

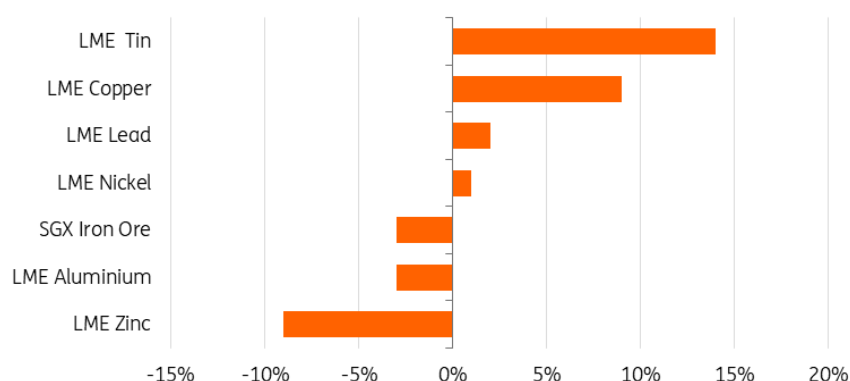
Industrial Metals Monthly: Copper's outlook looking brighter but caution still needed

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 explain why we think its outlook is starting to look a little bit brighter



We see a brighter outlook for copper amid easing trade tensions and resilient China demand

YTD metals performance (%)



Source: LME, SGX, ING Research

Copper, along with other industrial metals, gained last week after the US and China agreed to temporarily slash levies on each other's imports.

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 9% so far this year as Chinese demand saw a strong start to the year, while the rush to deliver copper to the US has tightened availability elsewhere. We revise our copper forecast higher on easing trade tensions and resilient China demand.

Trade truce optimism

Tariffs are bearish for copper and other industrial metals in the context of slowing growth and keeping inflation higher for longer. In April, copper saw its worst performance since mid-2022, as signs began to emerge of trade starting to hurt economies, with the US contracting in the first quarter and manufacturing in China's factory activity showing the biggest contraction since December 2023.

Last week, the US and China [agreed to temporarily reduce tariffs](#) on each other's goods, with the US slashing duties on Chinese products to 30% from 145% for a 90-day period, while Beijing reduced its levy on most goods to 10%.

This marked a substantial cooling of trade tensions between the US and China and represent [a better-than-expected de-escalation](#). However, questions remain for markets as to what the end game will be, as the measure will be operational for 90 days, and what the eventual level of tariffs will be.

US Secretary of the Treasury Scott Bessent later said it is "implausible" that reciprocal tariffs on China go below 10%, but the 2 April level – set by the President at 34% – "would be a ceiling", while Trump said tariffs could go higher again if the two countries fail to reach an agreement.

Despite the optimism, there are reasons to remain cautious. The US-China talks are only just beginning and there still remains plenty of uncertainty. The reduced tariffs, although lower than

expected, are still significant and while the hit to global trade growth might be lower than the markets were previously expecting, it could still hit consumption of raw materials. With uncertainty still high, volatility is likely to remain elevated across commodities markets.

Downside risks to our copper outlook include trade negotiations taking longer than expected with the trade war dragging on and reduced policy stimulus from China.

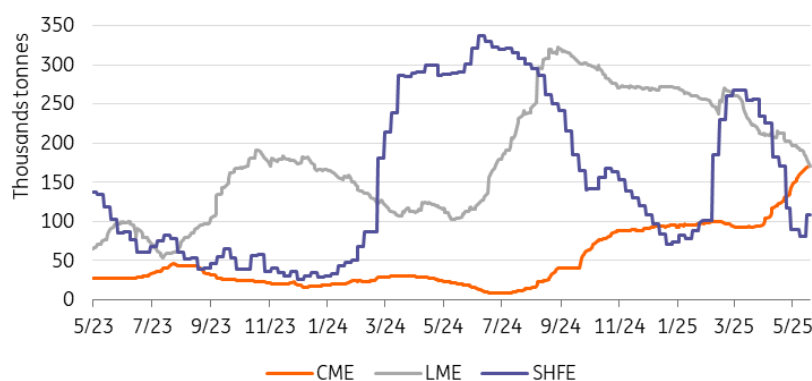
China copper market tightens

SHFE copper inventories have plunged over the past couple of weeks along with LME copper inventories. [The race to get copper to the US](#) before any tariffs are introduced, has tightened markets elsewhere. The rush to get copper to the US started in late February, when copper prices in New York surged above London prices after President Trump launched an investigation on whether to impose import tariffs on the metal. That wave of metal heading into the US is already starting to slow as there is a risk that import duties are imposed before the shipments arrive. Still, despite the slowdown, Comex copper stocks are at the highest level since 2018.

Although SHFE copper inventories rose last week for the first time since March, following seven weeks of drawdowns, on a seasonal basis they remain the lowest since 2022. On the LME, copper inventories dropped for a fourth week to the lowest level since June.

Meanwhile, both the LME and SHFE copper markets have moved into backwardation since late April, reflecting tight near-term supply.

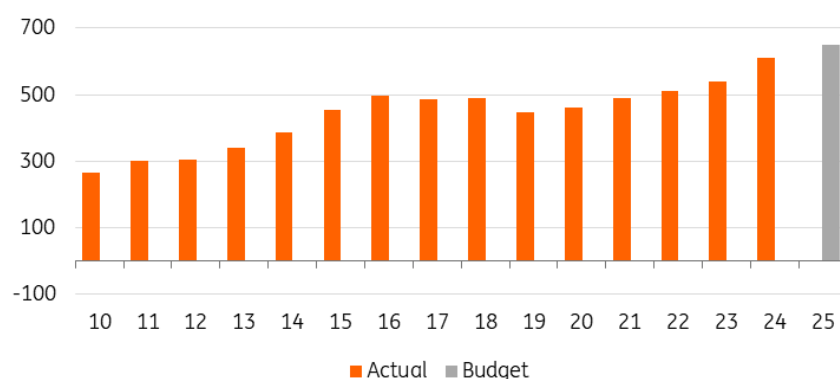
SHFE copper inventories at the lowest since 2022



Source: LME, SHFE, CME, ING Research

On the demand side, despite the prolonged slowdown in China's property sector, other sectors of the economy are looking more positive. For example, China's State Grid spending, which is the world's single largest buyer of copper, rose 25% on the year in the first three months of the year. Prospects for the production of EVs, wind generating capacity, consumer durables and machinery are also looking stronger. These should continue to help to offset the weakness from the building and construction sectors in China.

State Grid investment history (RMB bn)



Source: State Grid, ING Research

Yangshan premium rebounds

In a further sign of tight supplies in China, premiums for imported cargoes jumped to the highest since late 2023.

The Yangshan premium jumped from a low of \$35/t in late February to over \$100/t recently. The premium is paid on top of exchange prices for imported copper and is commonly used as a gauge for Chinese demand.

Yangshan copper premium (\$/t)

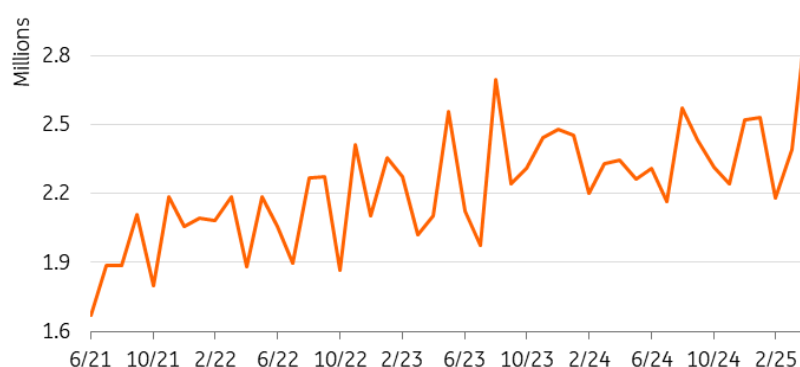


Source: SMM, ING Research

China copper imports surge

Copper concentrates imports into China rose to almost 3 million tonnes last month, the highest on record, to meet growing copper demand. This represented a 24% jump in quantity compared to April 2024, further adding evidence that Chinese copper demand remains resilient, despite tariff headwinds.

China copper ore and concentrate imports (mt)

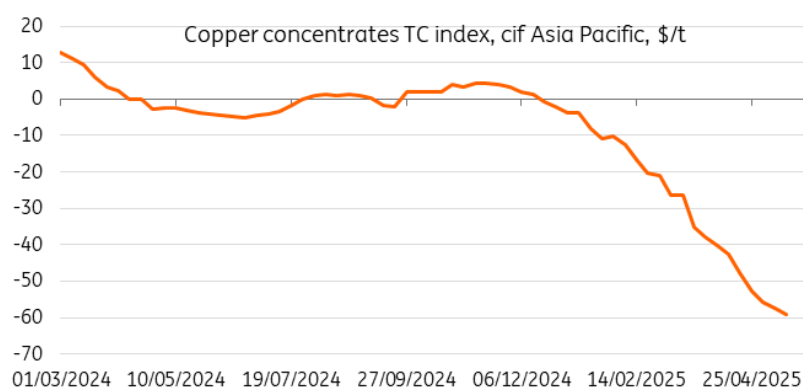


Source: China Customs, ING Research

Reflecting the tightness in concentrates, copper concentrate treatment charges have reached record lows. The drop in treatment charges is not only a reflection of the tightening concentrates market, but also of a rapid expansion in copper smelter capacities in China. Chinese copper output is expected to hit another record this year. In April, refined copper output in China rose to a monthly record. Production of refined copper was up 9% from a year earlier to 1.25 million tonnes despite the government's efforts to curb this relentless capacity expansion in the country. Earlier this year, the government tightened requirements for building new copper smelters, including controlling enough mine supply to feed the plants. Upside risks to our outlook include potential cuts in refined production due to these policies amid continuing tightness in concentrates.

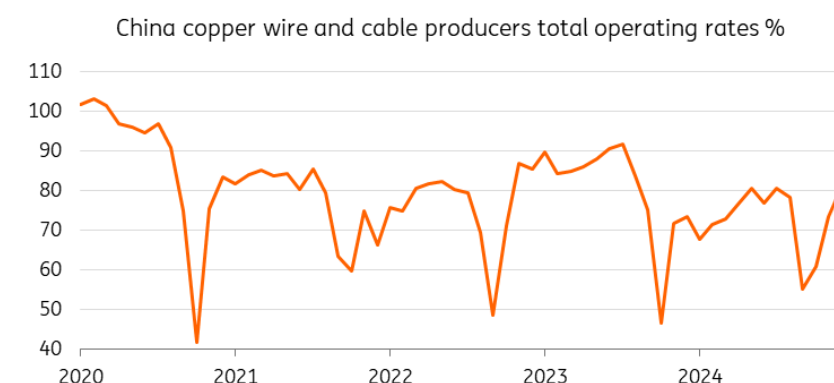
Meanwhile, operating rates of Chinese copper plants rebounded in April to above 80%, indicating little impact from US tariffs so far.

Spot copper TCs collapse



Source: Fastmarkets, ING Research

China copper plants operating rates rebound



Source: SMM, ING Research

We revise our copper outlook higher amid easing trade tensions and resilient China demand. However, we are still cautious with plenty of uncertainty remaining as trade talks continue. Downside risks to our copper outlook include trade negotiations taking longer than expected with the trade war dragging on and reduced policy stimulus from China. Upside risks revolve around potential cuts in refined copper production amid continuing tightness in concentrates.

We see prices averaging \$9,300 in the second quarter with an annual average of \$9,277 this year.

ING forecast

LME Copper (US\$/t)	2Q25	3Q25	4Q25	2025
Old forecast	8,900	8,700	8,900	8,900
New forecast	9,300	9,100	9,300	9,277

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