

Market Overview

as of: 18th June 2018



- **Copper:** Chinese conglomerate Citic Metal Co agreed lately to spend about \$555 million on investment in Democratic Republic of Congo, a country that's proved very difficult for Western business. Michiquillay copper mine, \$2.5 billion project in Peru is planned to start operations in 2022, three years earlier than previously forecast (*page 2*).
- **Precious metals:** Another interest rate hike has been delivered by the FOMC washing gold prices out of the 1300s level. The so-called "dot plot" showed eight Fed policy makers expected four or more quarter-point rate increases for the full year, compared with seven officials during the previous forecast round in March. The number viewing three or fewer hikes as appropriate fell to seven from eight. The median estimate implied three increases in 2019 to put the rate above the level where officials see policy neither stimulating nor restraining the economy (*page 4*).
- **KGHM Economic panel:** On June the 12th Finance Department employees of KGHM organized economists' panel. Among the participants there were representatives from BZ WBK (Santander Group), BGZ NBP Paribas as well as E&Y (*page 7*).
- **European Central Bank:** The European Central Bank (ECB) has recently informed that it will end its unprecedented bond purchase scheme by the close of the year, taking its biggest step in dismantling crisis-era stimulus a decade after the start of the euro zone's economic downturn (*page 7*).

Key market prices

	Close price	2w chng.
LME (USD/t)		
▲ Copper	7 136.00	2.9%
▼ Nickel	15 265.00	-0.1%
LBMA (USD/troz)		
▲ Silver	17.23	4.8%
▼ Gold (PM)	1 285.25	-0.8%
FX		
▼ EURUSD	1.1596	-1.2%
▼ EURPLN	4.2802	-0.3%
▲ USDPLN	3.6922	0.7%
▲ USDCAD	1.3177	1.9%
▲ USDCLP	633.99	0.3%
Stocks		
▼ KGHM	89.22	-4.3%

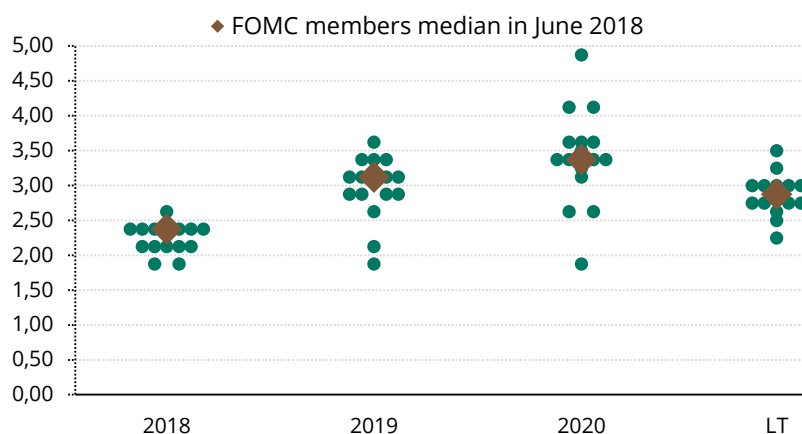
Source: Bloomberg, KGHM Polska Miedź; (*more on page 12*)

Important macroeconomic data

Release	For		
 Fed upper rate	Jun	2.00%	▲
 GDP (sa, yoy)	1Q	2.5%	-
 FAI (ytd, yoy)	May	6.1%	▼
 Industrial prod. (yoy)	Apr	2.6%	▲
 Capacity utilization	1Q	86.1%	▲

Source: Bloomberg, KGHM Polska Miedź; (*more on page 10*)

FOMC has recently updated the potential rate path for the coming years; 2 more hikes to come this year



LT = long-term; Source: Fed, KGHM Polska Miedź

Market Risk Unit

marketrisk@kgm.com

Base and precious metals | Other commodities

Copper

Chinese conglomerate Citic Metal Co agreed lately to spend about \$555 million on investment in Democratic Republic of Congo, a country that's proved very difficult for Western business. Michiquillay copper mine, \$2.5 billion project in Peru is planned to start operations in 2022, three years earlier than previously forecast.

China is looking to Africa to secure future natural resource supplies

China takes another bite of Congo's copper mining riches

China is making another big bet on copper in the Democratic Republic of Congo, deepening its presence in a country that's proved very difficult for Western business. Congo holds huge reserves of copper, but is also one of the hardest countries to navigate - with problems with security, transparency and infrastructure. A case in point is Glencore Plc, the biggest producer of copper in Congo. The company is facing three court cases and a possible U.K. bribery probe related to its dealings in Congo, as well as a tax hike and tougher mining laws. Citic Metal Co., a Chinese conglomerate, agreed lately to spend about \$555 million for a 20 percent stake in Ivanhoe Mines Ltd., which holds the Kipushi zinc and Kamoa-Kakula copper projects. China's Zijin Mining Group Co. already owns almost 10 percent of Ivanhoe. The investment shows how China, the world's biggest commodity consumer, is looking to Africa to secure future natural resource supplies and positioning industry to take advantage of the move to battery and electric-car technology. Electric vehicles and renewable applications use four times more copper than traditional cars and energy sources, according to Freeport-McMoRan Inc.

Congo is world's sixth-biggest source of copper, and biggest cobalt producer

But it's not easy to mine in Congo, which is the world's sixth-biggest source of copper. In the last 10 years, other major competitors such as Rio Tinto Group and BHP Billiton Ltd. turned away from Congo's rich resources, while China's influence is on the rise. China Molybdenum Co. bought a stake in one of Congo's biggest copper and cobalt mine, Tenke Fungurume, as part of a \$3.8 billion deal last year, and Freeport-McMoRan has left the country. China's Zhejiang Huayou Cobalt Co. is developing a copper mine near Kolwezi in the country's southeast. In March, Glencore agreed to sell about a third of its cobalt output to GEM Co., a Chinese supplier of battery chemicals. Congo last week approved the final parts of a new mining law that will make it more expensive for mining companies to operate and give the government a bigger stake. The law has faced fierce criticism from the biggest miners in the country, including Glencore and Randgold Resources Ltd. who say it will reduce future investment in Congo. To be sure, Citic's investment in Ivanhoe could help Glencore reassure investors that its Congolese assets still have value despite the more onerous mining laws, Gait said. "China clearly believes a solution to the problem is possible," he said.

Southern Copper sees Michiquillay mine in Peru starting operations in 2022

Southern Copper Corp said lately that it plans to start building its proposed \$2.5 billion copper mine Michiquillay in Peru next year and will likely start operations in 2022 - three years earlier than previously forecast. Southern's chief executive, Oscar Gonzalez, added that the company will need to reach detailed agreements with residents near the deposit in the northern Andean region of Cajamarca before construction can begin. Gonzalez estimated talks with communities would take a year and construction another three years. Southern, which is controlled by Grupo Mexico, said in late April that production at Michiquillay would likely begin in 2025. The proposed mine is expected to churn out 225,000 tonnes of copper per year for an initial mine life of more than 25 years.

Securing a so-called social license is one of the biggest hurdles to investing in Peru, the world's No. 2 copper producer and home to dozens of disputes over natural resource extraction in poor provinces. Southern's \$1.4 billion Tia Maria copper project in southern Peru has been on hold because of local opposition for years. Newmont Mining Corp shelved its proposed \$4.8 billion gold-and-copper mine in Cajamarca after deadly protests in 2011. Alberto Necco, the head of Peru's investment promotion agency, Proinversion, said residents near Michiquillay were not opposed to mining but expected jobs, training and other benefits from the company, some of which were outlined in the contract. Southern Copper won the public auction for Michiquillay in February by offering the government \$400 million and a 3 percent royalty rate - beating out Compania Minera Milpo.

Other important information on copper market:

- Vedanta Resources plans to double finished copper production at Zambia's Konkola Copper Mines (KCM) to 200,000 tonnes this year, the CEO of its Zambian unit said on Monday. KCM has ploughed roughly \$5 billion into the southern African country's copper mines since 2004, including a \$1 billion investment package announced last year to revamp and upgrade some mines. "Last year we produced just under 100,000 tonnes and I want us to get to 200,000 tonnes this year," Vedanta's Deshnee Naidoo told Reuters, adding that KCM is on track to produce 400,000 tonnes of copper a year in the next few years. Vedanta also plans to invest \$300 million in a 300 megawatt (MW) coal-fired power plant in Zambia and has started pre-feasibility studies, she said.
- Chile's copper production in April jumped 6.4 percent from the same month a year earlier, Chilean copper commission Cochilco said on Thursday, boosted by increased output at large, privately-held mines in the world's top copper producer. Chile produced 446,900 tonnes of copper in April, Cochilco said, while country-wide production between January and April reached 1.864 million tonnes, an increase of 15.6 percent over the same period in 2017. Production through April was aided by a low basis for comparison following

an historic strike last year at BHP Billiton's Escondida mine, the world's largest. Escondida's production increased by 70 percent in April to 109,200 tonnes, Cochilco said. Collahausi, owned by Anglo American Plc and Glencore Plc and the country's second largest mine by output, also ramped up production by 40 percent to 43,500 tonnes. State miner Codelco's production dropped 3.2 percent to 138,600 tonnes of copper in April, the agency's statistics showed.

- Toromocho copper mine, the only major greenfield project in Peru, will increase annual capacity by 45% in 2020, owner Aluminum Corp of China (Chinalco) said. The state-owned company plans to spend \$1.3 billion on the ramp-up which will boost annual mining output to \$2 billion worth of concentrate per year upon completion, Chinalco chairman Ge Hoglin said at a groundbreaking ceremony in the Peruvian capital of Lima on Friday June 1. The production target was not disclosed in the statement.

Precious Metals

Another interest rate hike has been delivered by the FOMC washing gold prices out of the 1300s level. US dollar has strengthened but according to Reuters poll, its dominance is forecast to fade soon with any sudden change in expectations for the policies of other central banks posing the biggest risk. The so-called "dot plot" showed eight Fed policy makers expected four or more quarter-point rate increases for the full year, compared with seven officials during the previous forecast round in March. The number viewing three or fewer hikes as appropriate fell to seven from eight. The median estimate implied three increases in 2019 to put the rate above the level where officials see policy neither stimulating nor restraining the economy.

South Korea seeks relaxation from India on gold, silver import norms

South Korea seeks relaxation on gold and silver imports from India

South Korea has asked India to remove restrictions on gold and silver imports, which were imposed to check abuse of free trade agreement leading to significant surge in the inbound shipments. In August 2017, India restricted imports of gold and silver items from South Korea to check spurt in the inbound shipments of the precious metals from that country.

As part of the restrictions, importers have to obtain a licence from the Directorate General of Foreign Trade (DGFT) for importing gold and silver from South Korea. The two nations implemented a free trade agreement in January 2010. Under the pact, basic customs duty on gold was eliminated. Further, the 12.5% countervailing duty on gold imports has been subsumed in the Goods and Services Tax (GST). Accordingly, the imports now attract only 3% integrated GST. On the other hand, imports of gold from non-FTA countries attract 10% customs duty.

Gems and jewellery exporters too have asked not to ease the restrictions as it would impact their shipments. An official of the gems and jewellery export promotion council (GJEPC) said easing of norms would again lead to significant surge in imports of the yellow metal in India from Korea. After the imposition of restrictions, no importer has sought licence from DGFT for the imports. Gold imports from South Korea has jumped to USD 338.6 million in July 2017. The import in 2016-17 was only USD 70.46 million from that country. India is the world's second biggest gold consumer after China. The imports mainly take care of demand by the jewellery industry.

Russia to double gold extraction becoming world's second biggest producer

Russia to double gold extraction

Major Russian gold mining companies are planning to almost double production. The increase could make Russia the world's second largest producer of the precious metal. The country is currently third in the global rating of gold miners after Australia and China. However, that could change in less than a decade, according to Mikhail Leskov, deputy CEO at the Moscow-based Institute of Geotechnology, as quoted by Vedomosti. In 2017, Russia extracted 8.8 million ounces, accounting for 8.3% of total global production, according to data by the UK consultancy Metals Focus, as quoted by the media. The newly discovered gold deposits will reportedly allow miners to increase extraction by half in seven years. By 2030, extraction is expected to grow by nearly eight million ounces. Earlier this year, state exploration company Rosgeo said that a new discovery, holding some 900 tons of silver and gold, was found in the Republic of Bashkortostan. According to initial estimates, there are some 87 tons-worth of gold in the area. Silver deposits, meanwhile, are estimated at 787 tons.

The Russian gold mining industry has almost doubled its volume of extraction over the last two decades. The country's producers mined 2,189 tons of gold over the last 10 years, according to the Russian Union of Gold Producers. There's a number of major gold mining regions in Russia, including the most prospective in the world. Krasnoyarsk region in central Russia has two of major operations – Olimpiada and Blagodatnoye. Chukotka region in Russia's Far East is home to one of the biggest Russian miners, the Dvoinoye and the Kupol operations. The regions of Amur and Magadan are the fastest growing gold hubs while Siberian city of Irkutsk is also one of the most prominent mining areas in the country.

Scotiabank to scrap half its metals business

Scotiabank has decided to sell half of its metal's business

Canada's Bank of Nova Scotia (Scotiabank) is limiting lending by its ScotiaMocatta metals unit as it embarks on a radical restructuring likely to halve the size of the business, sources familiar with the matter said. Mocatta is the largest financier of the global precious metals supply chain, accounting for some 15-20% of lending to clients ranging from refiners and jewellers to carmakers and petrochemicals producers, industry sources say. Those sources place the value of its leases, credit lines and consignment lending of precious metal at \$8 billion.

While rivals are likely to take on most of Scotia's business, its withdrawal will see the pool of cash available to the industry dwindle further after banks including Barclays, Deutsche Bank and Commerzbank scaled back or exited the market in recent years. It could also leave smaller clients short of financing options and facing higher borrowing costs. Ten industry sources told Reuters that ScotiaMocatta was curtailing lending to the physical metals supply chain and would refocus on major corporate clients which have broader relationships with Scotiabank.

Heraeus to open new facility in Nanjing, China

Germany's Heraeus to open \$100 mln precious metals recycling plant in China

German technology group Heraeus will open a precious metals refinery and recycling plant in China in September to take advantage of the country's rising demand for platinum group metals. Heraeus has invested almost \$100 million in the facility in Nanjing covering 84,000 square metres, which will make precious metal-based products for use in the auto, glass, fertiliser and other industries. The move aims to put Heraeus at the centre of a rapidly growing Chinese market and take advantage of a government drive to increase recycling and reduce pollution. The main use of platinum and palladium is in catalytic converters used in engines to cut vehicle emissions. China is the world's biggest car market and produces only a fraction of the platinum and palladium it consumes. Heraeus said the plant would employ 300-350 people at full capacity. It also said it would ramp up logistics and financing services for clients in China.

Global economies | Foreign exchange markets

Economic panel in KGHM Headquarters

On June the 12th Finance Department employees of KGHM organized economists' panel. Among the participants there were representatives from BZ WBK (Santander Group), BGZ NBP Paribas as well as E&Y. In addition to topics from Polish backyard, economists also analyzed the situation on the financial markets and in the global economy. The main assumptions, theses and conclusions of the panelists on the Polish economy can be found in the following sections.

- Regarding the economic slowdown expected by some of the market participants in Poland, there was no consensus - one of the panelists saw signs of slowdown, mainly in export data and potentially (which is not clearly visible yet) in the unit labor costs dynamics and the worsening situation on the labor market (through the shortage of qualified employees). The remaining participants were not able to find the factors that could significantly affect the economic slowdown - neither internally (inflation) nor externally (balance on the current account). In addition, despite the fact that investments positively surprised in recent quarters, with the passage of time and data improvement, expectations grew, which created a certain paradox - expectations exceeded expectations. However, one should notice a clear improvement in the investment dynamics, which, compared to expectations from 3 years ago, is at a very decent level.
- The potential GDP growth is estimated at 3-3,5% on an annual basis; in the opinion of one of the panelists, higher dynamics cannot be maintained in the long term due to unfavorable demographics. Lack of available workforce may also have a negative impact on the construction industry, in which high demand for employees may generate a serious problem in the coming quarters.
- It is worth noting the very stable position of Poland in the Scoreboard of the European Commission. The Scoreboard of the European Commission is an analysis of 14 indicators covering the most important areas of potential macroeconomic imbalances. In the 2017 data, only one out of the 14 indicators - international net investment position (as % of GDP) - has exceeded (to a very small extent) the defined limits.
- Economists have agreed that the triggers of the potential economic crisis are not yet visible, and the only thing that can trigger unfavourable consequences for the domestic economy are the external ones. The slowdown in economic activity will have quite wide consequences for public finances, where most expenditures are rigid, difficult to modify in the future. On the other hand, one should bear in mind the buffer that gives Poland a strong fiscal position in the short term - the constant improvement on the VAT side and tax collection.

- In terms of inflation, economists do not notice a reason that, apart from external factors (such as oil prices), could translate into CPI dynamics. Currently, there is no evidence for so-called ketchup effect – i.e. a sudden and sharp increase in prices after a long period without significant changes. In 2017, the price growth was slowed down primarily by the nominal effective exchange rate. As has been estimated by one of the economists, the price increase has been reduced by approx. 1 percentage point. The stable price situation allows the Monetary Policy Council (RPP) to conduct monetary policy in accordance with the statutory mandate, however, in a scenario where the ketchup effect materializes, one of the economists mentioned a probable delays in the MPC's actions.

ECB: QExit by the end of the year, potential rate hike next summer

The European Central Bank (ECB) has recently informed that it will end its unprecedented bond purchase scheme by the close of the year, taking its biggest step in dismantling crisis-era stimulus a decade after the start of the euro zone's economic downturn.

ECB to end QE by the end of 2018, but committed to reinvest the principal of maturing assets

Signalling that the move would not mean rapid policy tightening in the coming months, the bank also said that interest rates would stay at record lows at least through the summer of 2019, suggesting protracted support for the economy, even if at a lower level. Markets had been pricing in a 10 basis point hike in the ECB's benchmark deposit rate – currently at -0.4% – by June 2019. Though full policy normalisation will take years, investors are braced for the end of easy money from the world's top central banks. A hawkish U.S. Federal Reserve dropped a crisis-era stimulus pledge while the ECB had already begun rolling back support after a five-year run of economic growth. According to the statement, the monthly pace of the net asset purchases will be reduced to 15 billion euros until the end of December 2018 and net purchases will then end.

By putting a specific end date on its stimulus, the ECB is taking a more decisive step than when the U.S. Federal Reserve started its own taper in December 2013. Then, it did not commit to a specific end or any subsequent steps. The decision affirms market expectations for the bond purchases to conclude by year-end after a short period of tapering, and indicates that interest rates will once again become the bank's primary policy tool.

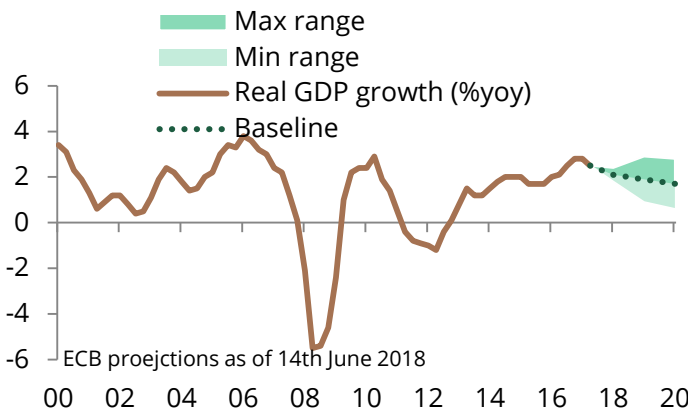
The biggest complication for the process of normalisation could be a murky economic outlook, muddied by a developing trade war with the United States, a populist challenge from Italy's new government and softening export demand. But ECB policymakers have long argued that their mandate is to bring inflation back to target, not to prop up growth or fight off market turbulence in any particular country. Italian bond yields rose sharply this month as a new government of anti-establishment parties promised higher spending. That threatens a clash with Brussels, which is pushing Rome to cut the euro zone's

second-biggest debt pile. A broader slowdown could make it harder for the ECB to cut support if lower growth eases pressure on inflation, a threat to the bank's credibility as it has missed its inflation target of almost 2% for over five years. While inflation has remained weak, higher oil prices, increasingly evident wage pressures and record employment suggest that prices will be moving up in the coming years, even if more slowly than the ECB had originally hoped. ECB Chief Economist Peter Praet, a Draghi ally and one of the most dovish members of the rate-setting Governing Council, recently argued that progress has been made on the inflation criteria, a strong hint that stimulus would be pared back. The euro's 5% fall against the dollar since April is also helping the ECB as the weaker currency is increasing the cost of imports and boosting inflation. While a rebound is likely, the U.S. Fed's tightening stance will limit the potential for a big rise in the euro.

ECB staff raised inflation forecasts for 2018 and 2019 but lowered growth expectations in 2018

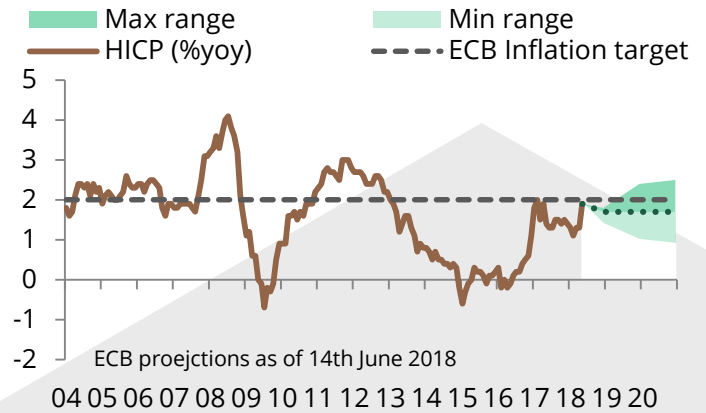
The European Central Bank raised its inflation forecasts for this year and next but lowered its 2018 growth projection. The ECB, which targets inflation at just below 2%, sees price growth at 1.7% this year and in 2019 and 2020. With oil prices up more than 60% since last year and the euro off its recent highs against the dollar, imported inflation has been seen rising, slowly feeding through consumer prices and even pulling underlying inflation up over time. But worries over protectionism and turbulence in several key economies has weighed on growth, forcing the ECB to trim back its growth forecasts. Economic growth this year is now seen at 2.1% versus an earlier forecast of 2.4%.

According to the latest ECB Staff projections, real GDP growth is expected to slow down...



Source: ECB, KGHM Polska Miedź





...while HICP inflation is slowly converge into the ECB's inflation target



Source: ECB, KGHM Polska Miedź

Macroeconomic calendar

Important macroeconomic data releases

Weight	Date	Event	For	Reading ¹	Previous	Consensus ²	
China 							
⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy)	May	1.8% -	1.8%	1.8%	○
⊕⊕⊕⊕	04-Jun	Industrial production (yoy)	May	6.8% ▼	7.0%	7.0%	☾
⊕⊕	04-Jun	Trade balance (USD bn)‡	May	24.9 ▼	28.3	33.3	☾
⊕⊕	04-Jun	Exports (yoy)‡	May	12.6% -	12.6%	11.1%	☿
⊕⊕	04-Jun	Fixed assets investments (ytd, yoy)	May	6.1% ▼	7.0%	7.0%	☾
⊕⊕	04-Jun	Producer inflation PPI (yoy)	May	4.1% ▲	3.4%	3.9%	☿
⊕	04-Jun	New yuan loans (CNY bn)	May	1 150 ▼	1 180	1 200	☾
⊕	04-Jun	Retail sales (yoy)	May	8.5% ▼	9.4%	9.6%	☾
⊕	04-Jun	Foreign reserves (USD bn)	May	3 111 ▼	3 125	3 107	☿
Poland 							
⊕⊕⊕⊕⊕	04-Jun	NBP base rate decision	Jun	1.50% -	1.50%	1.50%	○
⊕⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy) - final data	May	1.7% -	1.7%	--	
⊕⊕⊕⊕⊕	04-Jun	Core CPI (excluding food and energy, yoy)	May	0.5% ▼	0.6%	0.6%	☾
⊕⊕	04-Jun	Trade balance (EUR mn)	Apr	314 ▲	- 317	- 76.0	☿
⊕⊕	04-Jun	Exports (EUR mn)	Apr	17 176 ▼	18 117	17 288	☾
⊕⊕	04-Jun	Current account balance (EUR mn)	Apr	- 21.0 ▲	- 982	- 253	☿
US 							
⊕⊕⊕⊕⊕⊕	04-Jun	FOMC base rate decision - upper bound (Fed)	Jun	2.00% ▲	1.75%	2.00%	○
⊕⊕⊕⊕⊕⊕	04-Jun	FOMC base rate decision - lower bound (Fed)	Jun	1.75% ▲	1.50%	1.75%	○
⊕⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (mom)	May	0.2% -	0.2%	0.2%	○
⊕⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy)	May	2.8% ▲	2.5%	2.8%	○
⊕⊕⊕⊕⊕	04-Jun	Industrial production (mom)‡	May	-0.1% ▼	0.9%	0.2%	☾
⊕⊕⊕	04-Jun	Composite PMI - final data	May	56.6 ▲	55.7	--	
⊕⊕⊕	04-Jun	PMI services - final data	May	56.8 ▲	55.7	55.7	☿
⊕⊕	04-Jun	Durable goods orders - final data	Apr	-1.6% ▲	-1.7%	--	
⊕⊕	04-Jun	Retail sales (excluding autos, mom)‡	May	0.9% ▲	0.4%	0.5%	☿
⊕⊕	04-Jun	University of Michigan confidence index - preliminary data	Jun	99.3 ▲	98.0	98.5	☿
⊕	04-Jun	Capacity utilization‡	May	77.9% ▼	78.1%	78.1%	☾
Eurozone 							
⊕⊕⊕⊕⊕⊕	04-Jun	ECB main refinancing rate	Jun	0.00% -	0.00%	0.00%	○
⊕⊕⊕⊕⊕⊕	04-Jun	ECB deposit facility rate	Jun	-0.4% -	-0.4%	-0.4%	○
⊕⊕⊕⊕⊕⊕	04-Jun	GDP (sa, yoy) - final data	1Q	2.5% -	2.5%	2.5%	○
⊕⊕⊕⊕⊕⊕	04-Jun	GDP (sa, qoq) - final data	1Q	0.4% -	0.4%	0.4%	○
⊕⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy) - final data	May	1.9% -	1.9%	1.9%	○
⊕⊕⊕⊕⊕	04-Jun	Core CPI (yoy) - final data	May	1.1% -	1.1%	1.1%	○
⊕⊕⊕⊕⊕	04-Jun	Industrial production (sa, mom)‡	Apr	-0.9% ▼	0.6%	-0.7%	☾
⊕⊕⊕⊕⊕	04-Jun	Industrial production (wda, yoy)‡	Apr	1.7% ▼	3.2%	2.5%	☾
⊕⊕⊕	04-Jun	Gross fixed capital (qoq)‡	1Q	0.5% ▼	1.3%	0.7%	☾
⊕⊕⊕	04-Jun	Households consumption (qoq)	1Q	0.5% ▲	0.2%	0.2%	☿
⊕⊕⊕	04-Jun	Composite PMI - final data	May	54.1 -	54.1	54.1	○
⊕⊕⊕	04-Jun	Services PMI - final data	May	53.8 ▼	53.9	53.9	☾
⊕⊕	04-Jun	Retail sales (yoy)‡	Apr	1.7% ▲	1.5%	1.7%	○
⊕⊕	04-Jun	Producer inflation PPI (yoy)	Apr	2.0% ▼	2.1%	2.4%	☾
⊕⊕	04-Jun	Labour costs (yoy)‡	1Q	2.0% ▲	1.4%	--	
⊕	04-Jun	Trade balance (EUR mn)	Apr	16.7 ▼	26.9	--	

Weight	Date	Event	For	Reading ¹	Previous	Consensus ²
Germany 						
⊕⊕⊕⊕	04-Jun	Harmonized consumer inflation HICP (yoy) - final data	May	2.2% -	2.2%	2.2% ⊕
⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy) - final data	May	2.2% -	2.2%	2.2% ⊕
⊕⊕⊕⊕	04-Jun	Industrial production (wda, yoy)‡	Apr	2.0% ▼	3.8%	2.8% ◡
⊕⊕⊕	04-Jun	Composite PMI - final data	May	53.4 ▲	53.1	53.1 ◡
⊕⊕⊕	04-Jun	Factory orders (wda, yoy)‡	Apr	-0.1% ▼	2.9%	3.6% ◡
France 						
⊕⊕⊕⊕	04-Jun	Harmonized consumer inflation HICP (yoy) - final data	May	2.3% -	2.3%	2.3% ⊕
⊕⊕⊕⊕	04-Jun	Industrial production (yoy)‡	Apr	2.1% ▲	1.9%	2.9% ◡
⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy) - final data	May	2.0% -	2.0%	2.0% ⊕
⊕⊕⊕	04-Jun	Composite PMI - final data	May	54.2 ▼	54.5	54.5 ◡
Italy 						
⊕⊕⊕⊕	04-Jun	Harmonized consumer inflation HICP (yoy) - final data	May	1.0% ▼	1.1%	1.1% ◡
⊕⊕⊕⊕	04-Jun	Industrial production (wda, yoy)‡	Apr	1.9% ▼	3.5%	3.6% ◡
⊕⊕⊕	04-Jun	Composite PMI	May	52.9 -	52.9	52.8 ◡
UK 						
⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy)	May	2.4% -	2.4%	2.4% ⊕
⊕⊕⊕⊕	04-Jun	Industrial production (yoy)	Apr	1.8% ▼	2.9%	2.7% ◡
⊕⊕⊕	04-Jun	Composite PMI	May	54.5 ▲	53.2	53.4 ◡
⊕⊕	04-Jun	Unemployment rate (ILO, 3-months)	Apr	4.2% -	4.2%	4.2% ⊕
Japan 						
⊕⊕⊕⊕⊕	04-Jun	GDP (annualized, qoq) - final data	1Q	-0.6% -	-0.6%	-0.4% ◡
⊕⊕⊕⊕⊕	04-Jun	GDP (qoq, sa) - final data	1Q	-0.2% -	-0.2%	-0.1% ◡
⊕⊕⊕⊕	04-Jun	Industrial production (yoy) - final data	Apr	2.6% ▲	2.5%	--
⊕⊕⊕	04-Jun	Composite PMI	May	51.7 ▼	53.1	--
Chile 						
⊕⊕⊕⊕⊕	04-Jun	BCCh overnight rate target	Jun	2.50% -	2.50%	2.50% ⊕
⊕⊕⊕⊕	04-Jun	Consumer inflation CPI (yoy)	May	2.0% ▲	1.9%	2.0% ⊕
⊕⊕⊕⊕	04-Jun	Economic activity (yoy)‡	Apr	5.9% ▲	4.5%	5.8% ◡
⊕⊕⊕	04-Jun	Copper exports (USD mn)	May	3 357 ▲	3 002	--
⊕⊕	04-Jun	Nominal wages (yoy)	Apr	3.0% ▼	3.7%	3.8% ◡
Canada 						
⊕⊕⊕	04-Jun	Capacity utilization‡	1Q	86.1% ▲	85.6%	86.4% ◡
⊕⊕⊕	04-Jun	Net change in employment (thrs)	May	- 7.5 ▼	- 1.1	23.5 ◡

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

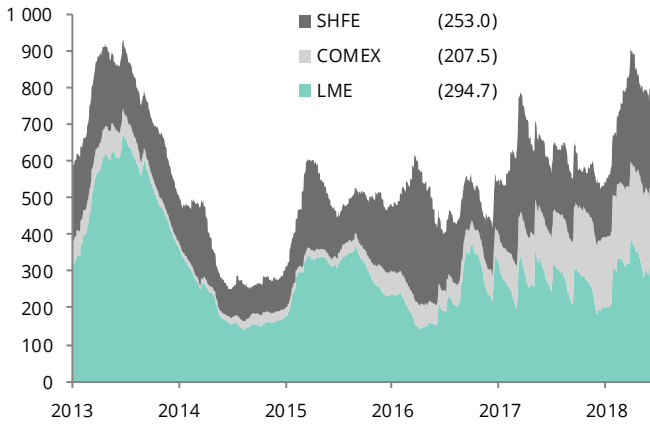
Key base & precious metal prices, exchange rates and other important market factors

(as of: 15-Jun-18)		Price change ¹					From year beginning ²		
	Price	2W	QTD	YTD	1Y	Average	Min	Max	
LME (USD/t)									
Copper	7 136.00	▲ 2.9%	▲ 6.7%	▼ -0.3%	▲ 26.6%	6 929.35	6 500.00	7 262.50	
Molybdenum	26 000.00	- 0.0%	- 0.0%	▲ 62.5%	▲ 48.6%	21 482.61	16 000.00	26 000.00	
Nickel	15 265.00	▼ -0.1%	▲ 15.3%	▲ 24.5%	▲ 72.9%	13 785.39	12 415.00	15 750.00	
Aluminum	2 239.50	▼ -3.7%	▲ 12.1%	▼ -0.1%	▲ 20.1%	2 211.34	1 967.00	2 602.50	
Tin	20 900.00	▲ 1.5%	▼ -1.1%	▲ 5.2%	▲ 7.2%	21 142.00	19 960.00	22 105.00	
Zinc	3 189.00	▲ 3.1%	▼ -4.3%	▼ -3.6%	▲ 27.8%	3 292.23	2 968.00	3 618.00	
Lead	2 431.00	▲ 0.1%	▲ 0.8%	▼ -2.6%	▲ 17.0%	2 459.97	2 274.00	2 683.00	
LBMA (USD/troz)									
Silver	17.23	▲ 4.8%	▲ 5.8%	▲ 2.1%	▲ 2.2%	16.69	16.25	17.52	
Gold ²	1 285.25	▼ -0.8%	▼ -2.9%	▼ -0.9%	▲ 2.4%	1 322.29	1 285.25	1 354.95	
LPPM (USD/troz)									
Platinum ²	898.00	▼ -0.9%	▼ -4.1%	▼ -3.1%	▼ -2.5%	947.81	884.00	1 020.00	
Palladium ²	995.00	▼ -1.4%	▲ 2.6%	▼ -5.8%	▲ 15.6%	1 011.70	909.00	1 129.00	
FX³									
EURUSD	1.1596	▼ -1.2%	▼ -5.9%	▼ -3.3%	▲ 3.9%	1.2146	1.1558	1.2493	
EURPLN	4.2802	▼ -0.3%	▲ 1.7%	▲ 2.6%	▲ 1.8%	4.2106	4.1423	4.3195	
USDPLN	3.6922	▲ 0.7%	▲ 8.2%	▲ 6.1%	▼ -1.5%	3.4661	3.3173	3.7299	
USDCAD	1.3177	▲ 1.9%	▲ 2.2%	▲ 5.0%	▼ -0.8%	1.2738	1.2288	1.3177	
USDCNY	6.4387	▲ 0.5%	▲ 2.6%	▼ -1.0%	▼ -5.4%	6.3568	6.2690	6.5297	
USDCLP	633.99	▲ 0.3%	▲ 5.1%	▲ 3.1%	▼ -3.9%	609.27	588.28	637.03	
Money market									
3m LIBOR USD	2.326	▲ 0.01	▲ 0.01	▲ 0.63	▲ 1.06	2.112	1.696	2.369	
3m EURIBOR	-0.321	- 0.00	▲ 0.01	▲ 0.01	▲ 0.01	-0.327	-0.329	-0.321	
3m WIBOR	1.700	- 0.00	- 0.00	▼ -0.02	▼ -0.03	1.709	1.700	1.720	
5y USD interest rate swap	2.940	▲ 0.01	▲ 0.23	▲ 0.70	▲ 1.10	2.750	2.283	3.036	
5y EUR interest rate swap	0.298	▼ -0.04	▼ -0.07	▼ -0.02	▲ 0.15	0.401	0.224	0.509	
5y PLN interest rate swap	2.500	▲ 0.11	▲ 0.13	- 0.00	▲ 0.33	2.479	2.280	2.740	
Fuel									
WTI Cushing	65.06	▲ 0.5%	▲ 0.2%	▲ 7.7%	▲ 46.3%	65.15	59.19	72.24	
Brent	72.53	▼ -2.9%	▲ 4.9%	▲ 8.5%	▲ 57.5%	70.45	62.33	79.18	
Diesel NY (ULSD)	208.82	▼ -3.0%	▲ 3.5%	▲ 1.2%	▲ 48.5%	206.10	183.32	229.33	
Others									
VIX	11.98	▼ -0.76	▼ -7.99	▲ 0.94	▲ 1.08	16.43	9.15	37.32	
BBG Commodity Index	87.70	▼ -1.9%	▲ 0.3%	▼ -0.5%	▲ 8.4%	88.86	85.64	91.57	
S&P500	2 779.66	▲ 1.2%	▲ 5.3%	▲ 4.0%	▲ 14.3%	2 716.17	2 581.00	2 872.87	
DAX	13 010.55	▲ 1.9%	▲ 7.6%	▲ 0.7%	▲ 2.5%	12 672.84	11 787.26	13 559.60	
Shanghai Composite	3 021.90	▼ -2.2%	▼ -4.6%	▼ -8.6%	▼ -3.5%	3 238.59	3 021.90	3 559.47	
WIG 20	2 203.01	▼ -0.3%	▼ -0.3%	▼ -10.5%	▼ -4.0%	2 353.13	2 157.07	2 630.37	
KGHM	89.22	▼ -4.3%	▲ 2.8%	▼ -19.8%	▼ -17.4%	99.98	84.20	115.00	

^o 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

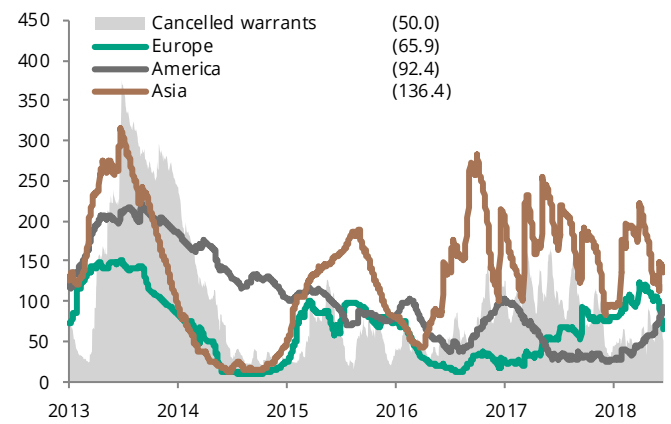
Source: Bloomberg, KGHM

Copper: official exchange stocks (thousand tonnes)



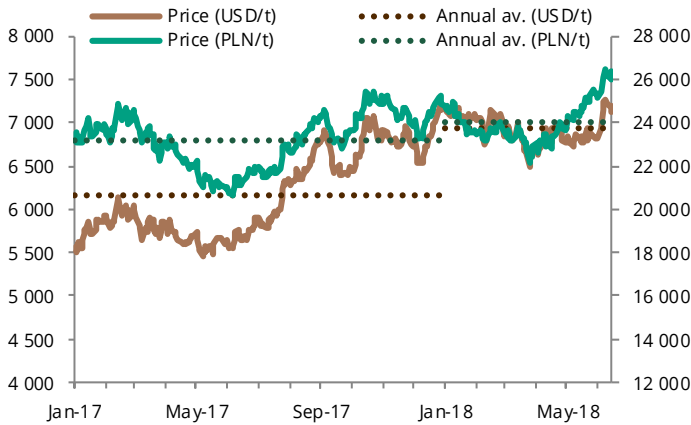
Note: Latest values in brackets. Source: Bloomberg, KGHM

Copper: official LME stocks (thousand tonnes)



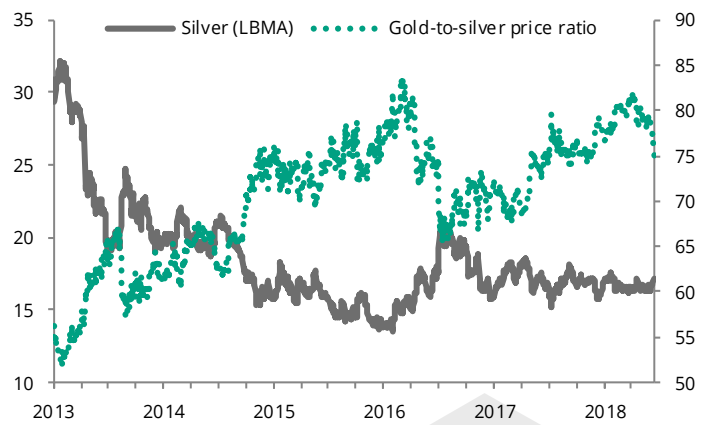
Note: Latest values in brackets. Source: Bloomberg, KGHM

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



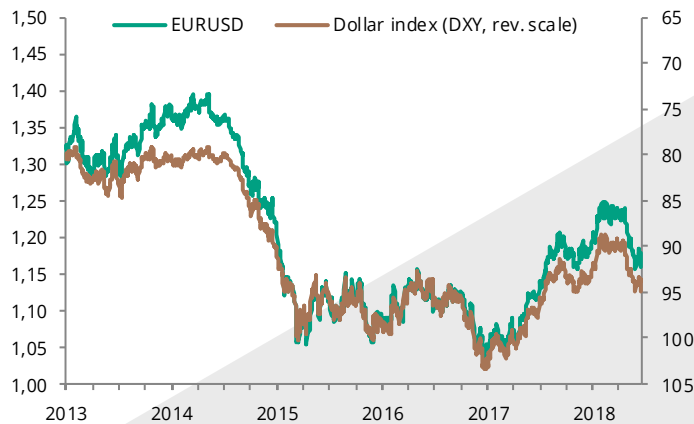
Source: Bloomberg, KGHM Polska Miedź

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



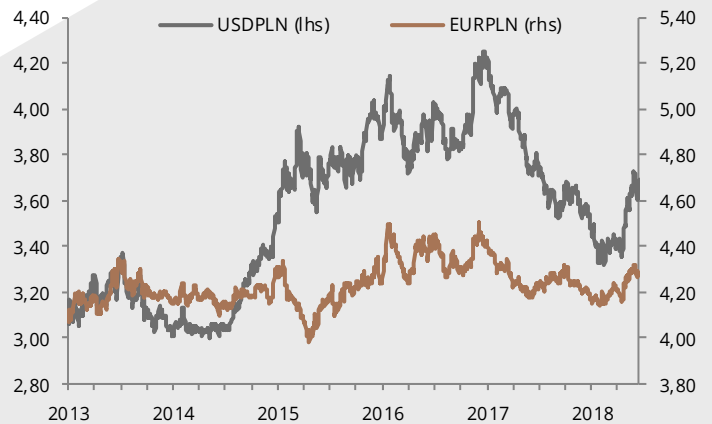
Source: Bloomberg, KGHM Polska Miedź

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



Source: Bloomberg, KGHM Polska Miedź

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



Source: Bloomberg, KGHM Polska Miedź

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This document has been prepared based on the below listed reports, among others, published in the following period:
4th – 17th June 2018.

- Barclays Capital, ▪ BofA Merrill Lynch, ▪ Citi Research, ▪ CRU Group, ▪ Deutsche Bank Markets Research,
- GavekalDragonomics, ▪ Goldman Sachs, ▪ JPMorgan, ▪ Macquarie Capital Research, ▪ Mitsui Bussan Commodities,
- Morgan Stanley Research, ▪ SMM Information & Technology, ▪ Sharps Pixley.

Moreover, additional information published here was acquired in direct conversations with market dealers, from financial institution reports and from the following websites: ▪ thebulliondesk.com, ▪ lbma.org.uk, ▪ lme.co.uk, ▪ metalbulletin.com, ▪ nbp.pl, , also: Bloomberg and Thomson Reuters.

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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In case of questions or comments please contact us:

KGHM Polska Miedz (Polish Copper) S.A.

Departament Zarządzania Ryzykiem Rynkowym i Kredytowym (Market and Credit Risk Management Department)

Wydział Ryzyka Rynkowego (Market Risk Unit)

ul. M. Skłodowskiej-Curie 48

59-301 Lubin, Poland