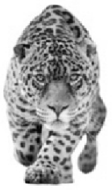
Jaguar Investments Limited



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THE CURIOUS CASE OF CHRISTOPHER COPPER – FEBRUARY 2009

It is a commonly accepted wisdom that the price of copper is driven by a relatively stable (though relatively inelastic) supply picture, and less reliable (and wavering) industrial demand. These factors can be seen through the fairly strong correlations between the price of 3m copper on the London Metal Exchange, and other quantifiable data (see table below for correlation data). Since these correlations are so high (and have been so for many years) they can be used by market practitioners to predict price action.

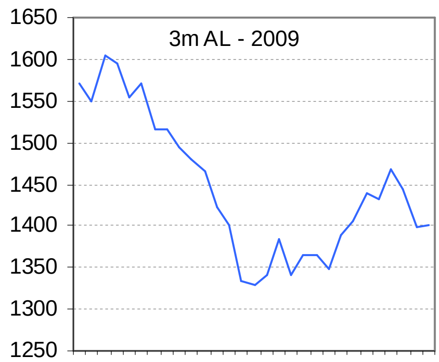
	Correlation
3m Copper	1.00
Warehouse Stocks	-0.67
3m Aluminium	0.97
DJ Industrial	0.78
CRB Index	0.88
Nymex WTI	0.89
EUR/USD	0.82

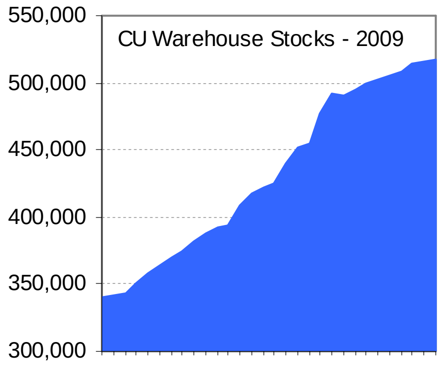
Daily movement Jan'00 – Dec'08

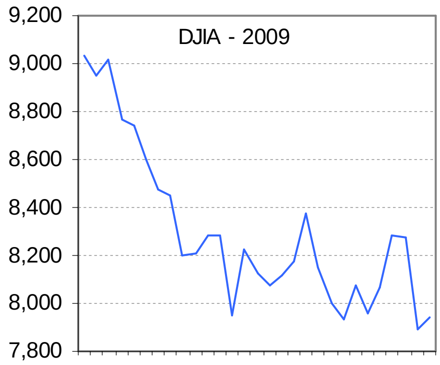
On 31st December 2008;

- 3m copper price on the LME settled at $3070/mt.
- 3m aluminium price on the LME settled at $1540/mt.
- Copper inventories in LME warehouses were published at 339,775mts.
- Copper inventories in COMEX warehouses were published at 34,514 short tons.
- EUR/USD was around 1.39
- Dow Jones Industrial average closed at 8776
- Front month WTI crude settled at $44.60.
- CRB index finished the year at 229.54 (which was a fall of some 36% y-o-y)

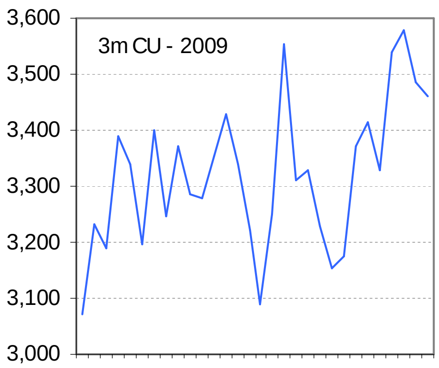
In the last 6 weeks, LME warehouse stocks have risen to 516,675mts (+52%). COMEX warehouse stocks have risen to 40,866 short tons (+18%). The EUR/USD has fallen to around 1.28 (-8%). The DJIA has fallen to 7940 (-10%). Front month WTI has fallen to $35.94 (-19%) and the CRB has fallen to 216.11 (-6%). 3m aluminium closed last night at $1401 (-9%). Selected charts are shown below;







Basis this uniformly bearish action across markets, and the above correlations, we calculate that fair value for 3m copper at this time should be approximately $2665, representing a fall of some 13% on the year. In fact the copper price has risen some 13% to $3459.



In our opinion several factors are contributing to this strength;

- Firstly we know that the market is tremendously short – the latest CFTC COT report (at 3rd Feb) indicates large players are short some 26,000 contracts which is within a whisper of the all time shortest position (established in the wake of the 9/11 attacks).
- We know that some producers have been unwinding hedges in recent weeks as production has been cut back and new mine exploration slows.
- There has also been some (misplaced?) optimism that government intervention will hopefully ensure that the global recession is shorter than anticipated – the much vaunted Barak Bounce, prompting some nibbling of shorts
- Finally, before being breached back in June 2005, the $3000-$3200 level had historically always provided such stiff resistance that it had never been broken. From a technical perspective this level is now providing good support.

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