

Market Overview

as of: 31 August 2015






- Copper:** Over the last four weeks copper slipped further, with the price looking to be sticky to around-5000 USD/t levels. Base metals markets are carefully assessing Chinese economy, although other EMs are also source of uncertainty. In some ways, producers are even more hurt than during Asian financial crisis. Freeport-McMoran is the first major copper producer to announce significant cuts. In Zambia, water scarcity resulted in major electricity cuts for red metal producers (*page 2*).
- Gold:** After hitting the lowest point since 2010, gold prices rebounded 3.3% in the last four weeks. Meanwhile, silver continued its downward march, putting gold-to-silver ratio close to very high levels of 80. According to Citi analysis, USD behaviour will be more important for gold prices than Fed hikes themselves. Some short-term bear pressure may come from possible Venezuelan bullion reserves liquidation, as the country struggles with default phantom and low oil prices (*page 6*).
- China:** Chinese central bank unexpectedly decided to change its currency regime to more market-driven. By doing that PBoC may be aiming at achieving few goals, but it seems that it is rather adjusting to IMF's SDR requirements than boosting economic growth (*page 8*).

Key market prices

	Close price	4w chng.
LME (USD/t)		
▼ Copper	5 095.00	-2.4%
▼ Nickel	9 835.00	-10.0%
LBMA (USD/troz)		
▼ Silver	14.44	-0.8%
▲ Gold (PM)	1 135.00	3.3%
FX		
▲ EUR/USD	1.1268	2.7%
▲ EUR/PLN	4.2325	2.0%
▼ USD/PLN	3.7493	-1.1%
▲ USD/CAD	1.3269	1.7%
▲ USD/CLP	699.69	4.1%
Stocks		
▼ KGHM	79.50	-16.3%

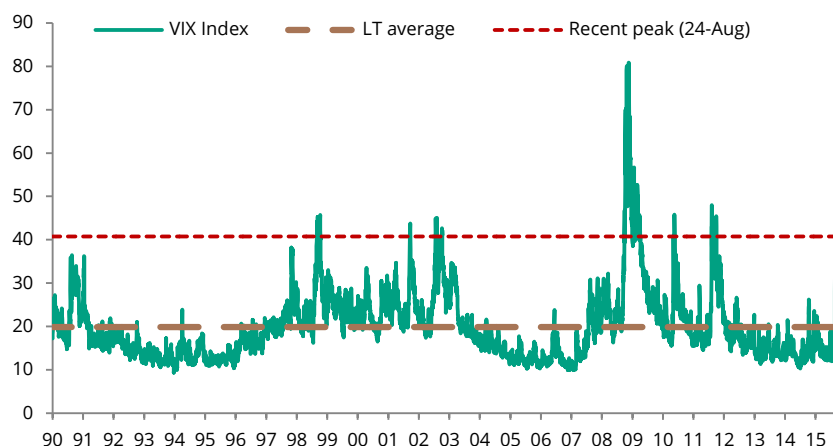
 Source: Bloomberg, KGHM; (*more on page 12*)

Important macroeconomic data

	Release	For	
	GDP (annlzd., qoq)	2Q	3.7% ▲
	GDP (sa, yoy)	2Q	1.2% ▲
	Reserve req. ratio	Aug	18.0% ▼
	Industrial prod. (yoy)	Jul	6.0% ▼
	GDP (yoy)	2Q	3.3% ▼

 Source: Bloomberg, KGHM; (*more on page 9*)

Chinese equities rocked not only EM stocks, as S&P500's volatility index (VIX) reached levels seen only few times in history



Source: Bloomberg, KGHM

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Base and precious metals | Other commodities

Copper

Over the last four weeks copper slipped further, with the price looking to be sticky to around-5000 USD/t levels. Base metals markets are carefully assessing Chinese economy, although other EMs are also source of uncertainty. In some ways, producers are even more hurt than during Asian financial crisis. Freeport-McMoran is the first major copper producer to announce significant cuts. In Zambia, water scarcity resulted in major electricity cuts for red metal producers.

For base metals it's not all about China

The recent thunder surrounding emerging markets have once again been sorely felt by commodities, with the Bloomberg Commodity Index (BCOM) falling back to levels last seen in 1999. While China tends to dominate thoughts relating to industrial metals, recent data actually suggests a stabilisation or even improvement of demand in the Middle Kingdom. However, ex-China emerging markets look to be a bigger concern for future demand, following the currency moves and capital outflows.

There is no doubt that the second biggest economy is and still will be the key driver of commodities prices – in many commodities China has been close to or even over 100% of global demand growth over the past decade and the Middle Kingdom is responsible for over 40% of demand for all industrial metals. However, while all markets closely look at every data on Chinese economy, other emerging markets are still important in terms of future commodity demand, as their global demand market share is not insignificant, ranging from 9% (nickel) to 21% (copper) and even 26% (steel).

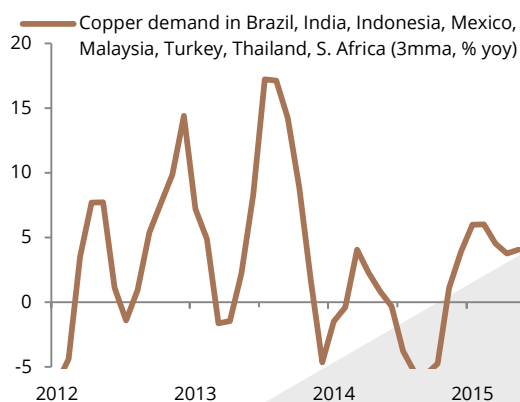
Concerns with ex-China developing economies have been around for a while. Of course, this had an impact on metals demand in the key economies as governments struggled with reforms and capital outflows. One exception here is India, where demand remained above recent trend thanks to the government easing key growth bottlenecks in commodity intensive sectors. For copper, the effect of ex-China EMs struggle was lagged into 2H14, with demand growth rates slowing from over 10% in mid-2013 to -5%. Situation improved in 1H2015, but the current shake-up may again be visible later on, probably in 4Q15.

On the other side, emerging markets are also key producers of many commodities, and the currency falls seen since mid-2014 will also impact the supply side of the equation. While costs are trending lower at their operations, producers have a natural tendency to delay decisions on the ongoing viability of their capacity. Most industrial markets are in desperate need of supply cuts, and prices can continue to fall until producers adjust capacity, whether naturally or through financial difficulties. Further cost curve falls may only prolong this process and require even lower USD prices in certain cases.

BCOM back at 1999 levels

Base metals demand of ex-China EMs ranges from 9% to 21%

Ex-China EM demand has been decent so far

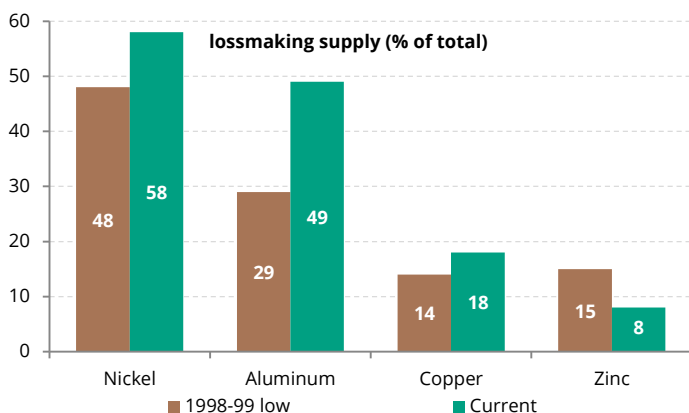


Source: ICSG, KGHM

Some miners are making losses, but cost curve may go even deeper

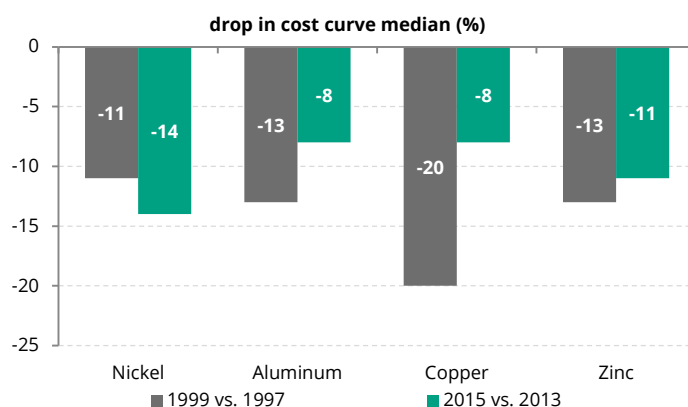
While many commodities are currently trading well into the cost curve, timing of output cuts or demand recovery is not clear. According to Macquarie's analysis, within major base metals space, more producers (except zinc) is losing money currently than in the middle of Asian financial crisis. Bank's estimations say that 18% of copper miners are in red (compared with 14% in 1999), 49% of aluminium (29%) and 58% of nickel (48%), so essentially, the current environment is worse for the industry than in the depths of 1999. On the other side, during those crisis times cost curves dropped further than they have already, particularly for copper, so cost downside potential still exists.

Most major base metals are trading further into cost curves than during trough in 1999...



Source: Macquarie Research, KGHM

... but cost curves haven't dropped that much yet (except nickel)



Source: Macquarie Research, KGHM

Mining capital budget cut 25% in 2016; 10% reduction of US mine staff

Freeport a first big miner to cut copper output

Freeport-McMoran announced cuts of its mining capital budget by 25% next year and 10% reduction of its US mine staff, as a remedy to weather an ongoing slump in copper prices. This information marks the latest development in a string of cuts from the Arizona-based company, which earlier this month reduced the 2016 and 2017 oil and gas capital budgets by 31%. Freeport now plans to spend USD 2bn on mining in 2016, for a total capital budget of USD 4bn. Last month, the company cut total spending to USD 4.7bn from USD 5.6bn forecast in July. To diversify from its copper, gold and molybdenum mining, Freeport acquired two oil and natural gas producers in 2013.

Freeport's copper sales 3% lower than previously expected in 2016

The company said its 2016 copper sales would be about 3% lower than previously estimated, at 5.25bn lbs, versus 5.4bn lbs forecast in July. Freeport will:

- In the US, cut production in two mines accounting for 5% of total US copper production, by suspending operations at its 57mn lbs/year Miami, Arizona copper mine, and reducing mining rates by 50% at 94 mn/year Tyrone, New Mexico mine;

- In South America, reduce mining and stacking rates in 2016 by 50% to 367mn lbs/year at El Abra, which accounts for 2.6% of Chile's annual production;
- In Africa, slash capital spending by 50% for 2016 at Tenke Fungurume copper mine in DR Congo;

Assets sales possible if cuts and capital raises turn out to be insufficient

Freeport has also plans to raise up to USD 1bn through an equity issue and the IPO of a minority stake in its energy business. However, if it fails and cuts prove not sufficient, Freeport may consider asset sales. The company owns stake in the Cerro Verde copper mine in Peru that could be worth USD 4bn, the El Abra deposit USD 1.1bn, and the Morenci mining complex in Arizona valued USD 1.6bn.

Emergency power import possible, but may be unaffordable at current prices

Electricity supply to mines in Zambia reduced by 30%

Zambian power providers will reduce energy supplies to mines in Africa's second-biggest copper producer by 30% as the country faces its biggest electricity shortage. Electricity producers reached the agreement with mining companies, including the local units of Glencore, Vedanta Resources, Barrick Gold and First Quantum Minerals. Copper miners will have the option of buying emergency imported power at a higher cost, however, according to president of local chamber of mines, most mining companies in Zambia are already making losses at current prices, so paying more for the emergency power supplies may be unaffordable for the majority of producers.

Deficit accounts for c. 24% of supply

Zambia has an electricity shortage of about 560 MW because of low water levels at the hydropower plants it depends on for more than 90% of supplies, coupled with delays at new projects. The country's normal generating capacity is about 2,300 MW, of which mining companies use more than half. Some energy may be imported from South Africa and Mozambique from September through December, but amount available for purchase would shrink thereafter. According to China Nonferrous Mining's estimations, which has operations in the country, the power shortages will probably last until April next year.

Some mining companies agreed to a voluntary reduction in power use of 10-15% earlier this month, but it turned out to be insufficient.

Other important information on copper market:

- Chinalco decided to postpone USD 1.32 bn worth Toromocho expansion indefinitely after delays in ramping up existing mine, which is expected to reach full capacity by October. Expansion delay was caused by Chinalco finding more arsenic in copper than expected near surface.
- Freeport-McMoran's exports of copper from its giant Indonesian mine have slowed considerably over the past month as the company faces new rules on how buyers pay for metal. Freeport won a six-month exemption from new rules introduced this year making it obligatory for exports of coal, palm oil, oil and gas and minerals to be transacted through letters of credit issued

by domestic banks. Almost all exports of copper concentrate from Grasberg mine had been halted since the exemption expired on July 25. The company exports about 60% of the estimated 2mn tonnes of concentrate produced each year at Grasberg, while the rest is smelted locally.

- 200 small mines have closed in Chile following this year's drop in the copper price, according to Chilean Copper Commission. Another 1,200 are still operating in part thanks to the subsidies offered by mining development agency ENAMI, which pays a premium of up to 0.30 USD/lb to the copper price while it remains below 2.90 USD/lb. Output from Chilean small mines represented less than 180kt last year.
- The global world refined copper market showed a 62kt deficit in May, compared with a 94kt deficit in April, the International Copper Study Group (ICSG) said. For the first 5 months of the year, the market was in a 4kt surplus compared with a 537 kt deficit in the same period of 2014.
- Anglo American is to sell two Chilean copper mines to investment firm Audley Capital for USD 300mn, to de-lever its balance sheet. The deal includes conditional future payments which could boost the eventual price tag by USD 200mn. Following the 2014 review, Anglo decided to put the two mines up for sale, as well as the El Soldado mine and Chagres smelter, which all together were seen worth up to USD 1bn.
- Codelco, announced re-works of expansion plans of its key Andina mine in the wake of a falling copper price and protests about the project's possible impact on the environment. The expansion of Andina, located in the Andes mountains near the capital Santiago and close to the Argentine border, is one of the "structural projects" that the state-run producer is relying on to keep its production flowing as output falls at its older mines.
- First Quantum Minerals officially launched production at its USD 2.1 bn Sentinel mine which has been under construction since June 2012. The mine would produce 280kt to 300kt of copper annually from one large low-grade ore body containing 0.51% copper.
- OK Tedi Mining officially suspended operations due to continued dry weather in Papua New Guinea's Western Province. The mine, is dependent on the Fly river for the shipment of its copper concentrate out and bringing in of fuel and supplies, thus can no longer operate as river levels continue to drop.

Gold

After hitting the lowest point since 2010, gold prices rebounded 3.3% in the last four weeks. Meanwhile, silver continued its downward march, putting gold-to-silver ratio close to very high levels of 80. According to Citi analysis, USD behaviour will be more important for gold prices than Fed hikes themselves. Some short-term bear pressure may come from possible Venezuelan bullion reserves liquidation, as the country struggles with default phantom and low oil prices.

USD strength more important for gold than Fed hikes

Fed tightening does not always mean gold price declines

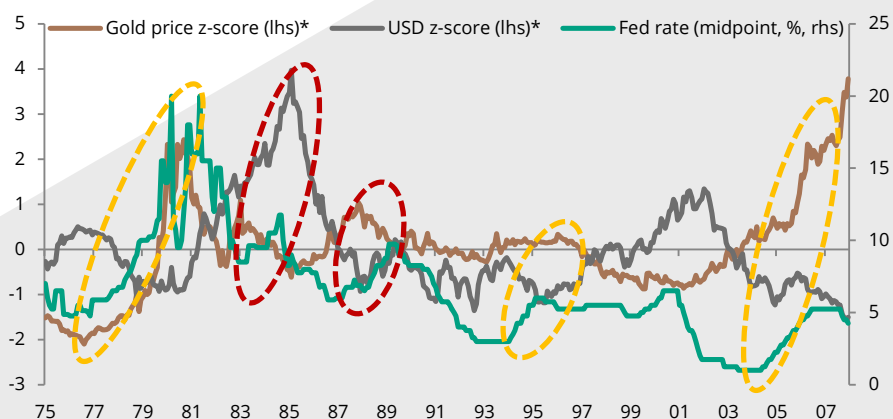
In the light of approaching start of monetary policy tightening in the US, gold investors try to properly position themselves. Conventional relationship dictates that Fed hikes should be negative for bullion market, but history does not always confirm this when considering gold's performance during previous tightening cycles.

During recent hikes gold rose 45%, but due to other factors as well

Contrary to the common thinking, during the most recent 2004-2006 hiking cycle gold prices rose 45%, but according to Citi, this example may be a poor case-study as several conflicting factors were driving prices higher during the mid-2000's:

- the commodity super-cycle, when prices rose not only in bullion markets but broadly across the commodities complex, stimulated by the advent of ETF and index products which provided a natural passive long;
- double-digits Chinese growth combined with high single-digits Indian growth, generating strong real consumption increase for the yellow metal;
- medium-term inflation expectations considerably higher than today;
- USD considerably weaker and depreciating both when entering and during much of the tightening cycle.

When Fed hikes gold goes: a) up when USD weakens (yellow circle), or b) down when USD gains (red circle)



Z-score = (price - mean) / standard deviation. Source: Bloomberg, KGHM

US dollar is the key, not hikes themselves

By examining previous rate hike cycles as well, one can note that those corresponding with a depreciating dollar, such as 1976-80, 1994-95 and 2004-06, indeed saw gold prices rally. However, hiking cycles that correspond with an appreciating dollar, such as 1982-84 and 1987-89, saw declines in gold prices. Therefore, it seems that the driving factor for gold is not Fed tightening itself, but rather its impact on the US dollar.

Threat of default and oil prices plunge reduce Venezuela cash flows...

Venezuela a potential bear factor for bullion

Rated Caa3 (one step above default) by Moody's, Venezuela is one of the countries that may put some pressure on gold price, following the plunge in oil prices and broader commodities weakness. Venezuela's USD-denominated bonds have lost 19.2% in the past three months, the most among emerging markets economies, as the market is afraid that the nation will not be able to pay back its debt maturing in 2016. Yields on its benchmark notes climbed past 26.0% on the 6th of August, the highest since February.

...so Caracas may decide to use its gold reserves

With almost 68% of its international reserves in bullion as of August, gold prices may stay at low levels for longer if Venezuela decided to sell part of their holdings for cash. This move would not be an unprecedented one, as President Hugo Chavez repatriated most of the country's gold reserves in 2012. More recently, Caracas-based newspaper El Nacional reported that the Venezuelan central bank swapped USD 1bn of its gold reserves for a cash injection in April. Some analysts suspect Caracas has drawn down reserves about USD 1bn a month this year to counter the drop in oil prices.

Global economies | Foreign exchange markets

China: PBoC allows RMB to depreciate

Chinese central bank unexpectedly decided to change its currency regime to more market-driven. By doing that PBoC may be aiming at achieving few goals, but it seems that it is rather adjusting to IMF's SDR requirements than boosting economic growth.

On 11 August, the People's Bank of China (PBoC) announced what at first glance may seem like a modest change, but in reality could evolve over time into a dramatically different arrangement for the renminbi – RMB could become a market-determined exchange rate subject to periodic intervention by the PBOC.

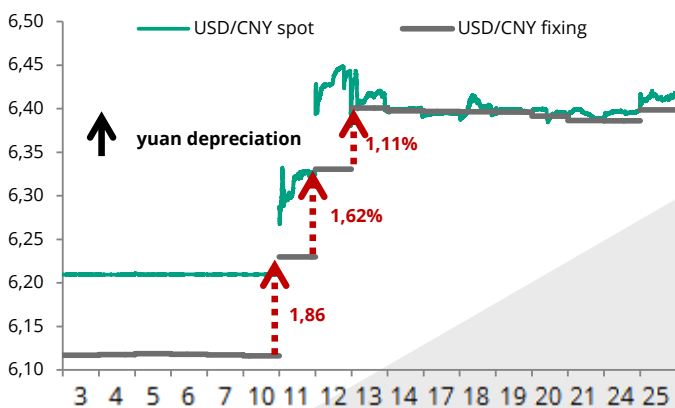
Central bank will still be intervening, even if FX rate is within bands

Since that day market makers submit their quotations of the RMB central parity based on the closing rate on the previous day, "in conjunction with demand and supply conditions in the foreign exchange market and exchange rate movement of the major currencies." The new daily fixing will be a weighted average of those submitted quotations, determined by China Foreign Exchange Trading System, a subordinate of the central bank. The PBOC, however, has not changed the size of fixing band set at +/-2%. Furthermore, the central bank will continue to intervene even if the exchange rate is within the bands.

Bigger devaluation may be beneficial to China, but not to other countries

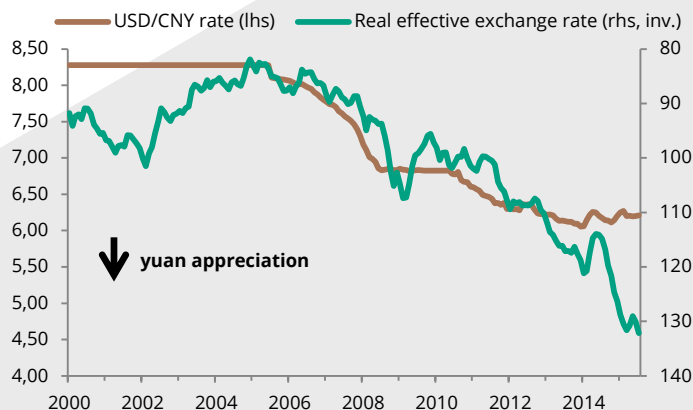
Currently, there is considerable uncertainty as to what the equilibrium level of the renminbi might be and over the path of future economic growth. Bigger currency devaluation may give a modest boost to both growth and inflation in China over the short to medium term, however, according to Oxford Economic Forecasting Model and Citi analysis, it will result in decrease in cumulative growth in number of other countries other next three years.

PBoC's decision showed depreciation pressures...



Source: Bloomberg, KGHM

...but only against dollar, as renminbi is strong against the basket



Source: Bloomberg, KGHM

Macroeconomic calendar

Important macroeconomic data releases

Weight	Date	Event	For	Reading ¹	Previous	Consensus ²	
China							
☆☆☆	03-Aug	HSBC's manufacturing PMI - final data‡	Jul	47.8 -	47.8	48.3	
☆☆	08-Aug	Trade balance (USD bn)	Jul	43.0 ▼	46.5	54.7	
☆☆	08-Aug	Exports (yoy)	Jul	-8.3% ▼	2.8%	-1.5%	
☆☆☆☆	09-Aug	Consumer inflation CPI (yoy)	Jul	1.6% ▲	1.4%	1.5%	
☆☆	09-Aug	Producer inflation PPI (yoy)	Jul	-5.4% ▼	-4.8%	-5.0%	
☆	11-Aug	New yuan loans (CNY bn)	Jul	1 480 ▲	1 279	750	
☆☆☆☆	12-Aug	Industrial production (yoy)	Jul	6.0% ▼	6.8%	6.6%	
☆☆	12-Aug	Fixed assets investments (ytd, yoy)	Jul	11.2% ▼	11.4%	11.5%	
☆	12-Aug	Retail sales (yoy)	Jul	10.5% ▼	10.6%	10.6%	
☆☆☆	21-Aug	HSBC's manufacturing PMI - preliminary data	Aug	--	47.8	48.2	
☆☆☆☆☆	25-Aug	Reserve requirement ratio	Aug	18.0% ▼	18.5%	--	
☆☆	28-Aug	Industrial profits (yoy)	Jul	-2.9% ▼	-0.3%	--	
Poland							
☆☆☆	03-Aug	Manufacturing PMI	Jul	54.5 ▲	54.3	54.1	
☆☆☆☆	13-Aug	Consumer inflation CPI (yoy)	Jul	-0.7% ▲	-0.8%	-0.8%	
☆☆	13-Aug	Trade balance (EUR mn)‡	Jun	56.0 ▼	922	849	
☆☆	13-Aug	Exports (EUR mn)‡	Jun	14 261 ▲	14 084	14 560	
☆☆	13-Aug	Current account balance (EUR mn)‡	Jun	- 849 ▼	1 225	353	
☆	13-Aug	M3 money supply (yoy)	Jul	8.6% ▲	8.3%	8.0%	
☆☆☆☆☆	14-Aug	GDP (yoy) - preliminary data	2Q	3.3% ▼	3.6%	3.6%	
☆☆☆☆☆	14-Aug	GDP (qoq) - preliminary data	2Q	0.9% ▼	1.0%	0.9%	
☆☆☆☆	14-Aug	Core CPI (excluding food and energy, yoy)	Jul	0.4% ▲	0.2%	0.4%	
☆	17-Aug	Budget balance (ytd)	Jul	57.7% ▲	56.7%	--	
☆☆	18-Aug	Average gross salary (yoy)	Jul	3.3% ▲	2.5%	3.5%	
☆	18-Aug	Employment (yoy)	Jul	0.9% -	0.9%	0.9%	
☆☆☆☆	19-Aug	Sold industrial production (yoy)	Jul	3.8% ▼	7.6%	4.6%	
☆☆☆	19-Aug	Retail sales (yoy)	Jul	1.2% ▼	3.8%	2.9%	
☆☆	19-Aug	Producer inflation PPI (yoy)‡	Jul	-1.7% ▼	-1.4%	-1.6%	
☆☆	25-Aug	Unemployment rate	Jul	10.1% ▼	10.3%	10.1%	
US							
☆☆☆☆	03-Aug	Consumer spending inflation PCE (mom)	Jun	0.1% -	0.1%	0.1%	
☆☆☆☆	03-Aug	Consumer spending inflation PCE (yoy)‡	Jun	1.3% -	1.3%	1.2%	
☆☆	03-Aug	Personal income (sa, mom)‡	Jun	0.4% -	0.4%	0.3%	
☆☆	03-Aug	Personal spending (sa, mom)‡	Jun	0.2% ▼	0.8%	0.2%	
☆☆☆	03-Aug	Manufacturing PMI - final data‡	Jul	53.8 -	53.8	53.8	
☆☆	03-Aug	ISM Manufacturing	Jul	52.7 ▼	53.5	53.5	
☆☆☆	05-Aug	Composite PMI - final data‡	Jul	55.7 -	55.7	--	
☆☆☆	05-Aug	PMI services - final data‡	Jul	55.7 -	55.7	55.2	
☆☆	07-Aug	Change in non-farm payrolls (ths)‡	Jul	215 ▼	231	225	
☆☆	07-Aug	Underemployment rate (U6)	Jul	10.4% ▼	10.5%	10.5%	
☆☆	07-Aug	Unemployment rate	Jul	5.3% -	5.3%	5.3%	
☆	07-Aug	Average hourly earnings (yoy)	Jul	2.1% ▲	2.0%	2.3%	
☆☆	13-Aug	Retail sales (excluding autos, mom)‡	Jul	0.4% -	0.4%	0.4%	
☆☆☆☆	14-Aug	Industrial production (mom)‡	Jul	0.6% ▲	0.1%	0.3%	
☆	14-Aug	Capacity utilization‡	Jul	78.0% ▲	77.7%	78.0%	
☆☆	14-Aug	University of Michigan confidence index - preliminary data	Aug	92.9 ▼	93.1	93.5	

Weight	Date	Event	For	Reading ¹	Previous	Consensus ²	
US							
☆☆☆☆	19-Aug	Consumer inflation CPI (mom)	Jul	0.1% ▼	0.3%	0.2%	🔴
☆☆☆☆	19-Aug	Consumer inflation CPI (yoy)	Jul	0.2% ▲	0.1%	0.2%	⊖
☆☆	20-Aug	Philadelphia Fed business outlook	Aug	8.3 ▲	5.7	6.5	🟢
☆☆☆	21-Aug	Manufacturing PMI - preliminary data	Aug	52.9 ▼	53.8	53.8	🔴
☆	25-Aug	S&P/CaseShiller home price index‡	Jun	181 ▲	179	181	🔴
☆☆☆	25-Aug	PMI services - preliminary data	Aug	55.2 ▼	55.7	55.1	🟢
☆	25-Aug	Richmond Fed manufacturing index	Aug	0.0 ▼	13.0	10.0	🔴
☆☆	26-Aug	Durable goods orders‡	Jul	2.0% ▼	4.1%	-0.4%	🟢
☆☆☆☆☆	27-Aug	GDP (annualized, qoq) -	2Q	3.7% ▲	2.3%	3.2%	🟢
☆☆	28-Aug	University of Michigan confidence index - final data	Aug	91.9 ▼	92.9	93.0	🔴
Eurozone							
☆☆☆	03-Aug	Manufacturing PMI - final data‡	Jul	52.4 -	52.4	52.2	🟢
☆☆	04-Aug	Producer inflation PPI (yoy)	Jun	-2.2% ▼	-2.0%	-2.2%	⊖
☆☆☆	05-Aug	Composite PMI - final data‡	Jul	53.9 -	53.9	53.7	🟢
☆☆☆	05-Aug	Services PMI - final data‡	Jul	54.0 -	54.0	53.8	🟢
☆☆	05-Aug	Retail sales (yoy)‡	Jun	1.2% ▼	2.6%	2.0%	🔴
☆	11-Aug	ZEW survey expectations	Aug	47.6 ▲	42.7	--	
☆☆☆☆	12-Aug	Industrial production (sa, mom)‡	Jun	-0.4% ▼	-0.2%	-0.1%	🔴
☆☆☆☆	12-Aug	Industrial production (wda, yoy)	Jun	1.2% ▼	1.6%	1.7%	🔴
☆☆☆☆☆	14-Aug	GDP (sa, yoy) - estimation	2Q	1.2% ▲	1.0%	1.3%	🔴
☆☆☆☆☆	14-Aug	GDP (sa, qoq) - estimation	2Q	0.3% ▼	0.4%	0.4%	🔴
☆☆☆☆	14-Aug	Consumer inflation CPI (yoy) - final data	Jul	0.2% -	0.2%	0.2%	⊖
☆☆☆☆	14-Aug	Core CPI (yoy) - final data	Jul	1.0% -	1.0%	1.0%	⊖
☆	17-Aug	Trade balance (EUR mn)	Jun	26.4 ▲	18.8	--	
☆☆☆	21-Aug	Composite PMI - preliminary data	Aug	54.1 ▲	53.9	53.7	🟢
☆☆☆	21-Aug	Manufacturing PMI - preliminary data	Aug	--	52.4	52.2	
☆☆☆	21-Aug	Services PMI - preliminary data	Aug	54.3 ▲	54.0	54.0	🟢
☆	21-Aug	Consumer confidence - estimation	Aug	- 6.8 ▲	- 7.1	- 6.9	🟢
☆	27-Aug	M3 money supply (yoy)‡	Jul	5.3% ▲	4.9%	4.9%	🟢
☆	28-Aug	Economic confidence	Aug	104 ▲	104	104	🟢
☆	28-Aug	Industrial confidence	Aug	- 3.7 ▼	- 2.9	- 3.2	🔴
☆	28-Aug	Consumer confidence - final data	Aug	- 6.9 ▼	- 6.8	--	
☆	28-Aug	Business climate indicator‡	Aug	0.2 ▼	0.4	0.3	🔴
Germany							
☆☆☆	03-Aug	Manufacturing PMI - final data‡	Jul	51.8 -	51.8	51.5	🟢
☆☆☆	05-Aug	Composite PMI - final data	Jul	53.7 -	53.7	53.4	🟢
☆☆☆	06-Aug	Factory orders (wda, yoy)‡	Jun	7.2% ▲	4.5%	5.2%	🟢
☆☆☆☆	07-Aug	Industrial production (wda, yoy)‡	Jun	0.6% ▼	2.4%	2.2%	🔴
☆☆☆☆	13-Aug	Harmonized consumer inflation HICP (yoy) - final data	Jul	0.1% -	0.1%	0.1%	⊖
☆☆☆☆	13-Aug	Consumer inflation CPI (yoy) - final data	Jul	0.2% -	0.2%	0.2%	⊖
☆☆☆☆☆	14-Aug	GDP (yoy) - preliminary data‡	2Q	1.6% ▲	1.2%	1.6%	⊖
☆☆☆☆☆	14-Aug	GDP (sa, qoq) - preliminary data	2Q	0.4% ▲	0.3%	0.5%	🔴
☆☆	21-Aug	GfK consumer confidence	Sep	9.9 ▼	10.1	10.1	🔴
☆☆☆	21-Aug	Composite PMI - preliminary data	Aug	54.0 ▲	53.7	53.6	🟢
☆☆☆	21-Aug	Manufacturing PMI - preliminary data	Aug	--	51.8	51.6	
☆☆	25-Aug	Exports (qoq)‡	2Q	2.2% ▲	1.2%	1.8%	🟢
☆☆	25-Aug	IFO business climate	Aug	108 ▲	108	108	🟢

Weight	Date	Event	For	Reading ¹	Previous	Consensus ²	
France							
☆☆☆	03-Aug	Manufacturing PMI - final data‡	Jul	49.6 -	49.6	49.6	○
☆☆☆	05-Aug	Composite PMI - final data‡	Jul	51.5 -	51.5	51.5	○
☆☆☆☆	07-Aug	Industrial production (yoy)‡	Jun	0.6% ▼	2.5%	1.4%	◡
☆☆☆☆	13-Aug	Harmonized consumer inflation HICP (yoy)	Jul	0.2% ▼	0.3%	0.3%	◡
☆☆☆☆	13-Aug	Consumer inflation CPI (yoy)	Jul	0.2% ▼	0.3%	0.3%	◡
☆☆☆☆☆	14-Aug	GDP (yoy) - preliminary data‡	2Q	1.0% ▲	0.9%	1.1%	◡
☆☆☆☆☆	14-Aug	GDP (qoq) - preliminary data‡	2Q	0.0% ▼	0.7%	0.2%	◡
☆☆☆	21-Aug	Composite PMI - preliminary data	Aug	51.3 ▼	51.5	--	
☆☆☆	21-Aug	Manufacturing PMI - preliminary data	Aug	--	49.6	49.7	
Italy							
☆☆☆	03-Aug	Manufacturing PMI	Jul	55.3 ▲	54.1	53.9	▲
☆☆☆	05-Aug	Composite PMI	Jul	53.5 ▼	54.0	53.8	◡
☆☆☆☆	05-Aug	Industrial production (wda, yoy)‡	Jun	-0.3% ▼	3.1%	1.4%	◡
☆☆☆☆	11-Aug	Harmonized consumer inflation HICP (yoy) - final data‡	Jul	0.3% -	0.3%	0.4%	◡
☆☆☆☆☆	14-Aug	GDP (wda, yoy) - preliminary data	2Q	0.5% ▲	0.1%	0.5%	○
☆☆☆☆☆	14-Aug	GDP (wda, qoq) - preliminary data	2Q	0.2% ▼	0.3%	0.3%	○
UK							
☆☆☆	03-Aug	Manufacturing PMI (sa)	Jul	51.9 ▲	51.4	51.5	▲
☆☆☆	05-Aug	Composite PMI	Jul	56.6 ▼	57.4	56.9	◡
☆☆☆☆	06-Aug	Industrial production (yoy)‡	Jun	1.5% ▼	1.9%	2.2%	◡
☆☆☆☆☆	06-Aug	BoE base rate decision	Aug	0.50% -	0.50%	0.50%	○
☆☆☆☆	06-Aug	BoE asset purchase target (GBP bn)	Aug	375 -	375	375	○
☆☆	12-Aug	Unemployment rate (ILO, 3-months)	Jun	5.6% -	5.6%	5.6%	○
☆☆☆☆	18-Aug	Consumer inflation CPI (yoy)	Jul	0.1% ▲	0.0%	0.0%	▲
☆☆☆☆☆	28-Aug	GDP (yoy) - preliminary data	2Q	2.6% -	2.6%	2.6%	○
☆☆☆☆☆	28-Aug	GDP (qoq) - preliminary data	2Q	0.7% -	0.7%	0.7%	○
Japan							
☆☆☆	03-Aug	Manufacturing PMI - final data‡	Jul	51.2 -	51.2	--	
☆☆☆	05-Aug	Composite PMI	Jul	51.5 -	51.5	--	
☆☆☆☆	12-Aug	Industrial production (yoy) - final data	Jun	2.3% ▲	2.0%	--	
☆☆☆☆☆	17-Aug	GDP (annualized, qoq) - preliminary data‡	2Q	-1.6% ▼	4.5%	-1.8%	▲
☆☆☆☆☆	17-Aug	GDP (qoq, sa) - preliminary data‡	2Q	-0.4% ▼	1.1%	-0.5%	▲
☆☆☆☆	28-Aug	Consumer inflation CPI (yoy)	Jul	0.2% ▼	0.4%	0.2%	○
Chile							
☆☆☆☆	05-Aug	Economic activity (yoy)‡	Jun	2.7% ▲	1.1%	2.5%	▲
☆☆	06-Aug	Nominal wages (yoy)	Jun	6.3% ▲	6.2%	6.1%	▲
☆☆☆☆	07-Aug	Consumer inflation CPI (yoy)	Jul	4.6% ▲	4.4%	4.6%	○
☆☆☆	07-Aug	Copper exports (USD mn)‡	Jul	2 398 ▼	3 063	--	
☆☆☆☆☆	13-Aug	BCCh overnight rate target	Aug	3.00% -	3.00%	3.00%	○
☆☆☆☆☆	18-Aug	GDP (yoy)‡	2Q	1.9% ▼	2.5%	1.7%	▲
Canada							
☆☆☆	07-Aug	Net change in employment (ths)	Jul	6.6 ▲	- 6.4	5.0	▲
☆☆☆☆	21-Aug	Consumer inflation CPI (yoy)	Jul	1.3% ▲	1.0%	1.3%	○

¹ Reading difference to previous release: ▲ = higher than previous; ▼ = lower than previous; = = equal to previous.

² Reading difference to consensus: ▲ = higher than consensus; ◡ = lower than consensus; ○ = equal to consensus.

mom = month-on-month; yoy = year-on-year; qoq = quarter on quarter; ytd year-to-date; sa = seasonally adjusted; wda = working days adjusted; ‡ = previous data after revision.

Source: Bloomberg, KGHM

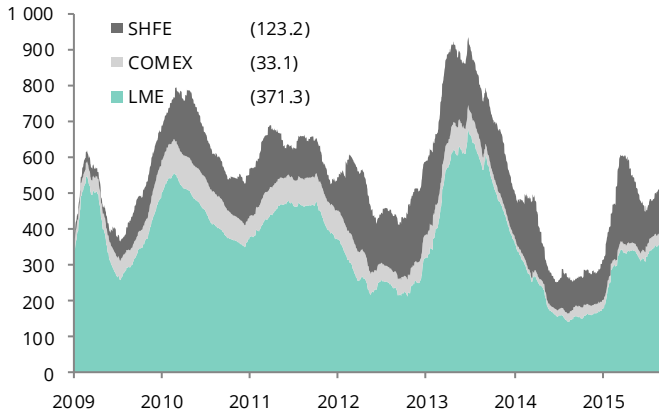
Key market data

Key base & precious metal prices, exchange rates and other important market factors

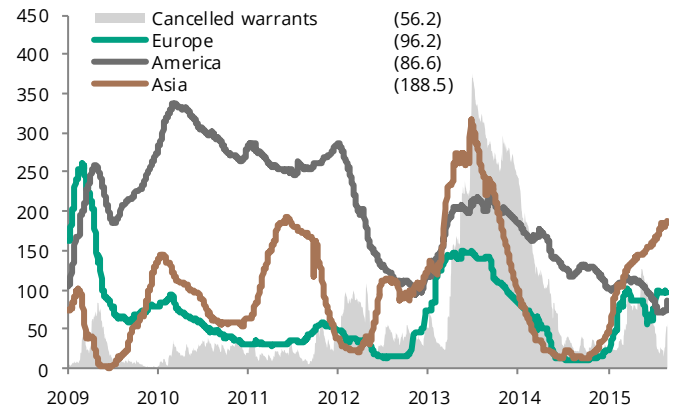
(as of: 28-Aug-15)		Price change °				From year beginning ²		
	Price	4W	QTD	YTD	1Y	Average	Min	Max
LME (USD/t)								
Copper	5 095.00	▼ -2.4%	▼ -10.9%	▼ -19.9%	▼ -27.6%	5 763.18	4 888.00	6 448.00
Molybdenum	12 950.00	▼ -4.1%	▼ -5.8%	▼ -38.3%	▼ -55.3%	16 548.20	9 250.00	21 500.00
Nickel	9 835.00	▼ -10.0%	▼ -15.8%	▼ -34.1%	▼ -47.3%	12 966.98	9 305.00	15 455.00
Aluminum	1 550.00	▼ -2.8%	▼ -5.9%	▼ -15.4%	▼ -26.5%	1 733.74	1 485.50	1 919.00
Tin	14 360.00	▼ -12.2%	▲ 2.7%	▼ -26.4%	▼ -34.1%	16 515.90	13 895.00	19 750.00
Zinc	1 793.00	▼ -6.6%	▼ -10.1%	▼ -17.3%	▼ -24.0%	2 076.86	1 687.50	2 405.00
Lead	1 677.00	▼ -0.7%	▼ -4.4%	▼ -9.5%	▼ -25.6%	1 836.14	1 628.00	2 140.00
LBMA (USD/troz)								
Silver	14.44	▼ -0.8%	▼ -8.0%	▼ -9.6%	▼ -26.9%	16.16	14.27	18.23
Gold ¹	1 135.00	▲ 3.3%	▼ -3.1%	▼ -5.4%	▼ -12.2%	1 184.65	1 080.80	1 295.75
LPPM (USD/troz)								
Platinum ¹	1 003.00	▲ 2.5%	▼ -7.0%	▼ -17.1%	▼ -29.8%	1 117.87	946.00	1 285.00
Palladium ¹	573.00	▼ -6.1%	▼ -15.4%	▼ -28.2%	▼ -36.2%	733.23	524.00	831.00
FX ³								
EUR/USD	1.1268	▲ 2.7%	▲ 0.7%	▼ -7.2%	▼ -14.5%	1.1133	1.0552	1.2043
EUR/PLN	4.2325	▲ 2.0%	▲ 0.9%	▼ -0.7%	▲ 0.7%	4.1491	3.9822	4.3335
USD/PLN	3.7493	▼ -1.1%	▼ -0.4%	▲ 6.9%	▲ 17.8%	3.7293	3.5550	3.9260
USD/CAD	1.3269	▲ 1.7%	▲ 6.4%	▲ 14.4%	▲ 22.2%	1.2512	1.1728	1.3303
USD/CNY	6.3896	▲ 2.9%	▲ 3.0%	▲ 3.0%	▲ 4.0%	6.2328	6.1883	6.4128
USD/CLP	699.69	▲ 4.1%	▲ 10.3%	▲ 15.2%	▲ 18.9%	632.72	597.10	706.24
Money market								
3m LIBOR USD	0.329	▲ 0.07	▲ 0.16	▲ 0.29	▲ 0.41	0.279	0.251	0.333
3m EURIBOR	-0.033	▲ 0.43	▲ 1.36	▼ -1.42	▼ -1.20	0.009	-0.033	0.076
3m WIBOR	1.720	- 0.00	- 0.00	▼ -0.17	▼ -0.34	1.757	1.650	2.060
5y USD interest rate swap	1.615	▼ -0.03	▼ -0.10	▼ -0.09	▼ -0.09	1.653	1.313	1.909
5y EUR interest rate swap	0.427	▲ 0.07	▼ -0.15	▲ 0.19	▼ -0.14	0.362	0.176	0.590
5y PLN interest rate swap	2.164	▼ -0.03	▼ -0.14	▲ 0.11	▼ -0.13	2.071	1.563	2.643
Fuel								
WTI Cushing	45.22	▼ -4.0%	▼ -24.0%	▼ -15.1%	▼ -52.2%	51.65	38.09	61.43
Brent	48.27	▼ -4.5%	▼ -21.3%	▼ -13.4%	▼ -51.9%	56.43	40.74	66.37
Diesel NY (ULSD)	155.39	▼ -1.9%	▼ -17.3%	▼ -14.8%	▼ -45.4%	179.75	135.84	233.64
Others								
VIX	26.05	▲ 1.15	▲ 0.43	▲ 0.36	▲ 1.16	15.49	11.95	40.74
BBG Commodity Index	89.36	▼ -2.6%	▼ -13.0%	▼ -14.3%	▼ -29.3%	99.45	85.14	105.49
S&P500	1 988.87	▼ -5.5%	▼ -3.6%	▼ -3.4%	▼ -0.4%	2 079.74	1 867.61	2 130.82
DAX	10 298.53	▼ -8.9%	▼ -5.9%	▲ 5.0%	▲ 8.8%	11 227.34	9 469.66	12 374.73
Shanghai Composite	3 232.35	▼ -11.8%	▼ -24.4%	▼ -0.1%	▲ 47.2%	3 883.50	2 927.29	5 166.35
WIG 20	2 145.12	▼ -3.7%	▼ -7.5%	▼ -7.4%	▼ -11.4%	2 344.77	2 056.38	2 549.40
KGHM	79.50	▼ -16.3%	▼ -25.4%	▼ -27.0%	▼ -40.0%	110.45	71.31	131.00

° change over: 2W = two weeks; QTD = quarter-to-day; YTD = year-to-date; 1Y = one year. ¹ based on daily closing prices. ² latest quoted price. ³ central banks' fixing rates (Bank of China HK for USD/CNY). ⁴

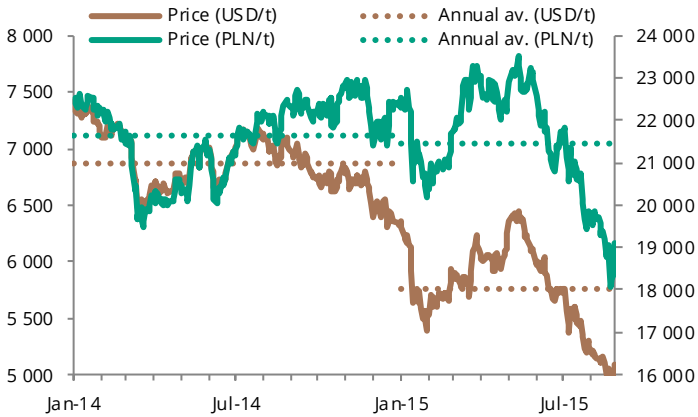
Source: Bloomberg, KGHM

Copper: official exchange stocks (thousand tonnes)


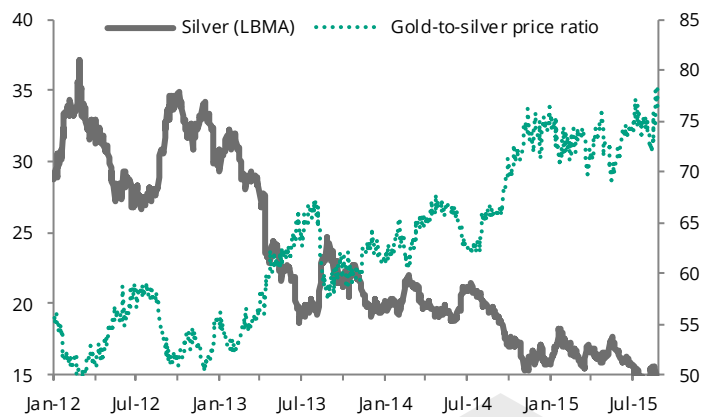
Note: Latest values in brackets. Source: Bloomberg, KGHM

Copper: official LME stocks (thousand tonnes)


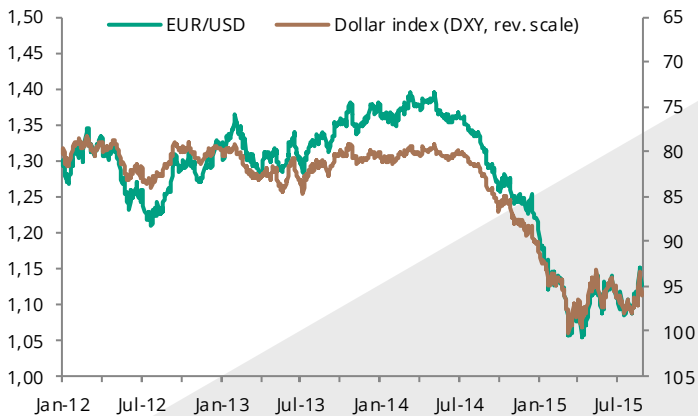
Note: Latest values in brackets. Source: Bloomberg, KGHM

Copper: price in USD (lhs) and PLN (rhs) per tonne


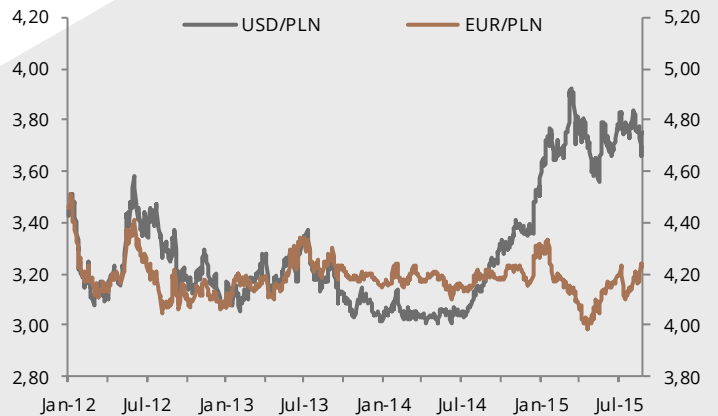
Source: Bloomberg, KGHM

Silver: price (lhs) and gold ratio (rhs)


Source: Bloomberg, KGHM

USD: dollar index (lhs) and ECB-based EUR/USD (rhs)


Source: Bloomberg, KGHM

PLN: NBP-fixing based rate vs. USD (lhs) and EUR (rhs)


Source: Bloomberg, KGHM

Legal note

This document has been prepared based on the below listed reports, among others, published in the following period:
3 August – 31 August 2015.

- “Commodities Comment” Macquarie Research Metals and Mining, ▪ “Commodities Daily” Standard Bank, ▪ “Commodities Weekly” Barclays Capital Research, ▪ “Metals Market Update” Morgan Stanley, ▪ “Daily Copper Wrap” Mitsui, ▪ “Base and Precious Metals Daily” JPMorgan, ▪ „Codziennik” BZ WBK, ▪ „Tygodnik Ekonomiczny” BZ WBK, ▪ „Raport dzienny” mBank, ▪ „Biuletyn Dzienny” Bank PEKAO S.A., ▪ „Dragonomics: China Research” Gavekal

Moreover, additional information published here was acquired in direct conversations with market dealers, from financial institution reports and from the following websites: ▪ lme.co.uk, ▪ lbma.org.uk, ▪ economy.com/dismal, ▪ thebulliondesk.com, ▪ lbma.org.uk/stats, ▪ crumonitor.com, ▪ metalbulletin.com, ▪ nbportal.pl, ▪ nbp.pl, as well as data providing systems: Thomson Reuters and Bloomberg.

Official metals prices are available on following websites:

- base metals: www.lme.com/dataprices_products.asp (charge-free logging)
- silver and gold: www.lbma.org.uk/pricing-and-statistics
- platinum and palladium: www.lppm.com/statistics.aspx

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