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COMMODITIES, FOOD & AGRI

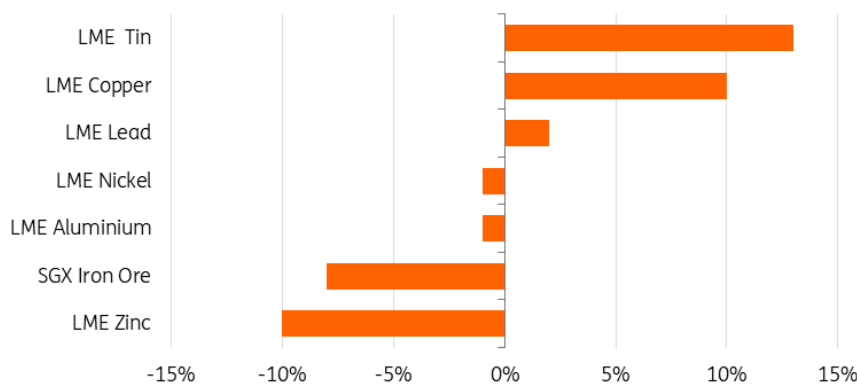
# Industrial Metals Monthly: China copper optimism is fading

Our monthly report looks at the performance of iron ore, copper, aluminium, and other industrial metals. In this month's edition, we take a closer look at copper and softening indicators from China



Source: Shutterstock

## YTD metals performance (%)



Source: LME, SGX, ING Research

Copper prices have been volatile since the beginning of the year with this volatility mostly

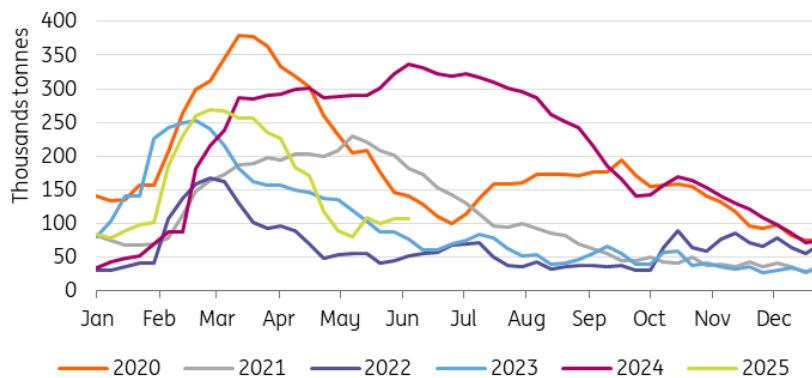
driven by tariff risks and China's uncertain economic recovery.

Despite trade headwinds, copper prices are still up around 10% so far this year. LME prices remain underpinned by tightening supply, but softening Chinese indicators point to a widening divergence between domestic and international market dynamics.

### SHFE copper stocks are trending higher again

After plunging to the lowest since 2022 last month, SHFE copper stocks are rising again. Copper stocks in SHFE warehouses recently jumped above 100,000 tonnes – a one-month high.

### SHFE copper inventories are rebounding



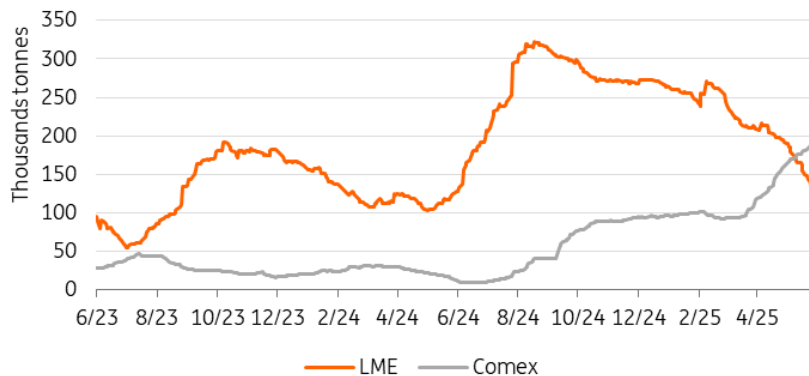
Source: SHFE, ING Research

### Domestic smelters looking to export copper

Amid rising domestic stockpiles, copper smelters in China are planning to export spot cargoes to take advantage of higher international prices amid a tightening global market, according to a Bloomberg report this week citing industry sources.

Donald Trump's investigation on whether to impose import tariffs on the metal has seen LME on-warrant holdings plunging 78% this year to hit the lowest since July 2023, while holdings in Comex warehouses have surged to the highest since 2018. [The race to get copper to the US](#) before any tariffs are introduced, has tightened markets elsewhere.

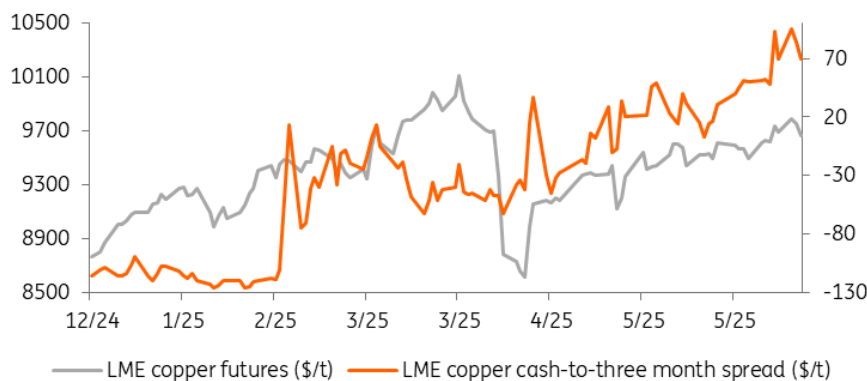
## Copper inventories in New York surge, plunge in London



Source: Comex, LME, ING Research

Reflecting this tightness on the LME, copper's cash-to-three-month spread has widened in backwardation, signalling insufficient immediate supplies.

## LME copper spread widens



Source: LME, ING Research

China is usually a major net importer of refined copper; however, it still exports some volumes when it turns profitable to do so. The reversal in these flows has been partially due to surging domestic supply. China's refined copper output has surged to another record this year. It is set to rise 10% in the first half this year and nearly 5% for the full year, according to Shanghai Metals Market.

## Yangshan premium plunges

The planned exports from China come at a time when the domestic market is weakening. The Yangshan copper premium collapsed from above \$100/t last month to \$38/t this week. The Yangshan premium is paid on top of global exchange prices and is usually a good measure of

Chinese buying appetite. Its peak was just above \$150/t.

### **Yangshan copper premium (\$/t)**

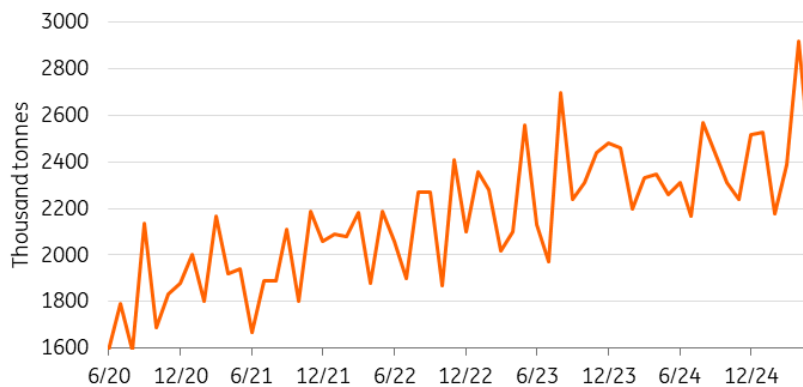


Source: SMM, ING Research

### **May trade data disappoints**

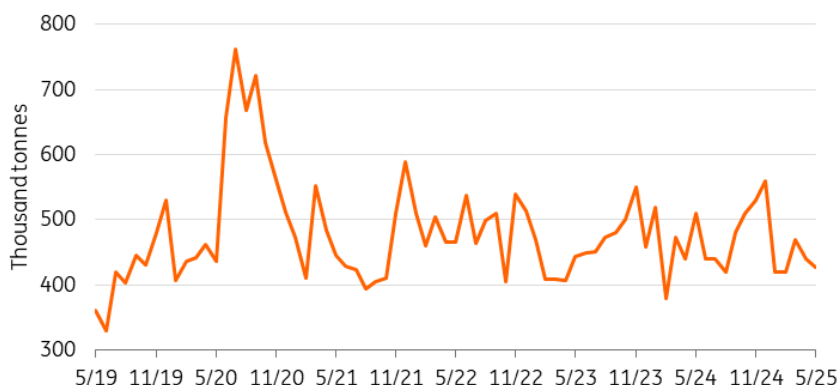
Meanwhile, China metals imports weakened in May amid the impact of tariffs on the economy. Unwrought copper and products fell 2.9%, while copper ore plunged 18% from April's record. Tariffs are bearish for copper and other industrial metals in the context of slowing growth and keeping inflation higher for longer.

### **China copper ore and concentrate imports**



Source: China Customs, ING Research

## China unwrought copper and copper products



Source: China Customs, ING Research

### Support remains amid tight LME supplies; at least for now

We believe copper prices are likely to stay supported, at least for now, if the LME stocks withdrawals continue. China copper exports might provide some relief to depleted LME inventories.

If US tariffs on copper are implemented, this is likely to be bearish for copper prices, with the wave of copper rushing to the US likely to stop, at least for a while, and consumers are likely to then start to work through their inventories. This will also likely improve availability of copper ex US and weigh on copper prices.

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