

BASE METALS: Metals Rally On Fed's Treasury Buying Policy (Dow Jones)

By Matthew Walls

LONDON (Dow Jones)--Base metals on the London Metal Exchange are higher across the board Thursday, as investors and traders reacted positively to the U.S. Federal Reserve's \$600 billion Treasury buying policy.

Analysts said the policy sent markets a message that the dollar will remain weak, interest rates low, and economic growth in the U.S. may pick up.

All these developments should boost investor confidence and sustain demand for commodities from consumers and speculative investors, they said.

At 1139 GMT, three-month copper was trading at \$8,480.25 a metric ton, up 1.9% on the day. Zinc was playing catch-up with other metals after nearly a week of daily declines, and was up 3.4% at \$2,487/ton.

The Fed Wednesday said it will buy an additional \$600 billion of Treasuries in hope of stimulating growth and lowering unemployment.

"It's pointing towards a more risk-on environment," said Standard Bank metals analyst Leon Westgate. "Basically the Fed is saying we're going to do everything we can to help the economy."

Westgate said this should be broadly supportive to the metals, and particularly to those metals with the strongest fundamentals. "I think copper, tin and lead will do well."

BaseMetals.com analyst Will Adams said prices may already reflect much of the positive boost that a second round of quantitative easing could bring, and so are vulnerable to correcting.

"[If the metals] fail to set new highs or hold on to gains, then it will suggest the market is tired and overbought, having already discounted the impact of [Fed quantitative easing]."

The next big focus for the market will be Friday's U.S. non-farm payrolls for October.

Zinc stocks resumed their climb Thursday, rising 1,350 tons to 633,500 tons. Copper inventories increased by 1,250 tons to 367,325 tons.

In other metals, aluminum was 1.3% higher at \$2,450.25/ton, nickel was up 1.3% at \$23,850/ton, and tin was up 0.8% at \$26,050/ton.

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