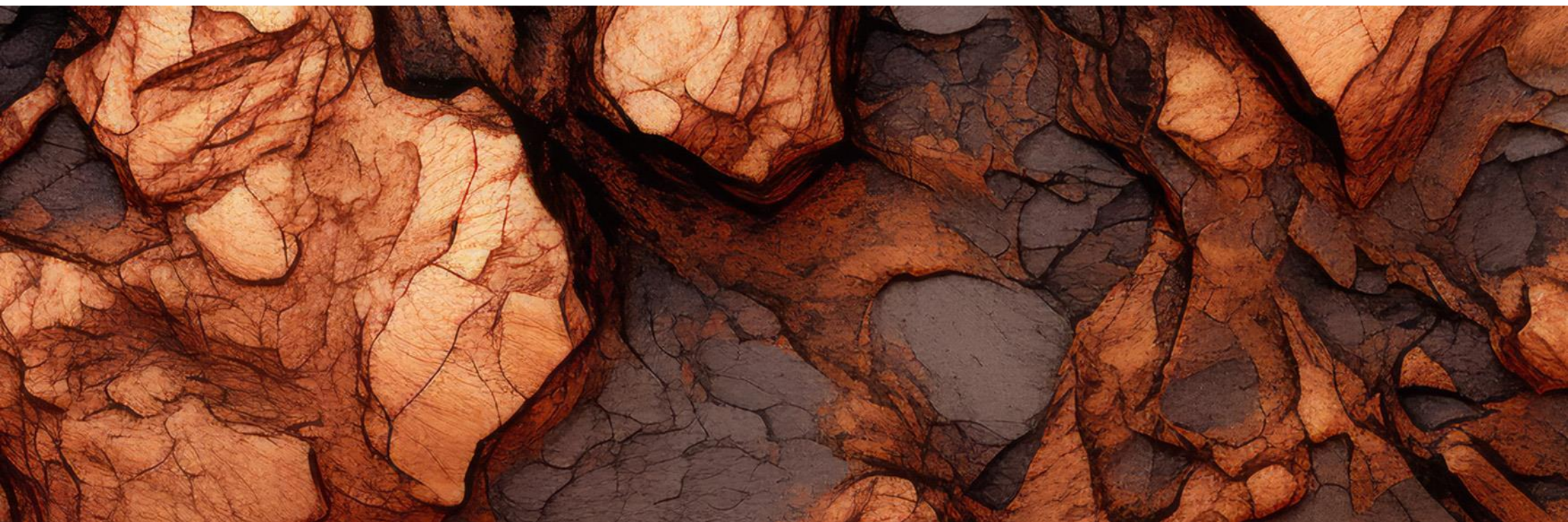


# ICBCS Copper Market Outlook

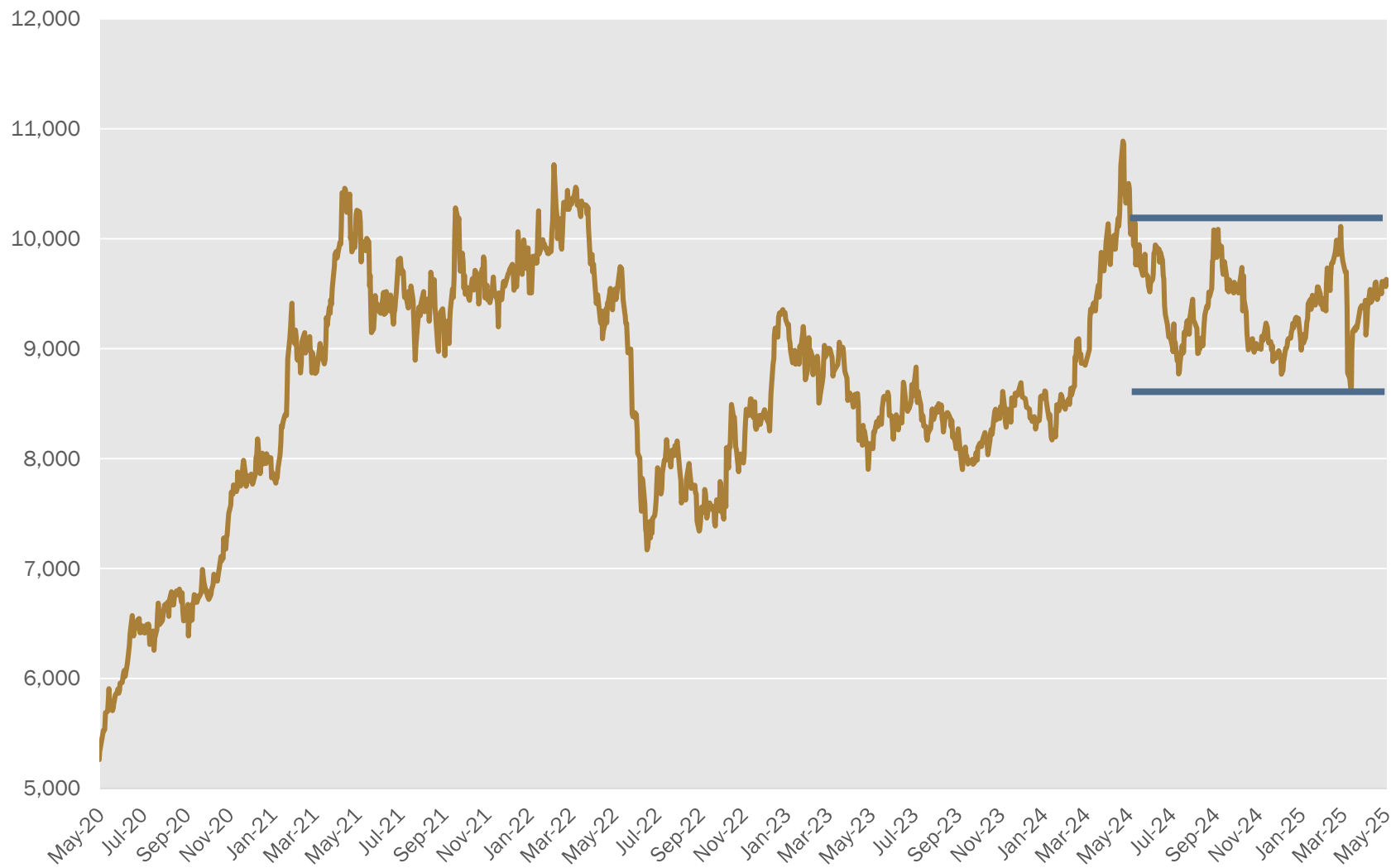
Julia Du - Senior Commodities Strategist

May 2025



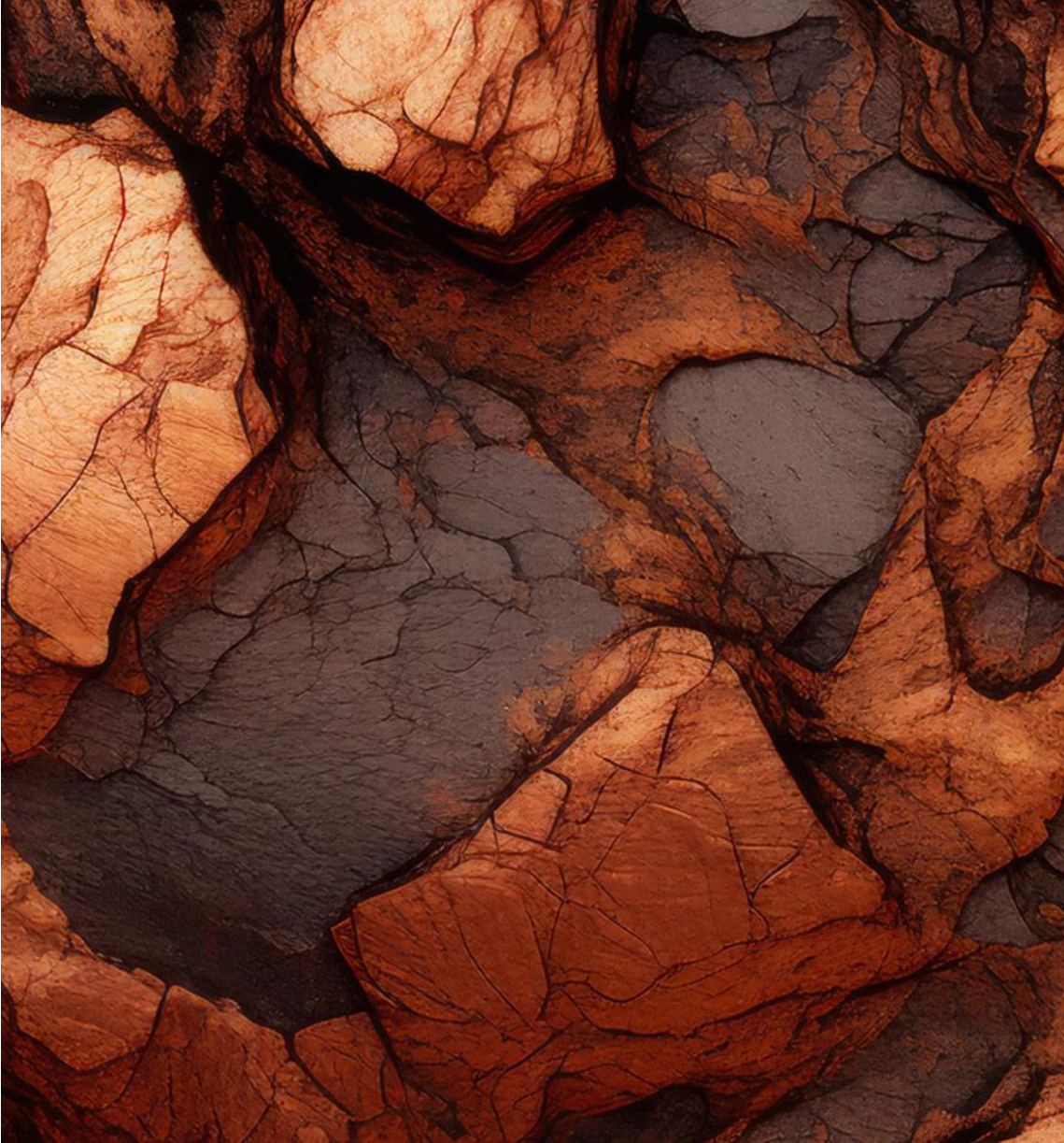
## Copper prices traded sideways in a narrow range over the past year

\$/t LME 3-month copper prices



Source: LME





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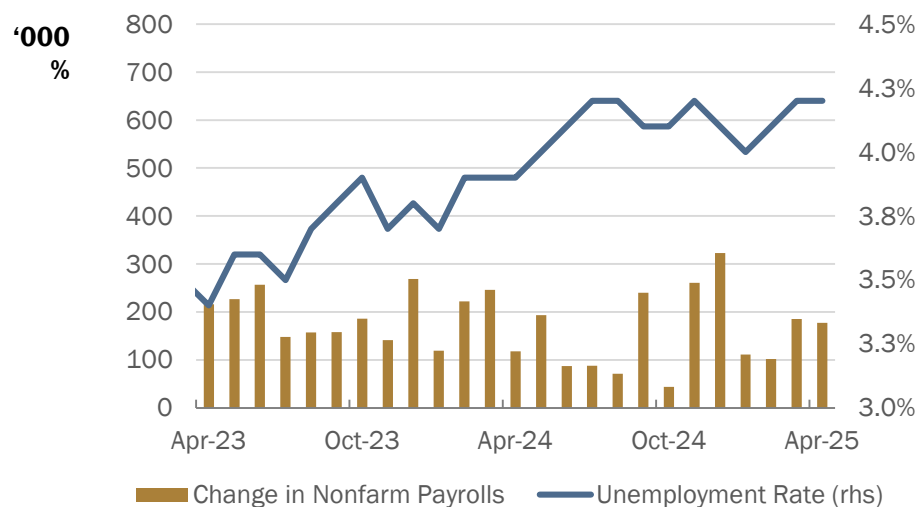
# **Global Economic Outlook**

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## The US inflation cooled down further, tariff impact is yet to fully manifest



Source: Bureau of Labour Statistics



Source: Bureau of Labour Statistics

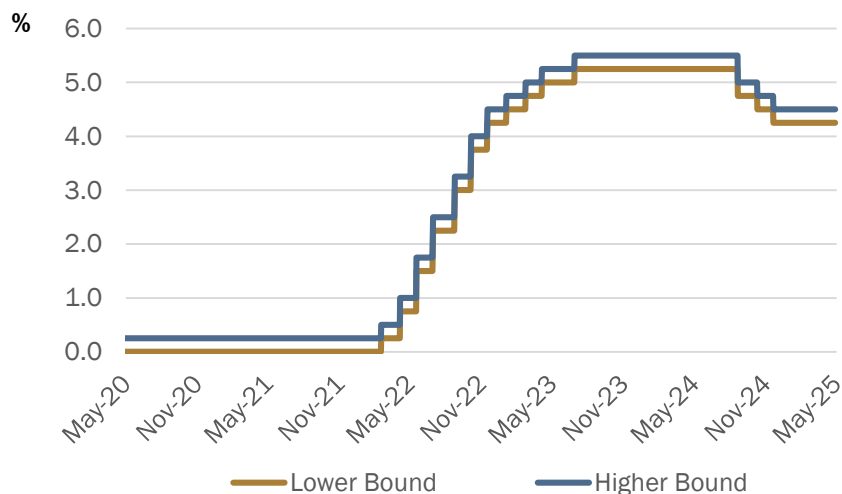
### US CPI

- The US inflation continues to cool in April, indicating that the impact of Trump's tariffs has yet to fully manifest, and businesses may be digesting inventory.
  - The US April CPI increased by 2.3% year-on-year, lower than the expected and previous value of 2.4%. The US April CPI rose by 0.2% month-on-month, below expectations but higher than the previous value of -0.1%.
  - The US April core CPI increased by 2.8% year-on-year, matching the expected level and the previous value. The US core CPI rose by 0.2% month-on-month, lower than the expected 0.3% but higher than the previous value of 0.1%.

### NFP and the Unemployment Rate

- In April, the US saw relatively strong job growth and a stable unemployment rate, indicating that the labour market remains robust and the uncertainty surrounding Trump's trade policies has not yet had a substantial impact on hiring.
  - The US added a better-than-expected 177,000 jobs in April, down slightly from a revised 185,000 in March and came in above economists' expectations for a modest 138,000. The unemployment rate held steady at 4.2%.
  - Average hourly earnings saw a year-over-year increase of 3.9%, while month-over-month growth was at 0.2%, which is lower than both the expected and previous value of 0.3%.

## Trump's reciprocal tariffs led to US dollar index dropping to three-year low



Source: Federal Reserve

### US Interest rate

- In early April, Trump indicated that he wanted to replace the Fed Chair for not cutting interest rates as quickly as he desired, which threatened the independence of the US central bank. However, a week later, Trump backed away from his criticism of Fed Chair Powell, stating that he had no intention of dismissing Powell.
- Currently, the US interest rate level is at 4.25-4.5%, unchanged since a 25 basis point cut in December last year. This stability in interest rates reflects the Fed's cautious approach in balancing economic growth with inflation control. According to the CME FedWatch Tool, the market expects the Fed to maintain rates in May. Expectations for keeping rates unchanged in June have also strengthened after the release of the US April jobs report.

### US Dollar Index

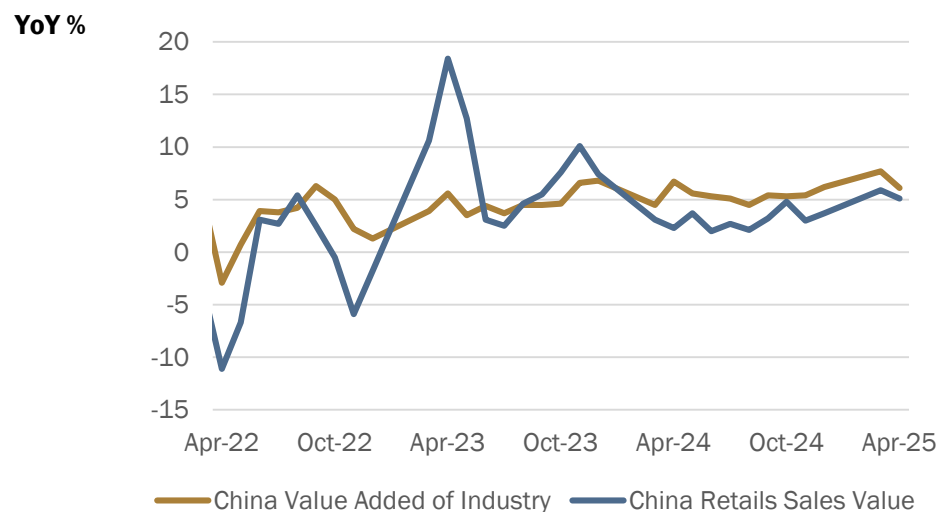


Source: Bloomberg

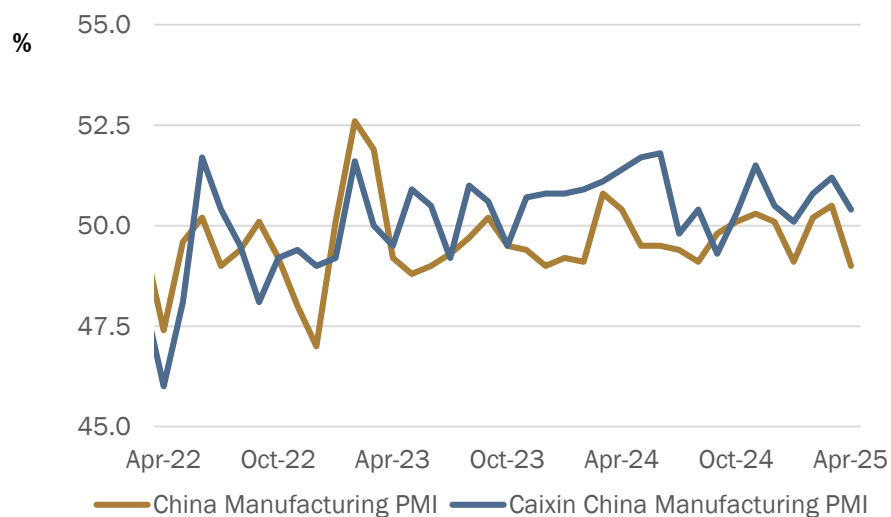
### US Treasury yield and dollar

- In a two-day meeting held in Geneva, Switzerland, from May 10 to 11, 2025, the US and China reached an agreement to delay the implementation of reciprocal tariffs by 90 days, which was officially announced on May 12. This development initially triggered a rebound in the U.S. dollar, reflecting improved market sentiment.
- However, the momentum was short-lived as Moody's downgraded the US credit rating due to growing fiscal concerns. This downgrade undermined investor confidence in US assets, prompting a shift away from the dollar and Treasuries toward safe-haven assets such as gold. As a result, the dollar weakened again, while U.S. Treasury yields rose amid declining demand.

## Tariffs lead to slowdown in China's manufacturing activity in April



Source: National Bureau of Statistics of China



Source: China Federation of Logistics and Purchasing

### China's industrial production and retail sales



- In April, China's industrial sector demonstrated resilience in the face of rising U.S. tariffs, supported by ongoing policy measures from Beijing. However, consumer spending showed signs of strain, with retail sales growth falling short of expectations.
  - Industrial output rose 6.1% year-on-year in April, down from 7.7% in March and beating a forecast of a 5.7% rise.
  - Retail sales rose 5.1%, down from 5.9% in March and missed the forecast of a 5.8% expansion. The slowdown in consumer spending suggests the impact of US tariffs on consumer expectations and tepid demand at home.

### China's manufacturing PMI

- China's manufacturing PMI data for April shows the country's factory activity slipped into the worst contraction since December 2023 due to early damage from Trump's tariffs and prompting calls for further economic stimulus.
  - The official manufacturing PMI fell more than expected to 49 from 50.5 a month ago. Non-manufacturing activity, including construction and services, also grew less than anticipated.
  - China's Caixin Manufacturing PMI fell from 51.2 in March to 50.4 in April, beating an expected drop to 49.7. New orders rose only slightly; export orders dropped at the fastest pace since July 2023 due to US tariffs.

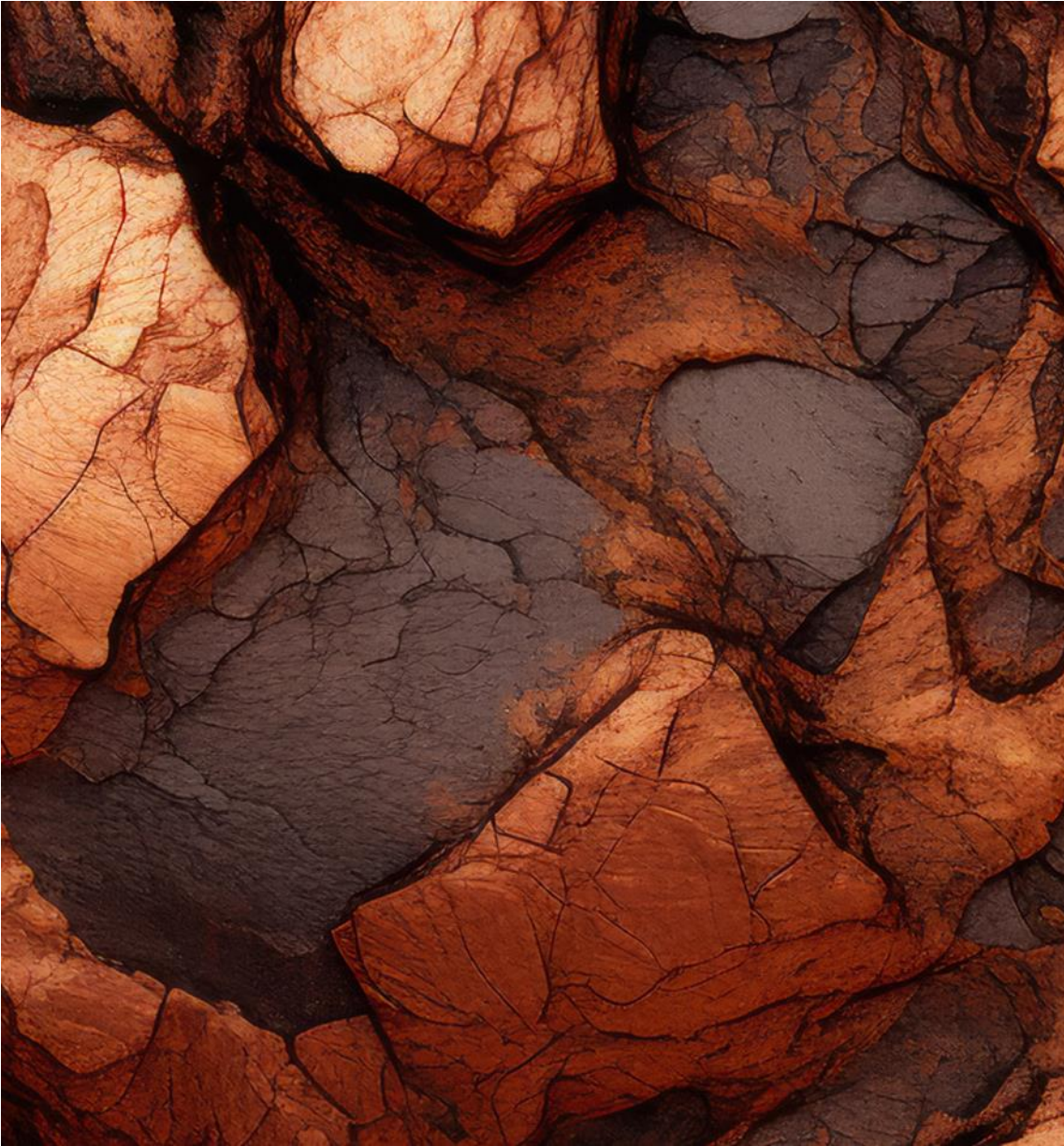
## Unexpected US-China temporary tariff agreement eased trade tensions

PUBLIC

Comparison of Tariff Adjustments from US-China Geneva Talks			
Date	 US Tariff Measures on China	 China's Tariff Measures on the US	
April 2	Executive Order No. 14257: Impose additional 34% tariff (on top of the previous 10% baseline tariff, totalling 44%)	Announcement No. 4 of 2025 by the Tariff Commission: Impose additional 34% tariff on US goods	
April 8	Executive Order No. 14259: Additional 50% tariff (totalling 104%)	Announcement No. 5 of 2025 by the Tariff Commission: Increase tariff rate from 34% to 84%	
April 9	Executive Order No. 14,266: Additional 21% tariff (totalling 125%, with some goods reaching 145% due to fentanyl issues)	Announcement No. 6 of 2025 by the Tariff Commission: Increase to 125% (effective December)	
May 12	<ol style="list-style-type: none"> <li>1. Suspend 24% tariff (90 days)</li> <li>2. Retain 10% baseline tariff</li> <li>3. Cancel the additional tariffs imposed on April 8 and 9</li> <li>4. However, with the 20% baseline tariff from 2018, US tariffs on China remain as high as 50%</li> </ol>	<ol style="list-style-type: none"> <li>1. Simultaneously suspend 24% tariff (90 days)</li> <li>2. Retain 10% tariff</li> <li>3. Cancel the additional tariffs from Announcements No.. 4 and No. 6</li> </ol>	

Source: Summarised by SMM International





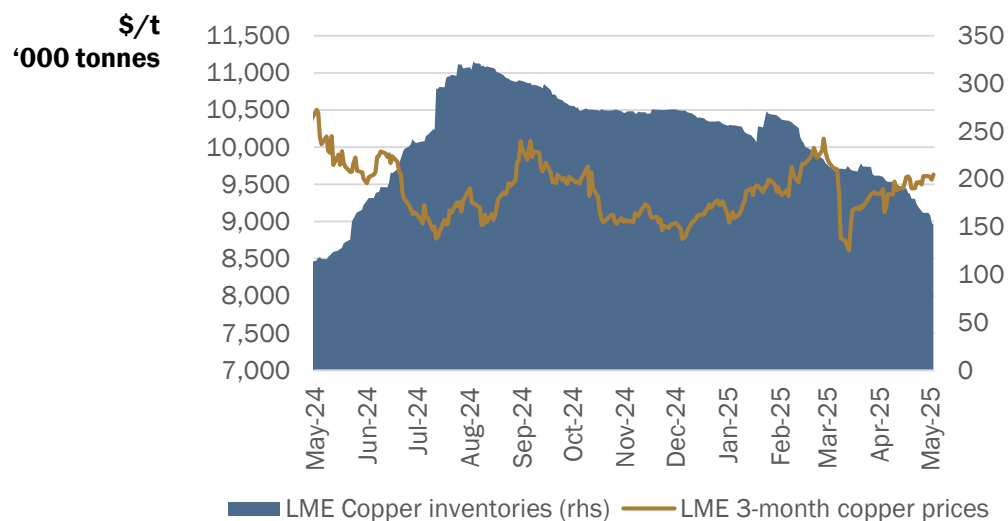
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# **Copper Market Analysis**

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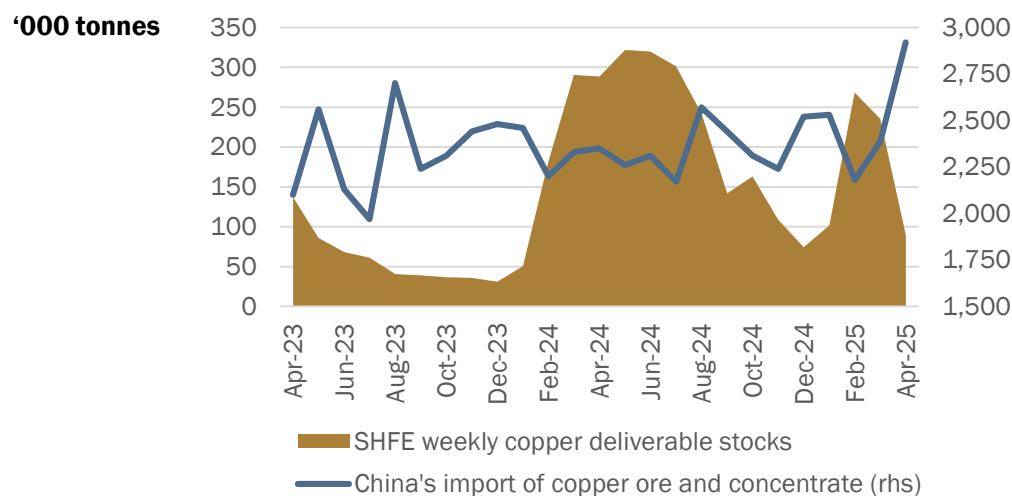
## Copper prices fluctuate amid uncertainties about Trump's trade tariffs



Source: LME

### Copper price and LME inventory

- On May 12, the US and China announced a 90-day cooling-off period to reduce tariffs, providing some relief to the commodity market. However, the industrial metal has not yet fully recovered from the trade war impact. Copper demand and prices still face uncertainties and downside risks due to a lack of fundamental support and potential sudden policy changes by Trump.
- On May 29, copper and other industrial metal prices rose after a US trade court ruled that Trump overstepped his authority by imposing tariffs on US trading partners, improving risk appetite across global markets. However, the improvement in risk appetite could be temporary as the Trump administration had almost immediately appealed the decision.

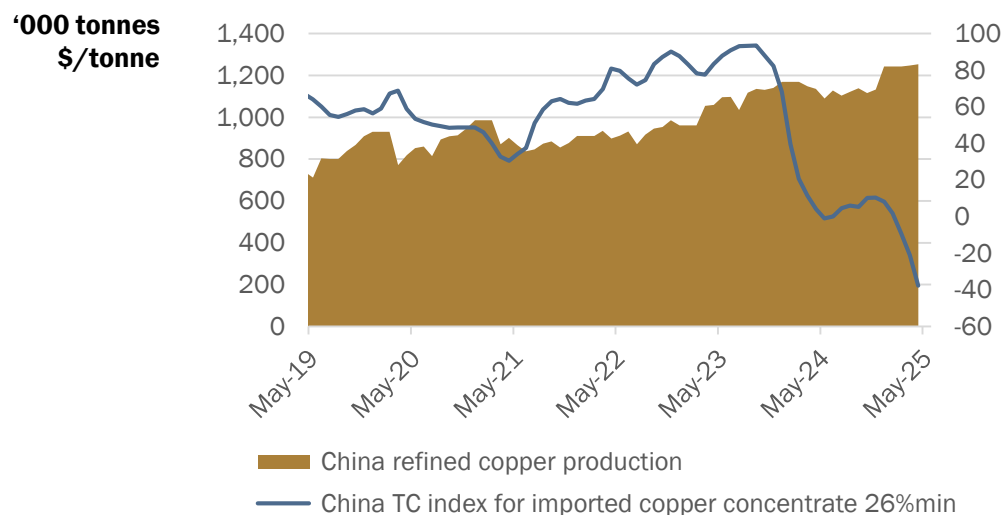


Source: China Customs; SHFE

### China's copper inventories saw a record drawdown in April

- China's copper demand remained strong as its GDP grew 5.4% year-on-year in Q1 2025, exceeding forecast. Growth was driven partly by grid spending, EV production and restocking after April's price dip. To meet growing copper demand, China imported a record 3 million tonnes of copper concentrates in April, a 24% jump compared to April last year.
- Chinese copper inventories saw a record drawdown after the LME 3-month copper prices plunged below \$8,500/t in April. The tight market conditions in China have spurred traders to buy materials on the LME to supply the Chinese market. A global leading trading house has been buying Russian copper on the LME and plans to deliver it into China.

## China saw signs of weakening domestic copper demand in May



Source: National Bureau of Statistics of China; SMM International

### China smelters' processing fee collapsed

- In recent years, the rapid expansion of China's copper smelting capacity has pushed refined copper production to record levels, resulting in a capacity that now surpasses the available supply of raw materials. A global shortage of copper concentrate, exacerbated by mining disruptions, has further intensified competition for feedstock.
- As a result, TC/RCs dropped to a negative \$37.68 per tonne in April, indicating that smelters pay miners for their concentrates instead of miners paying to have concentrates refined. Despite operating at a loss, many smelters continue production to cover fixed costs such as debt obligations and labour. In response to the oversupply, the Chinese government has introduced measures to limit smelting expansion.

### \$/t Yangshan copper premium



Source: SMM International

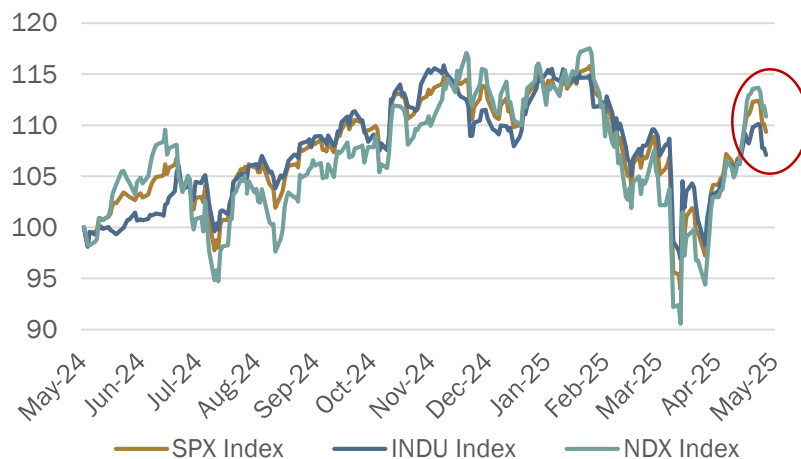
### Yangshan copper premium declined slightly in May but remains at multi-year high

- In May, the Yangshan copper premium declined, signalling signs of weakening domestic copper demand in China. Orders for electrical wires have slowed this month, which has weighed on overall copper consumption. Data from the Shanghai Metals Market also showed that copper inventories in major trading hubs such as Shanghai and Guangdong province have increased during May.
- Nevertheless, China's domestic copper demand has remained robust so far this year, as Beijing has introduced a range of supportive measures to stimulate consumption in response to US tariffs and the ongoing downturn in the country's real estate sector. At present, the Yangshan copper premium is still at its highest level since November 2022.

## Demographic challenges deepen downturn in China's property market

Normalized  
Base 100

Three major US stock index



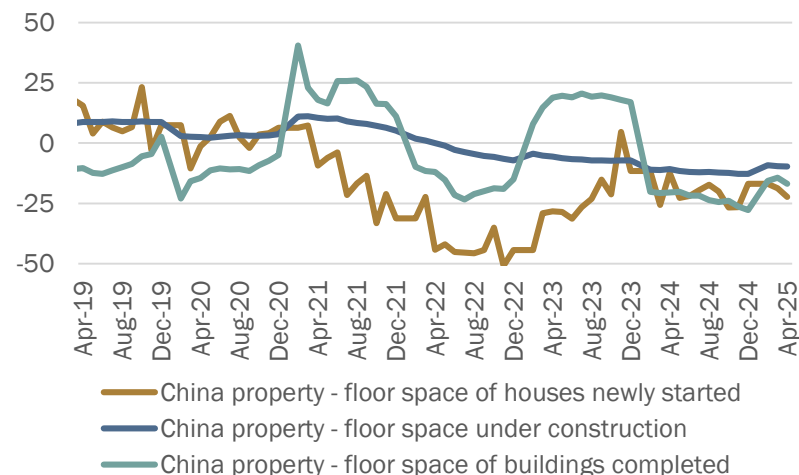
Source: Bloomberg

### US stocks fell on Moody's downgrade of US credit rating

- In mid-May, U.S. stocks surged after the US and China announced a 90-day cooling-off period to reduce tariffs, a move that exceeded market expectations and boosted investor confidence. However, this optimism was short-lived as Moody's downgraded the U.S. sovereign credit rating from Aaa to Aa1 due to rising debt levels, which led to renewed declines in the major US stock indices.
- Additionally, Fed officials warned that Trump's tariffs could slow US economic growth and lift inflation, raising the risk of stagflation. They also indicated that interest rates are unlikely to be cut soon, as the Fed awaits more clarity on tariffs and inflation, further increasing risk aversion among investors.

YoY %

China's key property market index



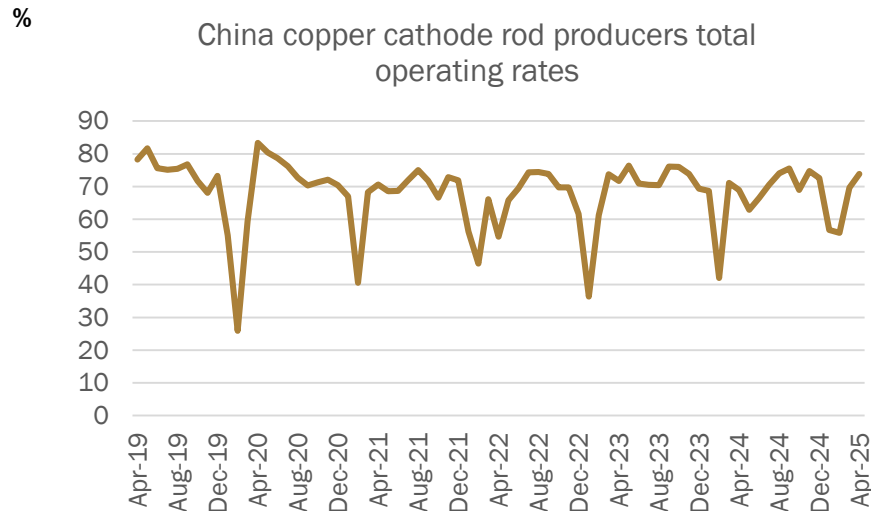
Source: National Bureau of Statistics of China

### China's real estate market faces continued downturn amid demographic challenges

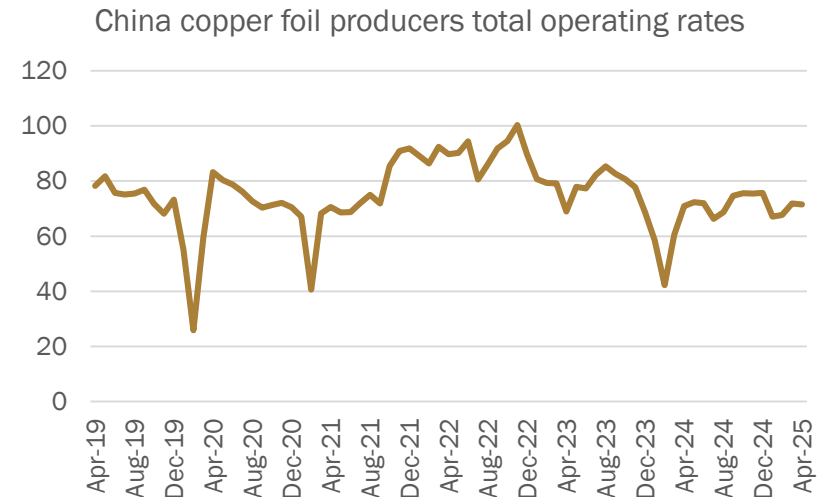
- In April 2025, China's real estate market remained weak, with NBS data showing that new housing starts, floor space under construction, and completed floor space all declined year-on-year. The price index for new commercial residential properties in 70 major cities also dropped compared to the previous year.
- The main reason for the gloomy outlook is not the U.S.-China trade war, but rather China's shrinking population and the lower willingness and ability of younger generations to purchase homes. As the number of buyers decreases, there are fewer people to drive new demand. High youth unemployment and a 20.5% drop in marriage registrations last year have further dampened the housing market's prospects.



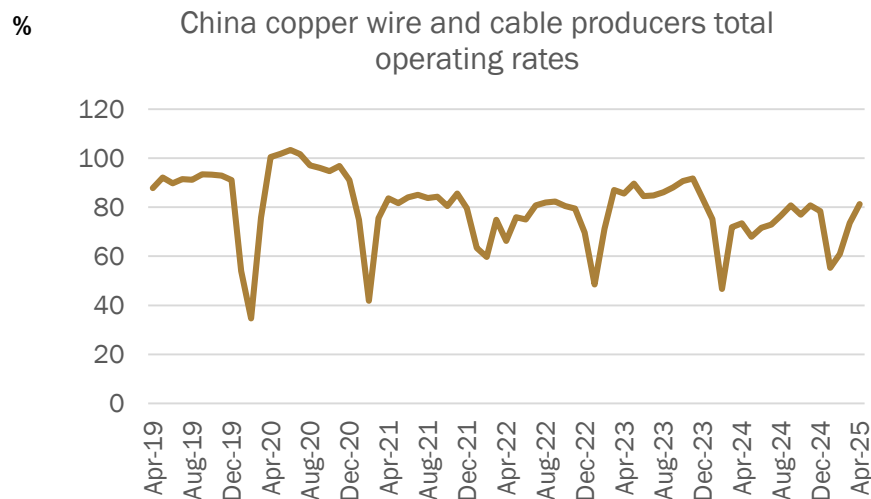
## China's copper downstream producers see higher April operating rates



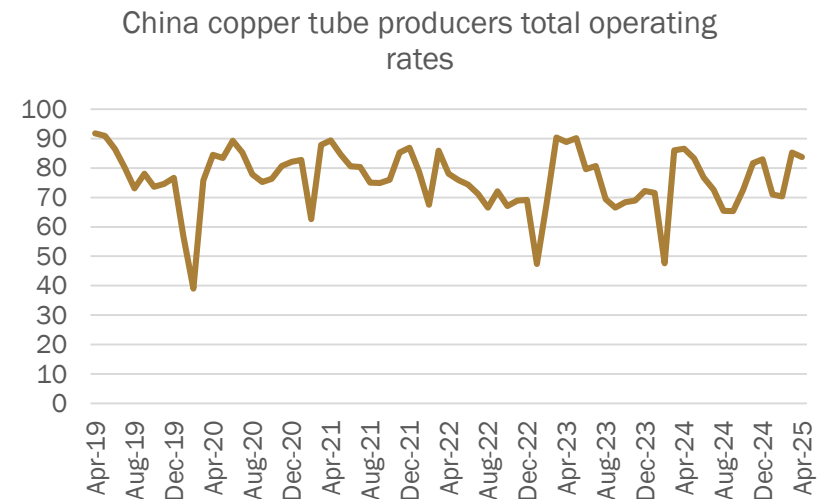
Source: SMM International



Source: SMM International



Source: SMM International



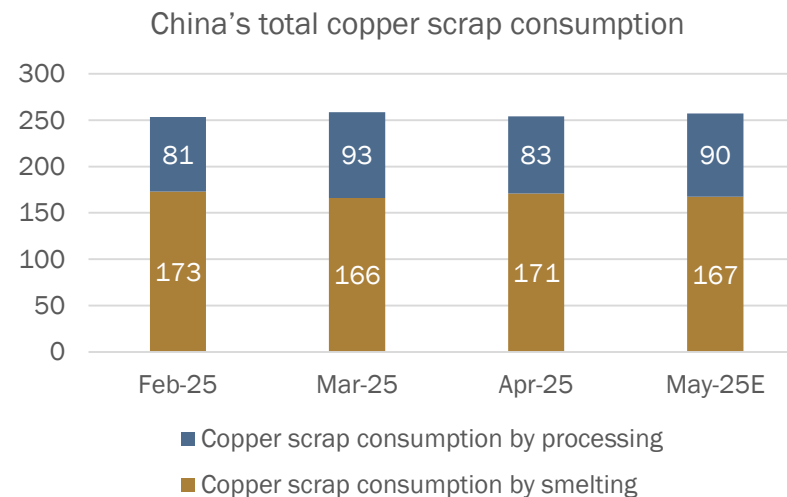
Source: SMM International

## China's copper scrap imports from the US dropped sharply due to tariffs

'000 tonnes

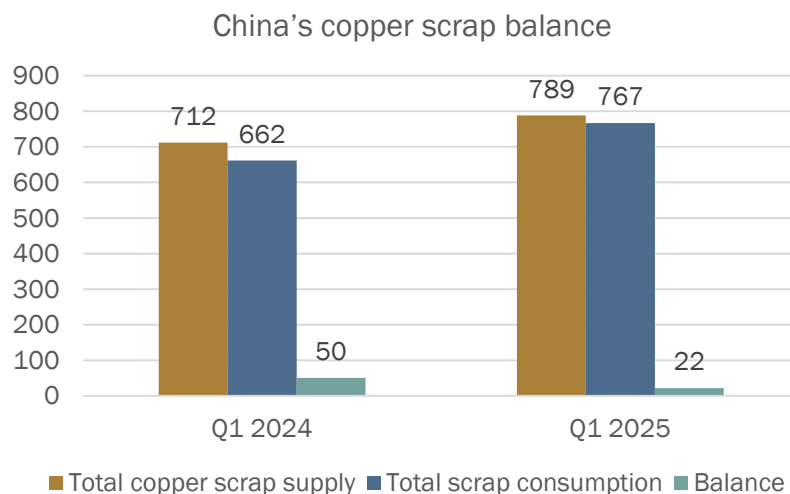


Source: SMM International



Source: Source: SMM International

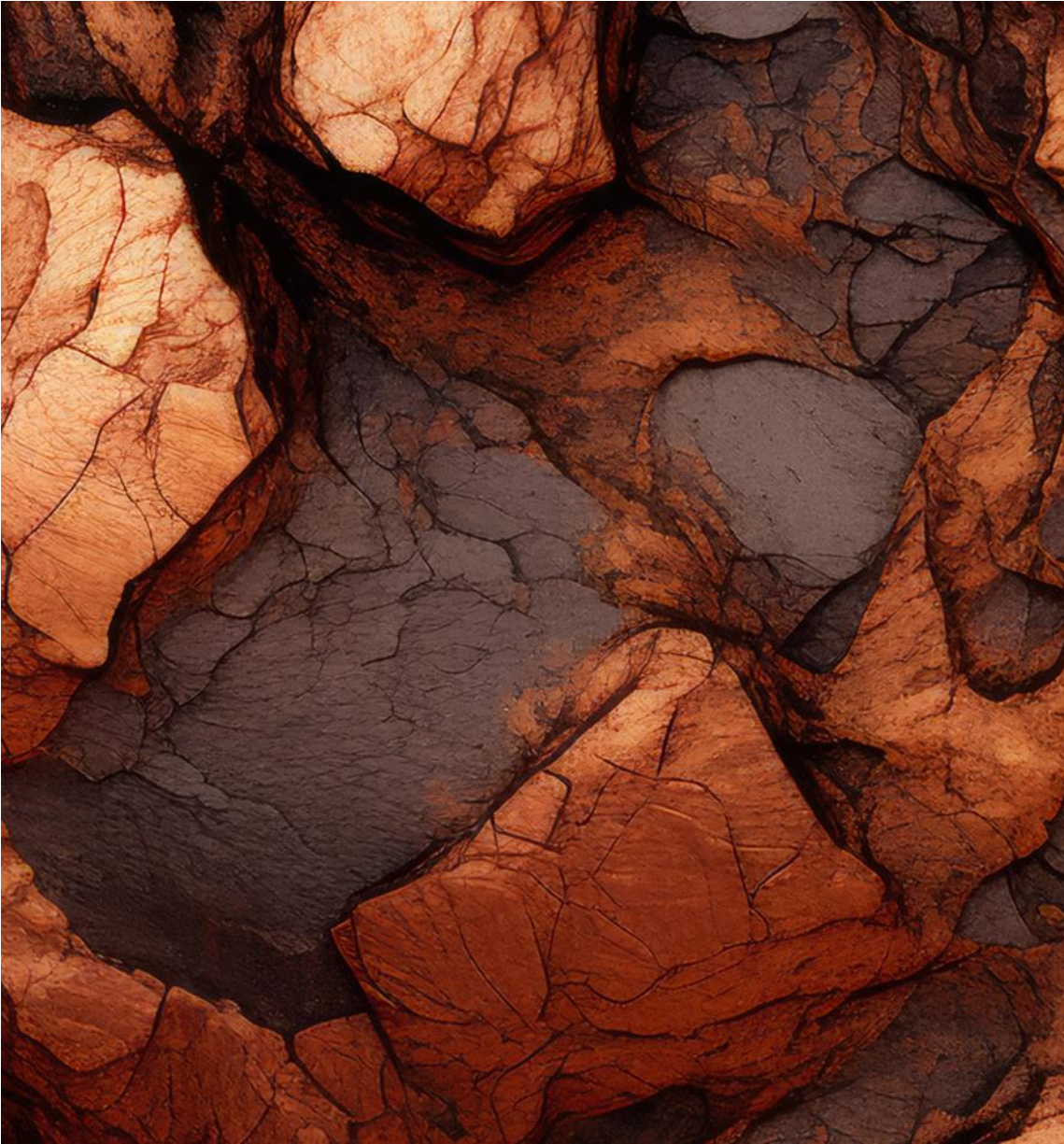
'000 tonnes



Source: SMM International

### Tightening trends in China's copper scrap market

- Due to tariff-related trade tensions, copper imports from the US have been suspended. April's price drop also led to reduced domestic scrap collection. The overall supply of secondary copper raw materials in China has decreased in recent months and is expected to fall further in May.
- On the demand side, scrap copper consumption – both from smelters and processors - has remained stable so far this year.
- With supply falling and demand holding steady, China's copper scrap market became noticeably tighter in the first quarter compared to the same period last year. Blister copper and copper anode are now in short supply.



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# **Copper Price Outlook**

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## Copper price outlook

### Copper price outlook – Short term

#### Bullish

- China and the US jointly announced a temporary reduction in tariffs for 90 days, significantly improving market sentiment and boosting copper prices.
- Trump postponed the threatened 50% tariffs on EU shipments to the 9th of July, boosting investors' risk appetite
- SHFE copper inventories also saw a record drawdown in April. Yangshan copper premium is still at its highest since late 2022, reflecting robust domestic demand.
- The reduction in US scrap copper imports and the decline in China's overall supply of secondary copper raw materials further tighten the domestic copper market.
- The US jobs market data for April was relatively strong, indicating tariffs have not yet impact on hiring, enhancing confidence in the US economy.

#### Bearish

- China's orders of electrical wires have slowed in May, dragging down overall consumption of copper.
- Fed officials retaliated that the Fed is unlikely to lower interest rates in the near term.
- Trade negotiations between China and the US is unlikely to reach a mutually satisfactory outcome in the short term, and tariff risks remain.
- The legal procedures following a US trade court's ruling against Trump's trade tariffs were likely to heighten market uncertainty.
- There have been no follow-up reports on the investigation into potential copper tariffs.

### Copper price outlook – Medium to long term

#### Bullish

- Beijing plans more economic stimulus to counter external challenges, and authorities are fully confident of reaching this year's GDP growth target of 5%.
- The development of the new energy industry and AI data centers will become new forces driving future copper demand growth.

#### Bearish

- Trade frictions triggered by US reciprocal tariffs have weighed on the US economy and increased the likelihood of a recession.
- Trump's protectionist trade policies could disrupt global trade flows, slow global economic growth, and potentially harm base metal demand.
- The long-term weakness in China's real estate market poses a significant obstacle to economic recovery.

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