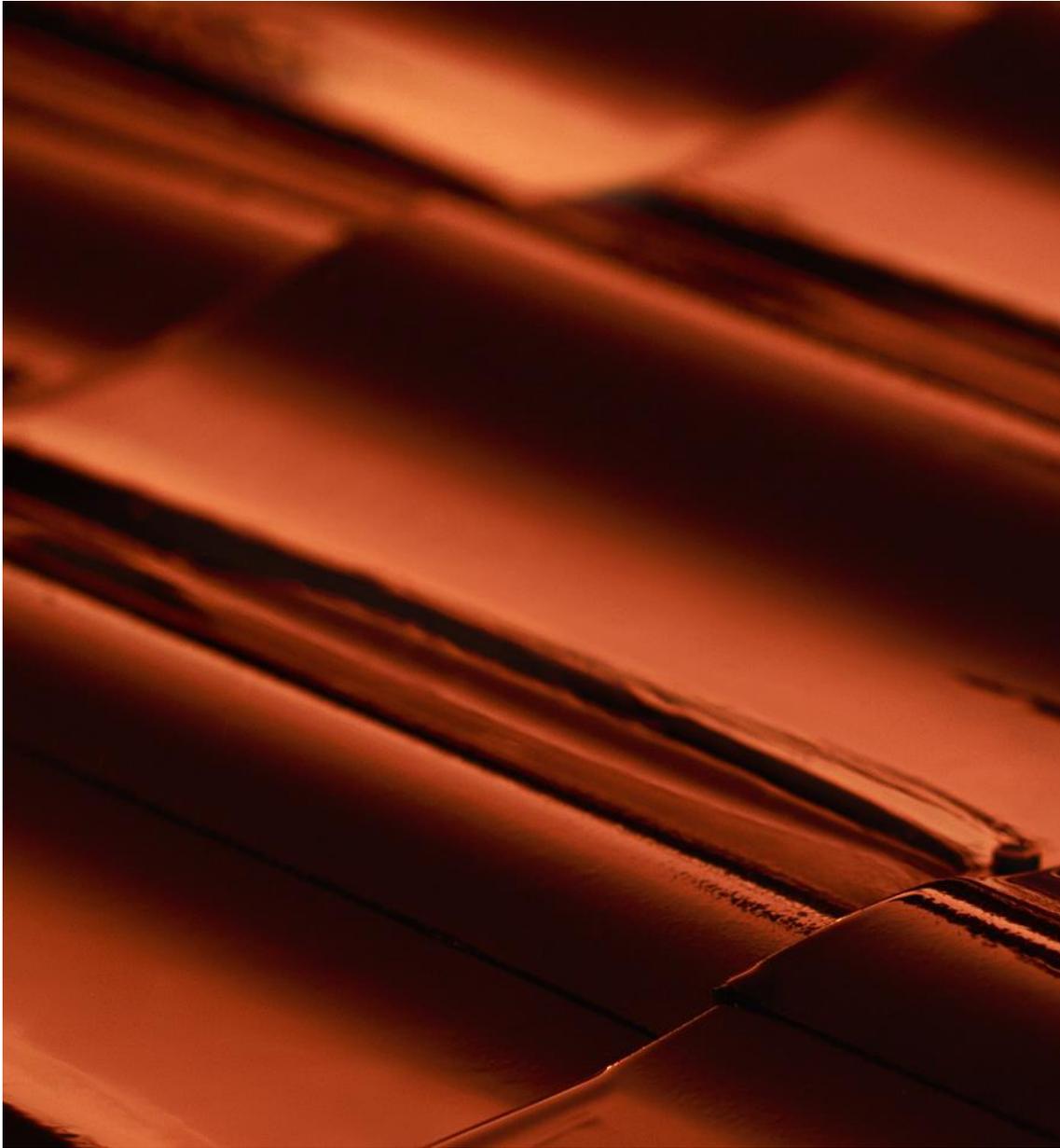


ICBCS Copper Market Outlook

Julia Du - Senior Commodities Strategist

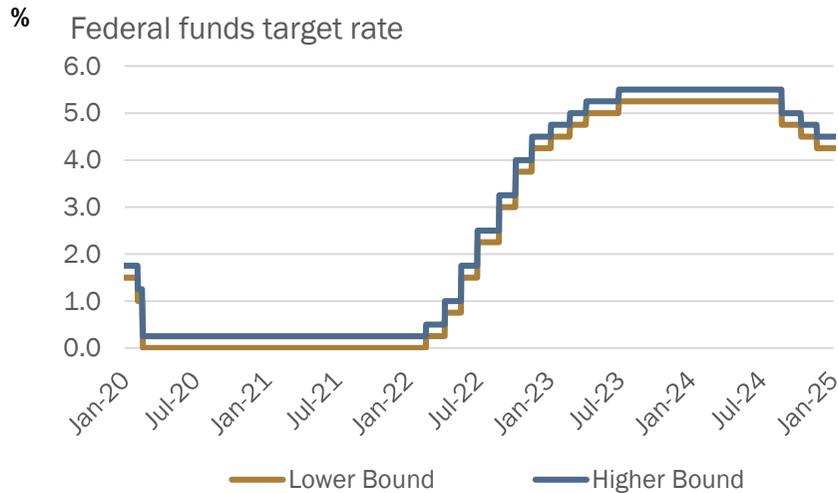
January 2026



Global Economic Outlook

全球经济前景

Dollar Rebounds as Trump Nominates Hawkish Warsh for Next Fed Chair

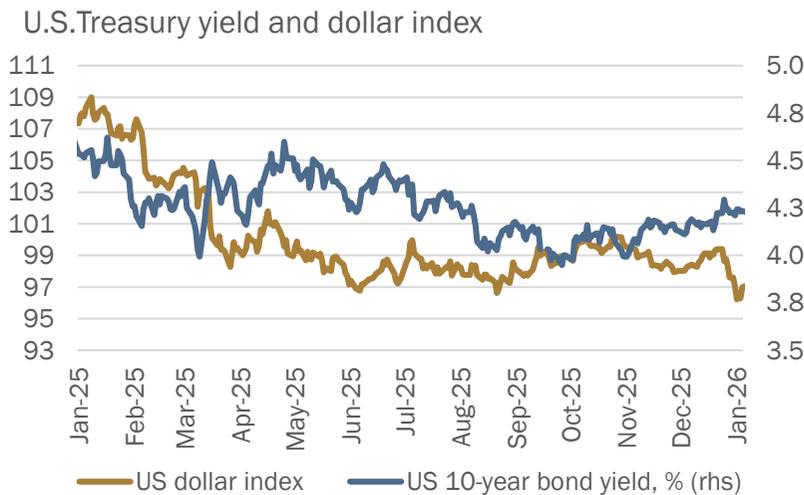


Source: Federal Reserve

U.S. Interest Rate

- The Fed kept interest rates steady at the January FOMC meeting, stating that U.S. economic activity has been expanding solidly. This is the first time since July that the Fed paused its rate-cutting cycle, having lowered rates three times last year. Although U.S. President Trump has frequently criticised Powell for not cutting rates quickly enough, Powell defended the importance of the central bank’s independence to ensure monetary policy is not leveraged for political gain.
- Trump officially announced on January 30 that he would nominate Kevin Warsh as Chair of the Federal Reserve. Although Warsh holds a more hawkish stance, market expectations for a Fed rate cut in June this year still remain above 60%.

U.S. Dollar Index



Source: Bloomberg

U.S. Treasury Yield and Dollar

- The dollar index rebounded sharply after the U.S. launched a military operation in Venezuela, capturing President Maduro. But expectations of continued Fed rate cuts—combined with rising tariff uncertainty and severe debt burdens—soon eroded confidence in the U.S. economy, pushing the dollar lower again from mid-January. Investors moved out of Treasuries and into gold, leading to a mild upward drift in yields.
- However, following Trump’s formal nomination of the more hawkish Kevin Warsh as the next Fed Chair, uncertainty around U.S. monetary policy has diminished somewhat, giving the dollar a degree of support. Although Warsh is seen as more hawkish, market expectations for a Fed rate cut in June still remain above 60%.

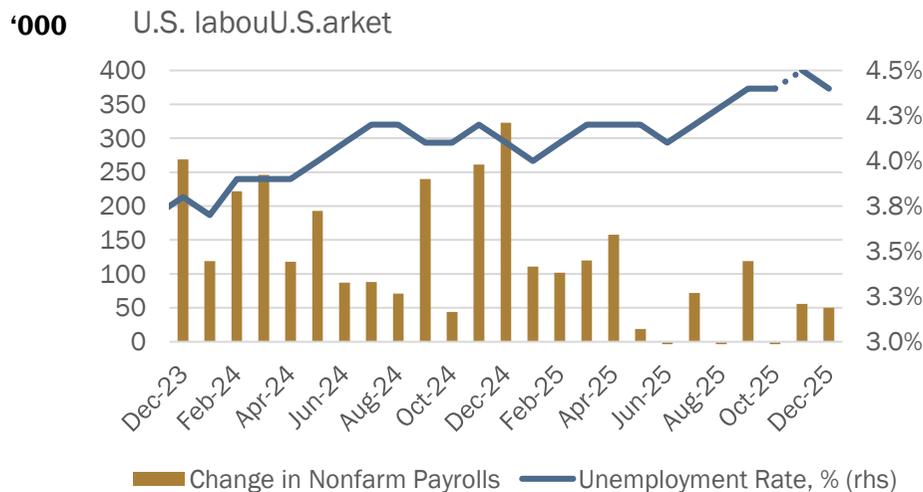
Easing Inflation and Weak Jobs Still Pave the Way for Future Rate Cuts



Source: Bureau of Labour Statistics

U.S. CPI and Core CPI

- The latest U.S. inflation provides a more credible signal that underlying price pressures are continuing to ease. November data, which was delayed due to the government shutdown, showed cooling in core inflation, but its reliability was widely questioned due to missing data. This followed the absence of the October inflation report altogether
 - U.S. CPI rose 2.7% y/y in December, matching expectations and holding at a four-year low. Headline CPI increased 0.3% m/m, also in line with forecasts.
 - Core CPI softened notably in December, rising 0.6% y/y and 0.2% m/m, both below market expectations, indicating further easing in underlying price pressures.

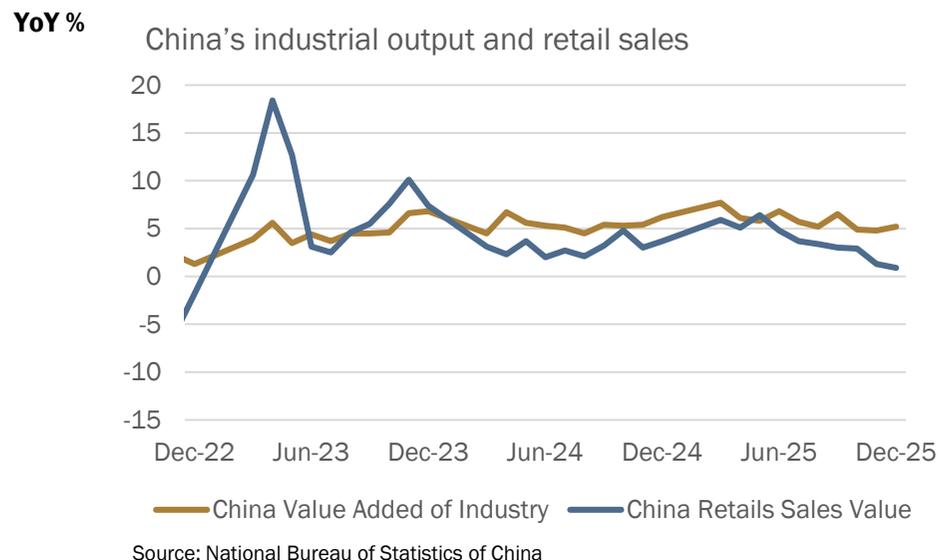


Source: Bureau of Labour Statistics

U.S. NFP and Unemployment Rate

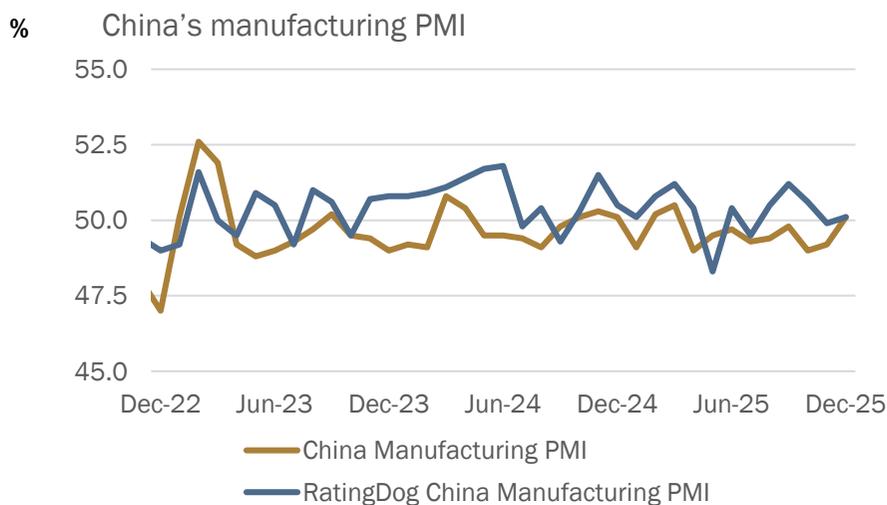
- U.S. labour market marking a weak end to the year. December nonfarm job growth fell short of expectations, and sharp downward revisions to prior months made 2025 the slowest annual employment gain since the pandemic.
 - Nonfarm payrolls rose just 50,000 in December versus 70,000 expected. October and November were revised down by a combined 76,000. For the year, jobs increased by 584,000—the weakest since the 9.2 million loss in 2020.
 - Unemployment edged down to 4.4%, beating forecasts. November was revised down to 4.5%. However, the drop in labour force participation signals that the overall workforce is shrinking.

Weak Consumption and Investment Clouded China's Economic Outlook



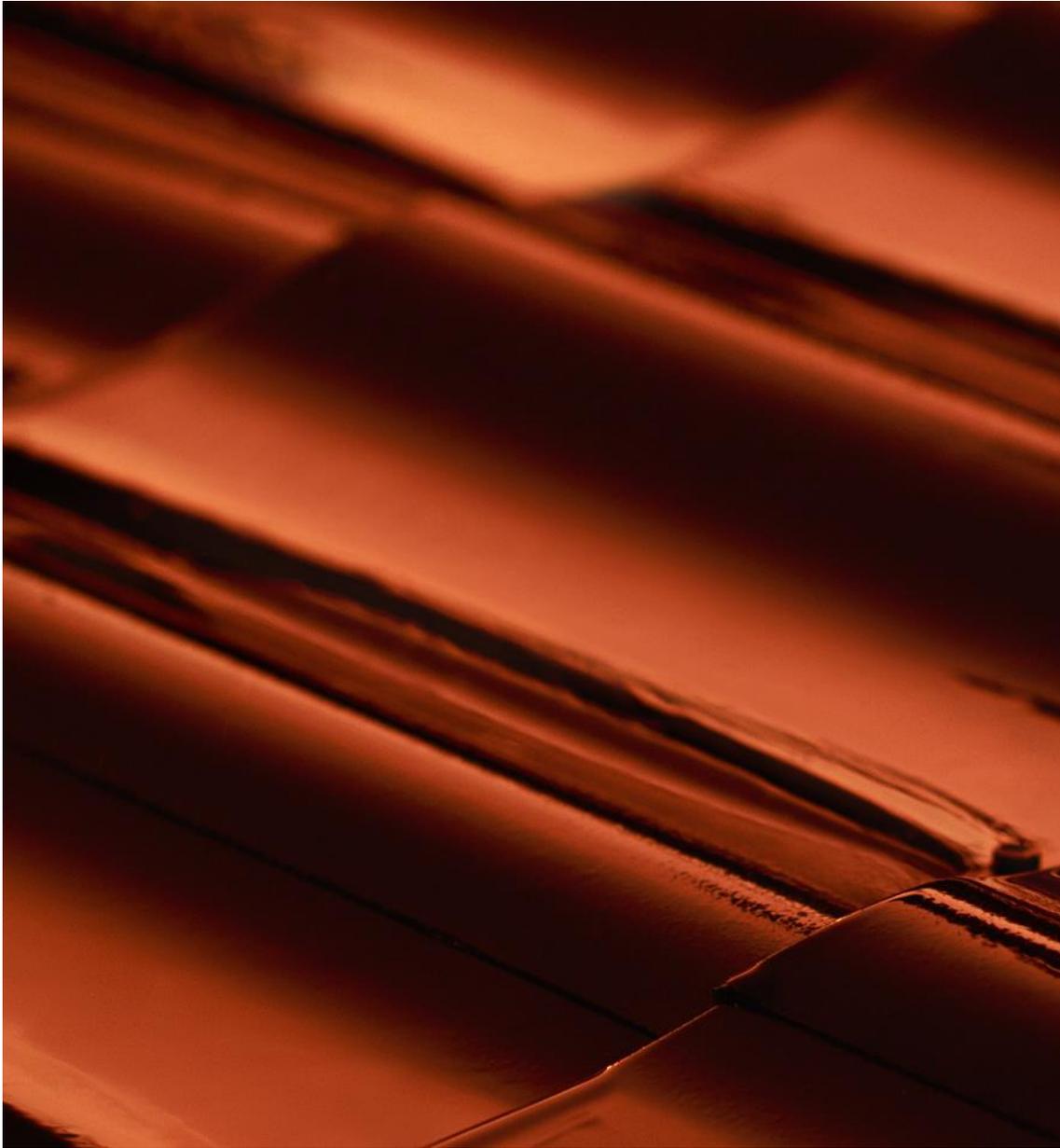
China's Industrial Production and Retail Sales

- China's economy met its full-year growth target of 5% in 2025, but the sharp cooling in consumption and the decline in investment have cast a shadow over China's economic outlook in 2026.
 - Industrial production rose 5.2% y-o-y in December, beating expectations of 5.0% and accelerating from November's 4.8%. Retail sales grew just 0.9% y-o-y, missing forecasts of 1.0% and slowing from 1.3% in November, marking the weakest pace since late 2022.
 - Fixed-asset investment contracted 3.8% last year, worse than economists' forecast for a 3.1% drop. Investment in property development continued to decline as a real estate crisis dragged on.



China's Manufacturing PMI

- The NBS data showed China's manufacturing activity returned to expansion in December 2025, lifted by a rise in pre-holiday orders.
 - The official manufacturing PMI climbed to 50.1 in December, beating expectations and up from 49.2 in November.
 - The RatingDog China Manufacturing PMI rose to 50.1 in December from 49.9 in November, exceeding forecasts of 49.8.
- However, the rebound may prove short-lived given persistent headwinds from the property downturn, sluggish domestic demand, and ongoing U.S. tariffs expected to remain in place through 2026.



Copper Market Analysis

铜市场分析

Copper Peaked at \$14,500 in January Before the Late-Month Pullback

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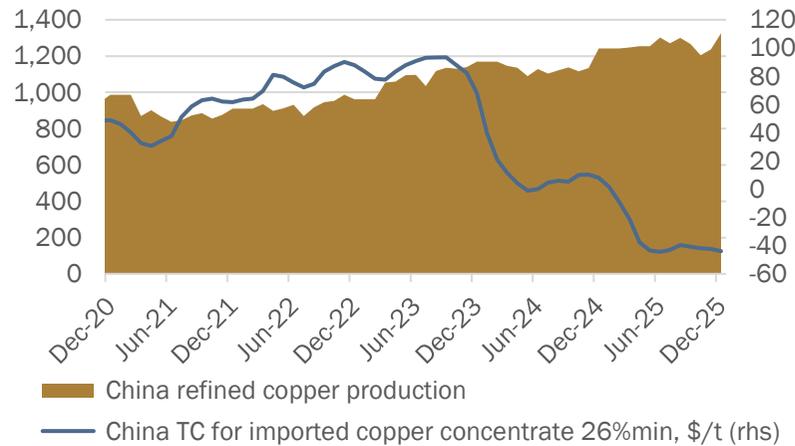


Source: Bloomberg

China's Refined Copper Output Hit Record High amid Greater Use of Scrap

'000 tonnes

China refined copper production and TC



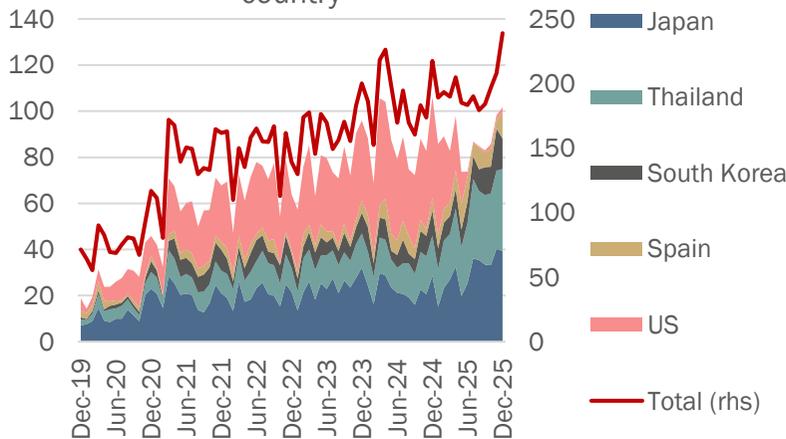
Source: National Bureau of Statistics of China; SMM International

Chinese Refined Copper Output Hit Record Highs in December 2025

- China's refined copper output hit a record 1.33 Mt in December, even as TC fell to historic lows. Greater use of scrap helped smelters keep running; China's largely SOE-owned smelters maintained operations despite weak margins due to their role in supporting local economies and employment. China's total refined copper output rose 10% in 2025 to 14.7 Mt.
- China is moving to restrain further capacity growth. The CNMIA last year called for strict limits on new projects—mirroring the 45 Mtpy aluminium cap—and submitted proposals to the central government. Major Chinese smelters have also pledged to cut copper concentrate intake by over 10% this year, though the impact on refined output remains uncertain.

'000 tonnes

China's copper waste and scrap import by country

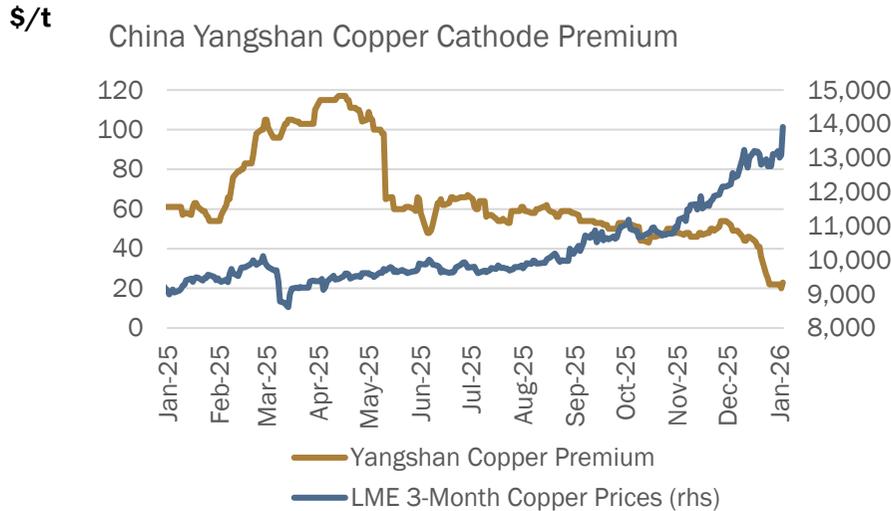


Source: Bloomberg

China's December Copper Scrap Imports Rose to the Highest Since 2018

- China's scrap copper imports rose to 239 kt in December, the strongest monthly level since 2018. Full-year imports reached 2.34 Mt in 2025, up 4% y/y. Amid intensifying U.S.-China trade tensions, China sharply curtailed U.S. scrap inflows; from June onward, U.S. shipments made up less than 1% of total imports, with annual volumes down 68%.
- The gap left by falling U.S. shipments was quickly filled by other suppliers. Japan became China's largest source of scrap copper in 2025, delivering 361 kt, up 33% YoY. China also ramped up imports from Thailand, South Korea and Spain, highlighting a continued shift toward a more diversified supply base for recycled copper feedstock.

Domestic Copper Demand Is Soft; Smelter's Profit Relies on By-Products



Source: Shanghai Metals Market

Yangshan Copper Premium Slid to Its Lowest Since August 2024

- LME 3-month copper prices have demonstrated strong upward momentum, rising 42% last year and breaking above the key \$13,000/t level in early January. Although prices have edged slightly lower since mid-January, they remain close to record levels.
- Elevated LME copper prices have suppressed China's import demand. At the same time, the increased availability of scrap copper has helped sustain robust domestic refined copper production, meeting downstream industry demand. As a result, the Yangshan copper premium dropped sharply at the end of last year, falling from USD 54/t in late December to USD 22/t by mid-January—the lowest level since August 2024.



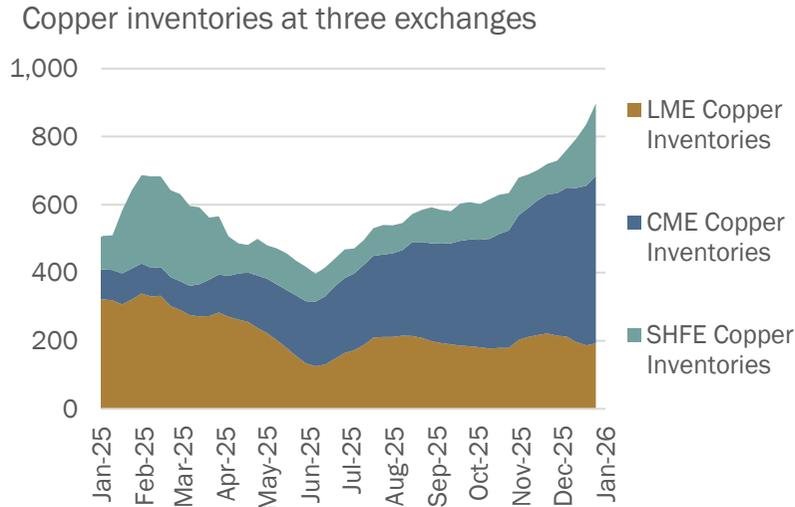
Source: Shanghai Metals Market

Copper Smelter Revenues Heavily Reliant on By-Products

- Copper spot TC has continued to decline since turning negative early last year, now falling below \$40/t. For every tonne of copper concentrate processed, smelters not only receive no treatment charges but must pay mining companies to secure feedstock. As a result, smelter revenues have become increasingly dependent on by-products, particularly gold, silver, and sulfuric acid.
- Gold and silver performed strongly last year, with prices surging 62% and 142%, respectively, while sulfuric acid rebounded last year on robust demand from China's phosphate fertiliser sector. This year, as geopolitical conflict risks escalate, gold and silver have extended their upward momentum, both hitting new record highs.

Potential U.S. Tariffs Changed Global Copper Stocks and Trade Flows

'000 tonnes

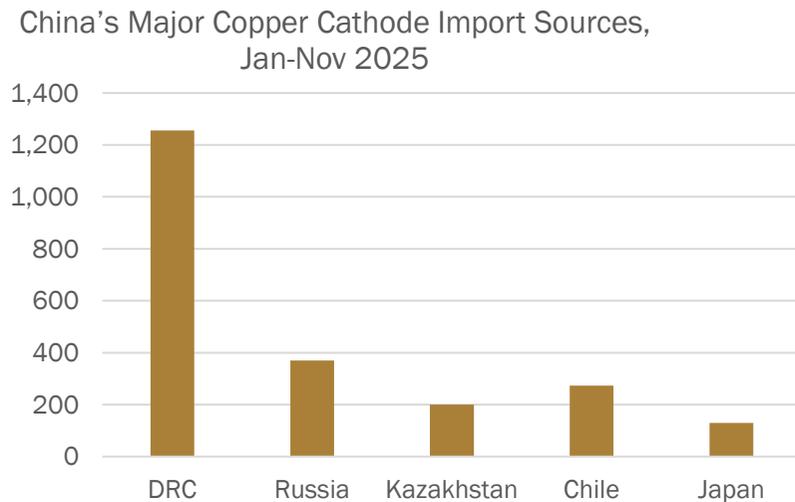


Source: Bloomberg

CME Inventories Exceeds the Combined Stocks of the LME and the SHFE

- Earlier 2025, U.S. tariff threats sent CME premiums soaring and prompted traders to move large volumes of copper into the U.S. before any decision was finalized. Although refined copper was ultimately exempted from the 50% duty, significant tonnage had already accumulated in CME, leaving LME stocks extremely thin.
- LME stocks of desirable brands for U.S. delivery have been exhausted, with Chinese and Russian cathodes accounting for about 95% of registered inventory by year-end. Persistent concerns that the U.S. may revisit copper levies toward the end of 2026 have kept this metal from flowing back. CME inventories have continued rising this year, approaching 500 kt—now exceeding the combined stocks of the LME and the SHFE.

'000 tonnes

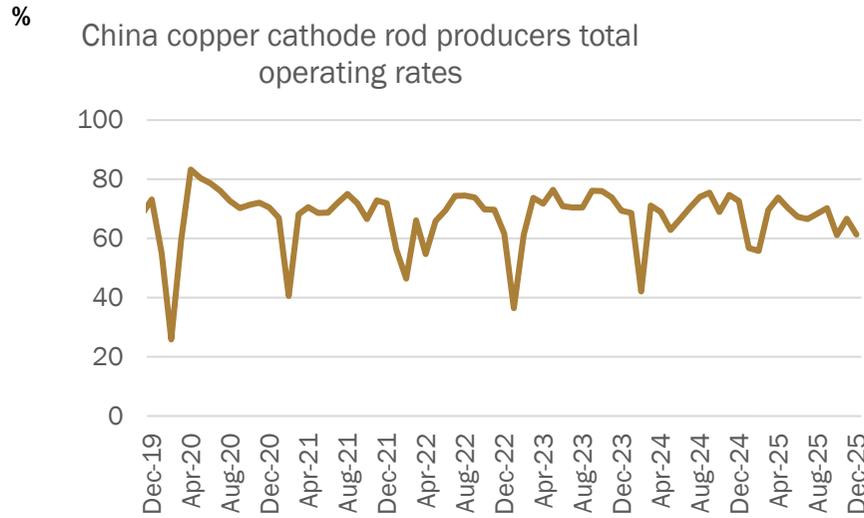


Source: SMM International; China General Administration of China Customs

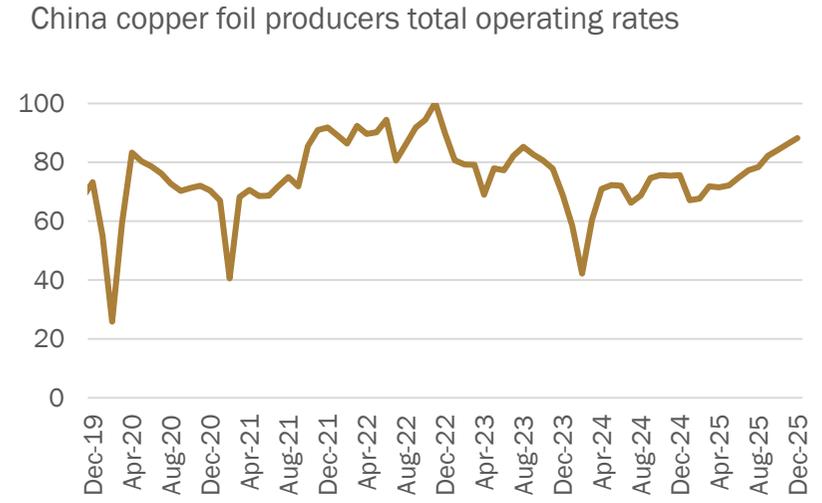
China's Copper Cathode Import Shows a High Dependence on Africa

- Since CME-registered cathode brands are concentrated in the U.S. domestic market and South America—especially Chile—the rush to the U.S. effectively drained material away from China. As a result, China's Chilean copper imports have slumped by more than 40% in 2025.
- To cover the shortfall, China shifted rapidly toward alternative suppliers with a heavy reliance on Africa, led by the DRC, which delivered about 1.26 million tonnes of cathodes between January and November 2025, accounting for 37% of total imports. Russia added roughly 370,000 tonnes, while Chile remains in the mix with a smaller share. Kazakhstan and Japan have also become major copper cathode suppliers to China.

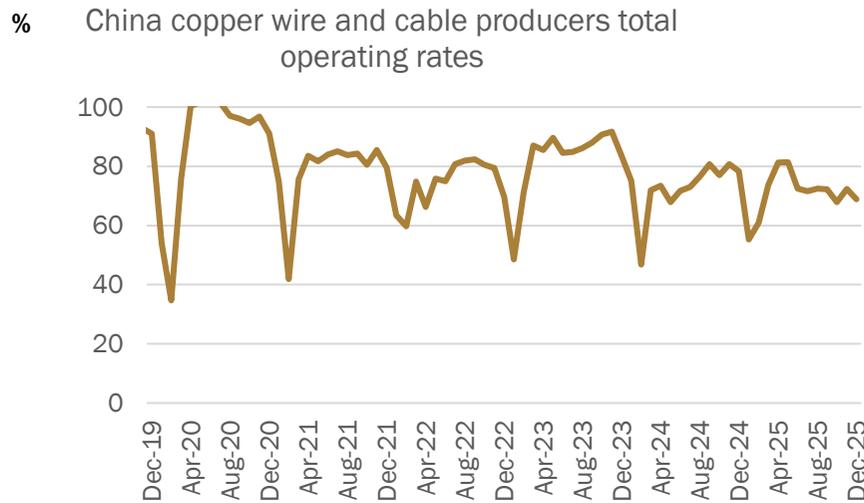
China's Copper Downstream Operating Rates Mixed in December 2025



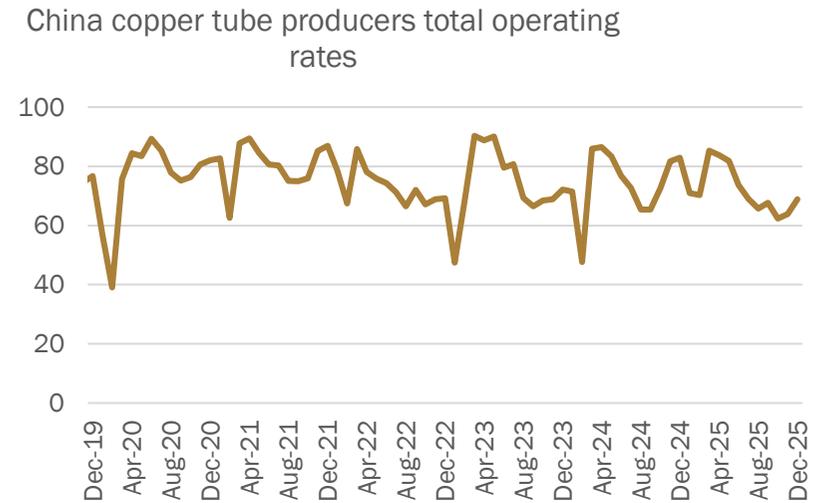
Source: SMM International



Source: SMM International



Source: SMM International



Source: SMM International

China's Sluggish Property Recovery Dampen Traditional Copper Demand



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China

Forecast on Global Copper Consumption – Three Scenarios Analysis

Conservative scenario: “Gradual Transition”

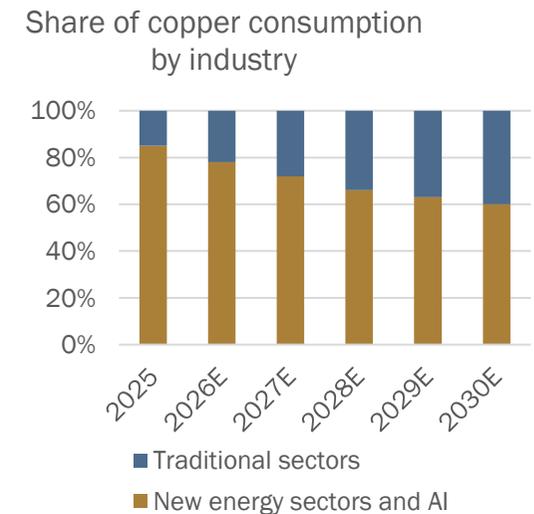
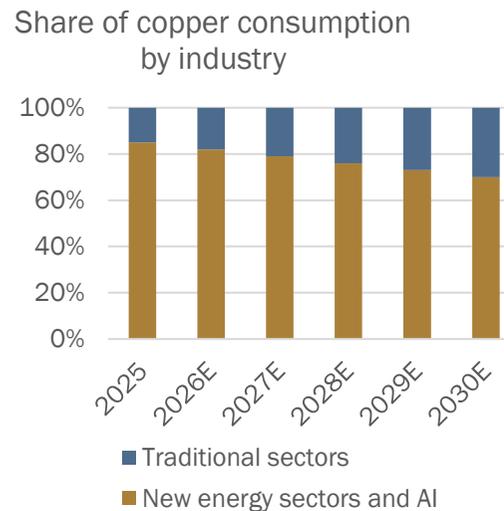
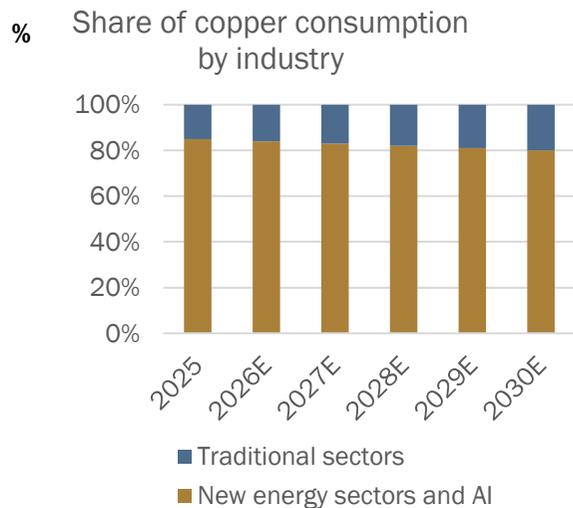
- Global electrification and renewable energy adoption continue, but at a slower pace
- EV penetration grows steadily yet remains below aggressive targets.
- AI-driven data centre demand for copper increases, but remains a niche segment through 2030
- Traditional sectors maintain strong demand, especially in EM markets

Base scenario: “Balanced Shift”

- Energy transition accelerates in line with current policy commitments and investment trends
- EV adoption meets mainstream forecasts, supported by big battery production and charging infrastructure
- Renewable energy projects, including solar and wind, expand globally
- AI and high-performance computing infrastructure gain traction

Optimistic scenario: “Rapid Electrification and Tech Boom”

- Decarbonisation policies and subsidies trigger a surge in renewable installations and EV adoption worldwide
- AI-driven data centres and high-performance computing experience explosive growth
- Traditional sectors decline faster as green technologies dominate investment flows



Source: ICBCS

Three Forces Driving Global Copper Demand Growth Through 2030



-  AI Data Centres
-  Energy Transition
-  Infrastructure
-  Reconstruction
-  Urban Development
-  Industrial Upgrade

Post-war Reconstruction

- The main driving countries include Ukraine, Gaza, Syria and Yemen
- Post-war reconstruction requires power systems, building wiring, and traffic signalling, making copper indispensable, though the overall scale is limited by the size of these countries

Intensity ••

Development of Africa and EMs

- The main driving regions include Africa, Southeast Asia, and Latin America
- These areas are accelerating power grid development, transportation infrastructure, and urbanisation, leading to significant growth in copper demand, though the pace depends on funding and policy support

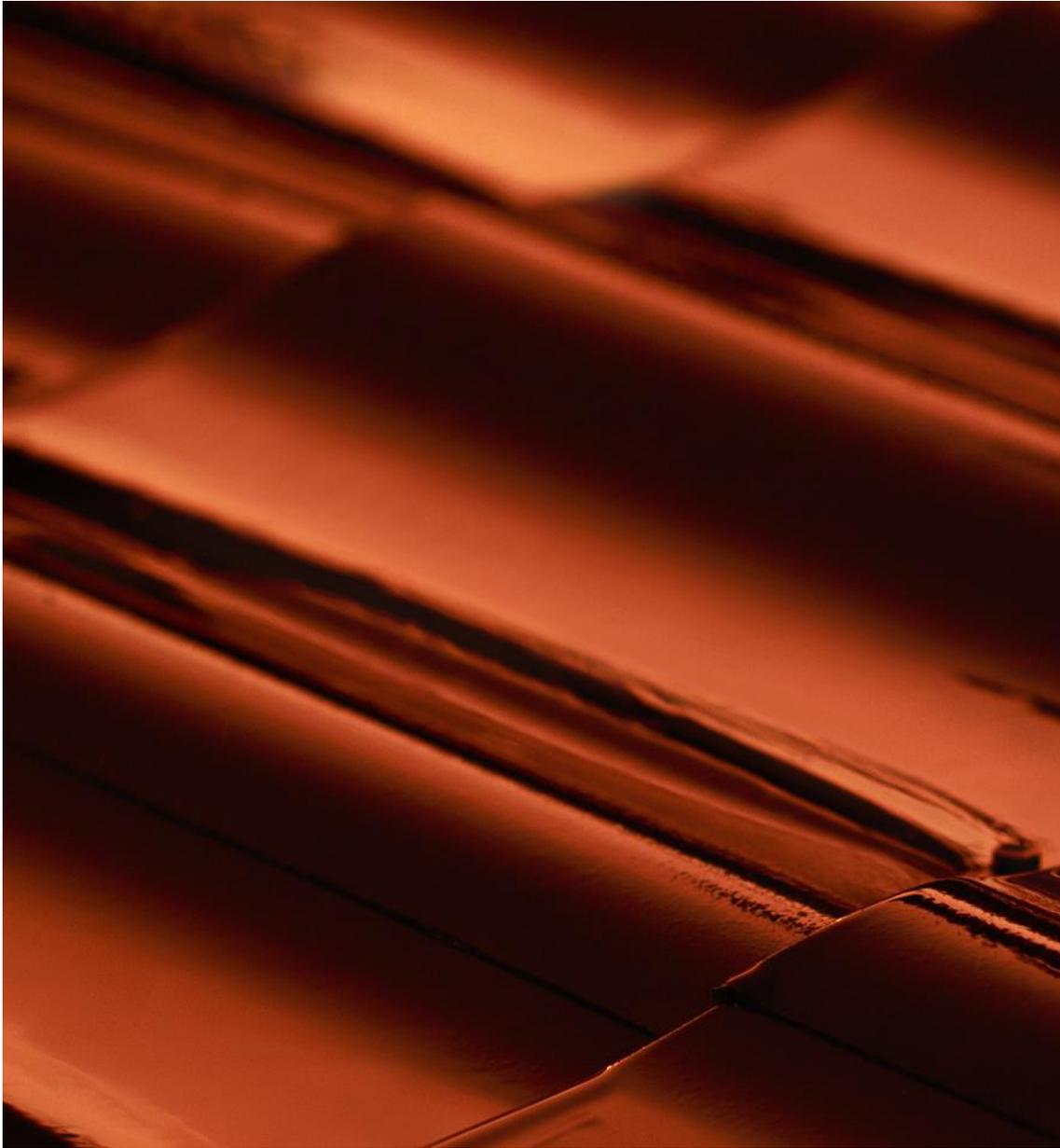
Intensity •••

Energy Transition and AI Centre

- The main driving countries and regions include the US, the EU, China, the Middle East, and India
- The energy transition involves power grids, wind and solar generation, and energy storage systems, while AI data centres require large amounts of copper for cabling and cooling systems, resulting in massive demand

Intensity ••••

Source: ICBCS



Copper Price Outlook

铜价格前景

Copper price outlook

Copper price outlook – Short term

Bullish

- U.S. disinflation and a weakening labour market pave the way for future rate cuts, and lower interest rates could stimulate industrial activity and support copper demand.
- Kevin Warsh may still cooperate with Trump's rate-cut agenda in the near term, which could trigger another pullback in the U.S. dollar.
- CME inventories exceeding the combined stocks of the LME and SHFE have created regional supply tightness.
- China's 2025 GDP growth hitting its target has restored some market confidence.

Bearish

- China's weak December consumption and contracting fixed-asset investment weigh on the outlook for copper demand.
- The further decline in the Yangshan copper premium indicates weak domestic demand for refined copper.
- China is increasing scrap copper imports to maintain smelting capacity, making the refined copper oversupply issue difficult to resolve.
- No official curbs on new smelting capacity were introduced after CNMIA submitted its proposals to the central government.
- Recent copper price gains have been driven by a wave of intense speculative trading in China, so investors should be alert to potential corrections.

Copper price outlook – Medium to long term

Bullish

- Global copper concentrate deficits are expected to persist due to declining ore grades at existing mines and the long development cycle of new projects.
- Post-war reconstruction, development in Africa and emerging markets, and the energy transition and AI-related infrastructure in developed countries and China will support long-term copper demand.

Bearish

- Escalating geopolitical tensions in 2026, with multiple regional conflicts approaching potential flashpoints, have reinforced global risk-off sentiment, exerting downward pressure on copper prices.
- A more hawkish Kevin Warsh as the next Fed Chair strengthens the medium-term bullish outlook for the U.S. dollar, creating headwinds for dollar-denominated copper prices.
- China's sluggish property recovery continues to dampen traditional copper demand.
- Copper faces downside risks as renewable-energy demand may be overstated and the sector could face growth bottlenecks.

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