

Nothing has changed...expect downward pressure in prices to continue

1 LME 3M aluminum prices fell today given the ongoing oversupply in the market, a strengthening US dollar vs the euro, and weak global economic data which pushed up risk-aversion. Market is struggling to fall below \$1,330-1,300 per mton (60-59 cent/lb). Conditions are still present for prices to break \$1,300 per mton (59 cent/lb) and fall even to \$1,100 per mton (50 cent/lb) ahead.

2 Prices received bearish pressure from A) An increase in LME aluminum inventories of 12,050 tons. B) A strengthening US dollar vs the euro (1.1% to \$1.28). C) An increase in the VIX index/fear (to 44.1 from 42.6) given weak US and European data, which showed that US GDP in the IVQ'08 contracted at its fastest pace since 1982 while European unemployment rose to its highest in Dec since Nov '06. D) Plummeting Japanese aluminum demand in Dec '08 (see details in news & views section below). Nevertheless prices received some support from A) An increase in the Baltic Dry Index to 1,036 from 1,014 (implies improving global manufacturing activity). B) Yesterday's news that *Noranda Aluminum* lost around 195,750 tpy of output capacity given a power outage.

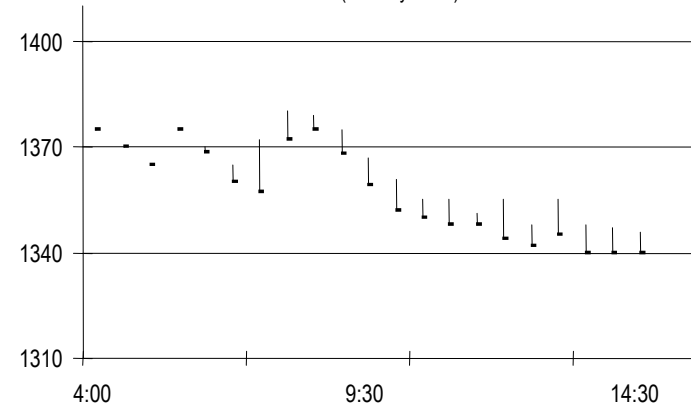
3 LME 3M aluminum prices closed the official session at \$1,346 per mton or 61 cents/lb (cash closed at \$1,311 per mton or 59 cents/lb) and closed the day at \$1,350 per mton (60 cents/lb). The cash-3M contango rose slightly to \$35 per mton from \$33 per mton. SHFE aluminum prices remained unchanged at \$1,720 per mton (77 cent/lb) due to New Year holidays. The SHFE/LME price spread fell slightly to +408 per mton from +411 per mton. The VIX index (fear index) rose to 44.1 from 42.6. The Baltic Dry index increased to 1,036 from 1,014. LME aluminum stocks rose by 12,050 tons. According to most recent LME reports, there are currently no dominant players in the market controlling significant portions of LME aluminum inventory.

4 Conditions are still present for prices to continue to fall. Risk aversion/fear is still above normal levels (measured by the VIX index), alumina prices are still trending down, global short term interest rates are still falling, the global manufacturing sector is still in deep contraction mode, we still have daily aluminum inventory buildups, and sentiment and technicals are still in bearish mode. Expect lower prices.

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Today's LME 3M Aluminum Prices

(intraday basis)



Jan 29

(Official prices)
(mtons)

Cash	d/d
1,311	3
3M	d/d
1,346	5
15M	d/d
1,468	3
27M	d/d
1,578	5

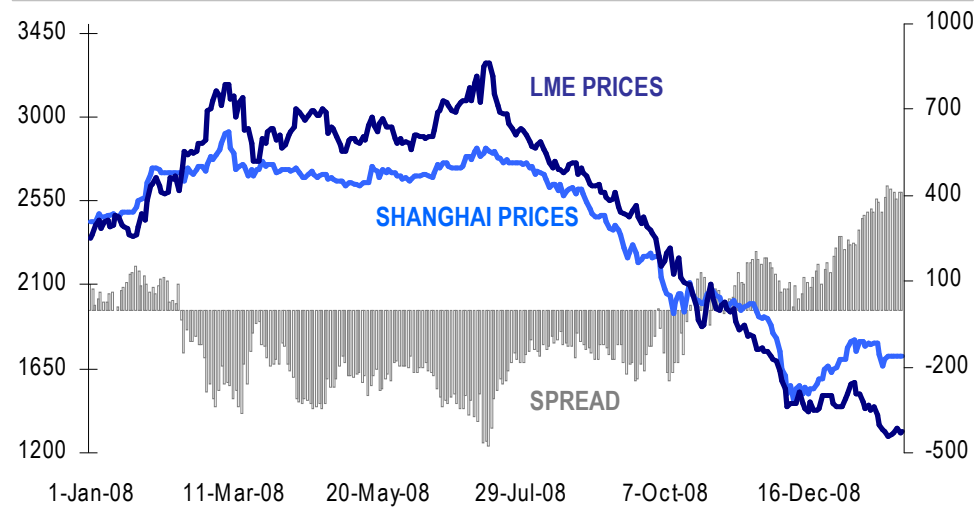
Historical LME 3M Aluminum Prices

(daily close basis)



LME CASH ALUMINUM PRICES VS SHFE ALUMINUM PRICES AND SPREAD

(daily data, USD/mton)



SHFE ALUMINUM PRICES VS CASH LME PRICES DATA TABLE

Date	SHFE (yuans)	SHFE (USD)	LME (USD)	Spread (USD)
30-Jan-09	11,760	1,719	1,311	408
29-Jan-09	11,760	1,719	1,308	411
28-Jan-09	11,760	1,719	1,331	388
27-Jan-09	11,760	1,719	1,308	411
26-Jan-09	11,760	1,719	1,300	419

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CASH SHANGHAI ALUMINUM PRICES IN YUANS

(daily data, yuans/mton)

