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Copper is the New Gold, Predicts Global Macro Hedge Fund Manager

Covenant Investors' Steve Shafer Says Demand for the Red Metal Will Last Decades

Oklahoma City, OK—September 13, 2011—Steve Shafer, Chief Investment Officer for Covenant Financial Services, LLC ("Covenant Investors"), thinks copper may soon rival gold as the world's most sought-after metal because of its key role in China's unprecedented electrification efforts. Unlike gold, he adds, the copper rush will be driven purely by demand instead of fear, keeping prices high for years to come.

"Copper is the core of what I call a commodity 'supercycle' that will last until 2030 or longer, with coal, corn, crude oil, and natural gas part of the mix, " commented Mr. Shafer, a global macro hedge fund manager. "That's because to grow China, you must first electrify China, and copper is the key to electrification at every point. Whether it is houses, hospitals, businesses, bullet trains, or cars, they all need power – which means they all need copper," he stated.

China experienced rolling power blackouts this summer because of a 1500 gigawatt power deficit (1 gigawatt = 1 billion watts) which, according to Mr. Shafer, equaled approximately the same amount of power used to electrify all of Argentina for a single year. To put China's power needs in perspective, Mr. Shafer said China has 160 cities with 1 million or more people, and intends to add urban centers for 300 million of its 1.2 billion population over the next 5 to 10 years. To do that, analysts says China will need to add twice the total amount of coal-fired utility power presently used in the whole country of Britain to meet its rising domestic power needs every year.

Mr. Shafer's predictions come as the International Copper Study Group (ICSG) projects world copper demand in 2011 outstripping supply by 377,000 tons compared to a deficit of 250,000 tons in 2010, with China using 40% of the total world's supply. If this rate of consumption continues, more copper will be consumed in the next 27 years than has been consumed over the past 106 years.

"While copper prices have been depressed recently, and may go yet lower due to macroeconomic uncertainty, we feel certain that within three to five years, copper will be appreciably higher based upon real demand and not the financial alchemy that afflicts gold prices," commented Mr. Shafer. "Investors should use these dips to accumulate long term contracts at lower prices and not worry about the volatility in the short term. Real wealth isn't made on a tick-by-tick basis but by exploiting real investment opportunities like the supply/demand imbalance presented by China's insatiable appetite for copper," he added.

Mr. Shafer calculates that if worldwide demand for copper grows a conservative 3% annually over the next 10 years, an additional 44 new mines that produce at least 150,000 tons per year or more will have to be brought on line. Today, only 26 mines of this size are known to exist worldwide. In fact, China's copper consumption grew by 4.3% in 2010 and is slated to increase by 6% in 2011.

"Simply put, we want to own the things that China and its peers want," commented Mr. Shafer.

His bullish scenario for China contrasts sharply with his pessimistic economic outlook for the U.S. and Europe. In Mr. Shafer's macro view, Western countries' high debt-to-GDP ratios will prolong slow or stagnant economic growth for years to come.

About Covenant

Covenant is an opportunistic, multi-strategy/multi-asset global macro investment firm. As a fiduciary for institutions and high net worth individuals, Covenant strives to preserve capital while generating targeted rates of return in a risk-controlled and consistent manner with a high degree of liquidity. Its investment management is notable for its forward-looking, highly active and tactical style. Covenant believes in maintaining strong client relationships by placing an emphasis on professionalism, integrity, and trust. To learn more, visit www.CovenantInvestors.com.

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