

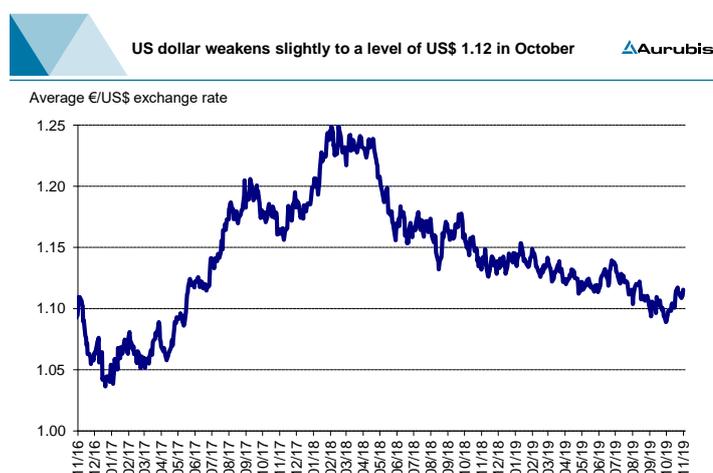
The Aurubis Copper Mail provides monthly information about current trends on the copper market.

In focus



The copper world met again for the annual LME Week in London during the week starting October 28. The latest market estimates are also always published around this time, and it becomes apparent how difficult it is to correctly predict how the copper market will develop. The ICSG, for instance, is now forecasting a surplus of 280,000 t for the refined copper market in 2020. Reuters also released its latest survey of analysts – who, in contrast, predict an average deficit of 135,000 t in the market in the coming year

Economic situation



The International Monetary Fund released its latest outlook on the global economy in October, which forecasts 3.0 % global economic growth in 2019. This is a downward correction of 0.2 percentage points compared to the summer forecast. Growth is anticipated to be 3.4 % again in 2020. The organization anticipates a 1.2 % increase in growth for the eurozone (2020: 1.4 %) – Germany is supposed to contribute to this figure with its own growth rate of 0.5 % (2020: 1.2 %). The trade conflict between the US and China, and its impacts on the global economy, were cited as a key reason for this again.

The US dollar was quoted at about US\$ 1.11 to the euro at the end of October (end of September:

US\$ 1.09).

Copper essentials

The China Smelter Purchase Team (CSPT) established a “buying floor” of US\$ 66/t and 6.6 cents/lb for Q4 2019, as S&P Global Platts reported. This is 20 % higher than the last buying floor of US\$ 55/t and 5.5 cents/lb for Q3. According to Reuters, the higher level reflects the good concentrate supply at the moment, which is due in part to higher volumes from Indonesia (Grasberg mine) with, at the same time, high inventories on the smelter side and impacts from unplanned smelter shutdowns.

In October, the ICSG published its updated outlook for 2019 and 2020. The study group expects global refined copper output of around 24.3 million t in 2019, with visible consumption of 24.6 million t worldwide. This would lead to a deficit of around 320,000 t on the global refined copper market in 2019. For 2020, the ICSG forecasts a surplus of about 280,000 t and predicts an output of 25.3 million t and consumption of 25.0 million t.

Reuters also released its latest analyst survey on the copper market in October (the so-called Reuters poll). The poll result indicates that the global refined copper market will register an average deficit of 67,100 t in 2019, which will then rise to 135,000 t in 2020.

In September, the International Copper Study Group (ICSG) released its estimates for the period from January to July 2019. According to these numbers, *mine output* in the first seven months of the year was at 11,620,000 t (Cu content) and thus still at the level of the same period of the previous year. Mine capacity utilization was at 80.6 % (previous year: 81.9 %).

Global output of *refined copper* from concentrates and recycling materials was also at prior-year level during the period, at 13,870,000 t. The utilization of global refining capacities declined from 86.3 % in 2018 to 83.6 % in 2019. While concentrate inputs decreased by 0.5 %, copper scrap inputs rose by 1.5 %.

Visible global demand for refined copper increased marginally during the period to 14,200,000 t (previous year: 14,100,000 t), mainly driven by slightly higher demand from China.

This results in a deficit of 320,000 t for January to July (previous year: deficit of 240,000 t) for the global refined copper balance.

» Price trend



In October again, the copper price on the London Metal Exchange (LME cash settlement) didn't appear to be strongly affected by market developments. It moved sideways for the most part and closed the month slightly higher at about US\$ 5,825/t (end of September 2019: US\$ 5,700/t).

Reuters published its latest copper price forecast last month (Reuters poll). The participants expect an average copper price of US\$ 5,999/t in 2019 and US\$ 6,030/t in 2020.

» Copper raw materials

In October, spot treatment and refining charges (TC/RCs) were at a level of US\$ 60/t and 6.0

cents/lb Cu, as CRU reported. According to the news service, deliveries with higher gold contents were even traded at a TC/RC level of US\$ 65 to 90/t / 6.5 to 9.0 cents/lb Cu. American Metal Market reported that Chinese smelters were currently very well supplied with copper concentrates, had built up inventories accordingly, and were therefore less present on the spot market.

Towards the end of the month, the harrowing news of the violent protests in parts of Chile reached the copper world. The extent to which they could impact copper production in the country is currently unclear. While Reuters reported that BHP had confirmed a capacity reduction at the Escondida mine in the meantime, Codelco reported at the end of the month that production in many locations was running normally again.

October delivered more news about current and future mine projects.

Reuters reported that Ecuador is about to export the first larger copper delivery from its El Mirador copper mine. For this country in the Andes that's rich in raw materials, this is a milestone in its development towards becoming a global copper supplier. The first delivery is supposed to take place in mid-November.

Antofagasta has negotiated a new labor agreement for its Los Pelambres mine, according to Bloomberg. This is part of a 36-month wage contract.

First Quantum started commercial production at its Cobre Panama copper mine (located in Panama) in early September, as Reuters reported. The company stated that it had reached this milestone one month earlier than expected, owing to a quick production ramp-up by the project construction and operations teams.

According to Reuters, the Peruvian government issued its approval for the construction permit for the postponed US\$ 1.4 billion copper project Tia Maria. However, implementation still depends on the right social and ecological conditions. Tia Maria has the potential to produce about 120,000 t of copper per year and would bolster Peru's position as the second largest copper producer in the world.

The construction of Anglo American's Quellaveco copper mine in Peru is on track, according to the company: About 30 % of the work is reportedly finished, and production is supposed to ramp up starting in 2022.

In October, China released the fifth tranche of import licenses for category 6 recycling materials, as Reuters reported. Overall, China Solid Waste and Chemicals Management issued licenses for a total of 71 companies for a volume of about 57,000 t of copper scrap imports. Import licenses have therefore been issued for a total of 541,000 t/430,000 t (copper content) for the second half of 2019 thus far.

According to American Metal Market, many importers in the Chinese province of Ningbo, a key destination for copper scrap exports to China, have already exhausted their assigned contingents and now have to withdraw from the spot market. This illustrates the new reality in China after the country introduced a quota for high-purity copper

scrap in the summer. Since the first quota allotment in mid-June, the Ningbo province has been granted volumes of around 238,000 t. However, with the last allotment in late September, just over 1,000 t went to importers in the region.

In October, the Association of German Metal Traders (VDM) commented on the German federal government's climate plans, as Reuters reported. The association said that it wished policymakers would give the German metals industry more recognition and include it in consultations more intensively. The association president sees the debate as problematic because sanctions are almost always used as a control mechanism, rarely rewards. Germany will introduce a CO₂ emission price for transport and heating in buildings starting in 2021. According to the VDM, recycling conserves raw materials and energy and reduces CO₂ emissions. CO₂ reductions from recycling copper, aluminum, and zinc alone amounted to about 6.5 to 8 million t in Germany in 2017, the VDM asserts.

Production

According to Fastmarkets, the production shutdowns in China have continued due to the obviously unsustainable TC/RC level. With Top-Eastern Copper in Liaoning, Jinshui Copper and Kaitong Group in Yunnan, Laizhou Fangtai in Shandong, and Zhongqi Copper in Xinjiang, a capacity of 375,000 t (copper in concentrate) has exited the market in the meantime. Reuters reports that Chinese smelters will also have to anticipate stronger pressure in the coming year due to higher environmental and financing restrictions.

In Brazil, Paranapanema is preparing its copper smelter in the Bahia province for a scheduled maintenance shutdown, as S&P Global Platts reported. It's supposed to begin on November 25 and last for about 20 days.

The Zambian copper smelter Konkola also stopped production for annual maintenance earlier than planned in October after a leak, as Reuters reported. The smelter is supposed to be shut down for over a month as of the end of October – for a total of 37 days. As reported in previous editions of this newsletter, there has been conflict regarding the Konkola copper smelter between the current operator and majority shareholder Vedanta and the Zambian government, which holds about 20 % of the smelter. Zambia accuses the operator of violating the terms of the license. The company rejects this accusation.

According to Bloomberg, Codelco is considering a complete closure of its Ventanas copper smelter in Chile, according to Chilean President Sebastian Piñera in an interview. He stated that reasons for this possible step are that Ventanas is considered very environmentally unsound and significant investments between US\$ 400 and 500 million would be required to bring the smelter in line with the current emission rules. Furthermore, Ventanas allegedly incurred losses of more than US\$ 500 million in the last ten years, failing to be in the black at any point during the period.

Aurubis is leaving its Aurubis copper premium for 2020 at US\$ 96/t, unchanged from the current year. Codelco is keeping the premium for copper cathode deliveries to China stable in 2020, at US\$ 88/t, according to a Reuters report. The stable premium level for 2020 in the current, fairly restrained macroeconomic environment indicates that producers expect better copper demand again in 2020.

American Metal Market reported that spot copper premiums in the US in October were slightly higher than September, at 7.5 cents/lb. According to Bloomberg, this was due in part to Codelco's announcement that it would raise the annual premiums for the US for 2020. Spot copper premiums in China rose in October as well, in a range between US\$ 70 and 83/t, as Fastmarkets published. According to the news service, inventories in Chinese bonded warehouses continued to fall at the same time and were between 292,000 and 295,000 t – the lowest level since November 2015. The European market stayed calm in October as well; copper premiums remained between US\$ 40 and 50/t (Rotterdam CIF) and between US\$ 80 and 90/t for copper grade A (delivered Germany), as Fastmarkets reported.

» Inventories

Visible copper inventories in global warehouses increase again (MoM) 

October 31, 2019	Europe	North America	Asia	Total*
				
LME	147,200 t	42,125 t	65,700 t	255,025 t
COMEX / SHFE	---	36,549 t	149,911 t	186,460 t
Total Cu inventories at metal exchanges	147,200 t	78,674 t	215,611 t	441,485 t

*Differences possible due to rounding

large EU markets, with the exception of Italy and France.

The German Electrical and Electronic Manufacturers' Association (ZVEI) reported declining figures in October again, which showed incoming orders in August falling 6.7 % below August of the previous year. Domestic orders were nearly 10 % lower and international orders were 4.5 % lower. For the cumulative period from January to August 2019, the ZVEI sees a 1.6 % decrease in orders compared to the previous year.

Incoming orders in mechanical engineering in August were also 17 % below August 2018, according to MBI NE-Metalle. The industry association VDMA stated that domestic orders decreased by 12 % and international orders by 19 %, with orders from the euro zone 14 % below the level of the same month of the previous year. Incoming orders from outside of the euro zone fell by 21 %.

Inventories in the global warehouses rose again overall in October. They were at 440,000 t at the end of the month, about 16,000 t higher than at the end of September (approximately 424,000 t).

» Copper products

According to MBI NE-Metalle, the European commercial vehicle market declined in September for the first time this year. According to the European Automobile Manufacturers' Association (ACEA), new registrations in the EU fell by 9.8 % to about 198,000 vehicles. In the first nine months, the figure had grown by 4.7 % to about 2 million. In September, demand decreased in all segments and in all