



بنك الإمارات دبي الوطني
Emirates NBD

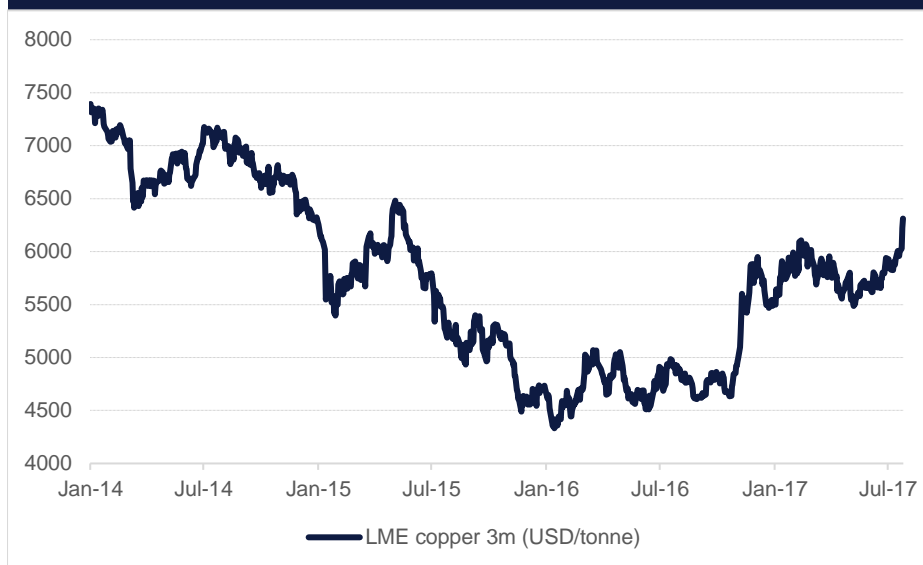
Commodities

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Copper jumps in Q3

Copper prices have punched through USD 6,000/tonne, hitting their highest levels since 2015 and rallying 7% since the start of the quarter. This latest surge upward appears to be on the back of news that China is considering limiting imports of scrap metal, increasing demand for primary metal. Moreover, prolonged strike action in Indonesia and fires threatening mines in Canada are also threatening supplies in the second half of the year. The pace of the rally appears a little overdone and 3m LME copper futures are in over-bought territory. Copper showed a similar surge upward in Q4 2016 before settling into a range around USD 5,750 for much of H1.

Copper spikes to start Q3



Source: EIKON, Emirates NBD Research.

Near-term demand pressures appear good but not necessarily strong enough to support the current spike in prices. LME copper inventories have been oscillating around 300k tonnes but cancelled warrants—a rough measure of metal being taken out of storage—currently account for around 25% of total stocks, down from over 50% earlier this year. Were China to end imports of scrap metal, which have averaged around 300k tonnes/month in the first five months of the year, we would expect to see a more prolonged draw on stocks held in Korea, Malaysia and Singapore, a short freight distance away.

We expect prices will begin to weaken later on this year as the impact of new supply from Democratic Republic of Congo and Peru becomes apparent and forecast LME copper at an average of around USD 5,600/tonne for 2017 and USD 5,750/tonne in 2018. The turnaround in prices, if sustained for several weeks, will help to keep new supplies on track, helping to moderate the impact of the China ban on scrap imports. For the moment, we are holding our forecasts steady.

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