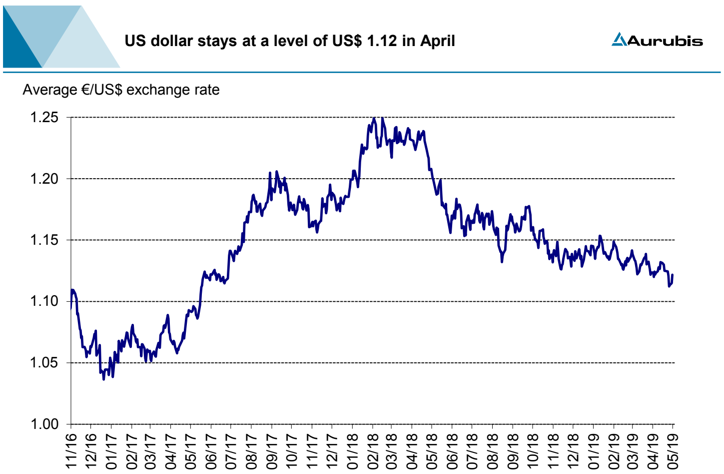
# Copper Mail No. 171 – May 3, 2019

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

## In focus

In April, the copper world focused its gaze on Chile, where representatives of the mining and smelting industry gathered for their annual industry meeting. Apart from controversial discussions about where the copper market is going in the short and medium term, the topic of sustainable mining was a strong focus in 2019. In this context, the London Metal Exchange plans to only allow responsibly sourced metals to be traded starting in 2022.

## Economic situation




In April, the International Monetary Fund (IMF) adjusted its global growth forecast. It currently expects a growth rate of 3.3 % for 2019 (previously 3.5 %). In the second half of 2019, growth is supposed to pick up again and reach 3.6 % in 2020.

China's economic growth was stable in Q1 2019, at 6.4 %, and exceeded the expectations expressed in the Reuters poll for the first three months of 2019 (6.3 %).

The US dollar was quoted at US$ 1.11 to the euro at the end of April.

## Copper essentials

According to American Metal Market, Atlantic Copper expects the three global trends of urbanization and home electrification, the changing energy mix, and electric vehicles to lead to copper demand of over 100 million t between now and 2040. Up to now, the long-term demand effects of urbanization and the shift to a low-carbon economy have been underestimated, the company asserts.

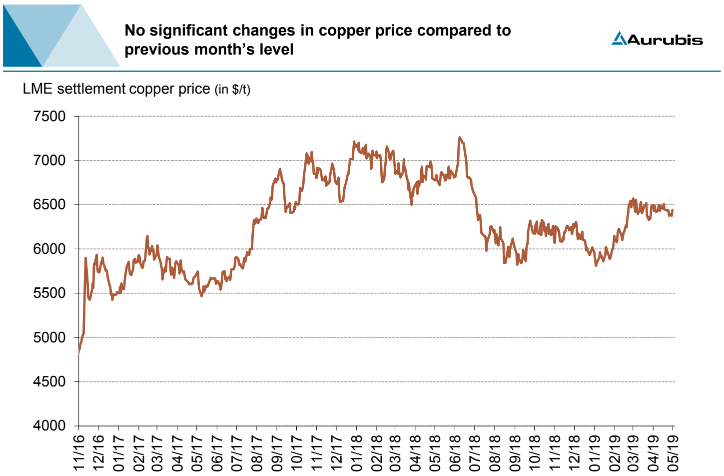
Rio Tinto is also convinced that the world's hunger for copper will rise steadily. The company anticipates that global demand for the red metal will be as high in the next 25 years as the entire output of the last 500 years, as American Metal Market reported. Rio Tinto views electrification of more and more everyday devices as a central catalyst of copper demand.

Sustainable copper production is becoming a stronger focus for many mine operators' activities. Several company bosses said as much at this year's CESCO Week, which took place April 8-11 in Santiago de Chile. According to Reuters, Antofagasta announced various measures to reduce its carbon footprint in the coming years, for instance. The company set the goal of reducing its $CO_2$ emissions by about 300,000 t by 2022. In 2017, the level was 3.87 t per ton of copper output. The CEO of BHP also shares the view that the copper industry has to become "greener," emphasizing the areas of energy and water in particular during his CESCO speech. At the same time, the company stated according to Reuters, this would be a challenge for the entire supply chain – from the mine to the final consumer. Rio Tinto announced that it would participate in the World Bank's Climate-Smart Mining program, which supports developing countries in devising programs for sustainable metal mining. Rio Tinto would like to support the initiative with both technical expertise and funding, Reuters reported. In a similar vein, the London Metal Exchange (LME) only wants to allow responsibly sourced metals to be traded starting in 2022, according to a Bloomberg report. The revised rules for exchange trading will require all producers to undergo a "Red Flag assessment." According to the LME, this could pose a bigger challenge for those producers that source materials from conflict regions.

In April, the International Copper Study Group (ICSG) released its estimates for January 2019. According to these numbers, *mine output* in the first month of the year was at 1,692,000 t and thus at the level of January 2018. Utilization of mine capacity was 81.6 % in January, compared to 81.2 % the year before. Global *refined copper* output rose by about 3 % in January compared to 2018 and was at 2,054,000 t. An unusually high number of smelter shutdowns in South America more than compensated for higher output from Chinese smelters. The utilization of global refining capacities grew from 85.5 % in 2018 to 86.8 % in 2019. Visible global *consumption of refined copper* rose during the period by around 3 % and was thus at 2,062,000 t. Hence, there was a deficit of 8,000 t for the global refined copper *balance* for January. The deficit was 1,000 t in January 2018.

According to a Bloomberg report, the Chilean copper agency Cochilco adjusted its outlook for the global copper market and now expects a lower deficit for 2019. Until now, Cochilco had anticipated a deficit of 227,000 t and now expects a deficit of 208,000 t. The deficit is then forecast at 202,000 t for 2020. Overall, copper output should be approximately 21 million t, or 1.6 % higher than the previous year. For 2020, Cochilco sees output at 21.7 million t. Cochilco also forecasts demand growth of 1.9 % for refined copper, to 24.1 million t. Looking at the copper price, the copper agency sticks by its estimate of US$ 3.05/lb (about US$ 6,724/t) in 2019 and US$ 3.08/lb (about US$ 6,790/t) in 2020.

## » Price trend




In April, the copper price on the London Metal Exchange (LME cash settlement) continued moving sideways. It was at US$ 6,442/t at the end of the month, slightly down on the March level (March 29, 2019: US$ 6,485/t).

Reuters reported that Barclays expects the average copper price in 2019 to be US$ 6,230/t. The price could nevertheless hit highs of up to US$ 7,000/t, according to the bank. Barclays then forecasts an average copper price of US$ 6,350/t for 2020.

## » Copper raw materials

There was more news about current and future mine projects in April.

Bloomberg reported that Rio Tinto will be investing another US$ 300 million or so in its copper project Resolution Copper in the US state of Arizona to reach the final permitting phase. A total of 55 % of the project belongs to Rio Tinto, 45 % to BHP. With the additional funding, the total costs of the project come to around US$ 6.5 billion. The extra investments are supposed to flow into drilling work, studies on the orebody, and infrastructure activities in particular. According to its operators, the mine has the potential to cover about a quarter of US copper demand after it is completed.

According to Reuters, the protests at the Las Bambas mine in Peru ended in early April (see the March 2019 Copper Mail). The copper deposit operated by the Chinese company MMG is now supposedly going to gradually transport the 59,000 t of mined copper concentrate inventories away from the site. The company asserts that the concentrate production won't be affected by the street blockades.

According to Infomine, mine operator First Quantum is already planning to expand its Cobre Panama Mine, which was just commissioned this year. The company wants to inject US$ 330 million into the expansion, boosting output from 85 million t to 100 million t per year in 2023.

American Metal Market reported that the Chinese government's stricter regulations on copper scrap with lower copper contents is leading to a noticeable change in material flows in Asia. A report from the Bureau of International Recycling (BIR) states that Malaysia is the largest supplier of processed copper scrap to China in the meantime. In the first two months of 2019, the island nation accounted for approximately 15 % of Chinese imports, while imports of copper scrap entering Malaysia developed in a similar fashion. The country is currently benefiting from its proximity to China, the cable recycling options possible there, and the ongoing trade conflicts between the

US and China. India is also reinforcing its market position as a processor of copper scrap for China: Imports of both scrap with lower copper contents such as end-of-life engines and cable, as well as exports of processed copper scrap to China, continued to rise in the first two months of the year. How the material flows will continue to develop in the future remains to be seen, however, according to BIR. At the beginning of July, China will introduce a system of import quotas for solid waste, which will also affect processed copper scrap (so-called Cat. 6). At that point, all imports are supposed to have a license from the Chinese Ministry of Ecology and Environment.

### » Production

There were new reports on the fate of India's Tuticorin copper smelter in April. According to market information provider ICIS, the Madras High Court scheduled a new hearing for June 11. The copper smelter has been closed since May 2018 after the local government refused to extend the operating permit due to environmental concerns.

American Metal Market reported that spot copper premiums in the US stayed at a high level in April. Traders are even waiting for additional market stimulation in Q2, as the months of June to August generally record the highest level of construction activity in the US. In combination with the high freight costs, this could lead to a further rise in premiums.

According to Fastmarkets, spot copper premiums in China in April were somewhat lower than at the start of the year and moved in a range between US$ 45 and US$ 68/t. In addition to weaker demand, the decline could also have been due to the fact that Tewoo Group, a large copper cathode trader, had to liquidate its inventories below the current market conditions due to financial bottlenecks.

The price trend in the European market was stable, with copper premiums between US$ 38 and US$ 50/t (Rotterdam CIF), as reported by Fastmarkets. The premiums for cathodes delivered to Germany were between US$ 80 and US$ 95/t in early April, according to Fastmarkets.

### » Inventories

**Global visible copper inventories remain relatively stable in April (MoM)**

Aurubis

| April 30, 2019 | Europe | North America | Asia | Total* |
|---|---|---|---|---|
| LME | 69,350 t | 49,275 t | 110,550 t | 229,175 t |
| COMEX / SHFE | --- | 34,300 t | 211,630 t | 245,930 t |
| Total Cu inventories at metal exchanges | 69,350 t | 83,575 t | 322,180 t | 472,105 t |

*Differences possible due to rounding

In April, two deliveries led to a leap in refined copper inventories in the LME warehouses in Asia and Europe, as Reuters reported. Overall, visible inventories in warehouses worldwide were nevertheless at the previous month's level of just over 470,000 t at the end of April.

### » Copper products

The following developments were evident in selected European end markets:

As MBI NE-Metalle reported, the order books of the German construction industry are still full, according to the German Construction Industry Association (ZDB). The association's members confirmed this in a survey taken in March 2019. They indicated that home construction is delivering positive momentum in particular. The prospects for commercial construction and public civil engineering are slightly more reserved – but still at a high level. The industry's willingness to invest is high, thanks to the good situation and high capacity utilization.