

Copper charts to watch as prices slip below \$13,000/t

Several indicators suggest the tight conditions that supported copper prices in recent months may be starting to ease. Below are the key charts to watch



Copper prices have come under pressure due to macro headwinds, softer physical demand, along with a stronger dollar and higher energy prices

Copper prices have come under pressure in recent weeks as macro headwinds combine with softer physical demand signals. A stronger US dollar, rising energy prices and escalating conflict in the Middle East have triggered a broader risk-off move across financial markets, weighing on sentiment across cyclical assets.

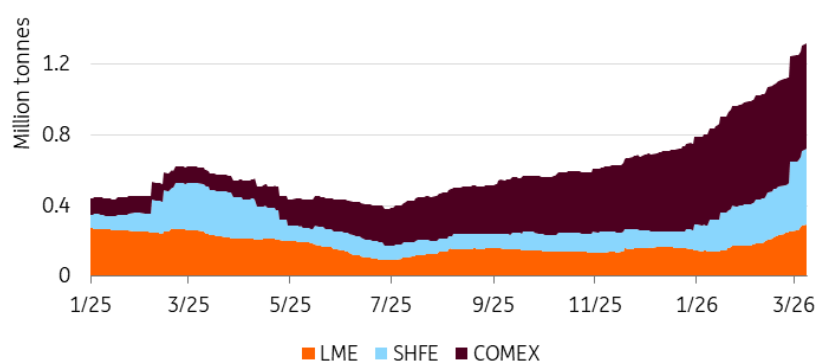
At the same time, rising exchange inventories, increasing refined output in China and weaker Chinese import demand suggest the tight market that supported prices in recent months may be starting to unwind.

Together, these developments suggest the balance in the copper market is beginning to shift.

With prices slipping below the \$13,000/t level, the following indicators will be key to assessing the near term direction for copper.

Exchange warehouse inventories

Copper inventories are rising rapidly



Source: LME, SHFE, COMEX, ING Research

Visible copper stocks across major exchanges have risen sharply in recent months.

Shanghai Futures Exchange inventories have recently hit a record high as physical demand softened in China, although stocks typically build seasonally around the Lunar New Year holiday. LME inventories, meanwhile, are approaching a 17-month high.

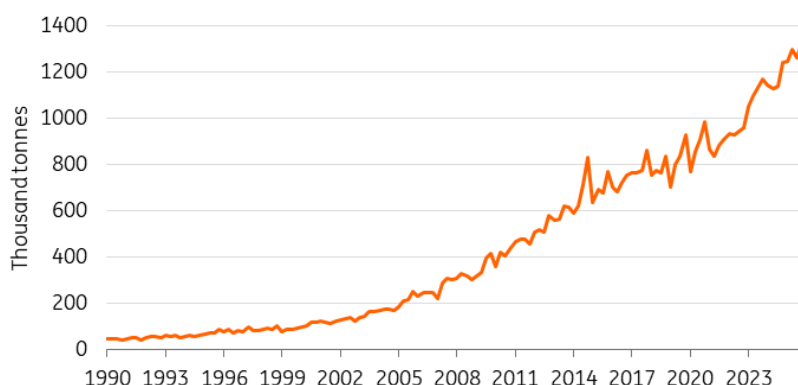
The inventory build also reflects strong inflows into LME warehouses, driven by shifting regional pricing incentives. As the COMEX-LME spread narrows, the incentive to redirect metal to the US is fading. As these pricing signals normalise, metal is increasingly being redirected back into LME warehouses and other exchange stocks.

With the holiday period now over, the direction of SHFE stocks will be important to watch. A decline in inventories would suggest Chinese demand is holding up at current price levels.

Taken together, stocks across the main exchanges have risen by more than 500,000 tonnes since the start of the year, pointing to improving physical availability. The scale of the inventory build suggests supply tightness is easing after a period of historically low visible stocks that helped underpin prices in recent months. If the pace of builds continues, it would reinforce the view that copper market tightness is beginning to unwind.

Chinese refined copper production

Refined copper output in China is rising



Source: NBS, ING Research

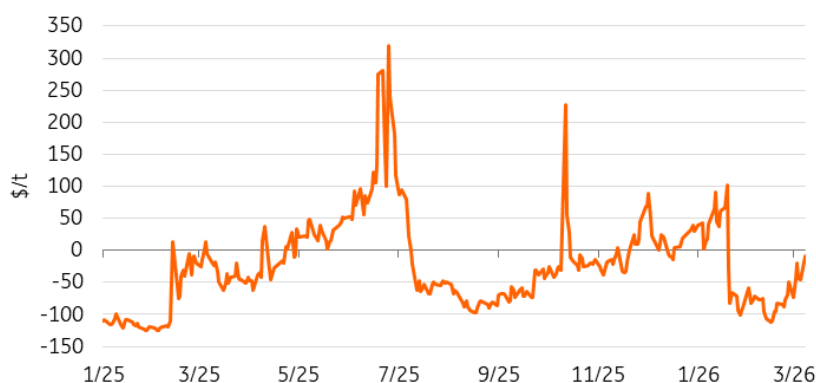
China’s smelters have continued to increase production despite tight concentrate markets and the collapse in treatment charges, supported by expanded smelting capacity and high operating rates.

Refined copper output is expected to rise to almost 1.2 million tonnes this month, according to a poll of producers by Shanghai Metals Markets. That would be a 4.6% increase from February and a record high for the survey. China’s statistics bureau will release its output data for January and February later this month. The official figures saw refined output climb to a record of over 1.3 million tonnes in December.

Rising domestic production reduces China’s reliance on refined imports and, when downstream demand softens, can contribute to inventory builds. Combined with weaker import demand signals, higher smelter output points to additional supply filtering into the global market.

LME cash-to-3M spread

Tightness in the prompt market is easing



Source: LME, ING Research

The LME cash-to-3M spread – a key gauge of physical market conditions – has moved closer to neutral levels after sharp spikes in backwardation earlier in the year, suggesting pressure in the

nearby market has moderated as short-term availability improves.

If the spread moves deeper into contango, it would signal increasingly comfortable supply conditions in the prompt copper market.

US arbitrage window (COMEX-LME spread)

The strong demand pull from the US market is fading



Source: LME, COMEX, ING Research

Strong US premiums last year created an arbitrage opportunity that encouraged shipments of copper into the US, tightening availability in other regions.

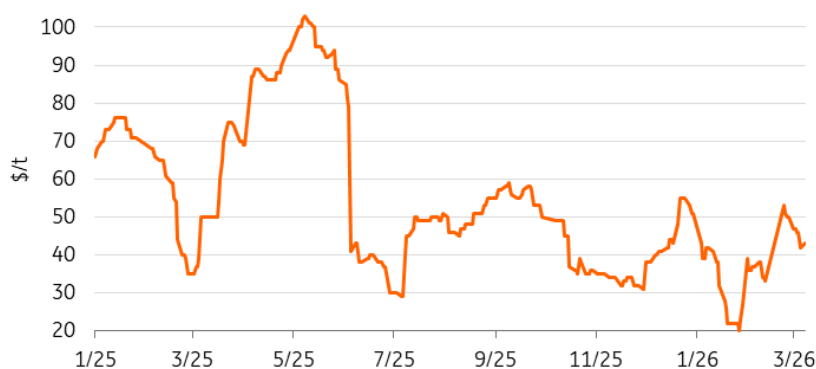
But with the COMEX LME spread narrowing, the pull of the US market has weakened, allowing more metal to remain available elsewhere.

This shift in trade flows could contribute to the recent build in exchange inventories and ease supply tightness outside the US.

While US President Donald Trump could still move ahead with tariffs, the collapse in the price arbitrage suggests markets are betting he will not, following January's decision to exempt critical minerals.

Yangshan copper premium

Chinese demand for imported copper has softened



Source: SMM, ING Research

The Yangshan premium is a key indicator of Chinese demand for imported copper. After rising sharply and peaking last year, the import premium has fallen significantly and has since traded at lower levels, suggesting weaker import demand and reduced incentives to bring refined copper into China.

If the premium remains subdued, it would point to softer buying appetite from the world's largest copper consumer.

Copper-oil ratio

Macro headwinds for industrial metals are building

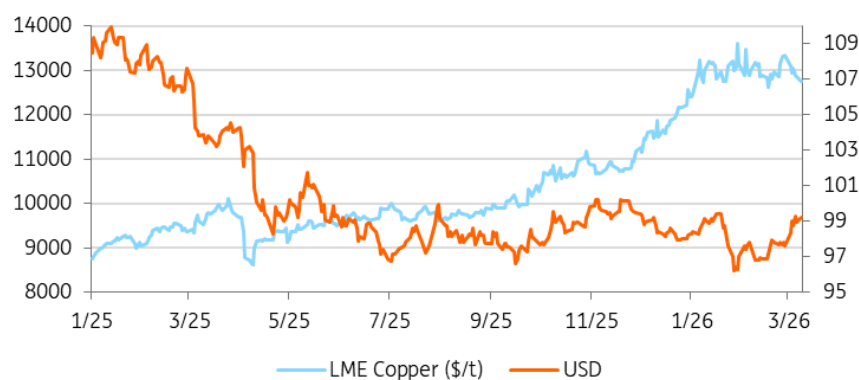


Source: ING Research

The copper oil ratio – often viewed as a proxy for global growth expectations – has fallen sharply in recent weeks as oil prices surged, underscoring the growing drag from higher energy costs on industrial metals. A sustained decline would point to a more challenging macro backdrop, with weaker growth expectations weighing on copper demand.

US dollar

A stronger dollar is adding further pressure



Source: LME, Refinitiv, ING Research

The recent appreciation of the US dollar has added another headwind for base metals. As copper is

priced in dollars, appreciation in the currency makes the metal more expensive for buyers in other currencies, typically weighing on demand.

The direction of the US dollar is likely to remain a key driver for copper in the near term. Continued strength in the currency could keep pressure on prices.

Copper's bull story faces near-term headwinds

Taken together, these indicators suggest the copper market is gradually shifting away from the tight conditions seen over recent months towards a more balanced supply environment.

Rising exchange inventories, increasing refined output in China and softer Chinese import demand all point to improving supply availability, while macro headwinds, such as higher energy prices and a stronger US dollar continue to weigh on sentiment.

That said, structural demand linked to electrification and the energy transition continues to underpin the longer term outlook.

While near term headwinds are building, we are not changing our copper price forecasts at this stage, but will continue to monitor these indicators closely for signs of a more material shift in market conditions.

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