In focus

In February, the copper price was briefly once again under the US$ 7,000/t mark, but then recovered again quickly. In line with this, the ICSG published its most recent figures and sees a deficit of 200,000 t for the period from January to November 2017. The month was additionally characterized by a series of announcements regarding new mine projects and capacity expansions worldwide.

Economic situation

The IMF remains optimistic regarding global economic growth. This is expected to increase by 3.9 % in 2018 and 2019 respectively. Tax reforms in the US and a recovery in the Asian markets are also cited as significant driving factors. These are countered by risks from protectionist behavior and possible corrections on the financial markets.

According to the most recent IMF estimate, China’s economy will grow by 6.6 % in 2018 and thereby remain slightly below the prior-year level.

The euro zone also grew at the beginning of the current year. As the Börsen-Zeitung reported, the industry showed strong growth in production output and incoming orders. The Purchasing Managers' Index (PMI) remained at the high level of 59.6 points, which suggests further growth. Eurostat anticipates an increase in growth of 0.6 % in the last three months. The institute is predicting GDP growth of 2.6 % for the entire year.

The economy in Germany continues to be robust. In the fourth quarter, the GDP increased by 0.6 %. According to the Federal Statistical Office of Germany, the German economy is expected to grow by a total of 2.5 % in 2018.

In the course of February, the euro was quoted against the US$ at between US$ 1.23 and 1.25.

Copper essentials

In February, the ICSG published their estimates for the period from January to November 2017. According to this, global production of refined copper was around 0.4 % higher than the previous year’s comparative period, at 21,404 thousand t, and usage was around 0.6 % higher than the previous year’s comparative period, at 21,600 thousand t.

The investment bank Goldman Sachs raised its forecast for the 2018 copper price significantly, to US$ 8,000. The bank had previously assumed US$ 7,050. Goldman cited the continued high demand from China and, more particularly, from additional emerging economies as the reason for this.

The infrastructure program in the US has earmarked an investment volume of up to US$ 1.7 trillion (€ 1.4 trillion) – with a positive impact on copper demand. According to a Commerzbank report, resistance to the plans is to be expected; the financing appears to be problematic.

In the tendering procedure for the Michiquillay copper mine in Peru, Southern Copper Corp. has been awarded the contract. The project is expected to have an output of approximately 225,000 t of copper per year.
According to statements from American Metal Market, the markets for copper cathodes in the USA, Europe and China have recently been more favorable. In the USA, higher freight and logistics costs came into effect. In Europe, higher physical demand was observed.

» Price trend

At the beginning of February, a noticeable setback in the copper price occurred, and it was at times once again significantly below the US$ 7,000/t mark. As was discussed at Reuters, the main reasons were the general decline in the stock markets as well as a stronger alignment of the copper price with its fundamentals. In the middle of the month, the price then firmed up again, likely under the influence of the coming Lunar New Year festivities in China and inflationary fears after inflation figures in the USA turned out higher than had been expected. On February 27, it closed at US$ 7,065/t.

» Copper raw materials

The supply situation for copper concentrates was also described as good in February. Concentrate deliveries, which were made available at the end of 2017/beginning of 2018 due to capacity reductions at Glencore’s Pasar and Birla’s Dahej smelters, were in some cases redirected to the Chinese spot market. As American Metal Market reported, the spot TC/RCs spanned a wide range in January: Transactions took place below, at, and above the level of the contract negotiated between Tongling and Freeport in December 2017. Out of concern for a potential market shortage in the course of the year, caused by possible work stoppages in the course of renegotiating collective agreements with unions, some smelters increasingly stocked up with concentrates in January. This generally had a dampening effect on the spot TC/RCs. This was offset by announcements regarding collective agreements that were reached earlier than expected, for example at Codelco’s Andina mine in January, as well as isolated shutdowns on the smelter side.

As reported by Reuters, the Australian company EMR Capital plans on doubling production at the Lubambe copper mine in Zambia. In concrete terms, EMR intends to increase the volume to more than 40,000 t in the next two years. EMR would additionally like to develop another mine within the Lubambe copper mine’s licensed area.

Antofagasta has received the final environmental permit from the Chilean government for a US$ 1.1 billion project in connection with the extensive modernization of the Los Pelambres mine. As reported by Bloomberg, the investments will in particular serve to bring the processing capacity up to the approved 210,000 t/day. However, additional permits are needed in order to begin the work. According to Dow Jones, the project will maintain the mine’s output at approximately 400,000 t of copper per year.

Prices for copper scrap in the USA remained at a very good level in the first month of the year. Reuters reported that strong Asian demand even led to prices close to a 3.5-year high. In the last edition, we provided detailed coverage on China’s most recent initiative, which could have an influence on the strong demand for copper scrap. Chinese buyers are currently very active in the American market for copper scrap, as was written in Reuters.

» Production

According to statements from Dow Jones Newswires Germany, Peru is reporting new record copper production levels: The Ministry of Energy and Mines published figures of nearly 225,000 t for December. For the whole of 2017, Peruvian copper production is estimated at 2.45 million t. A primary reason for this is especially the expansion of existing mines. According to information from the International Copper Study Group, global copper mine production is predicted to grow by 2.5 % in the current year. According to information from government agencies, mining investments in 2017 were almost 16 % higher than in the previous year, at US$ 4.9 billion.

As reported by the Platts industry information service, Rio Tinto lifted the “force majeure” status for refined copper at the Kennecott unit of its Bingham mine. All units are currently producing at normal levels again, after the smelter had already lifted the status on November 17.
According to Dow Jones, the Indian mining company Vedanta Resources Plc wants to more than double production at its copper mine in Zambia. The company is said to have invested US$ 3 billion in the development of regional mines in the country in the past. The company’s plans assume that the production volume could increase from currently 200,000 t to 500,000 t in the next four to five years.

First Quantum Metals is already planning to markedly increase throughput at its Cobre Panama mine, before this has even been completely started up. In concrete terms, CRU is referring to a throughput increase of 15 % to 85 million t/year, which is expected to be achieved by 2020. After 2022, the volume will then be increased again to 100 million t/year.

According to Reuters, the Indonesian government has issued Freeport-McMoRan’s local subsidiary and Amman Mineral Nusa Tenggara (AMNT) new permits for exports until February 2019. The export licenses for concentrates – including for concentrates from Grasberg, the second-largest copper mine worldwide – must be renewed once a year. According to this, Freeport is allowed to export 1,247,866 wmt of concentrates via its local subsidiary and AMNT is allowed to export 450,826 wmt of concentrates.

The Chinese company Jinchuan must halve the refinery plant capacity of its copper smelter in the Gansu province to 200,000 t, according to Metal Bulletin. The reason for this is technical problems.

» Inventories

The inventories in the LME warehouses increased again in February due to deliveries. They were thereby at the highest level since September 2016. On February 23, the LME inventories were at around 332,000 t. Currently, around 53,850 t are booked for removal. Copper inventories also increased at the SHFE. After an increase of around 50,000 t, these were most recently at approximately 219,000 t. In mid-January, around 460,000 t were located in the Shanghai bonded warehouse. The volumes stored in COMEX warehouses amount to approximately 230,000 t.

» Product markets

The automobile industry is an important customer for the copper sector. In January, positive signals came from Japan, where sales figures for cars increased by 1.3 %, as reported by Japan Automobile Manufacturers Association. According to the German Association of the Automotive Industry (VDA), new passenger car registrations in Europe also rose by approx. 7 % in January, to 1.3 million vehicles. Spain registered the highest growth, followed by Germany and Italy.

The Chinese Purchasing Managers Index remained at the good level of 51.5 points in January, the Dow Jones Newswires reported. The German industry also remains on the right track. With 61.1 points, IHS Markit’s Purchasing Managers Index remained nearly at the previous month’s high level and is among the highest since the survey’s inception in 1996.