

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

In focus



2019 still promises to be an exciting year for the copper industry. A full project pipeline bodes well for higher activity on the mine side, counteracting any production declines. The smelter side is impacted by scheduled and unscheduled shutdowns, as well as new processing capacities. And when it comes to demand for refined copper, macroeconomic trends such as the trade dispute between the US and China and China's growth incentives are ongoing issues. All of these topics will be at the forefront April 8-12, when the "who's who" of the copper world meets for this year's Cesco Week in Santiago.

Economic situation

US dollar gains strength in March and is quoted at US\$ 1.12 at month-end 

Average €/US\$ exchange rate



China adjusted its growth targets for 2019 in March and now expects an increase between 6.0 and 6.5 %, as Bloomberg reported. For the first time ever, the country released a growth range instead of a fixed percentage. At the same time, China's president presented the prospect of about US\$ 300 billion in tax breaks. Reuters stated that China introduced lower VAT rates for producers as of April 1, 2019. This measure is intended as an additional growth stimulus for the Chinese economy.

China and the US met again in Beijing for talks in March. The focus is still the trade conflicts between the two countries, according to Reuters.

Bloomberg reported that in March, the US Federal Reserve commented on the future US interest rate policy. Market observers interpret these comments to mean that it is unlikely that the Fed will raise the US prime rate again in 2019.

The US dollar was quoted at US\$ 1.12 to the euro at the end of March.

Copper essentials

In March, the International Copper Study Group (ICSG) released its estimates for the period between January and December 2018.

According to these calculations, *mine output* in the 12-month period was at 20,520 kt, or 2.3 % higher than the previous year. Global concentrate output rose by 2.2 % compared to the previous year. Utilization of mine capacity was 86.3 % in 2018, compared to 84.1 % in 2017.

Global *refined copper* output rose by 2.0 % compared to 2017 and was at 23,524 kt. This development was affected by an unusually high number of smelter shutdowns. The utilization of global refining capacities grew from 85.9 % in 2017 to 86.7 % in 2018.

Visible global *consumption of refined copper* rose during the period by 2 % and was thus at 24,263 kt. Hence, there was a deficit of 387,000 t for the global refined copper balance for 2018. The deficit was 265,000 t in 2017.

There was more news about future mine projects in March.

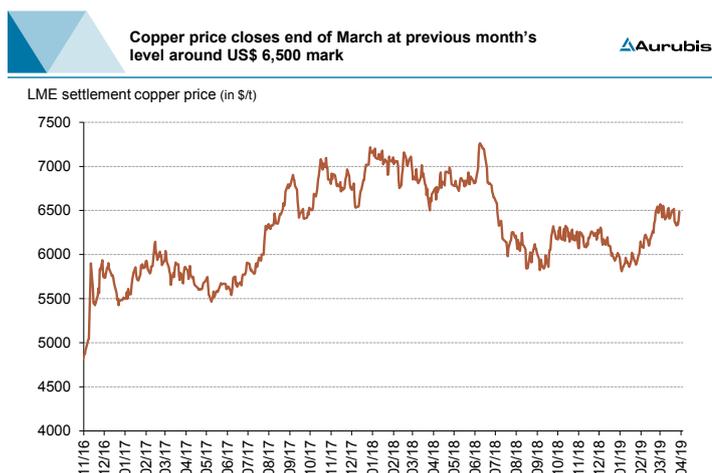
According to CRU and the Chilean mining ministry, the pipeline for mining projects in Chile is the most packed it's been in the last five years and extends across 13 projects.

These include the Chuquicamata underground mining project. According to a Reuters report, the mine belonging to the state operator Codelco will start up in the middle of this year as scheduled. The conversion of the open-pit mine to an underground mine is a milestone in the structural realignment of the Chilean mining company, which produces nearly 10 % of the world's copper. The plans for Chuquicamata are part of a ten-year, US\$ 39 billion overhaul of the company's most important deposit. Chuquicamata and the nearby Radomiro Tomic mine together produced around 650,000 t of Codelco's 1.8 million t total output last year. This is approximately one-third of Chile's overall production. Furthermore, Codelco plans to expand its El Teniente mine to become one of the world's largest copper mines. As the company told Reuters, the plan is to boost output to more than 500,000 t per year by 2025. The mine produced about 465,000 t of copper in 2018.

MBI NE-Metalle reported that the Canadian government took part in an event hosted by the Prospectors & Developers Association (PDAC) in Toronto, presenting its ideas for increasing mining in the country, which is rife with copper deposits. The intention is to reduce investment barriers and bureaucracy to promote the opening of additional mines. The government is also focused on the topics of innovation and partnerships with indigenous groups.

In late March, the London Metal Exchange presented a discussion paper with different recommendations for making the LME warehouses more attractive again. The goal is to revise the warehouses' conditions to ultimately increase inventories, as Reuters reported. The results of the first consultation round should be released in Q3 2019.

» Price trend



After the strong increase in February, the copper price on the London Metal Exchange (LME cash settlement) moved sideways in March. It ended the month at US\$ 6,485/t and was thus at the level of the previous month.

According to MBI NE-Metalle, Fitch Solutions expects the average copper price to be at a level of US\$ 6,900/t for 2019 and at over US\$ 7,000/t for 2020. They cited "tight fundamental data, supported by very low inventories in the LME warehouses and brightening market sentiment" as the reasons for their forecast.

» Copper raw materials

The smelter industry continued to be well supplied with concentrates in March, as Reuters reported. According to S&P Global Platts, spot treatment charges (TCs) for copper concentrates were in a range between US\$ 72 and 77/t in the middle of the month, decreasing again slightly towards the end of the month.

Similarly, the China Smelter Purchase Team (CSPT) established a "buying floor" of US\$ 73/t / 7.3 cents/lb for Q2 2019, Reuters publicized. This is below the 2019 benchmark of US\$ 80.8/t / 8.08 cents/lb and the buying floor for Q1 2019 (US\$ 92/t / 9.2 cents/lb). The decline indicates that the CSPT anticipates a tighter concentrate market in light of the announced build-up of Chinese smelter capacities this year.

According to S&P Global Platts, the development of the underground mining activities at the Pumpkin Hollow copper mine in Nevada is fully on schedule, with 26 % completed. Nevada Copper, the mine's operator, states that copper will be mined there starting in Q4 2019. The copper reserves for underground mining are supposed to be at around 1 billion lb. At the same time, the operator hinted at an update of the preliminary feasibility study regarding the development of open-pit mining at Pumpkin Hollow. These copper reserves are estimated at about 5 billion lb.

In the US state of Arizona, too, HudBay Minerals intends to mine more copper in the future, as S&P Global Platts reported. The Rosemont mine 30 km southeast of Tucson has been planned for quite a while and received final approval to start construction on the US\$ 2 billion project in March. The operator plans to start production in 2022. HudBay Minerals denotes the mine as the third largest in the US, with a production capacity of roughly

127,000 short tons per year (about 115,000 mt per year) over the first ten years of the expected 19-year mine lifetime.

As Reuters reported, the chances that the Peruvian government will issue the mining company Southern Copper with a construction license for its Tia Maria project recently increased again. The pressure's on, as the environmental permit expires in August. The US\$ 1.4 billion project has been delayed for several years because the government has feared protests by local citizens. The project is supposed to have the potential to produce up to 120,000 t of copper annually. Market observers see the developments surrounding Tia Maria as an indicator of the government's mood, as the government announced that it would promote the mining sector more strongly than before.

According to Reuters, there are currently protests at the Las Bambas mine in Peru. The streets near the copper deposit, which is controlled by the Chinese operator MMG, have been blocked by local citizens since February. The main issue is compensation payments for the use of transport routes and land. The Peruvian government has stepped in to mediate, and the operator is evidently open to talks.

According to information from S&P Global Platts, Chinese copper companies continue to look for opportunities to build up their collection and pre-processing facilities for recycling materials. This development doesn't come as much of a surprise – it's the result of China's efforts to limit imports of lower-quality copper scrap. In February alone, copper scrap use in China fell by about 14 % to approximately 152,000 t compared to January, according to Shanghai Metals Market.

» Production

Codelco will need more time than originally scheduled to restart its copper smelter at the Chuquicamata mine, reported S&P Global Platts. After an initial postponement from February to late March, the smelter is now expected to only start production again in late April at the earliest. However, CRU reports that market actors expect it to be more like May/June. The smelter had to invest in expansions to comply with the higher environmental standards introduced in Chile in December. On top of that, meanwhile, a dispute between the mining company and its Canadian construction company SNC-Lavalin slowed the process.

Production at the PASAR smelter in the Philippines also isn't expected to run normally until late July at the earliest, according to CRU.

Fastmarkets reported that the resulting shortages on the smelter side also caused spot copper premiums in Shanghai to rise again in March. The European copper market was nevertheless unfazed in March, with limited spot business.

» Inventories

Global visible copper inventories show an increase of 60,000 t in  March (MoM)

March 28, 2019	Europe	North America	Asia	Total*
				
LME	48,325 t	55,625 t	64,575 t	168,525 t
COMEX / SHFE	---	42,692 t	261,412 t	304,104 t
Total Cu inventories at metal exchanges	48,325 t	98,317 t	325,987 t	472,629 t

*Differences possible due to rounding

Storage of refined copper increased at the LME and SHFE warehouses in March. LME inventories jumped in the middle of the month after two larger deliveries were recorded in Asia and Europe, according to Bloomberg. Inventories thus recovered somewhat from their multi-year lows.

Overall, visible inventories in warehouses worldwide were at 470,000 t at the end of March, about 60,000 t higher than at the end of February (approximately 410,000 t).

» Copper products

According to the German Association of the Automotive Industry (VDA), the German vehicle market grew again in Q1. New registrations hit a total of 880,000 units, the highest volume in a first quarter since the year 2000. Incoming orders within Germany were supposedly 7 % higher in the first three months of 2019 than in the same period of 2018. Demand from abroad was weaker, however.

German auto manufacturers are planning investments totaling € 60 billion in the next three years for electric and autonomous vehicles, Reuters reported. According to the VDA industry association, the number of available electric models is expected to triple to about 100 in this period. At the same time, the VDA emphasized that the EU wouldn't be able to reach its CO₂ goals by 2030 if it didn't shift to electric vehicles. The association also pointed out the lack of infrastructure and consumer incentives.

MBI NE-Metalle reported that Volkswagen is planning to considerably expand its electric fleet. The Wolfsburg company announced that it would introduce about 70 new models. Up to now, the figure was about 50 new models. The number of electric cars the company manufactures on its e-platforms would hence rise from 15 to 22 million.

WVMetalle states that France and Germany are planning a sort of "Airbus for the battery industry." The two countries' economic affairs ministers signed a corresponding declaration of intent that foresees the development of a "strategic approach" to battery cell production.