ICBC Standard Bank

ICBCS Copper Market Outlook

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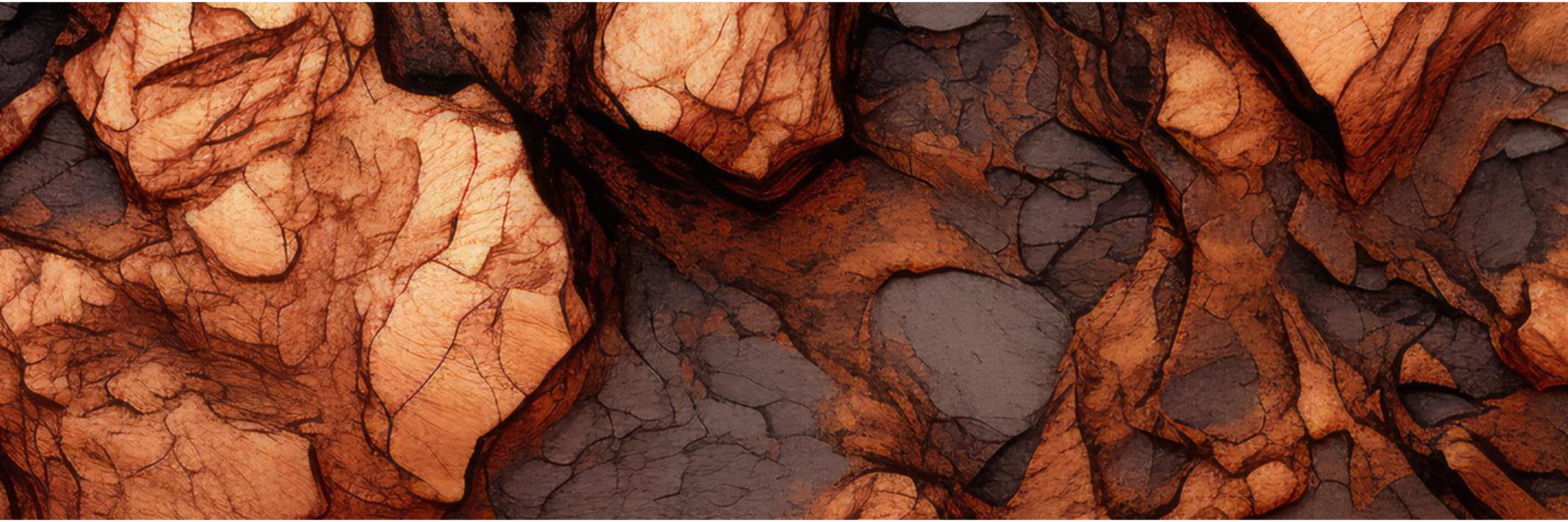
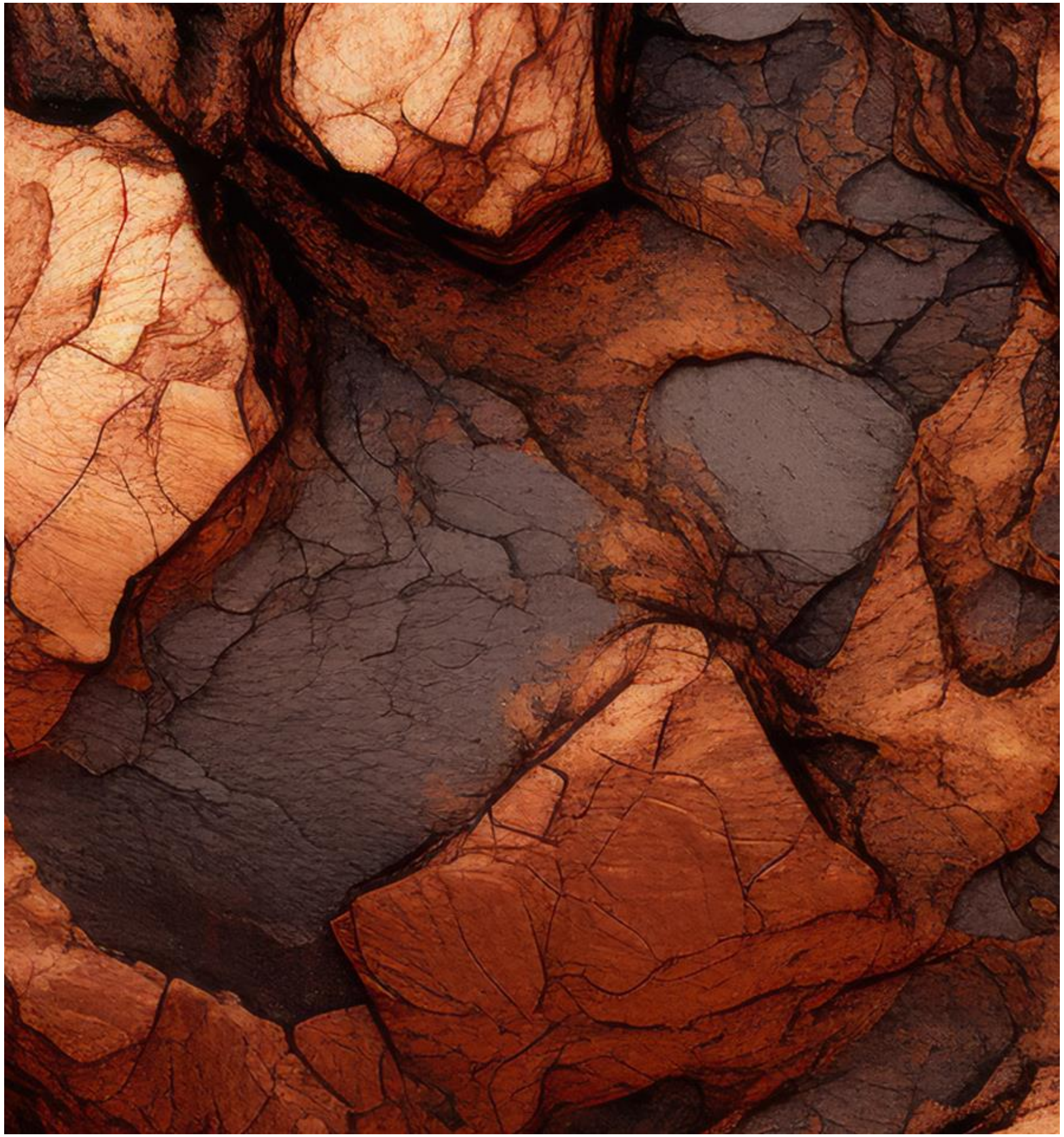
September 2025





Global Economic Outlook

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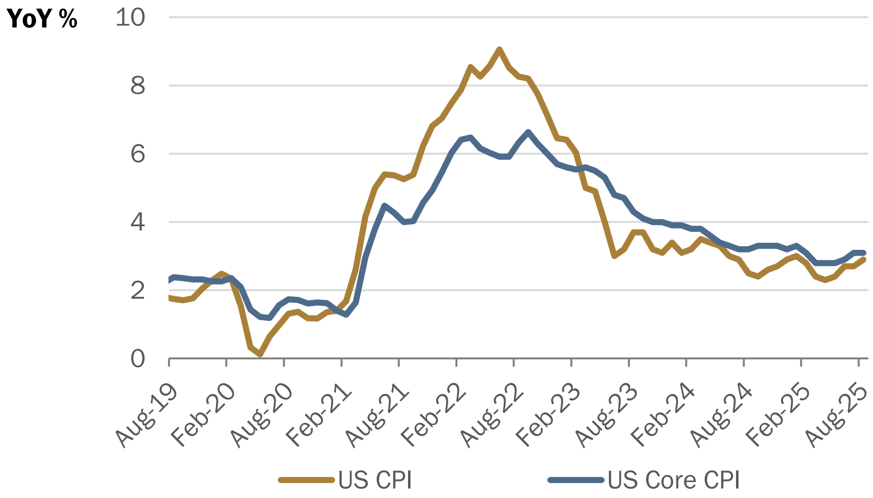
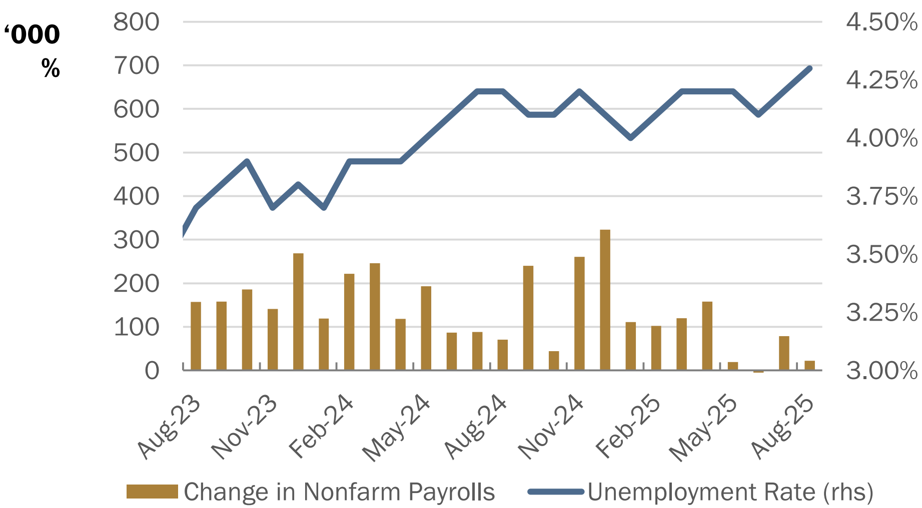
US August inflation showed a moderate increase; jobs data disappointed



Source: Bureau of Labour Statistics

US CPI

- The latest US CPI data showed a moderate increase in inflation for August. Along with the data, initial jobless claims surged to the highest level in nearly four years, intensifying concerns about the US economy. Following the data release, traders increased their bets for at least two more Fed rate cuts before the end of 2025.
  - The US CPI rose 2.9% y-o-y in August, in line with expectations and slightly up from July's 2.7%. On a m-o-m basis, CPI increased by 0.4%, slightly above the forecast of 0.3% and higher than the previous reading of 0.2%.
  - Core CPI rose 3.1% y-o-y and 0.3% m-o-m, both matching market expectations and unchanged from the prior month.



Source: Bureau of Labour Statistics

NFP and the unemployment rate

- The August US jobs report revealed a notably weak labour market, weighed down by Trump's tariff impacts. Nonfarm payrolls fell sharply, and the unemployment rate rose to 4.3%, prompting markets to fully price in a 25bp Fed rate cut in September. Some are even starting to speculate about a 50bp reduction.
  - Nonfarm payrolls rose by just 22,000 in August, far below the 75,000 expected. June's figure was also revised down by 27,000 to -13,000, marking the first monthly job loss in years.
  - The unemployment rate climbed to 4.3%, the highest since late 2021. Wage growth slowed as average hourly earnings rose 3.7% y/y, below both July's 3.9% and the 3.8% forecast.

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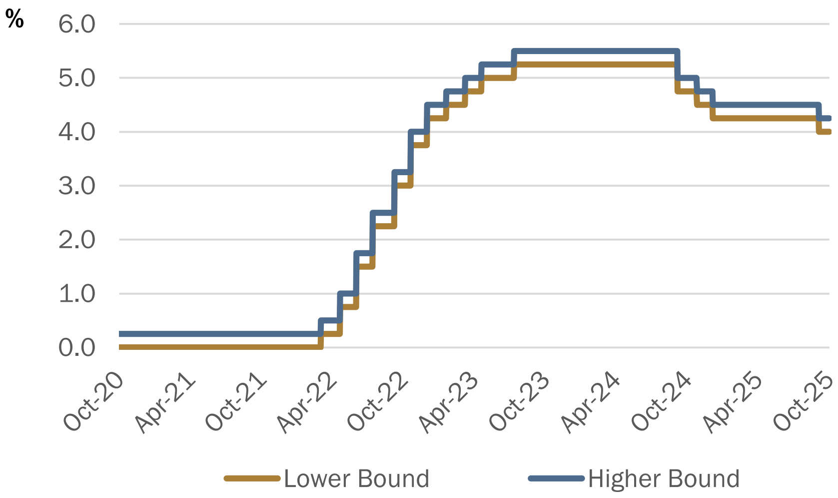
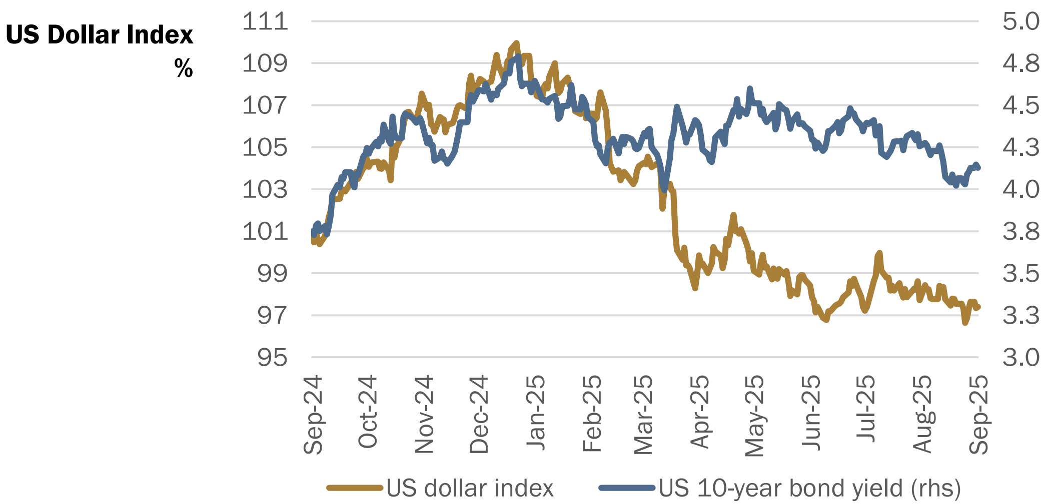
Growing expectations for an imminent Fed rate cut weigh on the US dollar



Source: Federal Reserve

US Interest rate

- The Fed delivered a widely anticipated 25 basis point rate cut at the September FOMC meeting. However, Chair Powell's post-meeting remarks were perceived as less dovish than expected. He expressed concerns about US inflation pressures driven by Trump's tariffs, and emphasised the Fed's cautious stance on additional easing.
- However, it is unlikely that Powell's remark to shift market expectations for a total of three rate cuts this year and one more cut in 2026. The pattern of cutting rates while signalling caution in post-meeting communications is familiar to investors. Markets continue to price in a nearly 90% probability of another 25 basis point cut at the October FOMC meeting.



Source: Bloomberg

US Treasury yield and dollar

- Impacted by Trump's tariffs, the US Dollar Index has declined notably this year and has hovered near a three-year low over the past two months. Fed Chair Powell cautiously opened the door to rate cuts recently, reinforcing expectations for monetary easing. In addition, concerns over the Fed's independence and the longer-term economic and labour market effects of the tariffs are prompting investors to reduce exposure to US assets in favour of safe-haven alternatives.
- After briefly rising to 4.8% earlier this year, the 10-year US Treasury yield has since retreated and is currently hovering just above 4%. Growing expectations for a Fed rate cut in the near term have exerted fresh downward pressure on yields, with a notable decline observed since the beginning of September.

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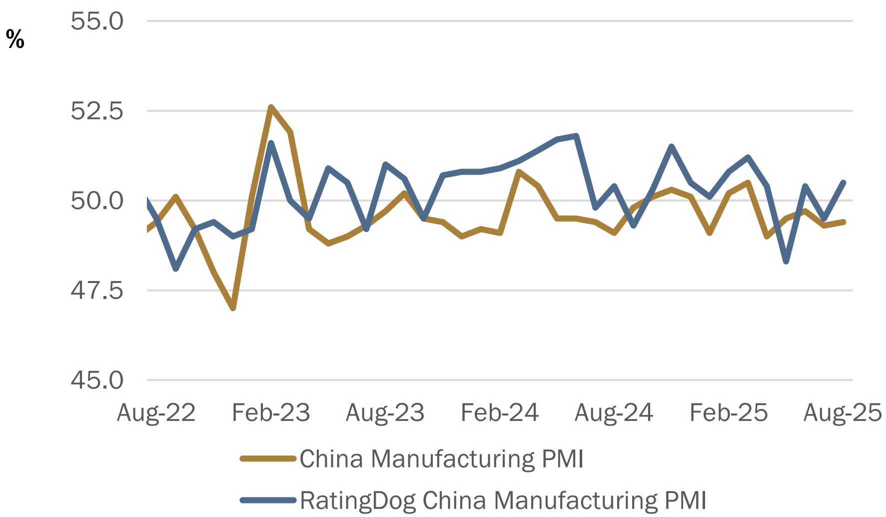
US tariffs hurt China's industrial activity, clouding the economic outlook

Source: National Bureau of Statistics of China



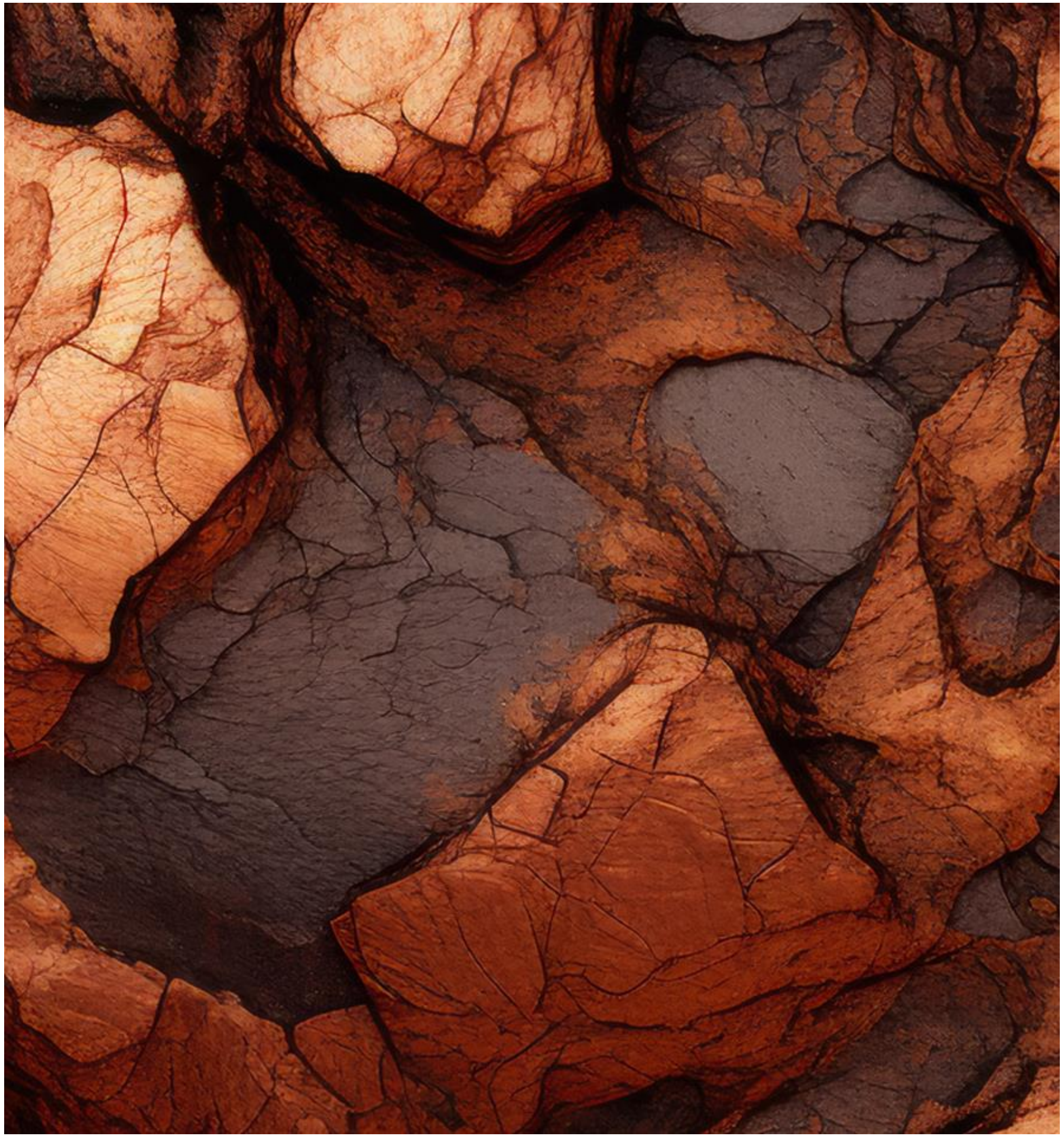
Source: China Federation of Logistics and Purchasing

China's industrial production and retail sales

- China's economy has shown signs of a general slowdown, with retail sales and industrial output reporting their weakest growth this year amid the strains from a trade war with the US and domestic weaknesses.
  - China's industrial production grew 5.2% year-over-year in August, the lowest reading since August 2024, and weaker than a 5.7% rise in July. Retail sales expanded 3.4% in August, the slowest pace since November 2024, and cooling from a 3.7% rise in the previous month.
  - Fixed asset investment also grew at a slower-than-expected 0.5% pace in the first eight months y-o-y, from 1.6% in January to July, marking its worst performance outside the pandemic.

China's manufacturing PMI

- The NBS data showed China's manufacturing activity shrank for a fifth straight month in August, reflecting ongoing challenges from higher US tariffs, a property sector downturn, rising unemployment, and heavy local government debt.
  - The official manufacturing PMI fell to 49.4 in August versus 49.3 in July, below the 50-mark separating growth from contraction and missing a median forecast of 49.5.
  - RatingDog China manufacturing PMI unexpectedly returned to growth in August, rising from 49.5 to 50.5, beating expectations of 49.8. The gauge signalled the fastest rate of expansion since March, which was in part driven by a recovery in new export orders, indicating the "resilience of external demand in the face of tariffs,



Copper Market Analysis

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Copper trades near $10,000 as halt at Grasberg copper mine persists

Source: LME

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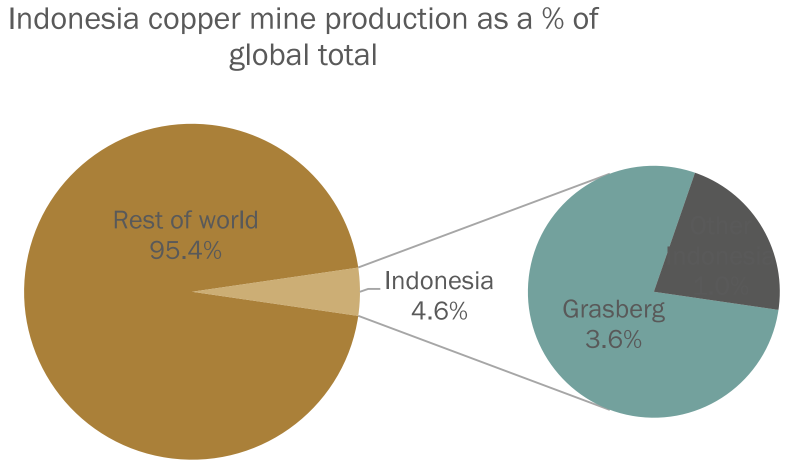
LME 3-month copper prices hit $10,000/t on concerns about mine supply

%

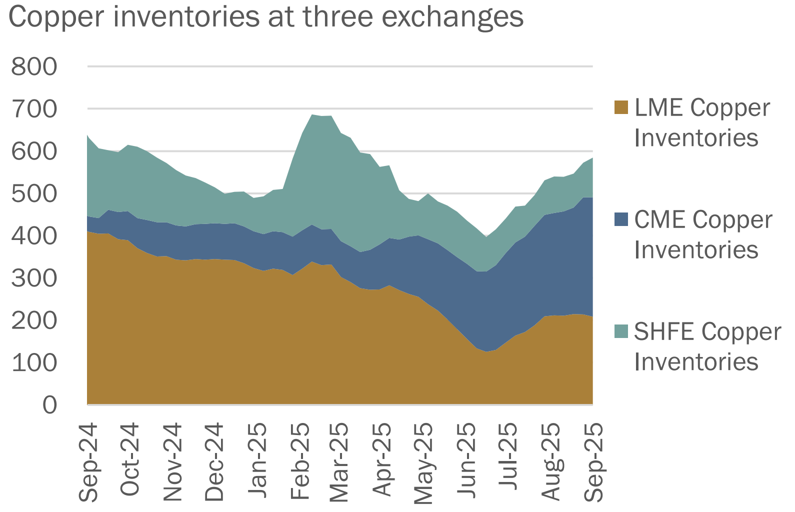


Source: Various sources

Freeport halts Indonesia's Grasberg mining operations after incident

- Indonesia's Grasberg copper mine produced about 816,000 tonnes of copper last year, making it the world's No.2 copper mine after Chile's Escondida and accounting for roughly 3.6% of global output. Recently, a mud flow at Grasberg left several workers missing and forced the mine to halt operations to focus on search and rescue efforts.
- Concerns over reduced output pushed LME 3-month copper above $10,000/t this month. So far, there have been no clear reports of major equipment damage or any mention of a wide-scale investigation at Freeport. If the remaining five missing workers are found, the mine is expected to resume operations fairly quickly—potentially within a few days to a couple of weeks.

'000 Tonnes



Source: Bloomberg

COMEX copper inventories continued to rise in August and September

- On July 30, Trump officially announced that imports of refined copper and copper scrap would be exempt from tariffs. The 50% tariff would only apply to semi-finished copper products, taking effect on August 1. However, data show that COMEX copper inventories continued to rise in both August and September.
- The surge in COMEX copper inventories was mainly driven by heavy front-loading of imports earlier in the year. The arbitrage window is closed now, but large copper volumes had already accumulated in US warehouses. As a result, COMEX inventories now exceed 300,000 tonnes—higher than LME stocks. It is expected to take 4-5 months for the US market to absorb these inventories.

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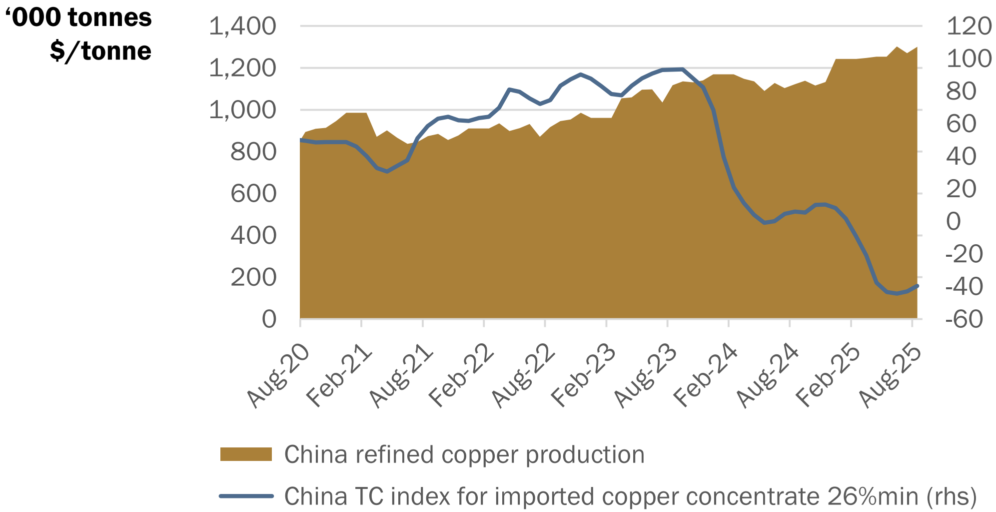
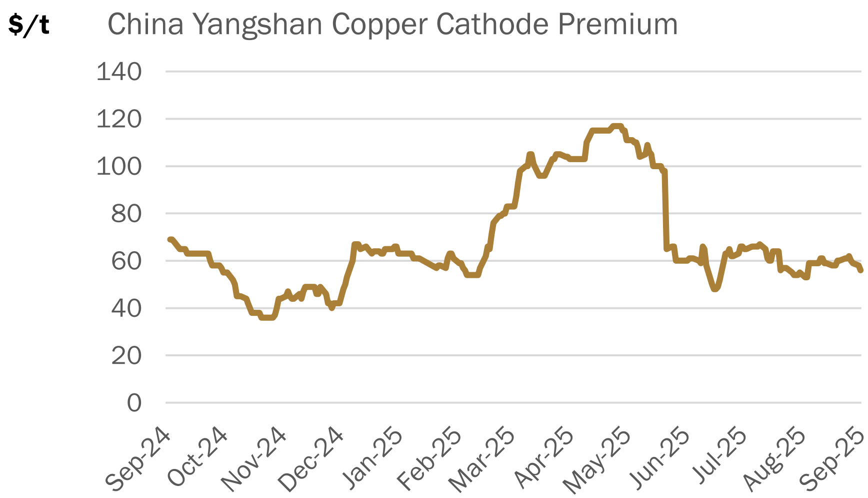
Record refined copper output in China limits import needs



Source: National Bureau of Statistics of China; SMM International



Source: Shanghai Metals Market

China's refined copper production rose 15% y/y in August

- China's refined copper production reached a record high of 1.302 million tonnes in June 2025. Output fell to 1.27 million tonnes in July, then rebounded in August, rising 15% y-o-y to 1.301 million tonnes. Despite persistent overcapacity in Chinese refined copper and a shortage of the global copper concentrate, spot treatment charges have remained around negative $40 per tonne.

- However, there has not been any large-scale production cut among Chinese smelters. On one hand, local governments are keen to keep smelters running to support GDP and maintain employment. On the other hand, strong gold prices—a key by-product of copper mining—have helped offset losses for many smelters.

Yangshan copper premium have kept steady since July

- The Yangshan copper premium has hovered around $60 since July, showing little upward movement even as September marks the traditional peak season for industrial activity. The recent breakout of LME 3-month copper above $10,000/t has dampened buying interest, especially among small and medium-sized fabricators.

- Meanwhile, China's refined copper output remains elevated, keeping domestic supply ample and dampening demand for imports. Most transactions are via long-term contracts, limiting spot market activity. Although US tariffs have diverted some South American and African copper to the US, tightening supply in Asia, China's strong domestic output has largely offset the impact.

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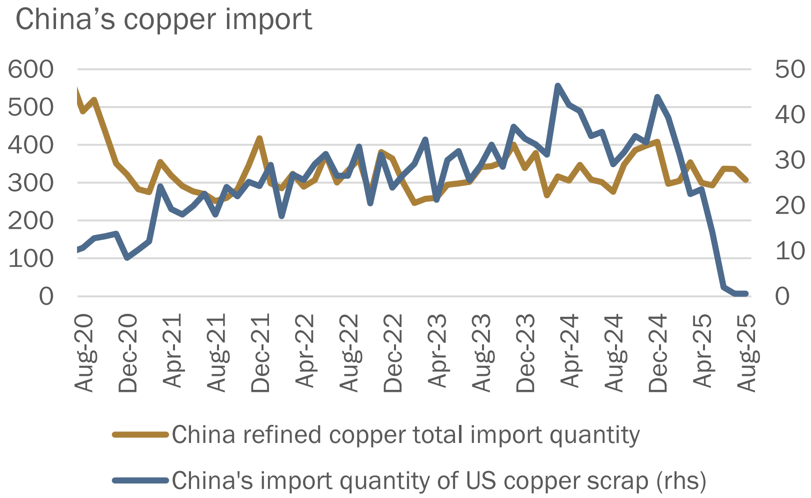
China copper trade flows shift amid tariff changes and regional arbitrage

'000 tonnes

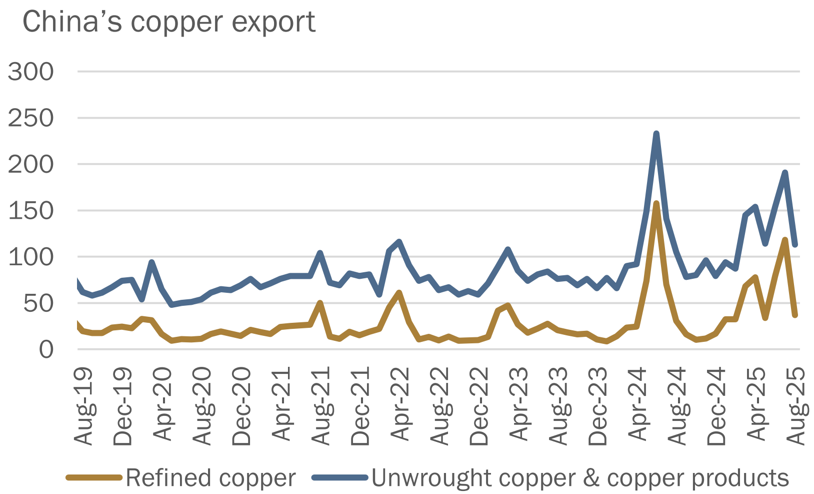


Source: Customs General Administration PRC

China's imports of US copper scrap is likely to rebound in the future

- Trump's proposed 50% tariff on copper imports earlier this year caused US copper scrap shipments to China to plunge below 1,000 tonnes—the lowest level in at least 21 years—compared to a monthly average of around 36,600 tonnes in 2024. The US has long been China's top supplier of copper scrap.
- Following Trump's official statement on July 30 that imports of refined copper and copper scrap would be exempt from tariffs, Chinese imports of US copper scrap are expected to rebound. Meanwhile, China's refined copper imports have remained relatively stable this year, fluctuating between 300,000 and 350,000 tonnes per month. Domestic overcapacity in smelting continues to weigh on import demand.

'000 tonnes



Source: Customs General Administration PRC

China's copper exports plunged in August amid a shift in arbitrage opportunities

- China's refined copper exports surged to a peak in July, driven by favourable arbitrage opportunities and strong overseas demand, particularly from the US and Southeast Asia. However, in August, exports plunged 69% m-o-m to 36,900 tonnes, while unwrought copper and copper products fell 41% to 112,920 tonnes.
- August exports were mainly directed to Taiwan and Southeast Asia, where PT Gresik's maintenance tightened long-term supply and lifted regional premiums. Traders responded by filling shortfalls in the region. While Singapore remained a destination, its share declined. Exports to the US have largely ceased, following the July 30 tariff exemption on refined copper—only long-term contracts and limited spot cargoes continue.

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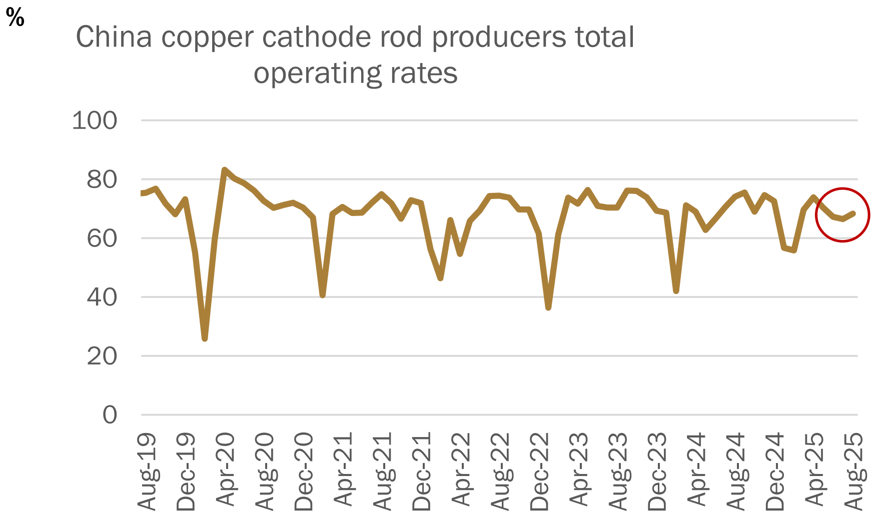
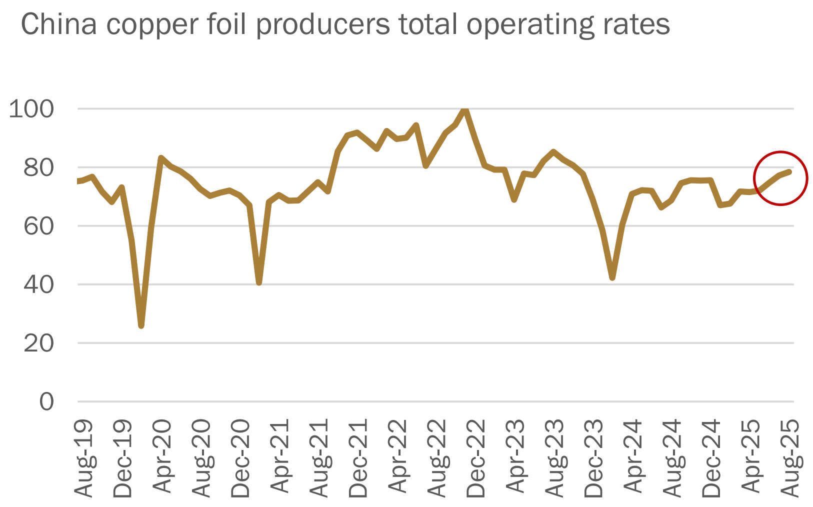
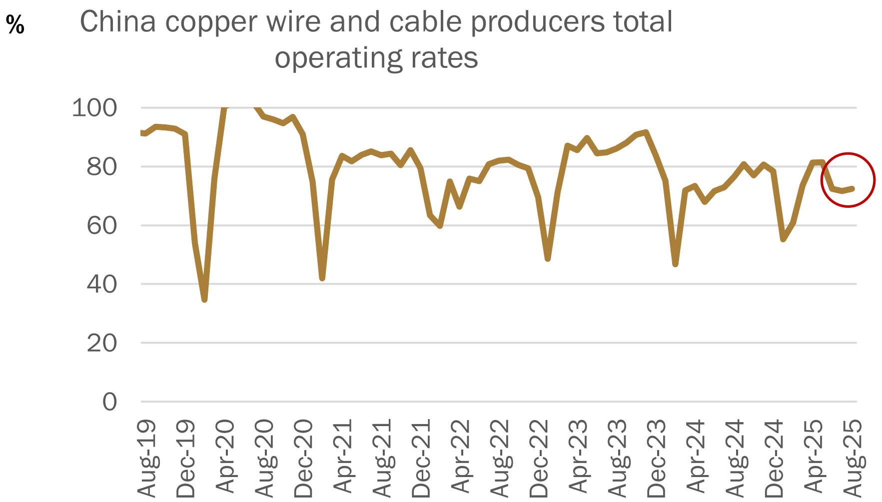
Operating rates in China's copper downstream sector rebound in August



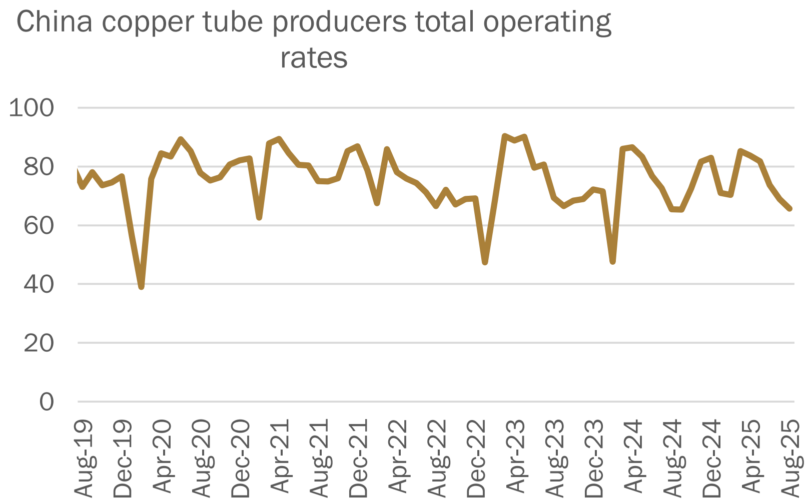
Source: SMM International



Source: SMM International



Source: SMM International



Source: SMM International

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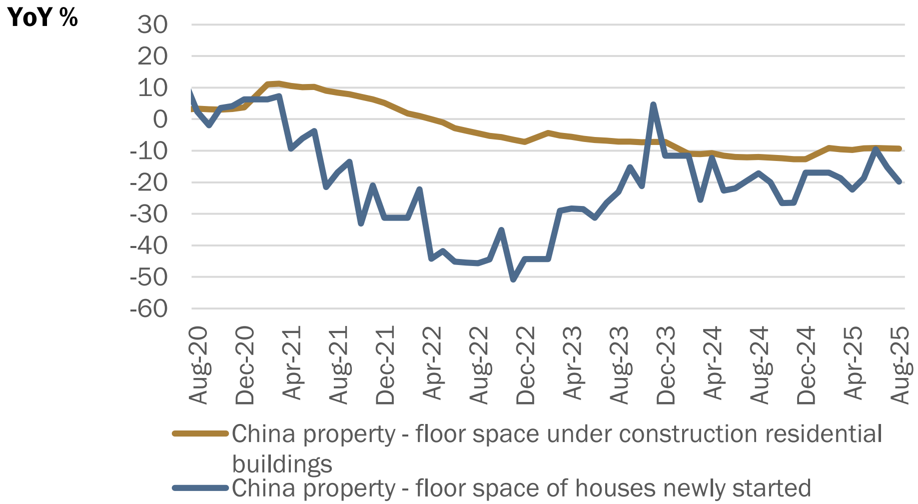
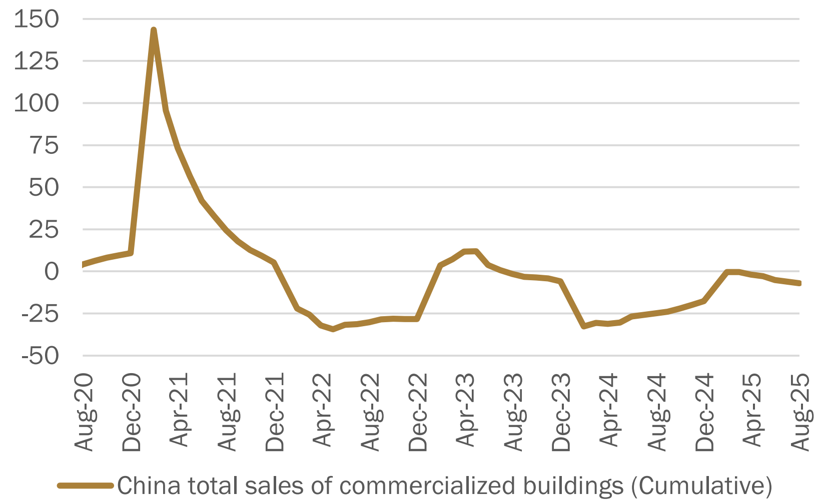
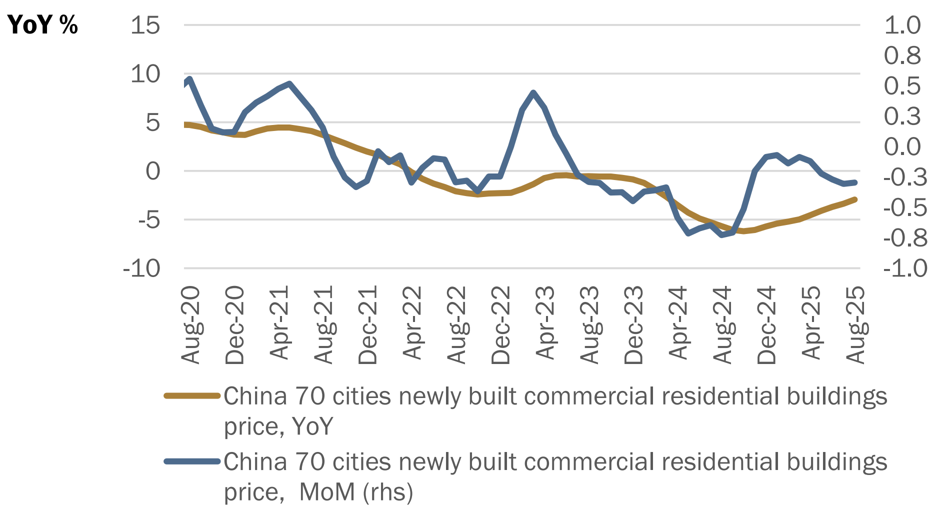
China’s property sector remains sluggish despite stimulus efforts



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China

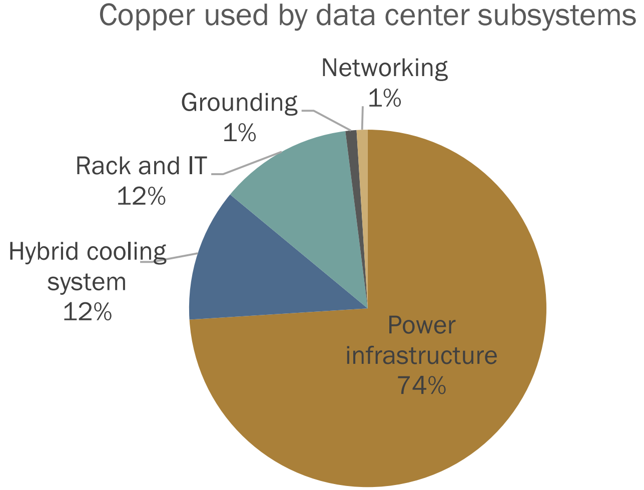


Source: National Bureau of Statistics of China

Source: National Bureau of Statistics of China

AI centers add new demand; energy transition remains the main driver

% of total

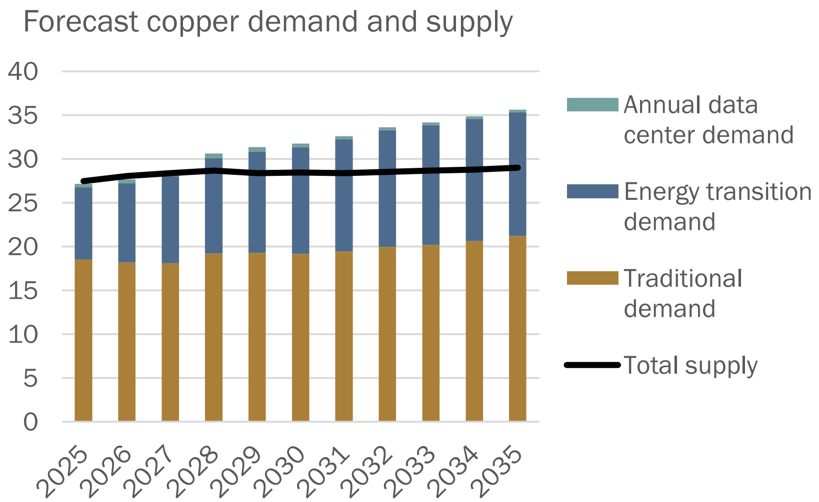


Source: Customs General Administration PRC

Copper plays a critical role in powering and cooling AI data centers

- The majority—74%—is used in power infrastructure, especially in thick low-voltage cables that deliver high-current loads from switchboards to server racks.
- Another 12% goes into cooling systems, where copper is found in liquid cooling manifolds at the rack level and in pumps and compressor motors for building-wide chillers.
- An additional 12% is used in rack and IT hardware, including internal wiring, power units, and cold plates that help dissipate heat from GPUs and CPUs.
- Networking and grounding contribute another 1% each.

Million tonnes



Source: BloombergNEF

AI data centers to consume over 4 million tonnes of copper by 2035

- BloombergNEF estimates that new data centers will require an average of 400,000 metric tons of copper annually over the next decade, peaking at 572,000 tons in 2028. Between 2025 and 2035, cumulative copper use in data centers is projected to exceed 4.3 million tons, nearly matching Chile's annual output.
- While North America remains the leading region, China, the UK, Germany, and France are also accelerating their buildouts. Still, AI data centers will only account for 1–2% of total copper demand each year, highlighting a potential supply shortfall—driven primarily by the energy transition, which remains the dominant source of new copper demand.

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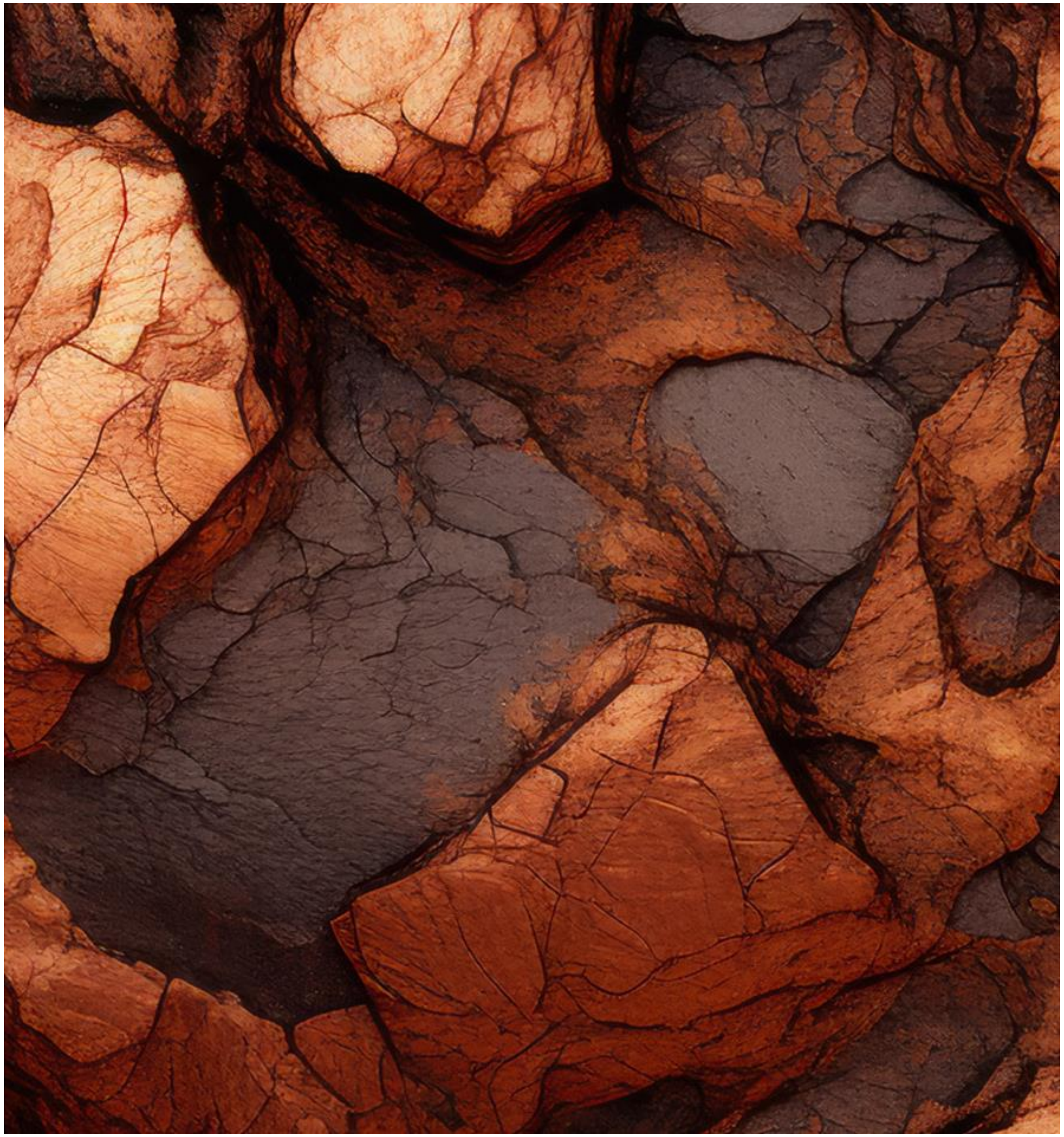
Technical analysis: Moving Averages, RSI

$/t

Source: Bloomberg



Copper
Price
Outlook

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Copper price outlook

Copper price outlook – Short term	
Bullish	• The Fed begins a new rate-cutting cycle, stimulating economic activity and supporting industrial metals demand. • The dollar continues to weaken due to tariffs and future rate cut bets, benefiting dollar-priced metals like copper. • Freeport halts Indonesia's Grasberg mine operation after a mudflow incident, limiting copper mine supply. • September and October mark the peak season for industrial activity; copper downstream processing plants are expected to increase operating rates. • Technical indicators show copper prices are sitting on key moving averages and are not overbought, suggesting strong short-term upside momentum.
Bearish	• US tariffs hit Chinese industrial and manufacturing activity, denting copper demand. • China's GDP growth may miss the 5% target due to tariff pressures, weakening sentiment and industrial metals demand. • LME copper inventories have rebounded from recent lows over the past two months. • China's refined copper production remains at historically high levels, with no clear signs of output cuts from domestic smelters. • The Yangshan copper premium indicates that Chinese demand for imported copper has not picked up even during the industrial peak season. • The US officially exempted refined copper imports from tariffs, likely leading to more copper flowing back from the US to other regional exchanges.
Copper price outlook – Medium to long term	
Bullish	• The market expects two more rate cuts by the Fed this year, each by 25 basis points. • Global copper concentrate deficits are expected to persist, fundamentally restricting copper supply. • China has begun construction of the Yarlung Tsangpo mega hydropower project, boosting future copper demand. • The energy transition-related sectors will become the main drivers of copper demand growth in the future.
Bearish	• Reciprocal tariffs from the US may have more lasting impacts on global economic and trade activity, casting a shadow over copper demand. • The sluggish recovery of China's property market has become a long-term drag on copper demand growth.

Source: ICBC Standard Bank

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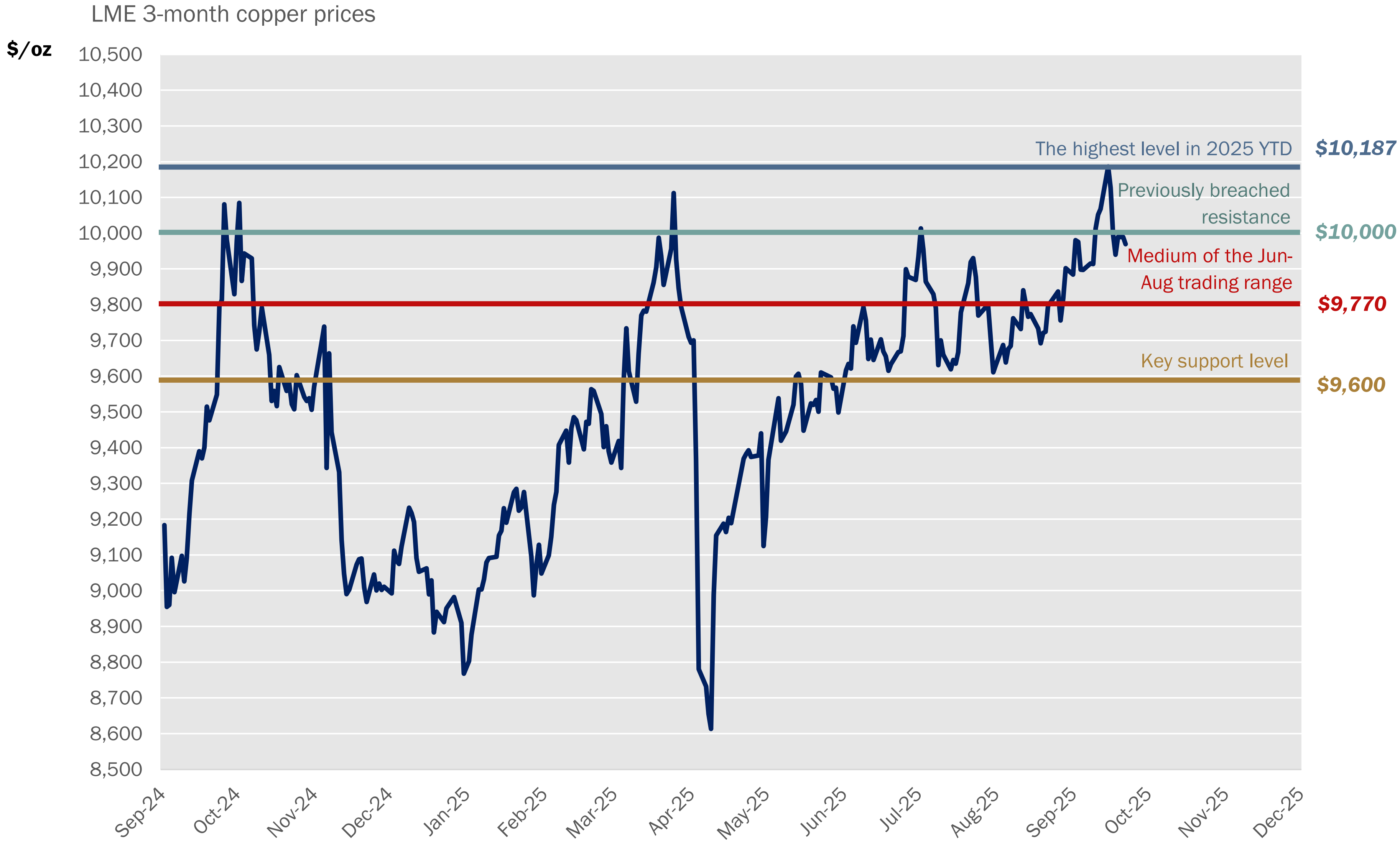
Copper prices outlook – key price levels



Source: Bloomberg; ICBCS

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