and
- How investors stand to profit

## Copper: A Simple Case of Supply and Demand

Copper is relatively scarce for several reasons.

- Chile, the world's biggest copper producer by far, has seen a significant decrease in production. As provider of over one-third of the world's copper supply, populations worldwide endured the fallout in 2005 when Chile's production was down by 1.7%.
- Disruptions in supply can also be attributed to ongoing strikes, resulting in temporary or even permanent setbacks. Grupo Mexico SA, the world's seventh-biggest copper producer, was forced to close a mine in late February as a result of an unresolved labor dispute.
- It's been close to a century since any major mines have been discovered, with no new copper mines being developed in the foreseeable future.

Quite simply, the world supply is running critically low.

As the world's third most widely used metal, copper is an important element in global industrial development and is considered a barometer of economic expansion. So although copper is neither a precious metal nor an energy source, it is inarguably one of the most important commodities in today's world.

### Copper Fact

*To give you an idea of just how much copper is needed for industrialization...*

*There are 18,161 lbs. of copper in a single power transformer. Each transformer has six copper windings which, if you were to lay end to end, would give you 110, 029 feet or 20.84 miles of copper.*

*SOURCE – [www.dmepower.com](http://www.dmepower.com)*

Entire infrastructures are based on this reddish metal... plumbing, construction, telecommunications, transportation. Consider the exponential growth in areas such as China and India, and it becomes evident why copper prices are increasing and why the world is experiencing this shortage.

Unfortunately for these regions, copper supply has been unable to keep up with demand since 2002, resulting in a supply/demand imbalance.

Entire countries have been left scrambling to meet these growing demands. Take China, for example... the world's #1 consumer of copper. In 2002, the China Non-ferrous Metal International Mining Company was created in response to a dwindling domestic supply. The primary goal? To buy shares in foreign copper mines, or to control them in order to help satisfy China's voracious appetite for copper.

And looking to the future, there is no indication that this tight market will loosen. Experts anticipate that the demand for copper will increase at a rate of 3.5% or more throughout the next several years.

### The Copper Boom is No Bubble

In November of 2004, naysayers warned that metals were losing their luster. Copper was trading around \$1.30/pound. "It's time to take those profits," *Business Week* cautioned... Now analysts predict that copper may never trade at levels that low again.

In a *New York Times* article back in November of 2005, some investors warned that the copper bubble was about to burst... Since that time, prices have almost doubled.

The chart below reflects the 5-year trend in copper prices.



And in recent weeks, copper prices have backed off from their high in May. So once again, some speculators and investors are proclaiming this recent blip in the market as an indication that the bubble will soon burst. Sound familiar?

Well keep in mind that no bullish market can head straight up at all times, and that the majority of bull markets in commodities last anywhere from 15 to 20 years. Then remember that this latest has lasted only about five years.

This general upward trend will continue. Inventories are still low. Demand is still high. There just is not enough copper being produced to meet the growing needs of the world. Period.

And analysts at UBS are echoing this sentiment. Forecasts for copper have been raised for the second quarter... third quarter...and 2006 on the whole.

### **Following the Money Trail by Investing in Copper**

Propelling this bullish market along further is the mounting interest and optimism of investment fund managers. Fund managers, notorious for eyeballing long-term investment opportunities, have recently focused heavily on the commodities markets, most notably copper. They are scooping up these shares based upon solid fundamentals... the weakening dollar... limited production gains... the supply/demand deficit.

While this aggressive buying is an underlying factor to the rising prices, the basic principles driving copper upward remain strong from an investor's perspective.

### **A Four-Year Gain of 934% in a Copper Stock?**

To better understand this copper explosion, take a look at the historical prices of Phelps Dodge, one of the largest copper producers in the world. Over the course of four years Phelps Dodge has seen its stock rise from \$11 to a high of \$102.80... its performance clearly reflecting this boom in the copper market.

But is it too late to get in? Not according to top financial advisor Arnold Schmeidler, as reported recently to *Business Week*. Given Phelps's sound balance sheet, \$2.2 billion in reserves, and healthy cash flow and earnings, he considers this copper stock a bargain. He foresees that prices will continue rising for at least the next couple of years.

And Phelps Dodge is not the only company in the copper business to profit from this surge. Since 2001, the three leading copper producers have averaged gains of over 500% on the U.S. exchanges. Not to be outdone, some of the smaller copper mining companies are performing equally as well, or even better. It's straight economics... as copper prices climb, the shares of its producers are following suit.

So interested investors should pay close attention to these primary metal producers – both big and small – described by ABN Amro and UBS as “fundamentally undervalued.”

Good investing,

Angela McKee and the Investment U Research Team

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