

ICBCS Copper Market Outlook

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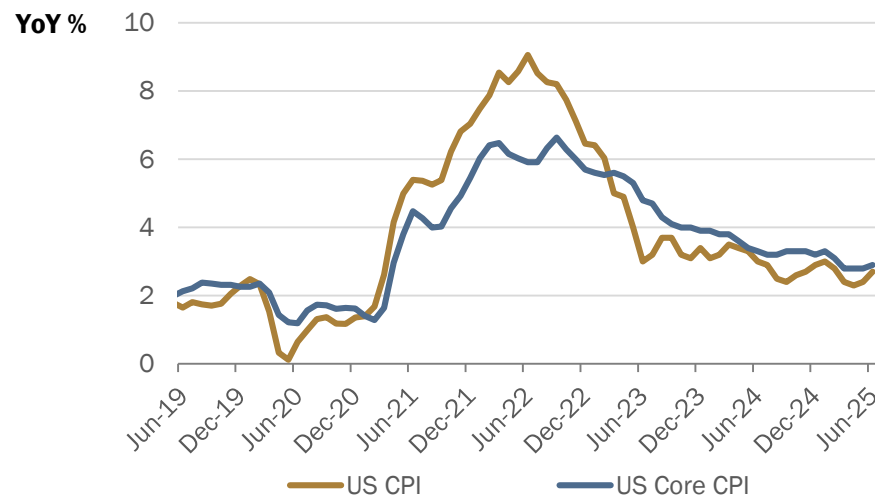
July 2025



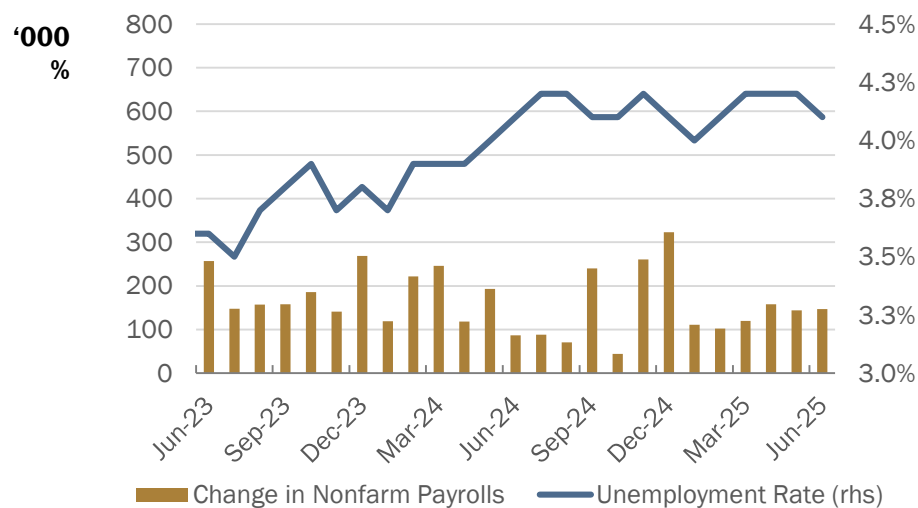


Global Economic Outlook

The US labour market demonstrates resilience, cooling Fed rate cut bets



Source: Bureau of Labour Statistics



Source: Bureau of Labour Statistics

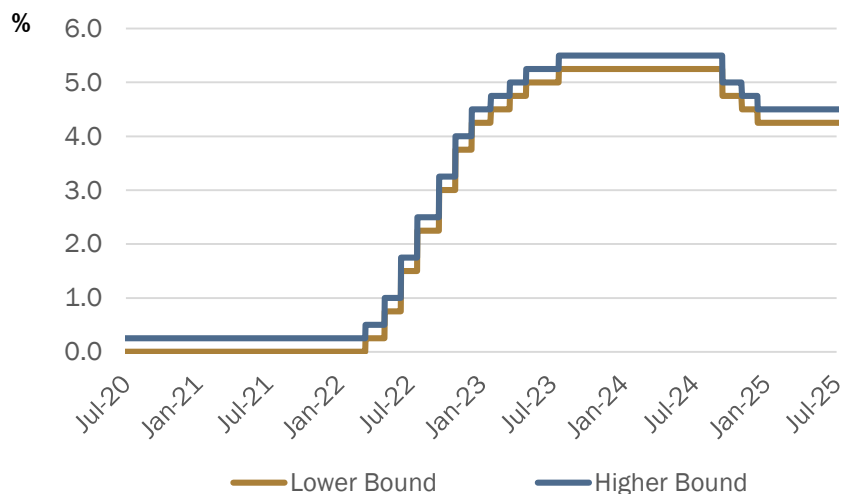
US CPI

- The June 2025 US CPI data shows inflation rising slightly, indicating that the impact of tariffs on US prices is gradually starting to materialise.
 - May CPI increased by 2.7% year-over-year, above expectations of 2.6% and higher than May's 2.4%. On a monthly basis, CPI rose 0.3%, matching forecasts and up from 0.1% in May.
 - Core CPI rose 2.9% year-over-year, in line with expectations and up from 2.8% previously. Monthly, it increased 0.2%, slightly below the 0.3% forecast but higher than May's 0.1%. A sharp drop in car prices helped keep core inflation contained.

NFP and the unemployment rate

- The US labour market demonstrates resilience. June marked the fourth consecutive month of stronger-than-expected job growth, accompanied by a further decline in the unemployment rate, prompting the Fed to adopt a more cautious stance when considering its next move on interest rates.
 - In June, NFP increased by 147,000, surpassing the forecast of 106,000. Additionally, April and May figures were revised up by a combined 16,000. The gains were largely driven by hiring in state and local governments.
 - The unemployment rate fell to 4.1% from 4.2% in May, beating expectations of 4.3%. Average hourly earnings rose by 0.2% month-over-month and 3.7% year-over-year, both below the previous readings and market expectations.

The dollar has continued to weaken this year, trading near three-year lows

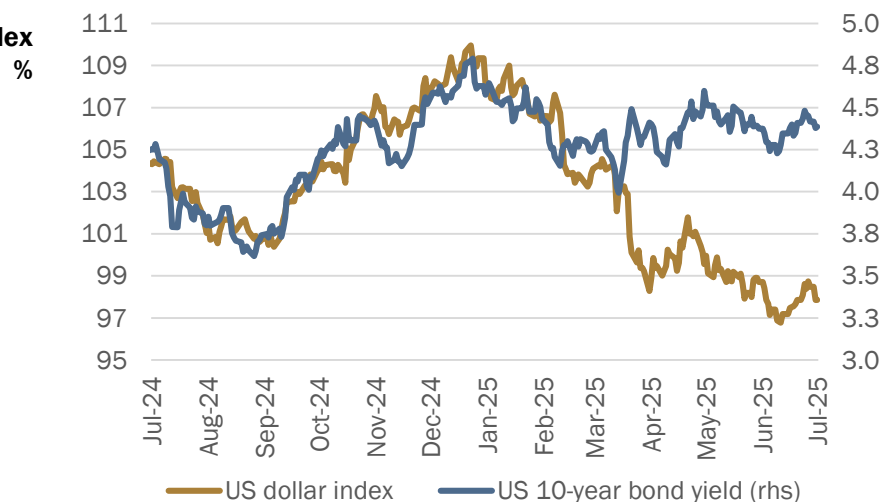


Source: Federal Reserve

US Interest rate

- At its June FOMC meeting, the Fed decided to keep interest rates unchanged at 4.25–4.5%, as widely expected. While the Fed maintained its projection for at least two rate cuts in 2025, Fed Chair Powell said that uncertainty over Trump's tariffs was the only factor keeping the Fed from cutting rates. He emphasised that any future rate cuts will be highly data-dependent.
- Fed's June Meeting Minutes showed that a majority of policymakers still support cutting interest rates this year. However, they were split over the timing of the interest rate cuts amid concerns over the inflationary impact of Trump's trade tariffs. The central bank is also facing increased political pressure, with President Trump calling for more rate cuts.

US Dollar Index



Source: Bloomberg

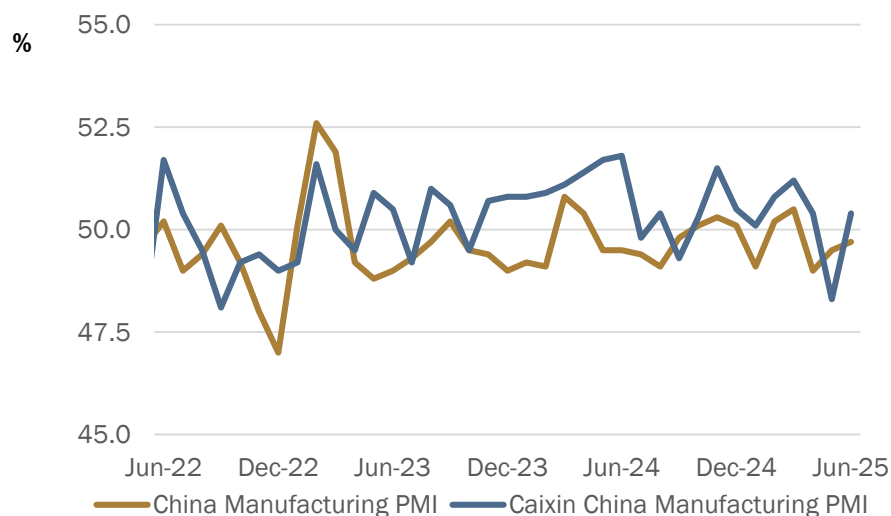
US Treasury yield and dollar

- The US dollar fell sharply following a temporary ceasefire between Iran and Israel. While the truce has brought short-term relief, investors remain cautious about its sustainability. Although recent US strikes did not eliminate Iran's nuclear capabilities, they likely delayed its progress by several months.
- Recent US data released so far suggests that tariffs have yet to significantly impact US inflation, economic activity, or the labour market. As a result, investors are closely watching upcoming economic indicators. Any signs of weakness could prompt earlier rate cuts, adding pressure on the dollar. Additionally, Trump's unpredictable trade and foreign policy stance continues to inject uncertainty into markets, prompting investors to shift away from US assets.

China's June data show mixed results under US tariffs, property downturn



Source: National Bureau of Statistics of China



Source: China Federation of Logistics and Purchasing

China's industrial production and retail sales

- China's industrial production marked the fastest growth since March in June, supported by strong export demand during the US-China tariff cooling-off period. However, retail sales slowed down as the ongoing downturn in the real estate sector continued to weigh on consumer spending.
- China's industrial production accelerated in June, with output rising 6.8% year-over-year, the fastest pace since March. Retail sales growth slowed notably, up only 4.8% year-over-year in June compared to the 6.4% gain in May.
- Fixed-asset investment expanded 2.8% year-over-year in the first half of 2025, which missed expectations of a 3.6% increase and softened from 3.7% in January-May.

China's manufacturing PMI

- China's manufacturing activity shrank for the third straight month in June, highlighting pressure on policymakers to boost domestic demand after a fragile trade truce with the US.
- The official manufacturing PMI stood at 49.7 in June, a slight improvement on May's 49.5 but still below the 50-mark that separates expansion from contraction. China is facing an uncertain trade outlook as it battles to improve consumer demand in the shadow of a property slowdown and deflation.
- China's Caixin Manufacturing PMI rose to 50.4 in June from 48.3 in May, returning to expansion territory as an increase in new orders lifted production

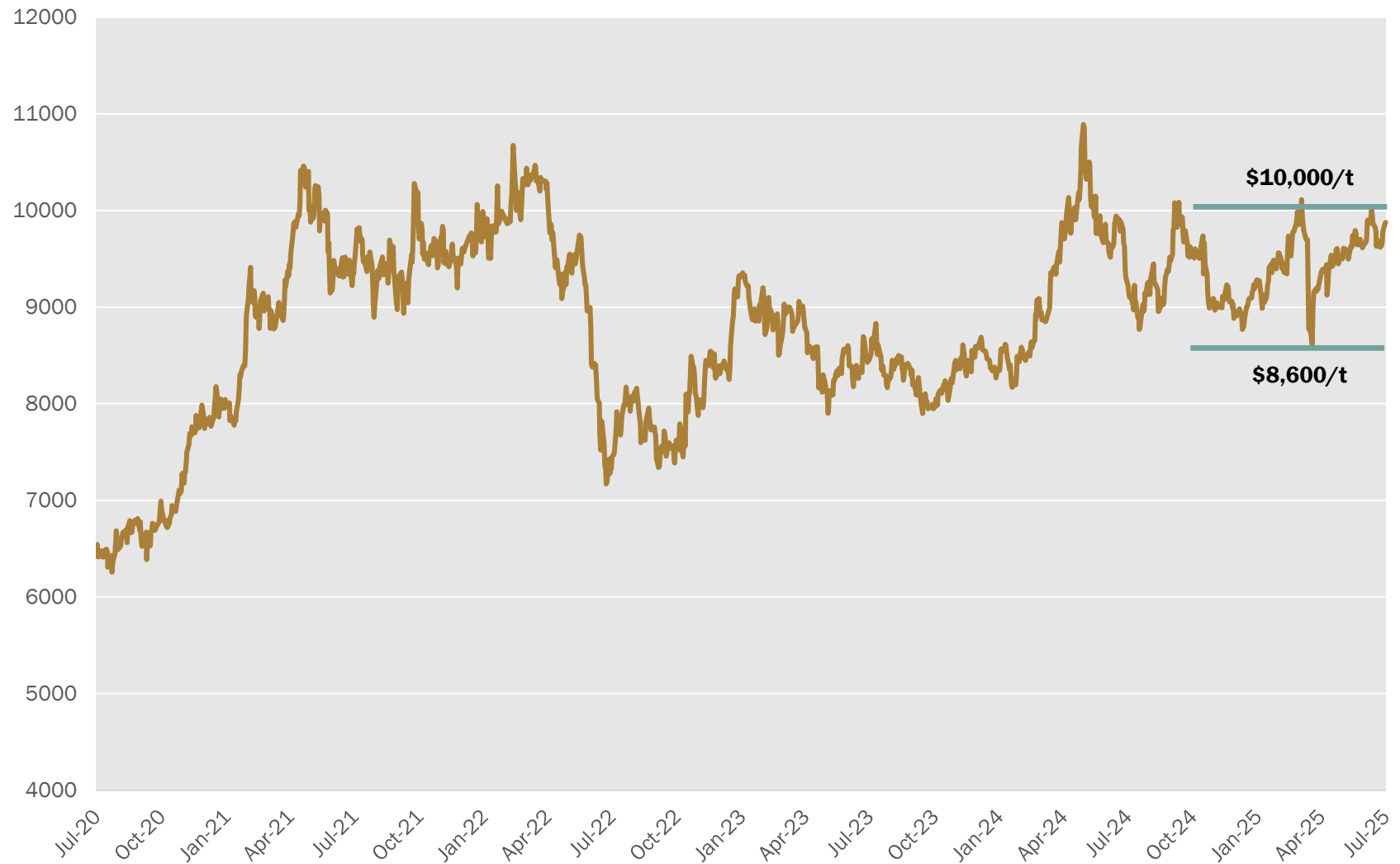


Copper Market Analysis

LME copper has risen since April 2025 but still struggle to break out

\$/t

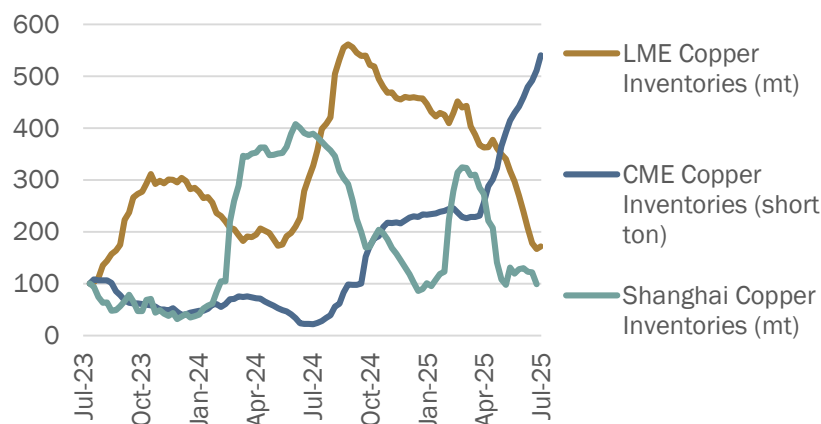
LME 3-month copper prices



Source: LME

Copper shipments to the US surged ahead of Trump's 50% import tariff

Change in copper inventory at three exchanges
Normalized, Base 100

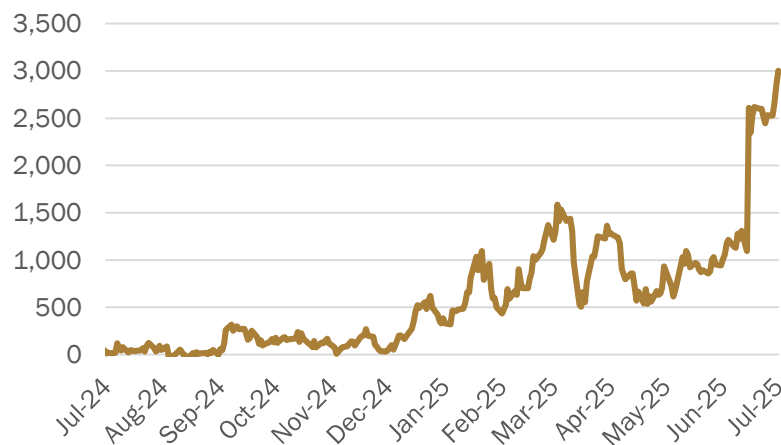


Source: LME

Traders ship large volume of copper from Asia and Europe to the US

- Since April 2025, COMEX copper inventories have surged to multi-year highs as traders accelerated shipments to the US in anticipation of new tariffs. In contrast, LME and SHFE copper inventories have experienced sharp declines, marking a substantial global reallocation of visible stocks toward the US.
- At the same time, a Section 232 investigation was launched to determine whether copper imports posed a threat to US national security, with an initial expectation for results by Q4 2025. However, on July 9, President Trump formally announced a 50% tariff on copper imports, to take effect on August 1, 2025. This announcement further intensified regional disparities in copper stockpiles.

\$/t CME-LME Copper arbitrage

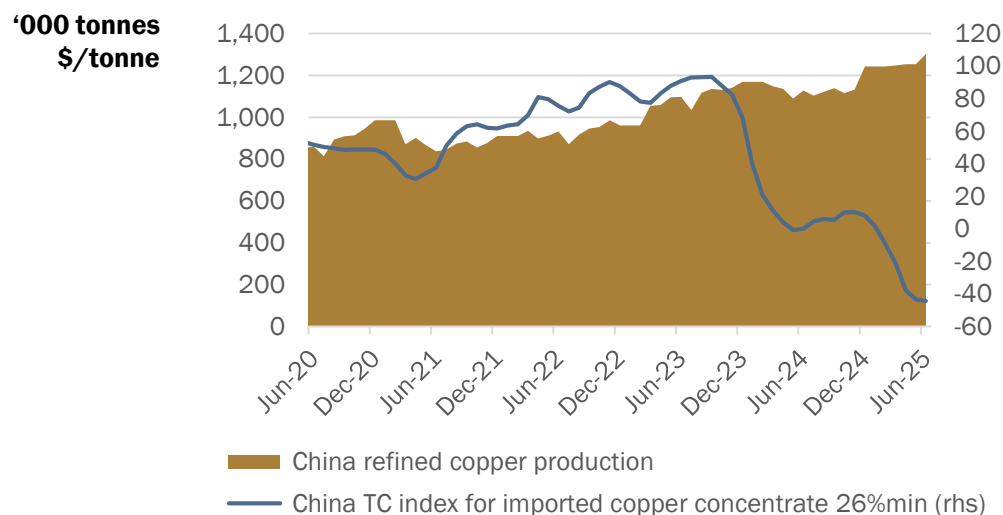


Source: Bloomberg

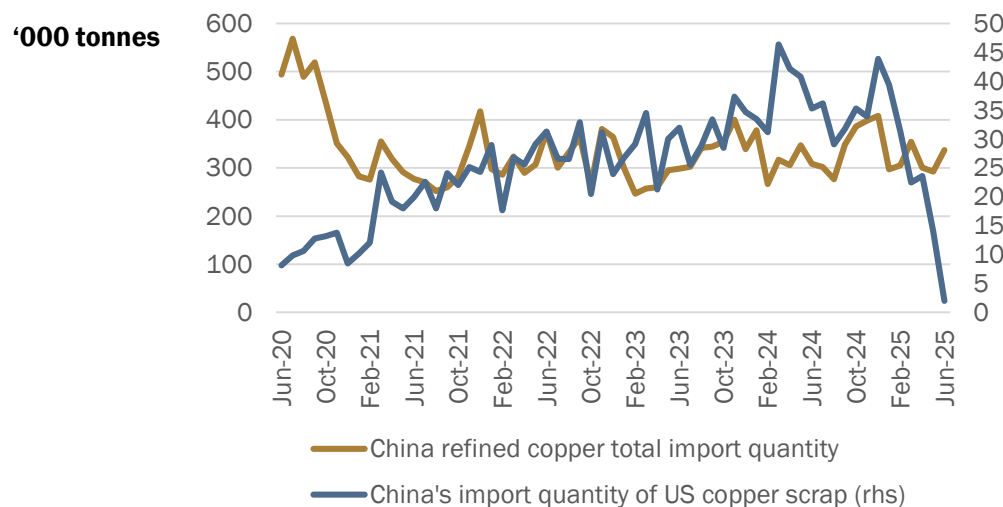
CME-LME copper arbitrage widened sharply in July

- On July 9, Trump formally announced a 50% tariff on copper imports effective August 1, a level significantly higher than the 25% initially anticipated by the market earlier this year. This announcement triggered a surge in US copper imports, with traders racing to secure large volumes ahead of the tariff implementation. As a result, the CME-LME copper arbitrage widened sharply in July.
- However, significant policy uncertainty remains regarding the specific types of copper products to be impacted by the tariff, as well as which countries could be granted exemptions. These details have not yet been clarified, and the US government is expected to provide further information around the August 1 effective date.

China's refined copper production and import volume both rise in June



Source: National Bureau of Statistics of China; SMM International



Source: Customs General Administration PRC

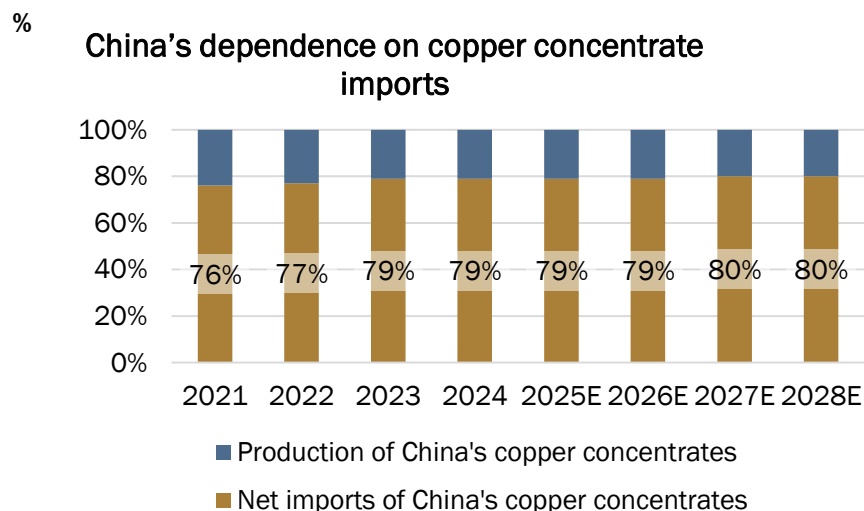
China's refined copper production continues to rise in June

- China's refined copper production increased by 3.8% month-on-month in June to reach 1.3 million tonnes. In the first six months of this year, China's refined copper output totalled 7.54 million tonnes, representing a year-on-year growth of over 10%.
- Despite spot treatment charges turning deeply negative due to insufficient supplies of copper ore, which has added significant financial pressure on Chinese copper smelters, these plants have so far shown no signs of cutting production. This resilience is partly due to local governments' efforts to maintain employment and support GDP output. Additionally, surging by-product prices—especially sulfuric acid and gold—have helped offset losses and sustain operations.

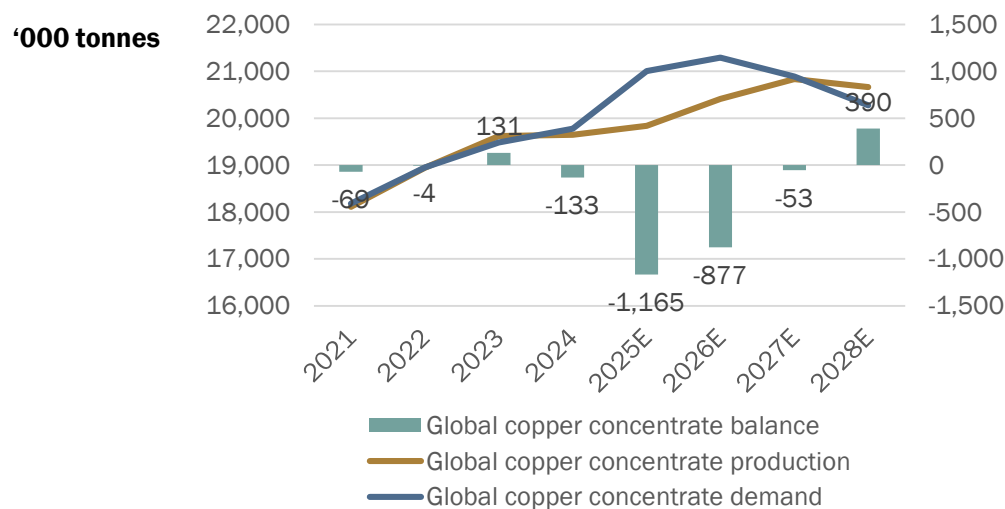
China's refined copper imports jump amid US scrap supply collapse

- Trump's imminent 50% tariff on copper imports has sent shipments of US scrap metal to China plunging to below 2,000 tonnes, the lowest in at least 21 years. That's compared with a monthly average of about 36,600 tonnes in 2024. The US has been China's top supplier of copper scrap for years. China's total imports of copper scrap dropped to 183,244 tons in June, the lowest since November last year. Scrap processors also faced reduced tax incentives starting from August.
- Due to the shortage of copper scrap, China's imports of refined copper jumped 15% in June from the previous month. China also imported 14.7 million tonnes of copper ores and concentrates in the first six months of the year, indicating a 6.1% y/y increase.

China's refined copper production and import volume both rise in June



Source: SMM International



Source: SMM International

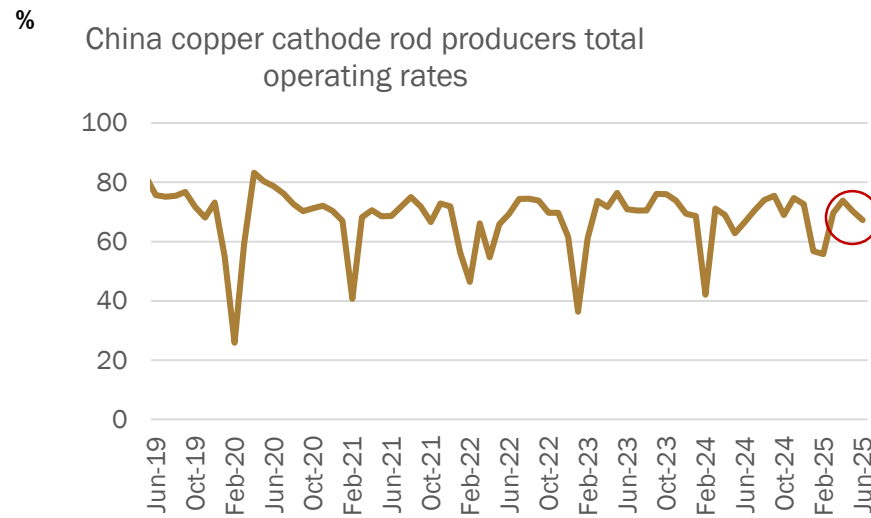
China to maintain high dependence on copper concentrate imports in the future

- China holds a dominant role in global copper refining, with refined copper production reaching an all-time high of 1.3 million tonnes in June 2025 and total smelting capacity at 12 million tonnes in 2024—the highest worldwide, accounting for nearly half of global refined copper output.
- However, domestic copper concentrate production is limited and can only meet about 20% of demand, making China heavily reliant on imports. From 2021 to 2024, China's dependence on copper concentrate imports increased from 76% to 79%, and with future smelting capacity expansion slowing, this high level of import reliance is expected to remain but stabilize in coming years.

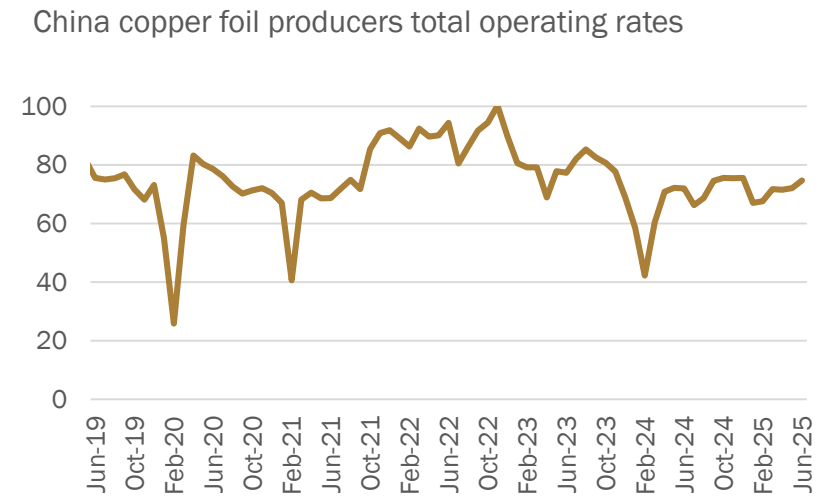
Rapid smelting capacity expansion exacerbates copper concentrate shortage

- Global copper concentrate supply faces increasing pressure as the growth rate of copper smelting capacity outpaces ore production. SMM forecasts that in 2025, global smelting capacity will grow by 2.53%, driven notably by China adding 600,000 tonnes of new capacity, while global copper ore production is expected to increase by only 0.99% year-on-year.
- The global copper concentrate deficit remains severe, with a shortage of 1.2 million tonnes in 2025, slightly easing to 877,000 tonnes in 2026 yet still indicating tight supply. The supply constraints are driven by factors such as frequent strikes at South American mines, declining ore quality, and the lack of investment in new mining projects.

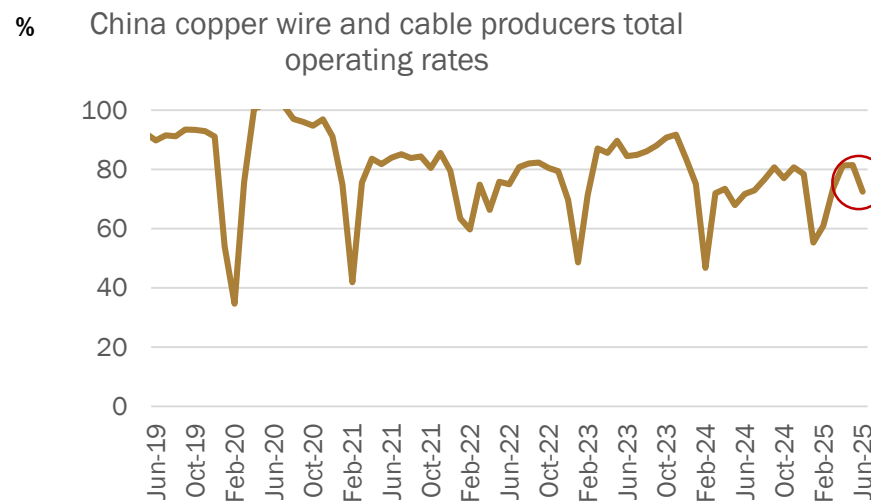
The majority of copper downstream industries cut operating rates in June



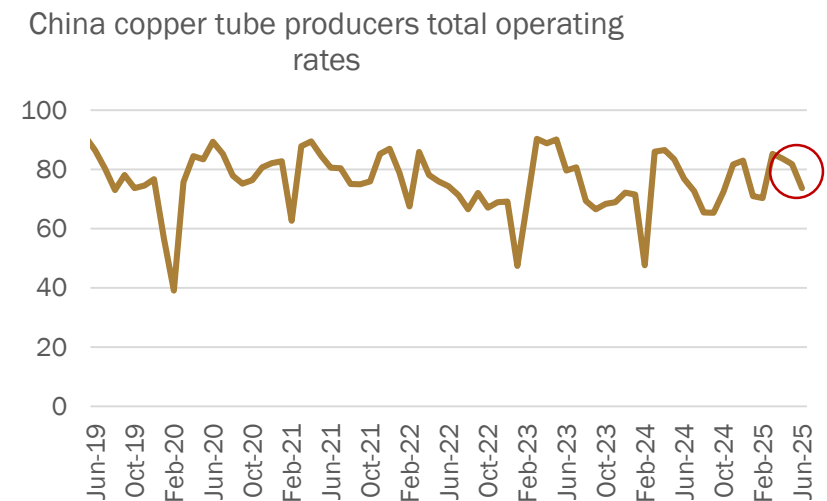
Source: SMM International



Source: SMM International



Source: SMM International

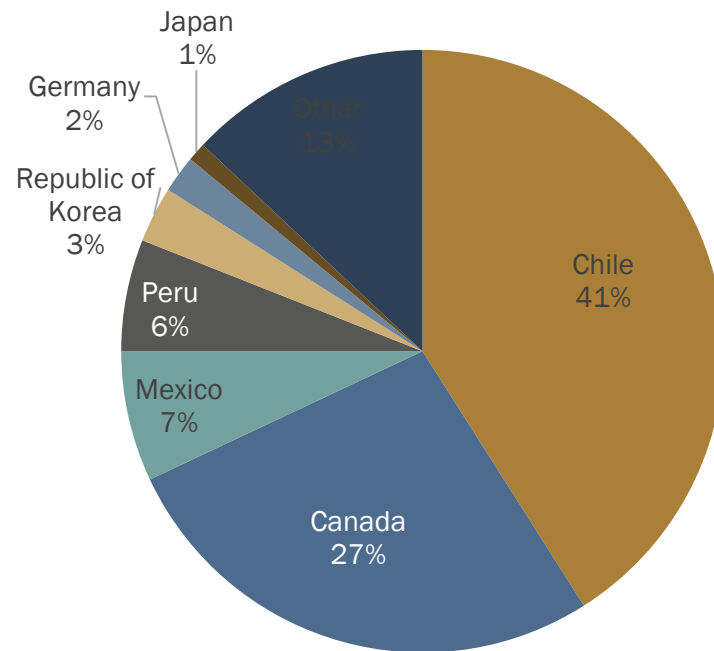


Source: SMM International

The US primarily imports refined copper, with Chile as the largest supplier

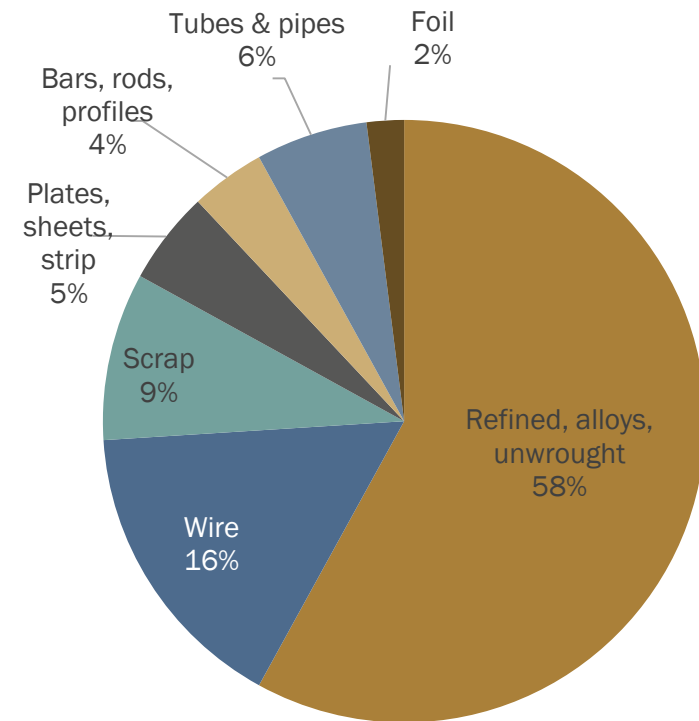
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US Copper imports by country, 2024



Source: TradeMap, ING Research

US Copper imports by type, 2024

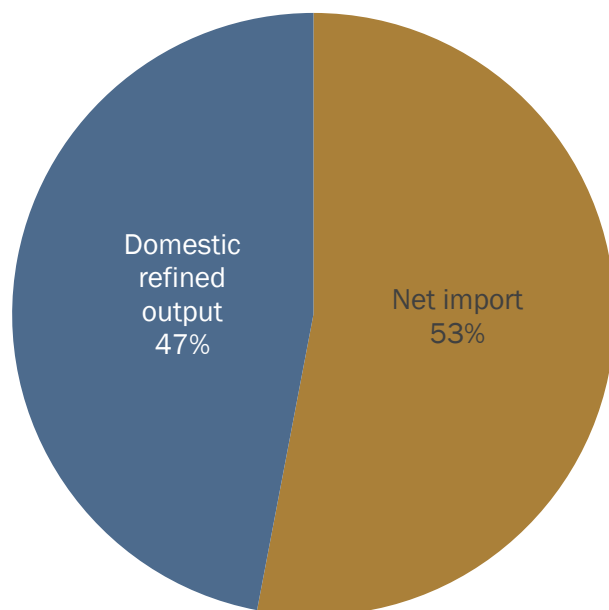


Source: TradeMap, ING Research

US copper net import accounts for 53% of total copper demand in 2024

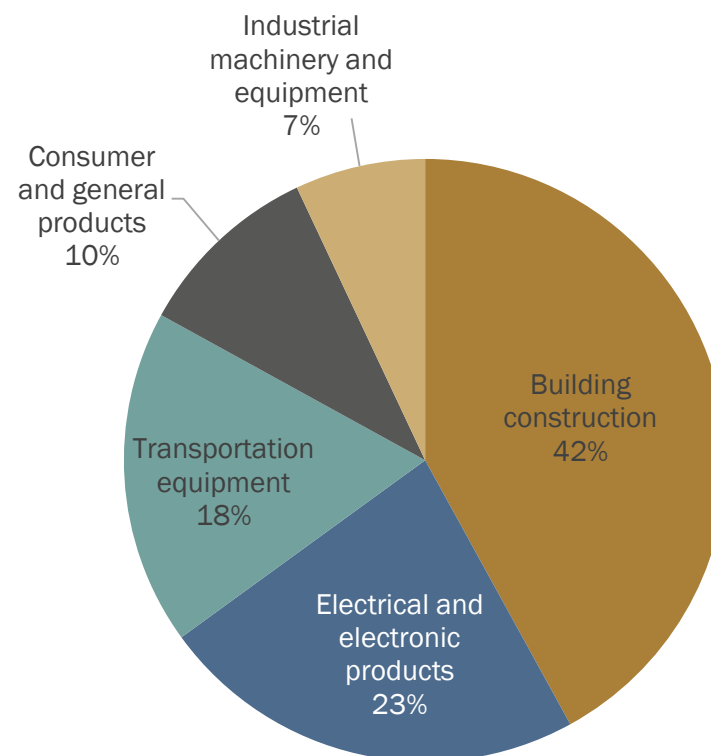
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US Copper demand by source, 2024



Source: USGS

US Copper demand by sector, 2024



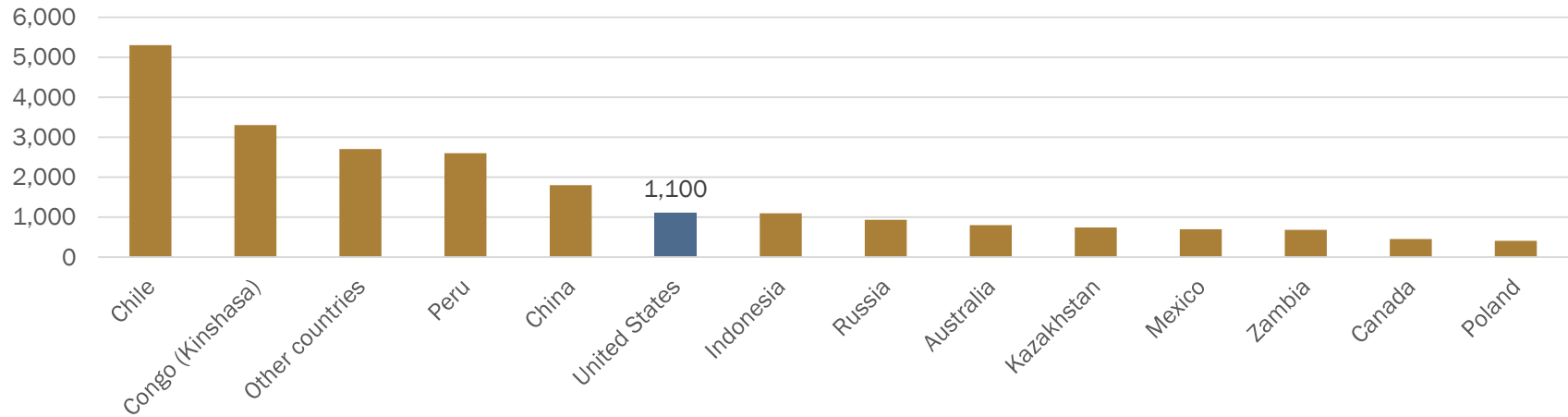
Source: USGS

US copper mine output hit 1.1 Mt in 2024, refined production lagged

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'000 tonnes

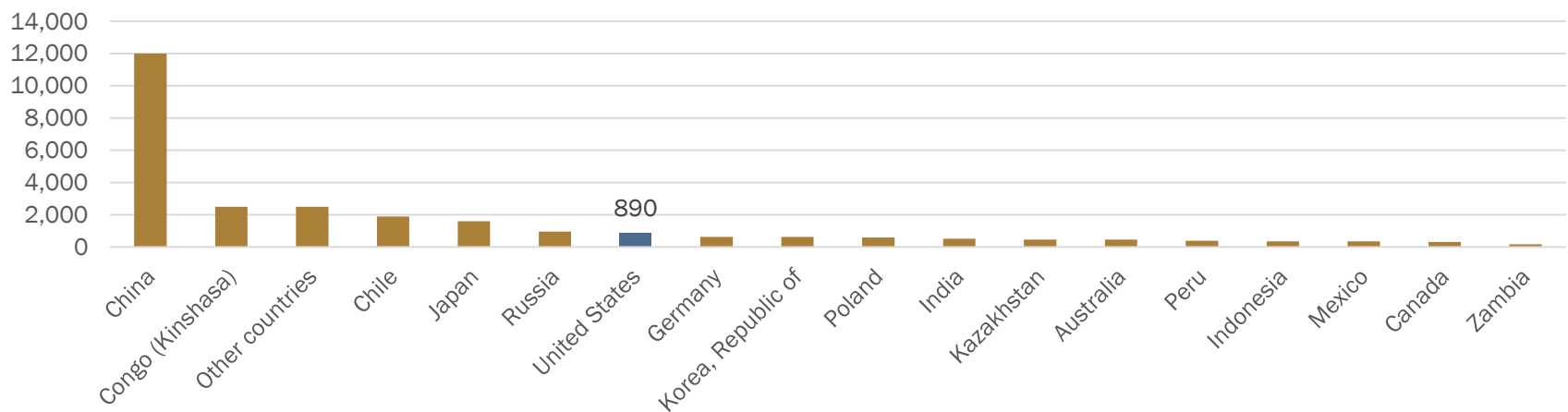
World copper mine production, 2024



Source: USGS

'000 tonnes

World copper refinery production, 2024

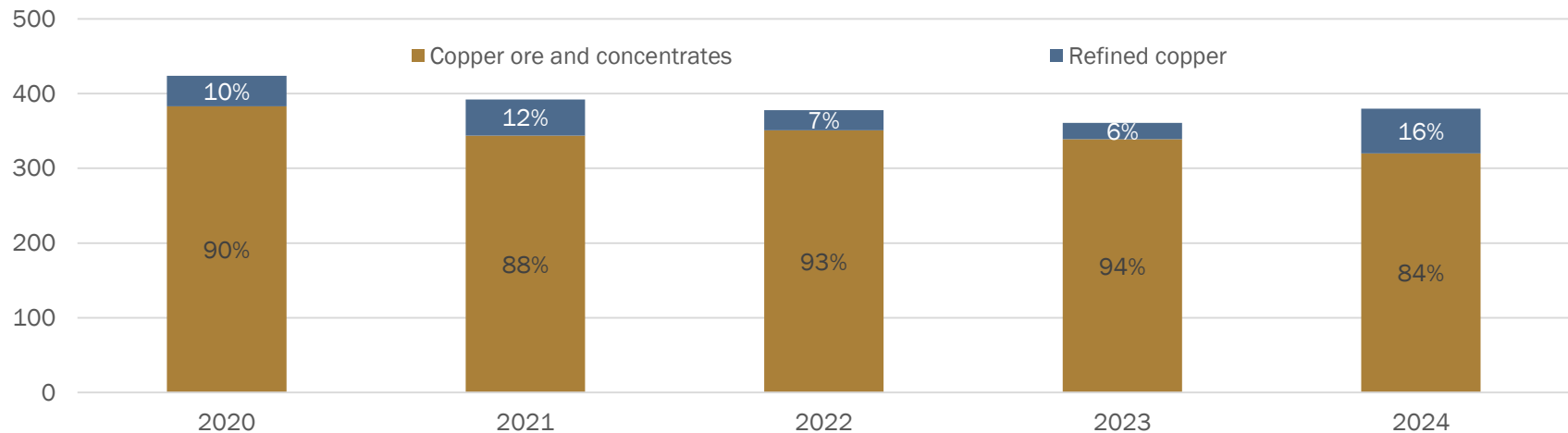


Source: USGS

US exports copper ore & concentrates as refined copper production lags

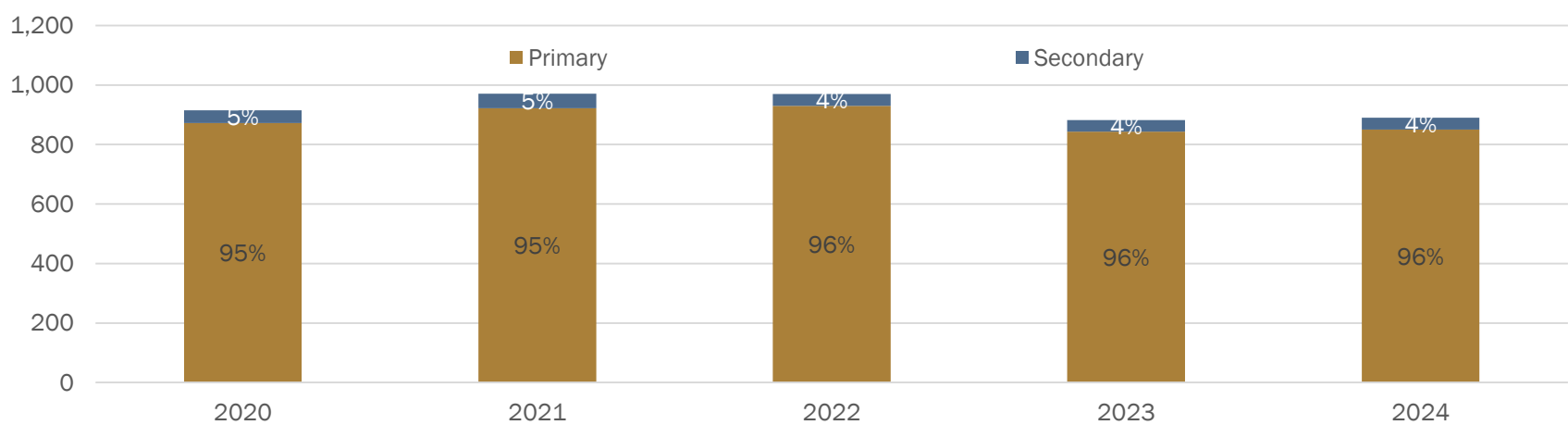
'000 tonnes
% of total

US Copper exports, 2020-2024



'000 tonnes
% of total

US Refined copper production, 2020-2024



Source: USGS

Two scenario analysis of the US 50% copper import tariff

- The US announced it would impose a 50% tariff on copper imports starting August 1, 2025 with out specifying which types of copper would be affected. The US exports copper ore and concentrates while mainly importing refined copper and semi-finished copper products. Additionally, the US also imports some copper scrap, but if the copper tariff follows the precedent of the aluminium tariff—which excluded aluminium scrap—the copper scrap is likely also excluded from the tariff.

Scenario 1: The 50% tariff is applied to both refined copper and semi-finished copper products

- This approach aims to stimulate domestic smelter capacity growth, constructing new smelters, thus creating more jobs.
- Traders have moved large quantities of copper to the US, resulting in an inventory covering 6 to 9 months of refined copper consumption. Therefore, there is no shortage of refined copper in the near term.
- This tariff could immediately take effect and exert pressure on other trading countries, offering leverage for later trade negotiations. If necessary, exemptions may be granted for Chilean refined copper imports.
- **Occurrence Probability: 60%**

Scenario 2: The 50% tariff is applied only to semi-finished copper products, with refined copper exempted.

- The US has only two smelters and limited refining capacity, while over half (58%) of last year's copper imports were refined copper.
- Building new smelters requires enormous investment and a long construction period of 9-10 years, so companies are reluctant to commit amid global economic uncertainty.
- Since there are multiple flexible downstream processing factories in the US, imposing tariffs on semi-finished products could encourage expansion of downstream processing capacity without severely disrupting refined copper supply.
- **Occurrence Probability: 40%**

In both scenarios, semi-finished copper products are expected to be subject to the tariff because the downstream processing sector is more flexible and requires less capital investment to expand.

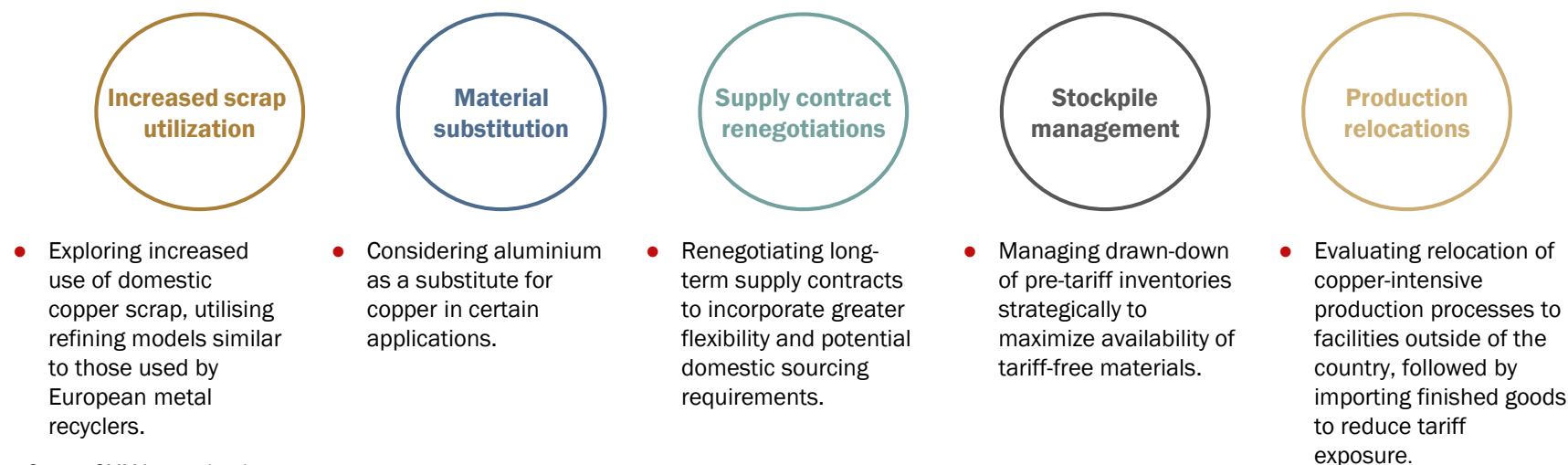
Trump's 50% copper tariffs create both challenges and opportunities

Trump's 50% tariffs on copper imports create an immediate price premium for US manufacturers that rely on copper inputs

Industry Sector	Copper Intensity	Ability to Pass Costs	Vulnerability
Electronics	High	Moderate	High
Construction	High	Variable	High
Automotive	Moderate	Limited	Moderate
Industrial Machinery	Moderate	Moderate	Moderate
Renewable Energy	Very High	Limited	Very High

Source: SMM International

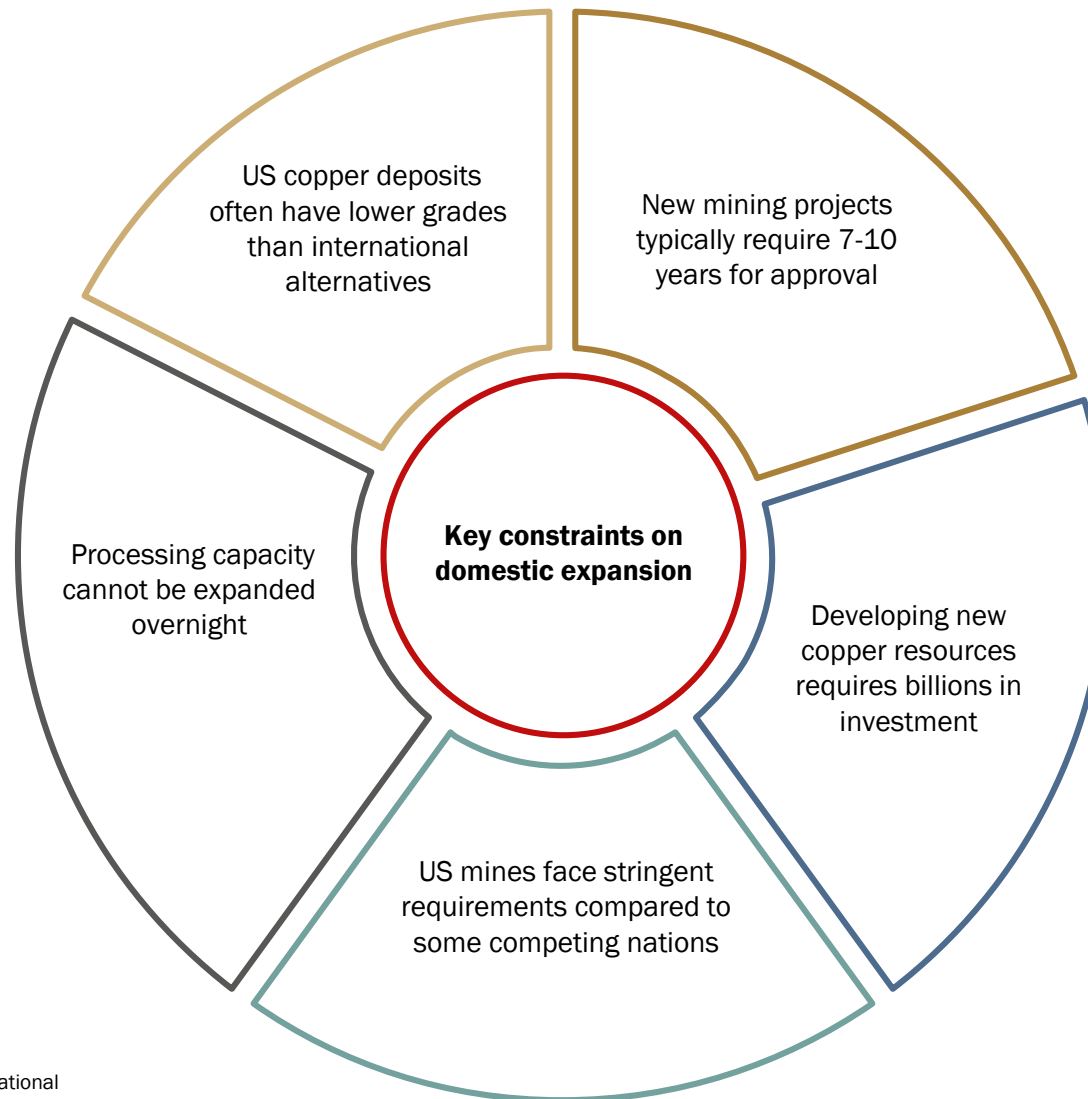
Companies across the value chain are implementing diverse strategies to mitigate tariff impacts:



Source: SMM International

While tariffs boost investment, US copper capacity faces bottlenecks

While boosting domestic copper production is a stated goal of the tariff policy, industry stakeholders remain uncertain about short-term supply expansion.



Source: SMM International

Winners and losers in Trump's new copper tariff regime

Several key players will benefit from the tariff regime



US copper producers

Benefit from higher prices and reduced foreign competition, making domestic operations more profitable under tariffs.

Domestic cable and wire manufacturers

Firms with secure, vertically integrated supply chains stand to benefit by reducing exposure to volatile import pricing.

Recycling operations

Stronger demand for copper scrap boosts economics for recyclers as manufacturers seek tariff-free sources.

Mining equipment suppliers

Benefit from increased capital expenditure if producers invest in expanding domestic capacity, a potential long-term opportunity.

Several sectors will face substantial headwinds from the tariff



Electronics manufacturers

Struggle with rising copper costs due to reliance on high-purity material and limited pricing flexibility in tight-margin markets.

Construction firms

Face cost uncertainty as copper price spikes disrupt long-term contracts and squeeze project margins.

Renewable energy developers

Higher copper costs raise expenses for copper-intensive components, potentially slowing deployment rates for solar and wind projects.

Small and medium manufacturers

Lack supply chain leverage and scale to absorb tariff-driven price hikes, making them especially vulnerable.

The overview of China's Yarlung Tsangpo mega hydropower project

Location

- Nyingchi City, Tibet Autonomous Region, near the Sino-Indian border on the lower Yarlung Tsangpo River

Scale

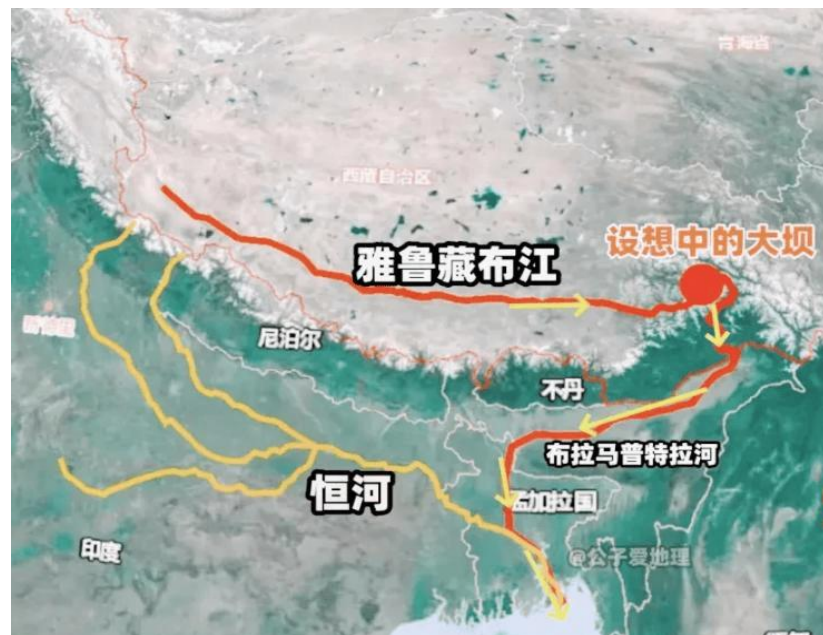
- Currently China's largest hydropower project under construction; will be the world's largest dam

Project Objectives

- Support China's carbon neutrality goals; drive Tibet's economic growth; enhance energy security

Project Features

- River straightening, diversion tunnels; construction of five cascade hydropower stations



Installed Capacity

- The new hydropower facility has a total installed capacity of 60 to 81 million kilowatts

Electricity Generation

- Annual Approximately 300 billion kilowatt-hours
- Enough to meet the need for 300 million people

Responsible Entity

- China Yajiang Group Co., Ltd. (newly established central state-owned enterprise)

Investment

- The total investment is about 1.2 trillion yuan (approximately \$167 billion).

Six core sectors for the hydropower project and investment opportunities

Sector	Investment Opportunities & Demand	Representative Beneficiaries	Main Metal Demand
Main Construction	Large-scale civil works, equipment installation, steel and rebar demands	<ul style="list-style-type: none"> Civil engineering and construction firms Hydropower contractors 	Steel (rebar, steel structures)
Cement & Building Materials	Huge cement and concrete consumption	<ul style="list-style-type: none"> Cement producers Building material suppliers 	Auxiliary steel for equipment
Civil Explosives	Large-scale rock blasting and related services	<ul style="list-style-type: none"> Explosives manufacturers Rock blasting service providers 	Mainly steel
Foundation Treatment	Advanced soft soil foundation reinforcement machinery	<ul style="list-style-type: none"> Geotechnical engineering companies Foundation machinery manufacturers 	Steel and wear-resistant alloys
Transportation & Supporting Infrastructure	Road and railway construction and transport support	<ul style="list-style-type: none"> Road and railway construction companies Infrastructure contractors 	Steel rails, rebar, steel structures
Power Equipment Manufacturing & Transmission & Distribution	Hydropower equipment and transmission system construction, generator, transformer, cable manufacturing	<ul style="list-style-type: none"> Hydropower equipment manufacturers Power transmission and distribution firms 	Copper (conductors), aluminium (lightweight conductors), steel

Source: Various sources



Copper Price Outlook

Copper price outlook

Copper price outlook – Short term

Bullish

- Fed officials face increased political pressure from Trump to cut rates.
- The US dollar has generally weakened in 2025 due to tariff impacts, benefiting dollar-priced metals like copper.
- The cooling-off period in US-China tariffs supports Chinese exports.
- China has started construction of the Yarlung Tsangpo mega hydropower project, lifting market sentiment.
- The sharp decline in China's imports of US copper scrap in June led to a significant increase in China's refined copper imports.

Bearish

- US tariff impact on inflation has started to materialize, while the labour market remains strong, reducing the likelihood of near-term rate cuts by the Fed.
- Weak Chinese manufacturing activity and persistent real estate downturn are weighing on copper demand outlook.
- US 50% copper tariffs will take effect August 1, leaving traders little time for arbitrage by shipping metals to the US; European and Asian inventories are rebounding.
- China's refined copper production continues to rise, hitting a record high in June 2025.

Copper price outlook – Medium to long term

Bullish

- The US-China trade negotiation cooling-off deadline may be extended, allowing more time for trade talks.
- The Fed still expects two rate cuts this year; a weakening US dollar would support copper prices.
- Global copper concentrate deficits will persist for the next two years, fundamentally restricting supply.
- China's Yarlung Tsangpo mega hydropower project will later drive substantial demand for copper
- Long-term demand growth will be further supported by new energy sectors and AI data center construction.

Bearish

- China's real estate market shows no obvious signs of improvement, continuing to suppress economic growth and investor confidence.
- After the US 50% copper import tariffs formally take effect, the US will absorb existing inventory, copper supply will increase elsewhere.
- The August 1 US reciprocal tariffs will slow global economic growth, disrupt trade flows, and hurt industrial and manufacturing activities.

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