



**Thoughts on the Copper market –  
ACC -- November 2024  
Edward Meir – Marex**

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## COMEX \$/LB.... Nearby



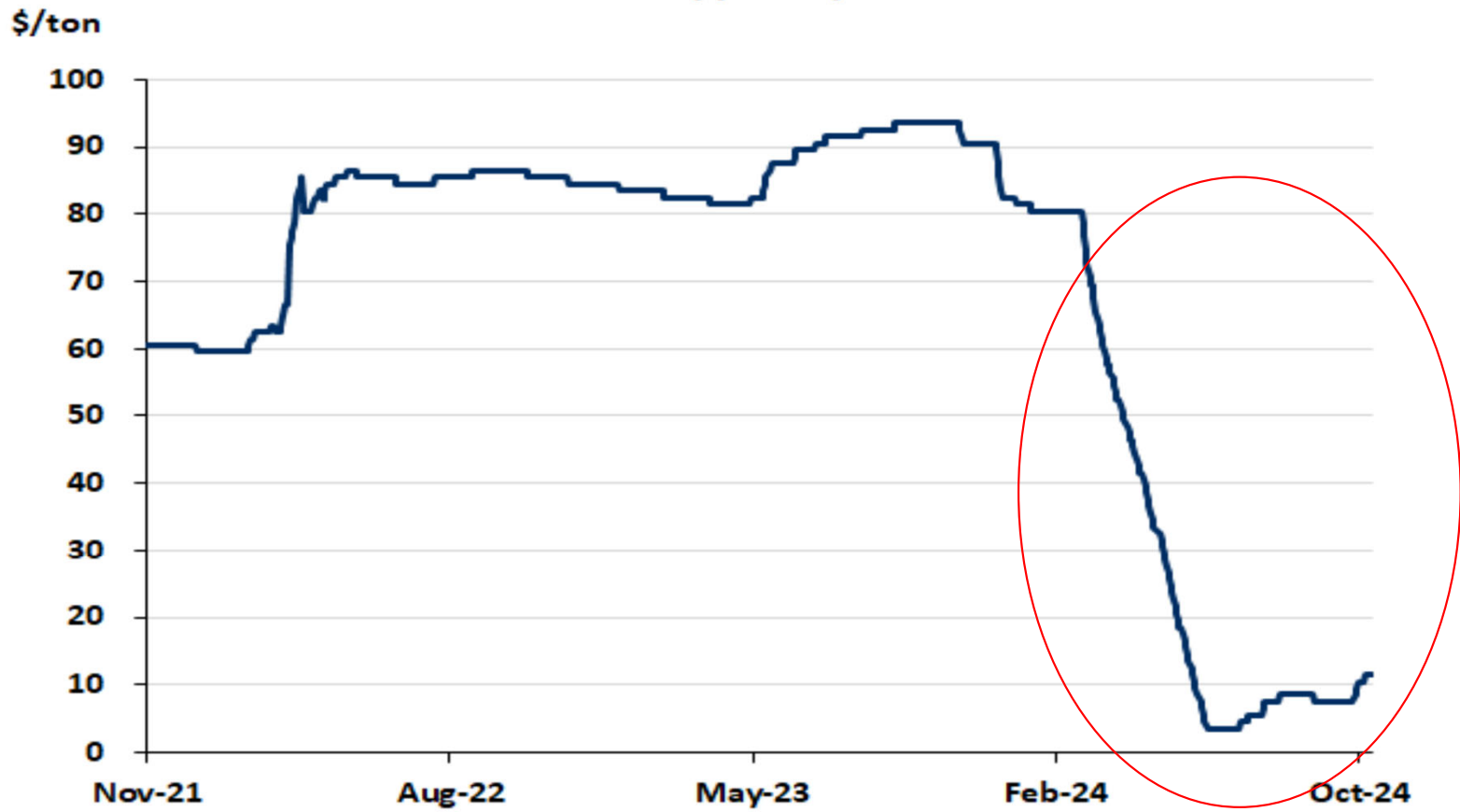
Source: E-Signal

## Copper... 3-month LME prices



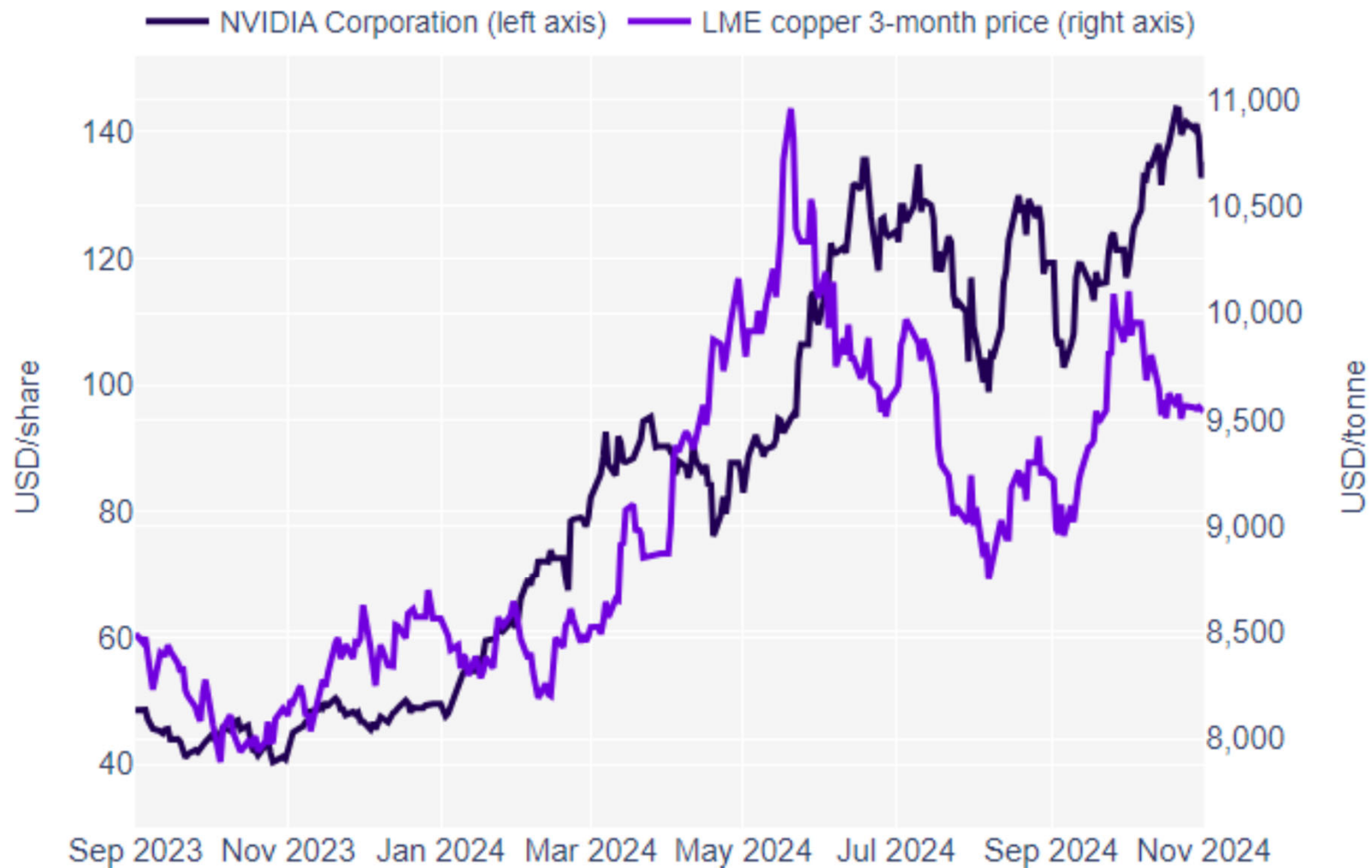
Source: E-Signal

### China Copper TC/RC



Data: Bloomberg/Marex Chart

Data: Bloomberg/Marex Chart



## CME-LME Arbitrage (\$/ton)

Source: Bloomberg



Source for Charts: Bloomberg

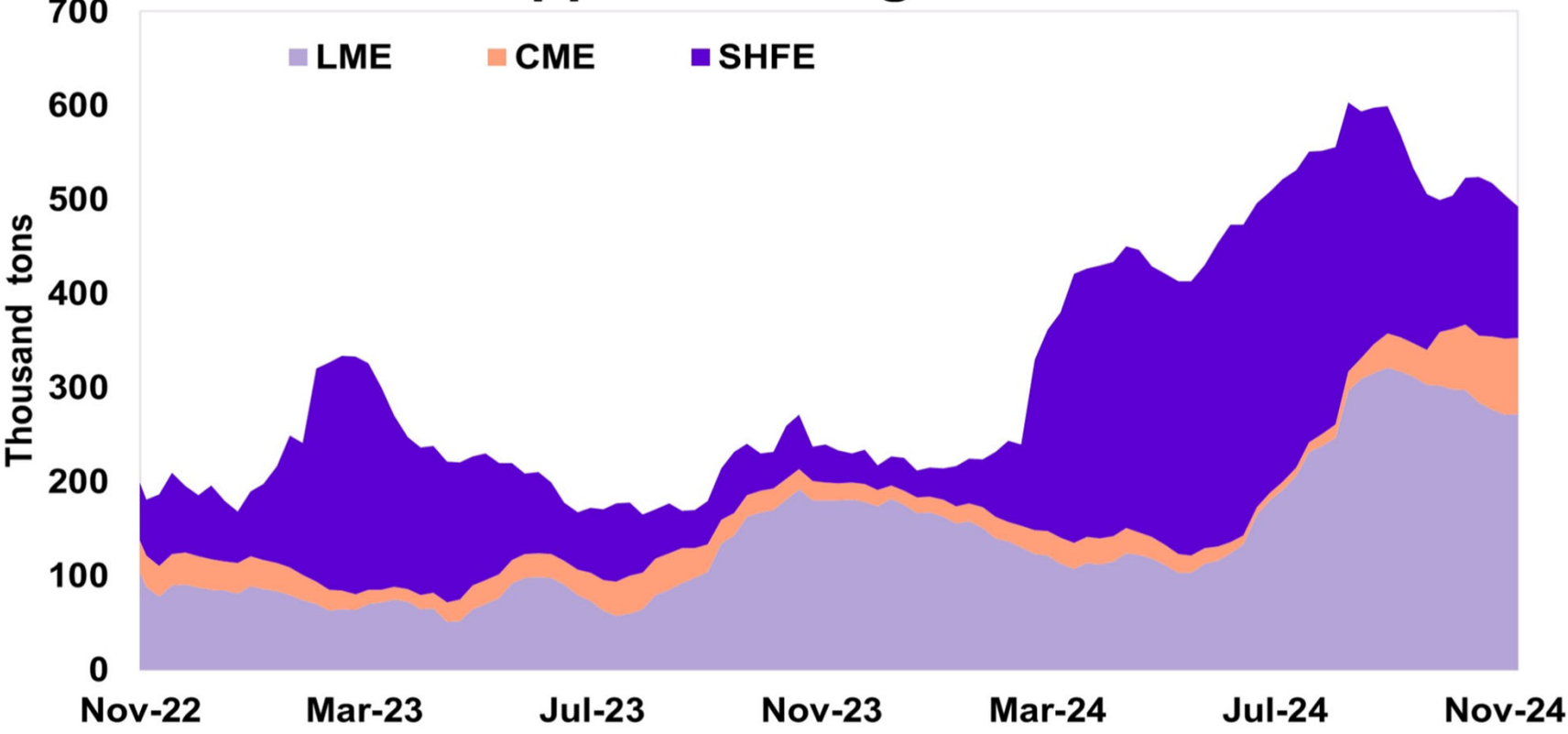
## Copper... 3-month LME prices



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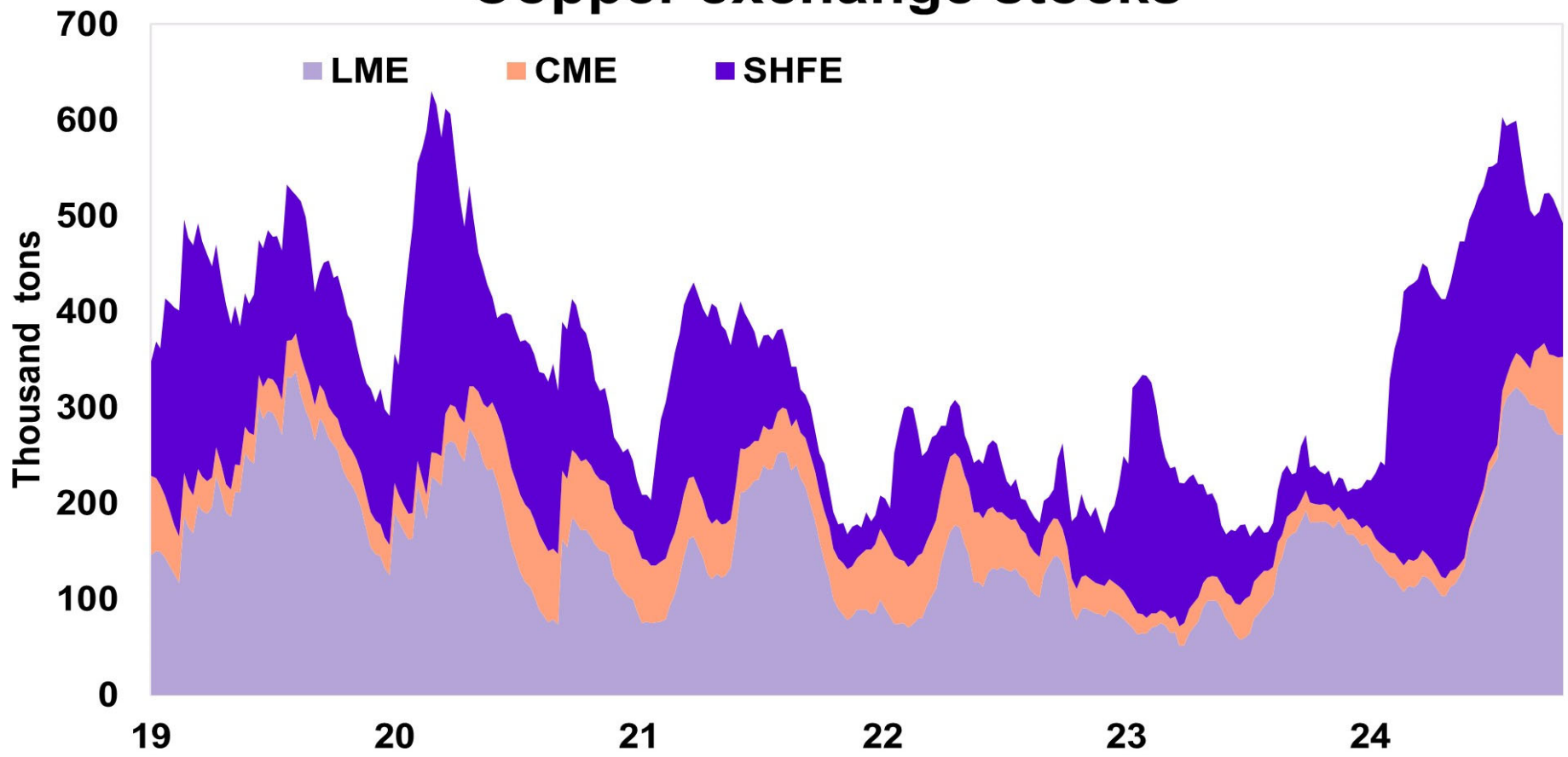


# Copper exchange stocks



Data: Bloomberg/Marex Chart

# Copper exchange stocks

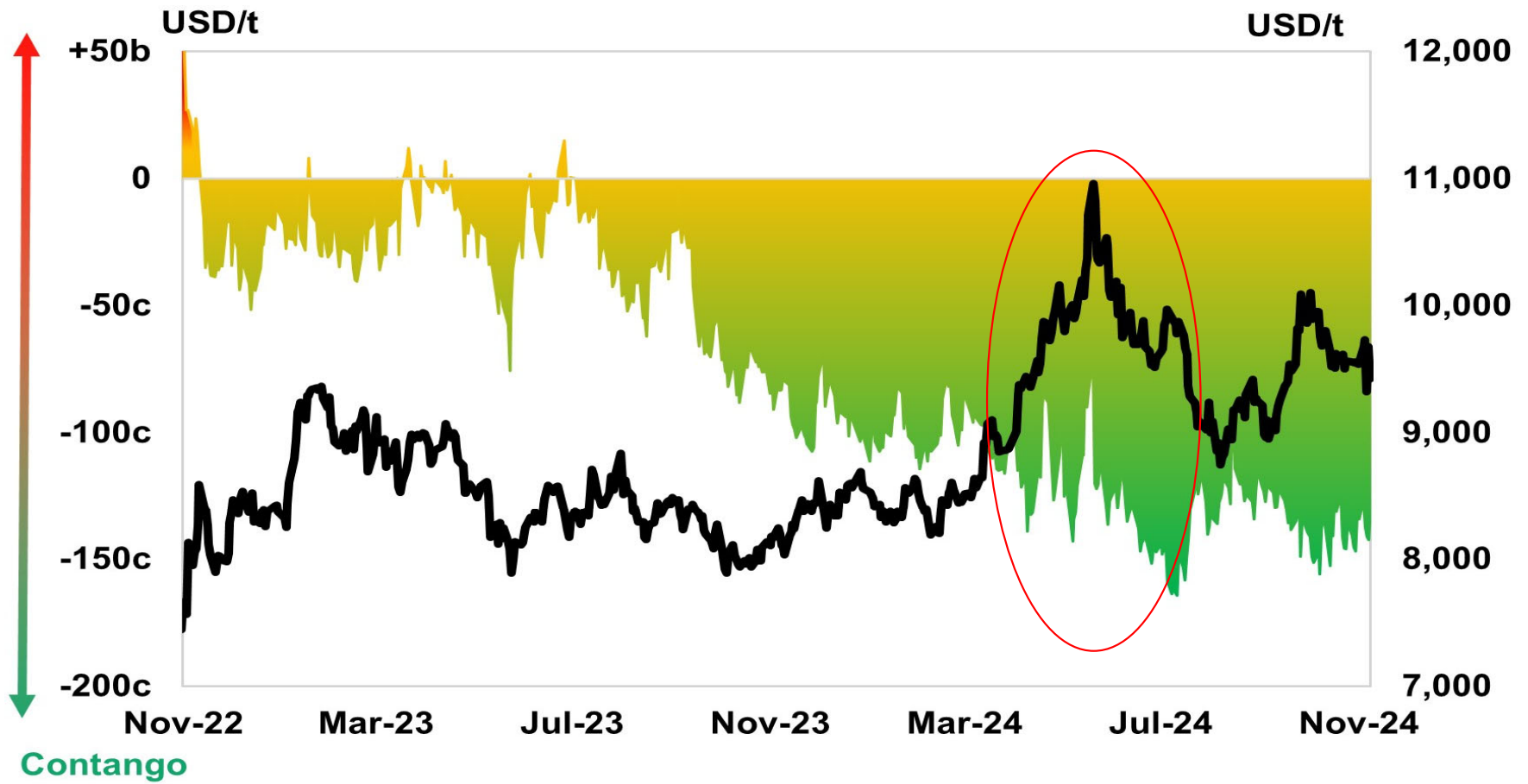


Data: Bloomberg/Marex Chart

**Backwardation**

 LME C/3M spread (L)

 LME 3M copper price (R)



Data: Bloomberg/Marex Chart

## ***Net change in 3-month LME copper price since Election Day***

**...**

***Election Day, November 5<sup>th</sup>: Up \$42/ton***

***November 6<sup>th</sup>: Down \$395/ton – (\$.18/lb)***

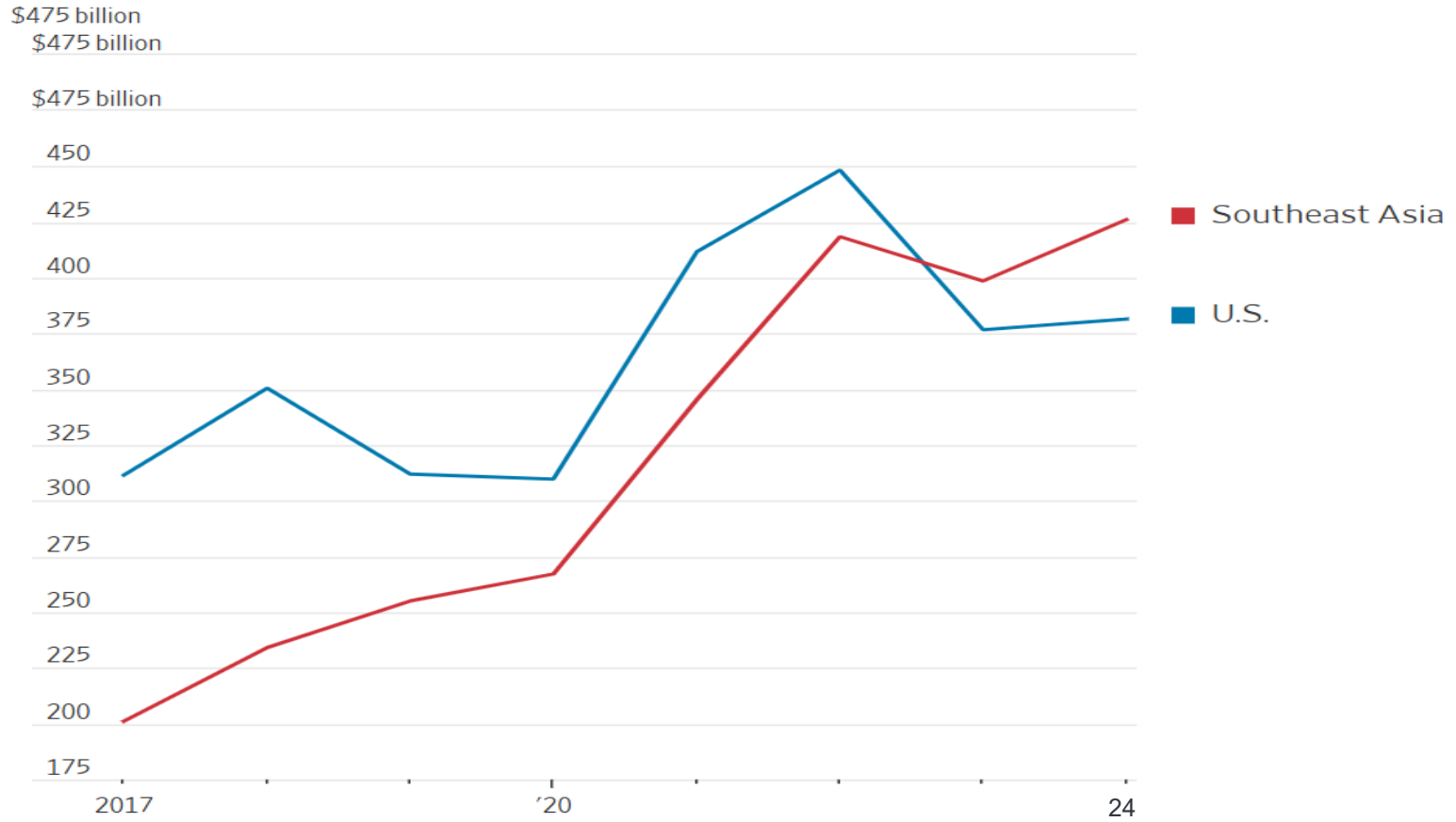
***November 7<sup>th</sup>: Up \$321/ton - (\$.1450/lb)***

***November 8<sup>th</sup>: Down \$221/ton - (\$.10/lb)***

***November 11<sup>th</sup>: Down \$137/ton - (\$.06/lb)***

***November 12<sup>th</sup>: Down \$200/ton - (\$.09/lb)***

## China's exports by destination in the first 9 months of 2024



Source: CEIC



Note: 2024 is an annualised number/ Source; Census Bureau

**Steve Madden**, the shoemaker that gets 70% of its products from China, is activating a preapproved plan to move production out of China -- not to the US, but to other Asian countries.

**Stanley Decker** said last week that it will likely raise prices and shift production out of China if it faces additional tariffs. It added that bringing production to the US is unlikely.

**Mexican automobile factories** could be at risk as parts of NAFTA could be renegotiated. Most of the world's largest carmakers have a manufacturing presence in Mexico, collectively exporting about 2 1/2 million cars into the US.

**US steel producers** are welcoming the tariffs the most as there is a lot of Chinese steel that is not necessarily coming into the US, but has had the impact of depressing prices. Chinese steel exports were up a whopping 41% y/y in October and are up 23% for the first 10 months of the year versus 2023.

No new announced plans from **Apple**- the company still has its main operations in China as there are few places that make *500,000 iPhone a day!*

**Table 5. U.S. Recycled Copper and Copper Alloy Exports by Major Destination**

Metric tons

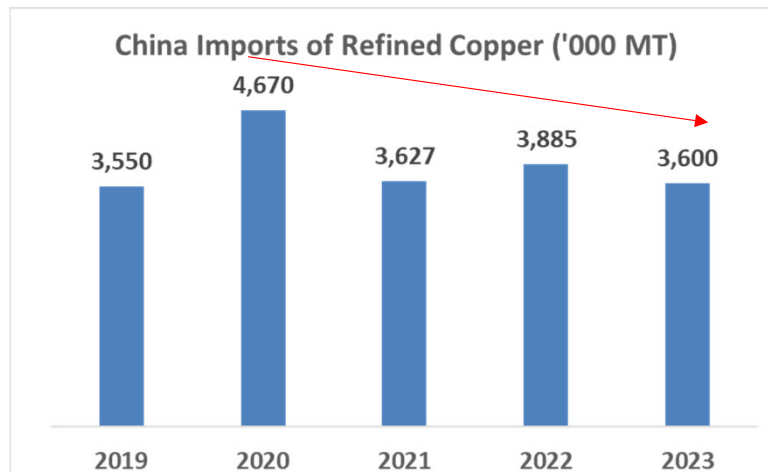
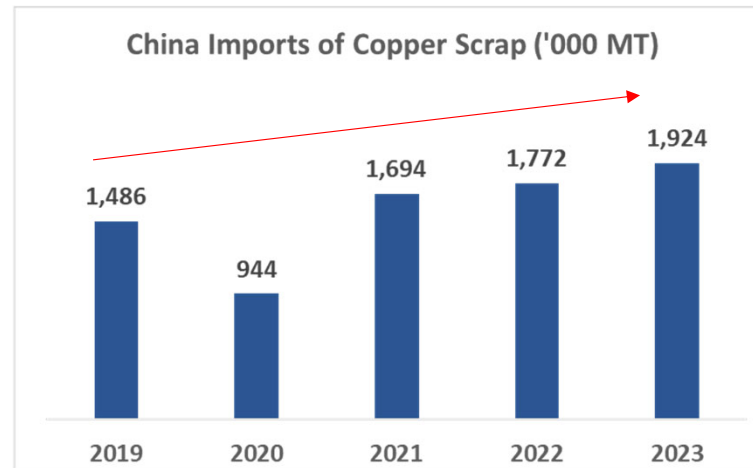
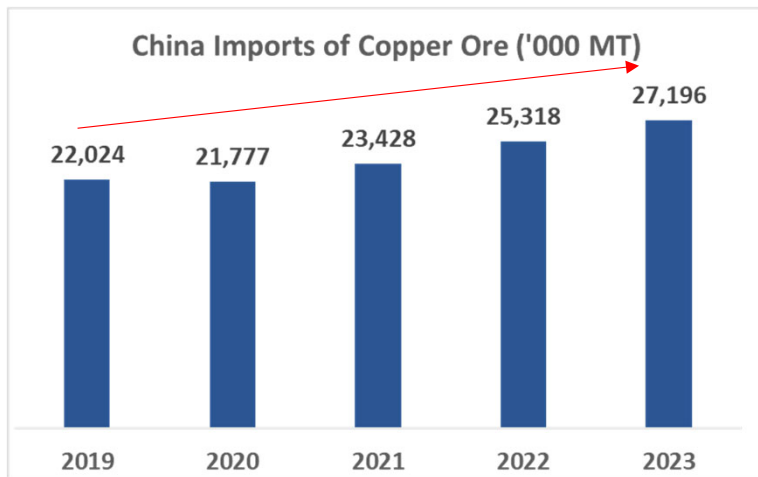
Sources: Census Bureau/U.S. International Trade Commission; ReMA.

Country	Year 2022	Year 2023	Jan-Jul 2023	Jan-Jul 2024	YTD % CHG
<b>China</b>	291,729	325,488	168,909	223,256	32.2%
<b>Canada</b>	107,065	95,703	59,029	60,031	1.7%
<b>Thailand</b>	63,403	66,930	35,170	46,342	31.8%
<b>India</b>	85,638	73,512	42,215	45,498	7.8%
<b>Malaysia</b>	66,602	72,023	39,620	44,912	13.4%
<b>Belgium</b>	42,146	34,073	20,341	20,790	2.2%
<b>South Korea</b>	53,526	39,610	21,799	16,799	-22.9%
<b>Hong Kong</b>	20,518	21,846	10,999	14,012	27.4%
<b>Japan</b>	32,433	24,961	16,152	13,997	-13.3%
<b>Germany</b>	30,668	30,854	17,683	13,756	-22.2%
<b>Pakistan</b>	27,332	17,410	11,475	12,815	11.7%
<b>Taiwan</b>	17,591	13,409	6,715	8,272	23.2%
<b>All Others</b>	88,179	61,365	40,195	22,728	-43.5%
<b>TOTAL</b>	<b>926,831</b>	<b>877,184</b>	<b>490,302</b>	<b>543,209</b>	<b>10.8%</b>

Source: RMA



## China's copper imports have skewed more to concs and scrap vs. cathodes



Data: Bloomberg/Marex Chart

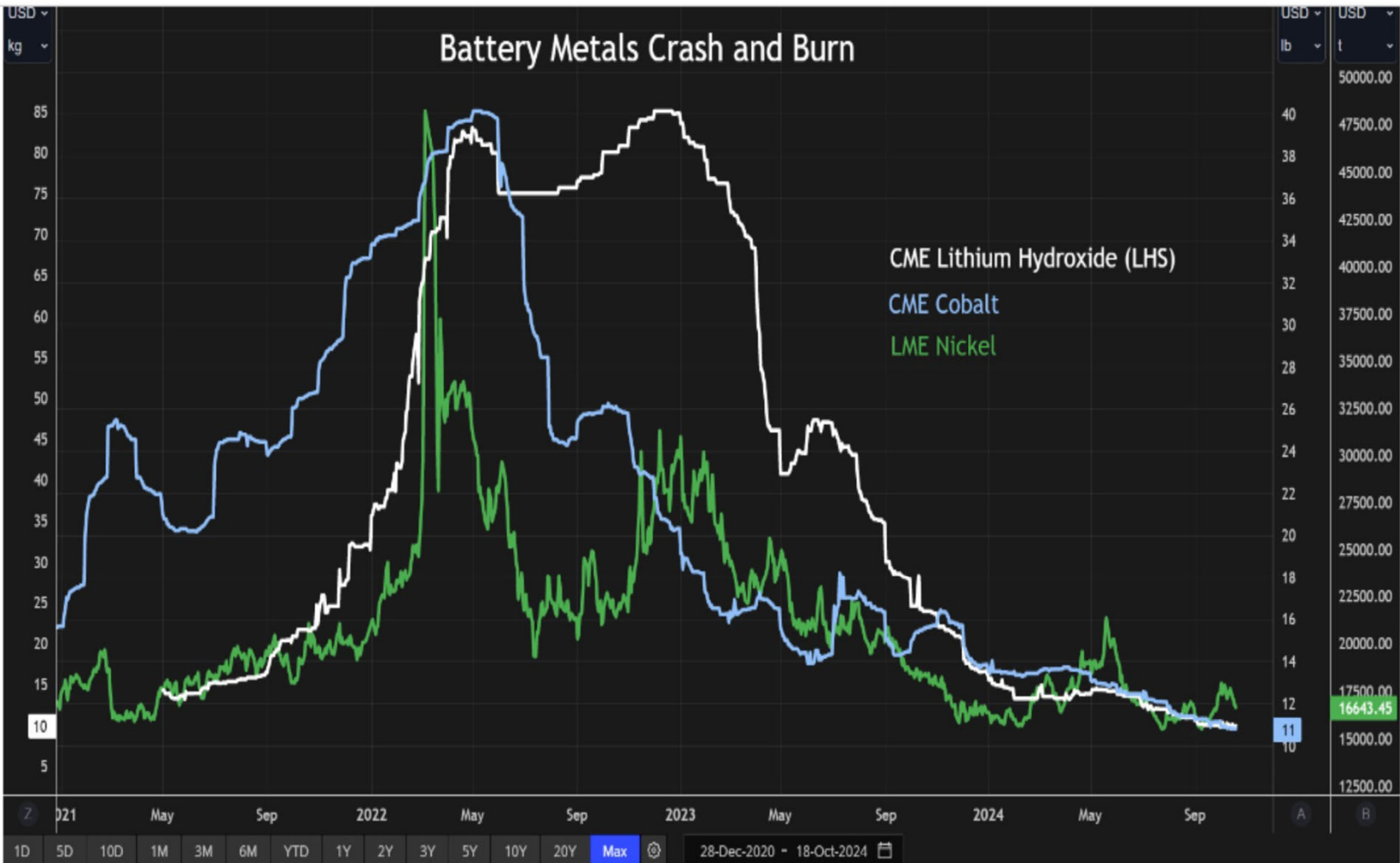
## Copper Use in EVs

- Conventional cars 23kg
- Hybrid electric vehicles (HEV) 40 kg
- Plug-in hybrid electric vehicles (PHEV) 60 kg
- Battery electric vehicles (BEVs) 83 kg
- Hybrid electric bus (Ebus HEV) 89 kg
- Battery-powered electric bus (Ebus BEV) 224-369 kg (depending on the size of battery)

Source: ICA



Source; A Home / Reuters



### *2023 Refined Copper Consumption Profile by Country (tons)*

<b>China</b>	<b>14,837,000</b>
<b>Europe (excludes Russia)</b>	<b>3,255,000</b>
<b>US</b>	<b>1,720,000</b>
<b>Russia</b>	<b>420,000</b>
<b>India</b>	<b>684,000</b>
<b>Japan</b>	<b>892,000</b>
<b>South Korea</b>	<b>658,000</b>
<b>Taiwan</b>	<b>371,000</b>
<b>Turkey</b>	<b>507,000</b>
<b>Brazil</b>	<b>250,000</b>
<b>Mexico</b>	<b>302,000</b>
<b>Thailand</b>	<b>350,000</b>
<b>ROW</b>	<b>1,600,394</b>
<b>Total</b>	<b>25,846,394</b>

Source: WBMS Data

**World Mined Copper Production**

	2023
Chile	5,530,000
US	1,331,700
Mexico	734,000
China	1,865,600
Europe (Ex- Russia)	842,303
Russia	880,800
Peru	2,438,000
India	30,000
Japan	0
Kazakhstan	807,000
Indonesia	835,000
DRC	2,360,000
Australia	818,000
Zambia	763,000
ROW	2,831,597
<b>Total</b>	<b>21,567,000</b>

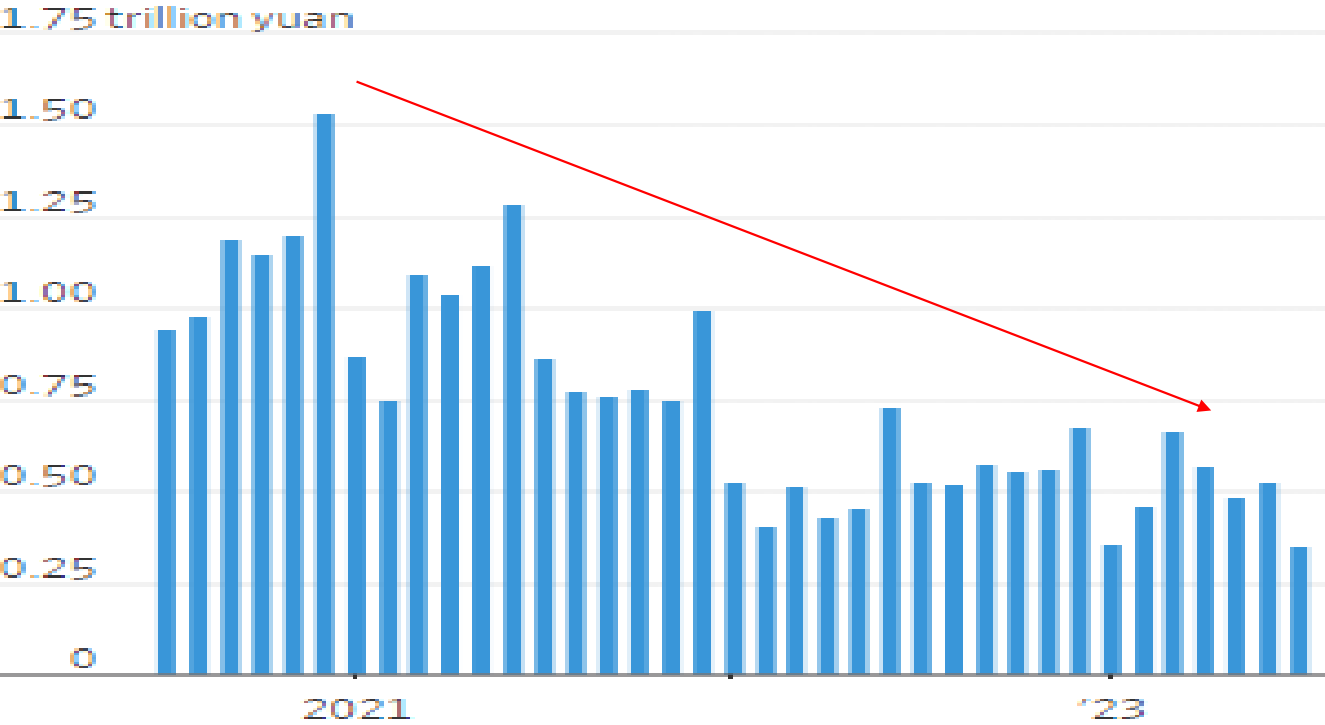
**World Refined Copper Production**

	2023
	2,149,000
	971,000
	351,456
	12,216,000
	2,686,000
	1,042,000
	324,000
	546,000
	1,556,000
	402,000
	284,000
	850,000
	401,000
	379,000
	1,874,544
	25,032,000

### ***China's property markets – a metals sponge not long ago***

- **At its heyday, China's property sector accounted for 20% of global steel and copper consumption, 9% of global aluminum demand and 5% and 8% of zinc and nickel consumption respectively. China's property sector accounts for 1/3 of the country's GDP (vs.16% in the US.)**
- **Chinese real estate has been weak for at least three years now, imperiling many firms. Most prominent : Evergrande....at one point \$305 billion of debt, 1.4 million unfinished apartments in 1,300 projects spread across 280 Chinese cities.**
- **Sales, prices, private property investment all continuing to decline despite dips in mortgage rates, easing ownership requirements and reduced commissions & fees.**
- **Home prices were down for much of this year, ticking up slightly in October y/y but we don't put too much stock into these numbers. The actual declines are far greater given active discouragement of discounts and/or fire sales.**

# New home sales by China's top 100 property developers, monthly

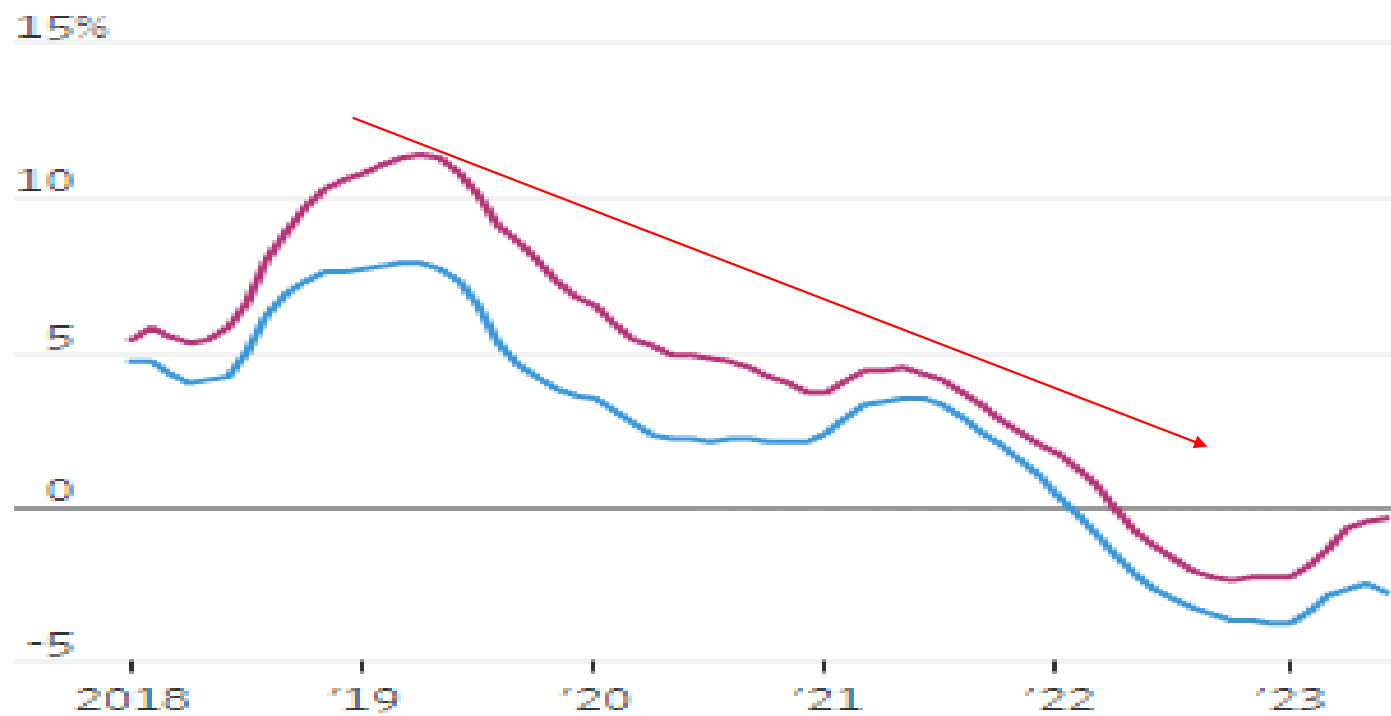


Note: 1 trillion yuan=\$138.6 billion

Source: China Real Estate Information Corp.

## Year-on-year change in home price indexes across 70 major Chinese cities

■ New homes ■ Resale homes

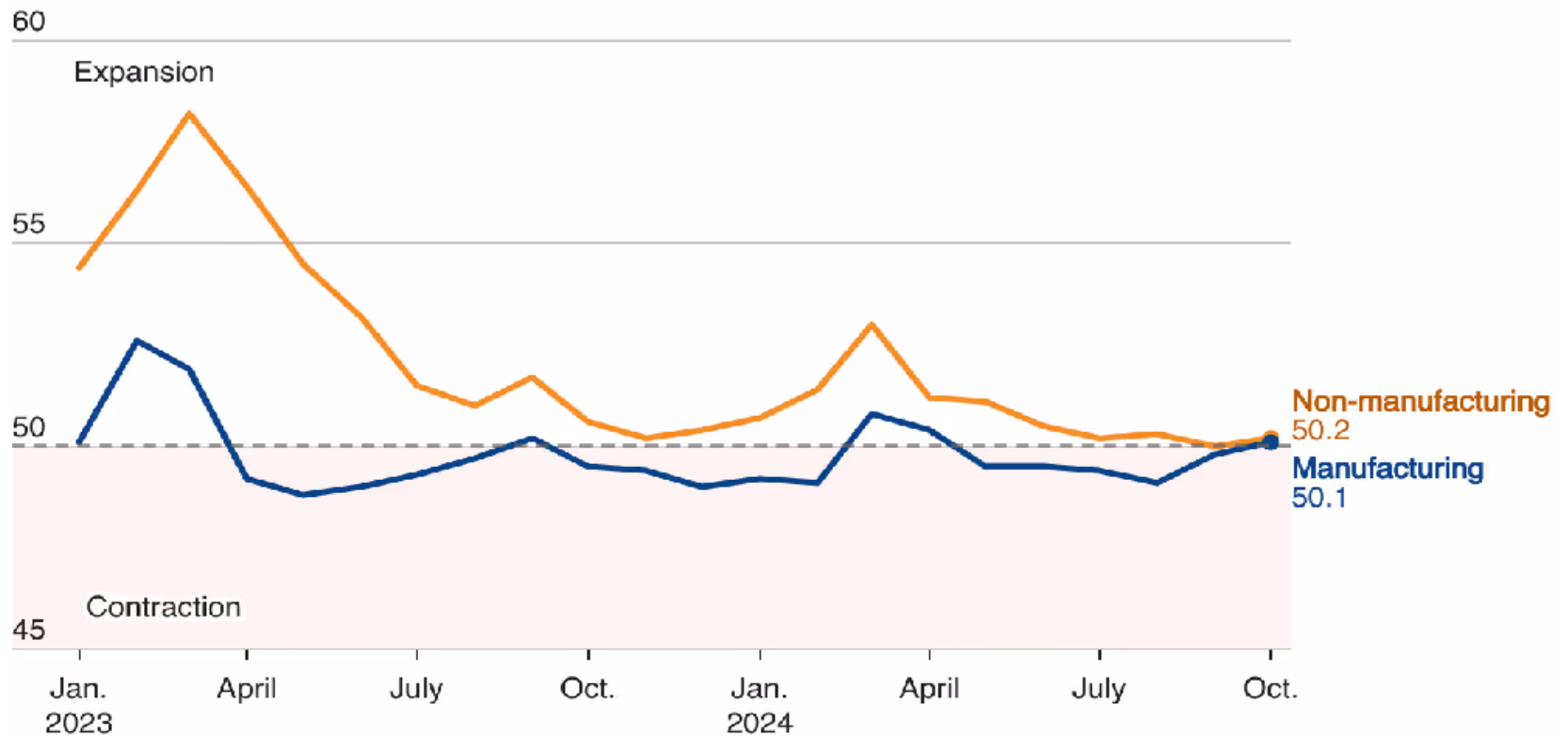


Source: National Bureau of Statistics, via Wind



## China's factory and services activity expand in Oct.

China's manufacturing activity grew for the first time in six months, while services and construction avoided falling into contraction.



Source: Reuters

***A number of measures have been taken by China's government over the past two months to recharge the economy...***

***Spending:*** \$283 billion in stimulus spending (announced earlier this year) and another \$143 billion to be rolled out early next year. ***Markets viewed the spending as insufficient, amounting to about 2% of GDP compared to 15-20% of GDP back in 2008/2009.***

***Rate cuts:*** One-year prime rate was reduced to 3.10% from 3.35%, while the five-year rate was reduced to 3.60% from 3.85%. ***Very modest cuts given where inflation is.***

***More debt:*** Last week, a \$1.4 trillion debt package was announced; this would replace off-balance-sheet debt carried by local governments which local bonds and used the proceeds to invest in real estate and infrastructure projects that went south. Debt ceiling for provinces will also be raised, allowing more borrowing. ***These debts are not being written off, merely swapped for cheaper paper. More importantly, interest savings are insignificant; thought to be \$1 billion over five years.***

*Copper is in a market in “cross-currents” On the bearish side...*

- Tariffs are very troubling if not “negotiated away”. Bloomberg notes that raising US tariffs on Chinese imports to 60% and from other countries to 20% (from an average of 3% where they are now) would carry more punch than the Smoot-Hawley tariffs of 1930 which averaged 14%.
- European growth is on track for another lackluster year; Germany is politically adrift, and France has an unstable governing structure. Spain and Italy, while doing well, are not going to be Eurozone growth engines. UK is saddled with fresh tax increases and lackluster prospects.
- China’s export growth engine is keeping global inflation down but its export wave (now at a record \$1 trillion) is being threatened with higher tariffs from practically everywhere. Beijing will have to grow its economy and spend more; so far it has not done that and this could be bearish for metals.
- Mr. Trump’s proposed tax cuts could keep interest rates elevated as spending cuts will be hard to find without tax increases. Cutting \$2 trillion from the budget as proposed by Mr. Musk is unrealistic. Most of the \$6.8 trillion budget (about 62%) consists of entitlements: Social Security (\$1.6 trillion) Medicare (almost \$1 trillion) and interest on (\$800 billion all can’t be touched. Defense (at \$1.1 trillion) could be cut, but it is spending that benefits members of Congress.
- Copper producers are increasing refined and mine production going into 2025. In China’s case smelters said that they would cut back on output given low TC’s but China’s refined production continues to climb -- up about 6.2% y/y in the latest reporting month. Other producers are on track for y/y increases as well going into an uncertain demand environment.

### ***On the bullish side...***

- **The Fed is lowering rates. Other central banks are following; this should weaken the dollar and help push metals higher**
- **US housing should be a beneficiary of lower rates and could be a growth engine for the economy.**
- **US infrastructure spend accelerates in 2025. Despite slowing growth in EV sales, copper should benefit from more spending on data centers, power grids, 5G networks and fiber optics. Moreover, copper cannot be easily substituted out (as happened to the other battery metals) and attempts to do so with aluminum have been limited in scope.**
- **The International Copper Association has copper demand rising to 40 mln tons by 2040 from 25 million. McKinsey and Goldman both see 6 mln deficits by the end of the decade. S&P Global has copper demand doubling to 50 million tons by 2035 and sees a massive *19-million-ton deficit by then*.**
- **If China becomes more pro-active in reviving its economy, this would be bullish for metals.**
- **Mining companies have issues raising output. Chile's output has been stuck at 5.5-5.8 million tons for the last 15 years after more than *tripling* in the 20 years prior. Lower ore grades, protests, activist governments, higher costs, labor shortages, weather changes, is keeping mining growth restrained and falling behind higher copper demand projections a**
- **Geopolitics could turn positive – Tariff deals with China/Europe, ceasefire/peace deals in Mid-East/UKR.**
- **Due to high liquidity, copper is the one metal that could easily attract the most fund interest.**

***Copper 2025 Market Balances as  
per November Reuters poll***

<b><i>Mean:</i></b>	<b><i>-100,000/tons</i></b>
<b><i>Median:</i></b>	<b><i>-147,000/tons</i></b>
<b><i>High:</i></b>	<b><i>+300,000 tons</i></b>
<b><i>Low:</i></b>	<b><i>-403,000/tons</i></b>

Data: Reuters

**The International Copper Study Group expects a 469,000-ton global supply surplus this year followed by a 194,000-ton surplus in 2025.**

- Sees copper mine production up by 3.5% in 2025, up from 1.7% this year. Production from Kamo-a-Kakula in the Congo, the Oyu Tolgoi in Mongolia and the new Malmyzhskoye mine in Russia should increase next year.**
- Refined metal production is expected to grow by 4.2% this year, up from the April's 2.8% reading.**
- Chinese copper usage to grow by 2.0% this year and by 1.8% in 2025. ROW consumption is expected to grow by 2.2% in 2024 and by 2.5% next year.**
- Copper smelting capacity is forecast to rise to 26.5 million tons this year and to 29.4 million tons in 2025 and so treatment charges are likely to remain low for the balance of the year in our view.**

Data: ICSG

**Copper 2025 Price Forecasts  
as per Reuters November Poll**

<b>Mean:</b>	<b>\$9,971/ton</b>	<b>(\$4.52/lb.)</b>
<b>Median:</b>	<b>\$9,898/ton</b>	<b>(\$4.49/lb.)</b>
<b>High:</b>	<b>\$11,050/ton</b>	<b>(\$5.01/lb.)</b>
<b>Low:</b>	<b>\$8,675/ton</b>	<b>(\$3.93/lb.)</b>

- ***Copper was also the #1 choice of the roughly 500 people at the LME conference in October, gaining 46% of the audience vote, but this was less than the year before at 53%. (Tin came in second).***
- ***Banks are super bullish as more are re-entering the commodity space.***

## **2025 Price Outlook**

**For 2025, we see a range of \$8,140 (\$3.70) - \$10,400 (\$4.71)**

*We think there will be some downside bias next year as the market gets to grip with the Trump agenda and as investors watch how China manages its growth.*

*Revisions to US green-related spending is another unknown, although China and European spends should remain intact.*

*We are long-term bullish on copper as the Green Revolution will continue and has its own momentum, but for next year, the road will be bumpy as political uncertainties lie ahead.*



***Thank You !***