

**COMMODITY EXCHANGE, INC.**  
**ANALYSIS OF DELIVERABLE SUPPLY**  
**COPPER FUTURES**  
**February 2019**

In estimating deliverable supply for Copper Futures, the Commodity Exchange, Inc. (“COMEX” or “Exchange”) relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical warehouse stocks that could reasonably be considered to be readily available for delivery. In its guidance on estimating deliverable supply, the Commodity Futures Trading Commission (“CFTC” or “Commission”) states:

In general, the term “deliverable supply” means the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s)<sup>1</sup>

**Approved Warehouses and Stock Reporting Requirements**

To date, Exchange approved copper warehouses are outlined below:

<b>Warehouse Location</b>	<b>Warehouse Company</b>
<b>Arizona</b>	
Tucson, AZ	Arizona Commodity Storage
	Tucson Port Authority
	4STOX NV
Phoenix, AZ	Access World (USA) LLC
<b>Maryland</b>	
Baltimore, MD	C. Steinweg
	Access World
<b>Michigan</b>	
Detroit, MI	Metal Ox Warehousing, Inc.
<b>Louisiana</b>	
New Orleans	Henry Bath
	Kodiak Warehouse LLC

<sup>1</sup> [http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38\\_11201.c&rgn=div9](http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38_11201.c&rgn=div9)

	Access World (USA) LLC
<b>Texas</b>	
El Paso	Stagecoach Cartage and Distribution, LP
<b>Utah</b>	
Tooele	Utah Commodity Storage
	ISTIM Metals LLC
	4STOX NV
Clearfield	Metal Ox Warehousing, Inc.
<b>Kentucky</b>	
Owensboro	Access World (USA) LLC

Pursuant to the rules of the Exchange, each warehouse is required to report to the Exchange the level of Exchange grade inventory on a daily basis. The inventory shall include eligible and registered copper. Eligible copper shall mean all such copper that is acceptable for delivery against the Copper Futures contract (i.e., which meets the specifications and approved brands of the Copper Futures contract) for which a warrant has not been issued. Registered copper shall mean eligible copper for which a warrant has been issued. Specifically, on a daily basis, each warehouse is required to provide the Exchange (1) the total quantity of registered copper stored at the warehouse, (2) the total quantity of eligible copper stored at the warehouse, and (3) the quantity of eligible copper and registered copper received and shipped from the warehouse.

The copper inventory levels at all Exchange-approved warehouses are made publicly available daily on the Exchange website<sup>2</sup>. Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored at warehouses with records maintained by both the Exchange and the warehouses<sup>3</sup>.

### **Deliverable Supply Analysis**

The Exchange determined at this time to base its estimates of deliverable supply of copper on registered stock as well as such copper stock meeting all specifications of the Copper Futures contract stored at Exchange approved warehouses.

Table 1 below provides the monthly inventory average of each of registered and eligible copper stored at Exchange approved warehouses for the period beginning February 2016 through January 2019.

Over the most recent three-year period beginning February 2016 through January 2019, the monthly average registered copper was 10,648 futures equivalent contracts and the monthly average eligible copper was 992 futures equivalent contracts. Based on the foregoing, the Exchange estimates monthly deliverable supply at approximately 11,640 futures equivalent contracts. The current spot month position limit of 1,000 contracts represents 11.64% of the estimated monthly deliverable supply.

At this time, the Exchange does not account for copper stock meeting all specifications of the Copper Futures contract that is stored at warehouses other than those approved by the Exchange and which can be moved economically into such Exchange-approved warehouses consistent with Appendix C of Part

<sup>2</sup> <http://www.cmegroup.com/market-data/reports/registrar-reports.html>

<sup>3</sup> <http://www.cmegroup.com/rulebook/NYMEX/1/7.pdf>

38. The Exchange may, at a later date, decide to estimate those stocks and include them in future deliverable supply estimates.

**Table 1: Monthly Average Stock Levels at Exchange Warehouses**

**(in Copper Futures equivalent contracts)**

Month	Average of Registered (ST)	Average of Eligible (ST)	Average of Total (ST)	Average Inventory in Contract Equivalents
Feb-16	65,273	1,821	67,094	5,368
Mar-16	69,571	318	69,888	5,591
Apr-16	65,424	3,486	68,910	5,513
May-16	59,613	3,368	62,981	5,038
Jun-16	59,375	922	60,297	4,824
Jul-16	62,928	1,133	64,061	5,125
Aug-16	64,993	1,448	66,442	5,315
Sep-16	68,730	946	69,676	5,574
Oct-16	70,244	1,412	71,655	5,732
Nov-16	71,422	2,806	74,228	5,938
Dec-16	79,270	3,104	82,373	6,590
Jan-17	90,936	4,421	95,357	7,629
Feb-17	106,016	7,114	113,130	9,050
Mar-17	128,618	7,056	135,674	10,854
Apr-17	144,777	5,941	150,718	12,057
May-17	152,799	2,977	155,776	12,462
Jun-17	159,392	2,113	161,505	12,920
Jul-17	164,988	2,476	167,464	13,397
Aug-17	173,292	4,644	177,936	14,235
Sep-17	177,049	14,210	191,258	15,301
Oct-17	187,304	15,702	203,006	16,240
Nov-17	194,681	13,093	207,774	16,622
Dec-17	199,348	10,406	209,754	16,780
Jan-18	206,029	9,905	215,934	17,275
Feb-18	216,269	9,221	225,490	18,039
Mar-18	221,294	11,582	232,876	18,630
Apr-18	219,870	21,548	241,419	19,313
May-18	210,293	36,410	246,703	19,736
Jun-18	195,610	32,442	228,053	18,244
Jul-18	179,435	36,845	216,280	17,302
Aug-18	173,201	23,550	196,375	15,710
Sep-18	146,034	34,540	180,574	14,446
Oct-18	129,159	35,264	164,423	13,154
Nov-18	107,556	38,730	146,285	11,703
Dec-18	97,637	21,601	119,238	9,539
Jan-19	73,265	24,171	97,436	7,795
3-year average	133,103	12,409	145,501	11,640

Source: CME Group