

The doctor is unwell. The price of copper has fallen more than 50% since its peak in 2011, dropping 12% in November.

The worst is still to come: Copper prices have been in an 'anti-bubble'—an Unstable Contraction mode—since June of this year and risk levels for both long and short positions are rising dramatically.

Recent History—From Boom to Bust

In the heat of the global recovery Dr. Copper went into Unstable Expansion in the summer of 2010 when its price was just over \$3 a pound. In the subsequent boom it reached an all time high of \$4.60 at the beginning of 2011. It was so valuable that it was being stolen from roofs and cable installations.

Since its 2011 peak, the price of copper has fallen by more than 50%. It declined by almost 12% in November alone to \$2.

The Worst is Yet to Come

Just as Omega Metrics' Unstable Expansions provide early warnings of asset price bubbles, Unstable Contractions signal anti-bubbles of panic selling.

Dr. Copper began to exhibit anti-bubble symptoms in June of this year when the price was \$2.70. It finished November 24% below that level at just over \$2 a pound.

Until the Unstable Contraction ends, similar price declines can be expected.

Risk is Rising Dramatically for Buyer & Sellers

The path from all time high to the current low has been very volatile. After moderating somewhat in 2014, downside risk in daily and 5 day returns has increased sharply both for long and short positions. At the 99% daily level, Expected Shortfall (ES) has increased by more than 50% in the past year. The ES on 5 day returns in the short position has more than doubled. For the long position it is up by almost 40%.

Sizing positions by targeting daily ES has continued to be an excellent risk control method. There have been no breaches of the long ES and only 1 of the short ES in the 1200 days since copper peaked in 2011.

The Longer Term Opportunity

In the past half century, copper has been in Unstable Contraction on 6 previous occasions. In each case, as the Unstable Contraction ended, Omega Metrics' standard Upturn Indicator provided an entry point to a significant rebound in price.

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