



五矿期货

Monthly Report on Copper

20220909

—— Price Fluctuating with an Upward Trend

■ Non-Ferrous Group

Wu Kunjin

wukj@wkqh.cn

0755-23375135

Futures Practice Qualification No. F3036210

Investment Consulting Qualification No. Z0015924



Figure 1: Price Trend of Most Active SHFE Copper Contracts (RMB/ton)



Sources: Wenhua, Minmetals Futures

Figure 2: Price Trend of LME 3M Copper Contract (US\$/ton)



Sources: Wenhua, Minmetals Futures

- ◆ Copper price increased in early and mid-August due to a strong supply-demand situation but retreated along with the determination shown by Fed Chairman in controlling inflation. The offshore RMB in August depreciated significantly. SHFE copper rose by 3.3% while LME 3M copper decreased by 1.7%. Copper price in early September stabilized followed by recovery.

Figure 3: CFTC managed Money Net Long Position in Percentage & LME 3M Copper

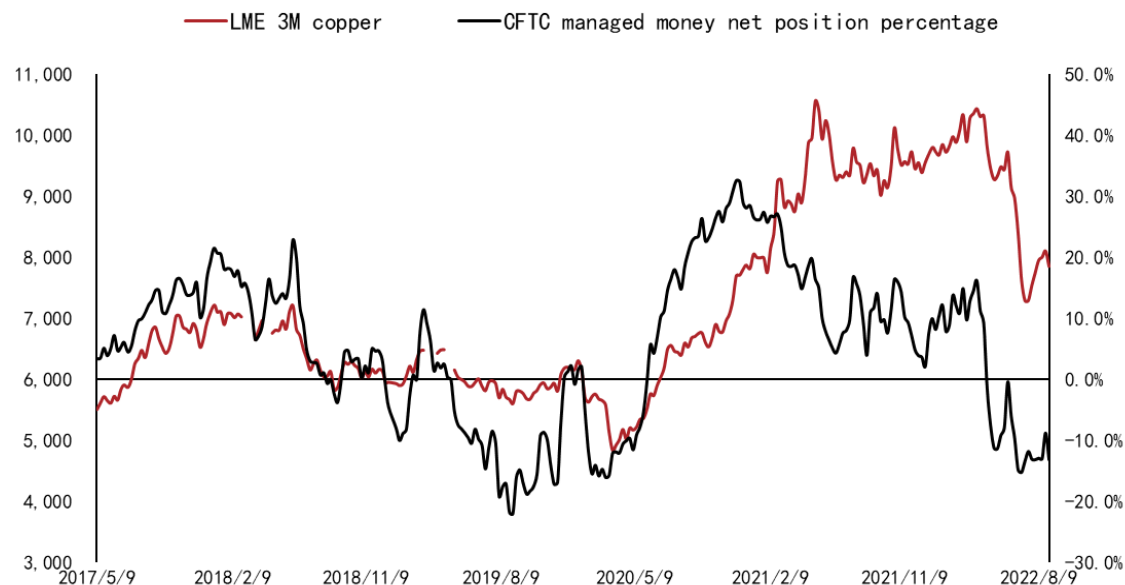
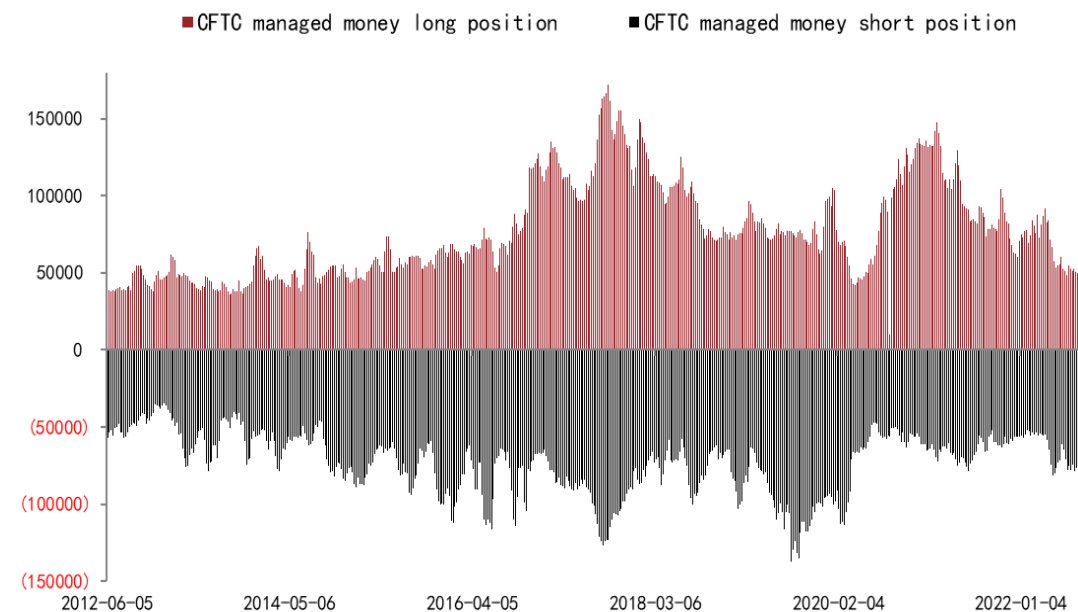


Figure 4: CFTC managed Money Positions

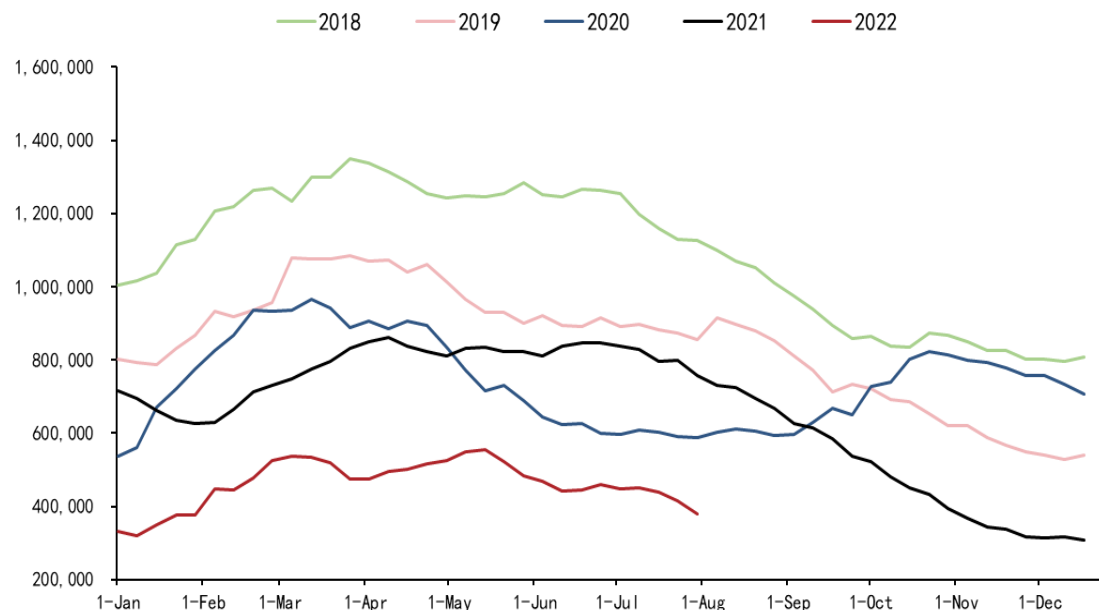


Sources: WIND, Minmetals Futures

Sources: WIND, Minmetals Futures

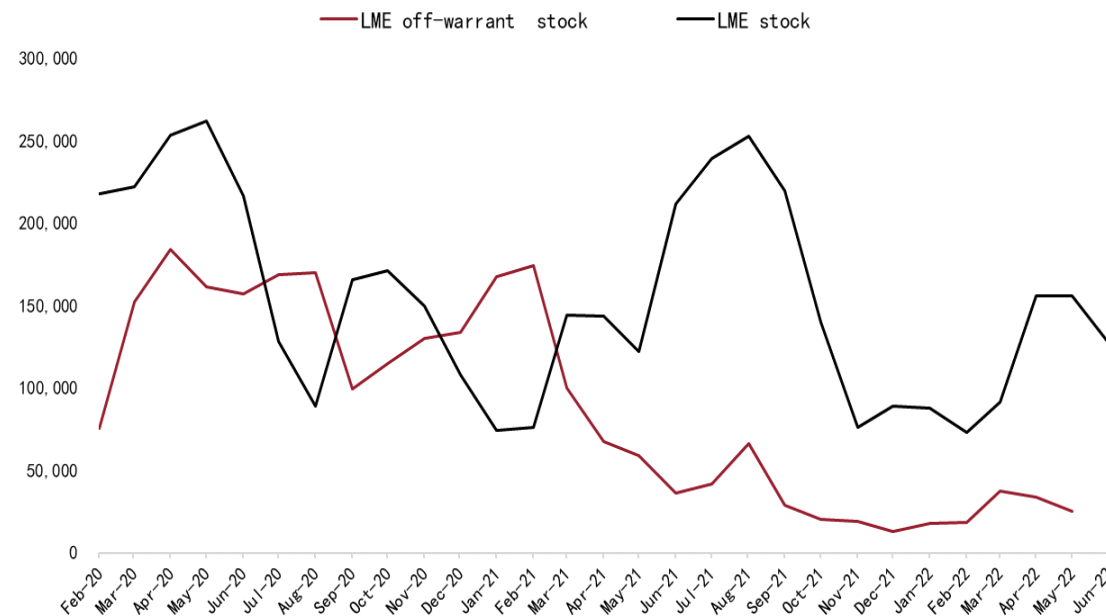
- ◆ By the end of August, with more shrinkage for short positions than long, copper's net short position declined. The current bullish positioning remains relatively low while the bearish stays little above average. In September, macroeconomic variables will become more volatile and attention should be paid to Fed meetings concerning interest rates, Sino-US relationship, European energy issues and the impact on market sentiment caused by fundamental situation.

Figure 5: Stocks in LME, SHFE, COMEX and China Bonded Warehouses (ton)



Sources: LME, SHEF, COMEX, Mymetal, Minmetals Futures

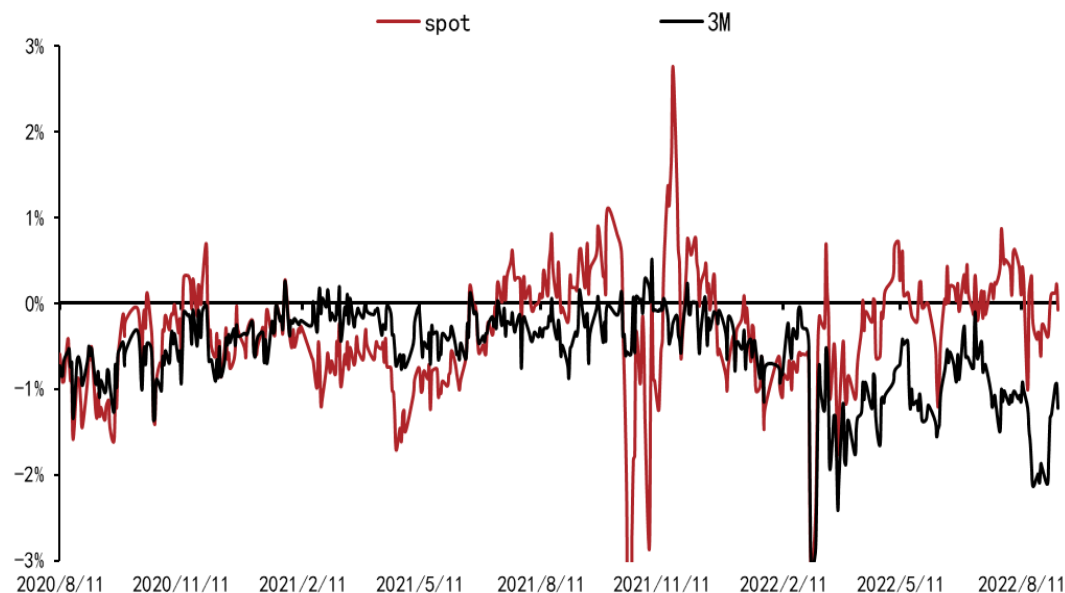
Figure 6: LME Copper Stock & LME Off-warrant Stock (ton)



Sources: LME, Minmetals Futures

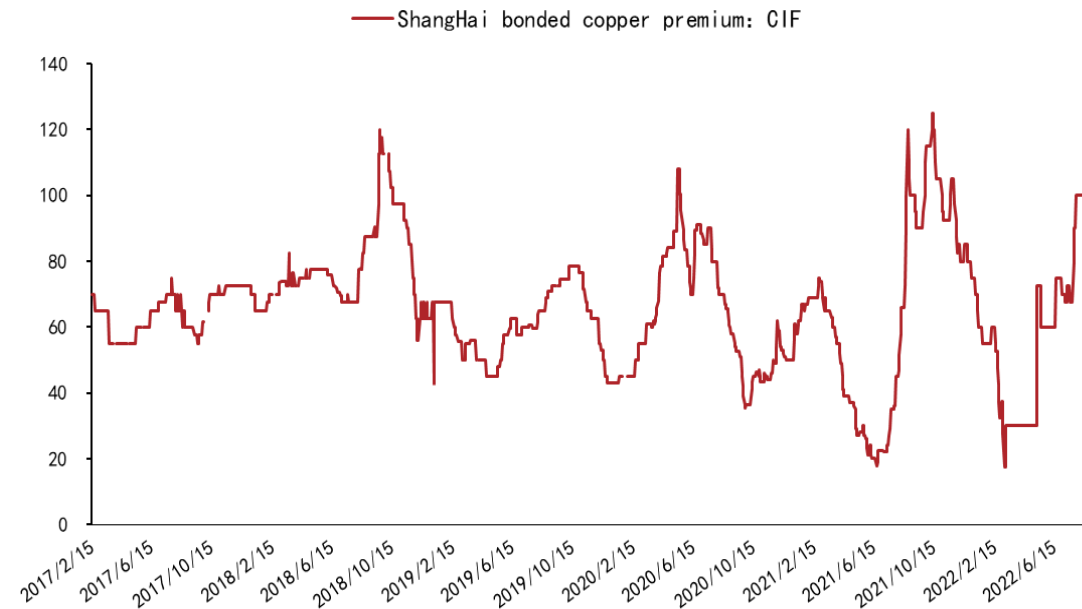
- ◆ Stocks in LME, SHFE, COMEX and China Bonded Warehouses in early September totaled 284,000 tons, down by 95,000 tons month-on-month and 129,000 tons year-on-year. The current stocks of both bonded warehouses and overseas exchanges decreases with more obvious decline seen for the bonded warehouses. However, SHFE stock increased marginally. LME's off-warrant stock in June was lowered to 22,000 tons, remaining at a low absolute level.

Figure 7: Profit-Loss Ratio of Electrolytic Copper Import in China



Sources: LME, SHFE, SMM, WIND, Minmetals Futures

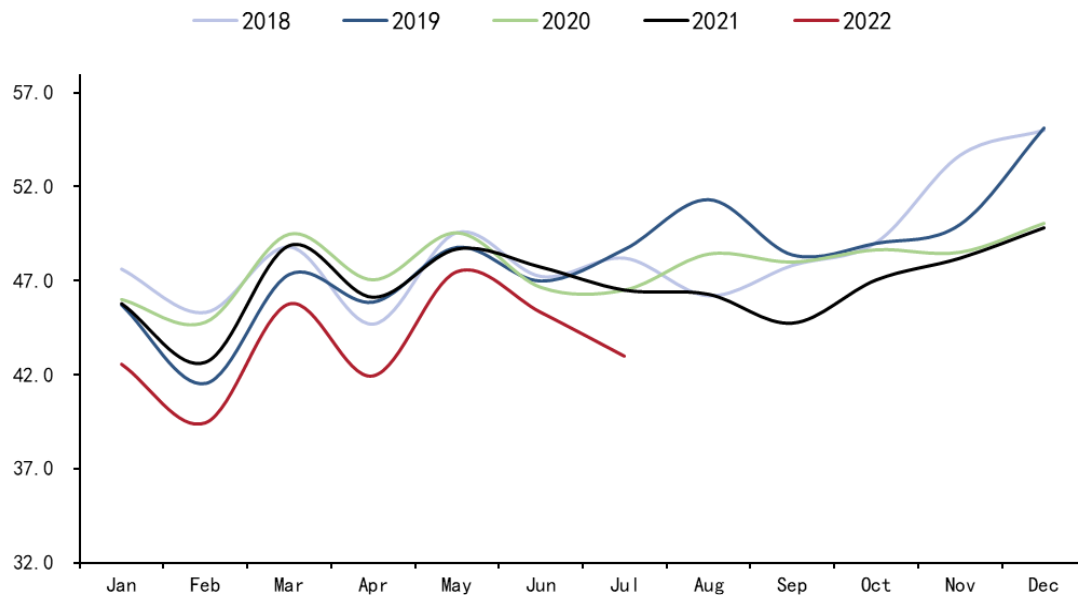
Figure 8: Shanghai Bonded Copper Premium (US\$/ton)



Sources: WIND, Minmetals Futures

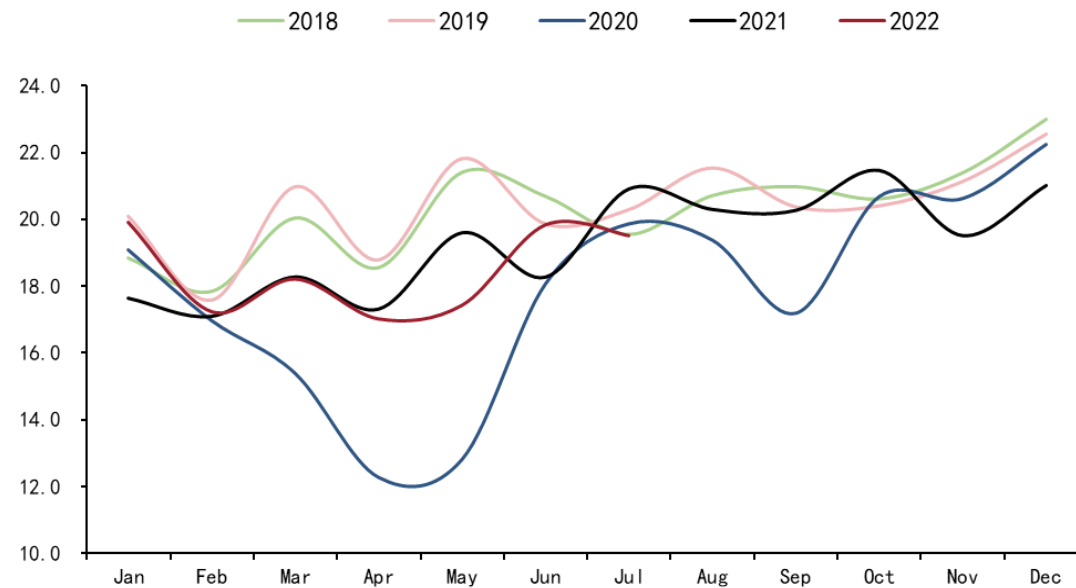
- ◆ In August, RMB depreciated, leading to a higher SHFE/LME copper price ratio and a narrowing profit for copper import. However, customs clearances are still greatly needed because Yangshan copper premium remained at elevated level. Copper import this month saw an insignificant increment because of financial distresses of certain traders. But the import is expected to improve in September.

Figure 9: Monthly Copper Output in Chile (10k tons)



Sources: Bureau of the Census and Statistics Chile, Minmetals Futures

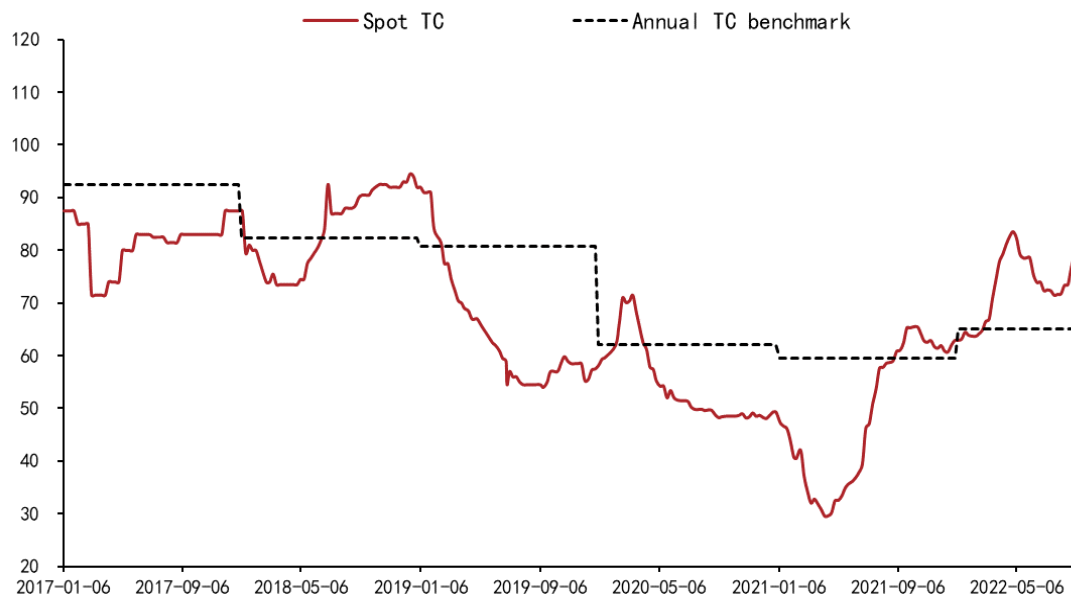
Figure 10: Monthly Copper Output in Peru (10k tons)



Sources: MINEM Peru, Minmetals Futures

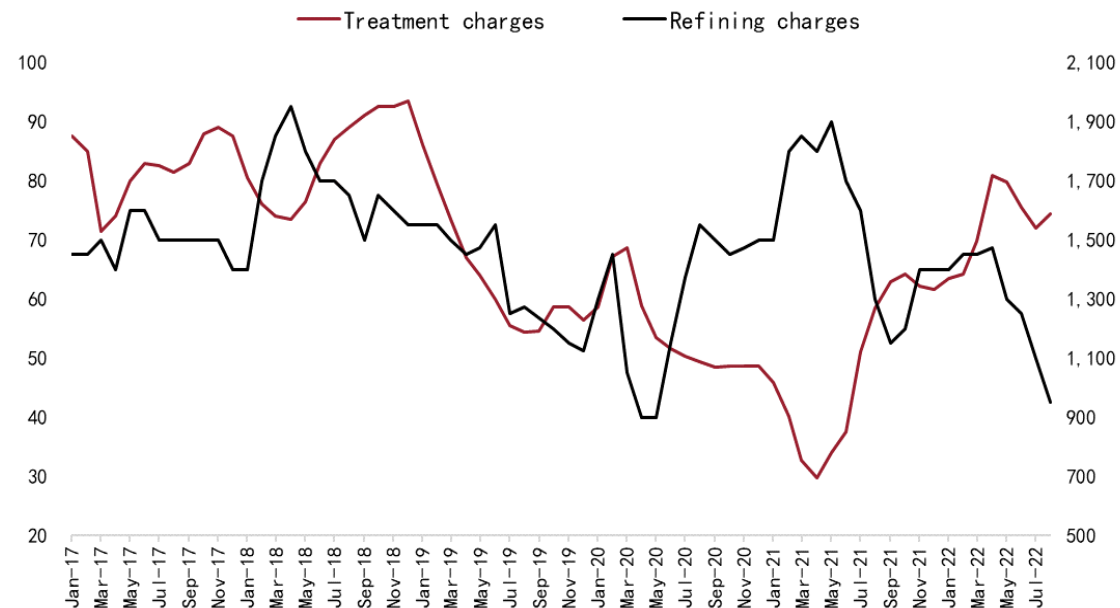
- ◆ Chile, the largest copper producer in July produced a total of 430,000 tons, down by 8.6% year-on-year and 5.1% month-on-month, mainly due to factors such as the deteriorating quality of copper mines and water shortage. Peru's monthly output in July was 195,000 ton, down by 6.6% year-on-year and marginally down month-on-month. With declining output for large-scale copper mines, performance of both Chile and Peru were weaker than expected.

Figure 11: Imported Copper Concentrate TCs (US\$/ton)



Sources: SMM, Minmetals Futures

Figure 12: Monthly Copper TCs & RCs (US\$/ton & RMB/ton)

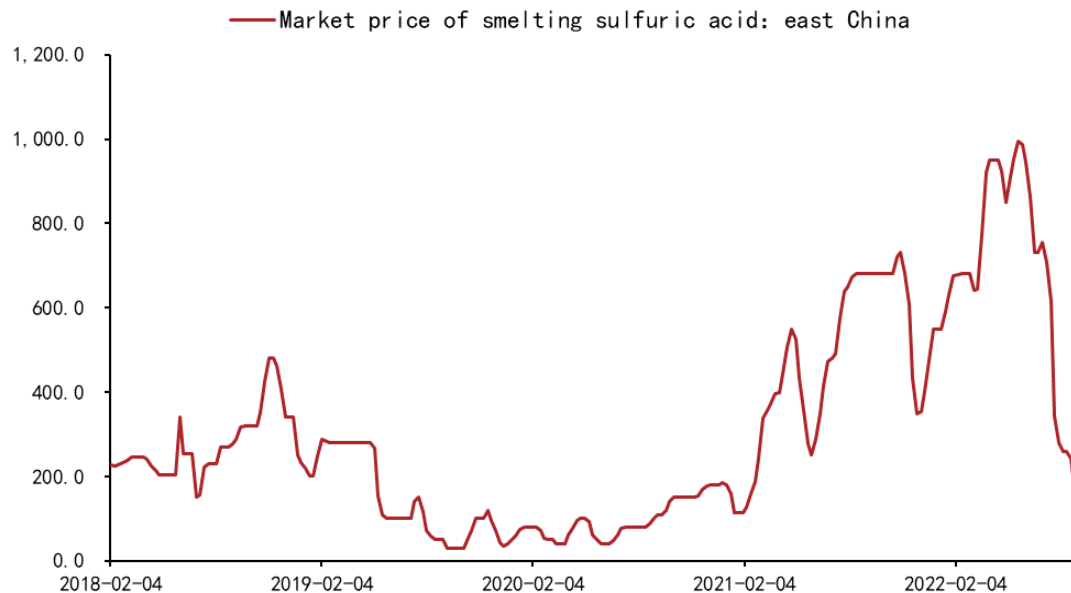


Sources: SMM, Minmetals Futures

- ◆ In August, spot TCs for imported copper concentrate rebounded with its monthly average at US\$74.5/ton. A rally is expected for spot TCs in September thanks to the marginally relaxing supply-demand balance. For the same period, the refining charges (RCs) of blister copper extended its month-on-month diminution with a domestic RC quoted at RMB950/ton and the supply of cold charge supply further narrowed.

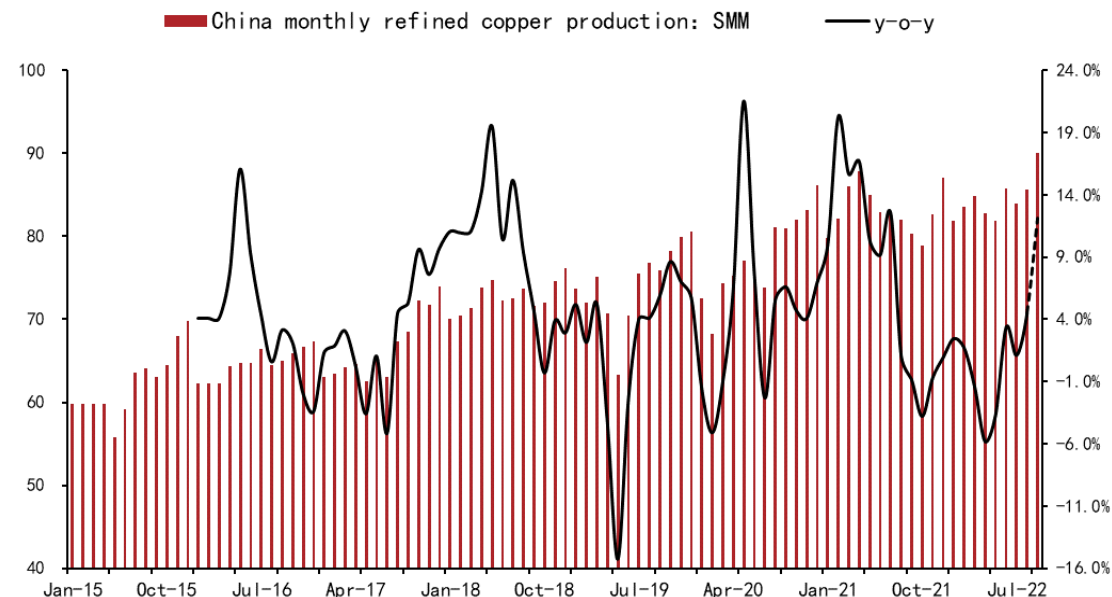
Supply - Refined Copper

Figure 13: Domestic Market Price of Smelting Sulfuric Acid (RMB/ton)



Sources: WIND, Minmetals Futures

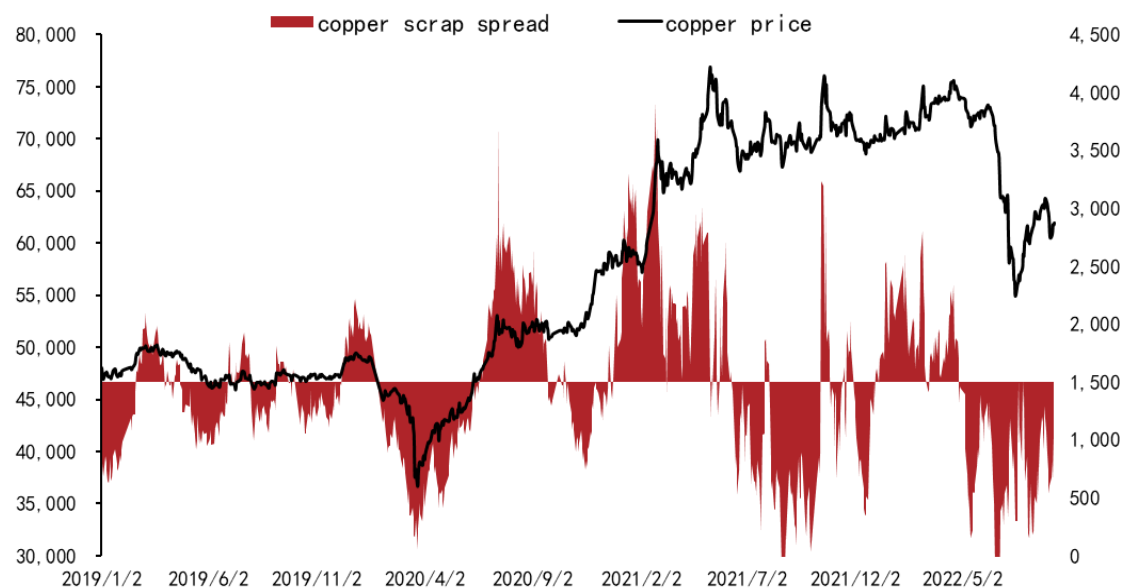
Figure 14: China Monthly Refined Copper Production (10k tons)



Sources: SMM, Minmetals Futures

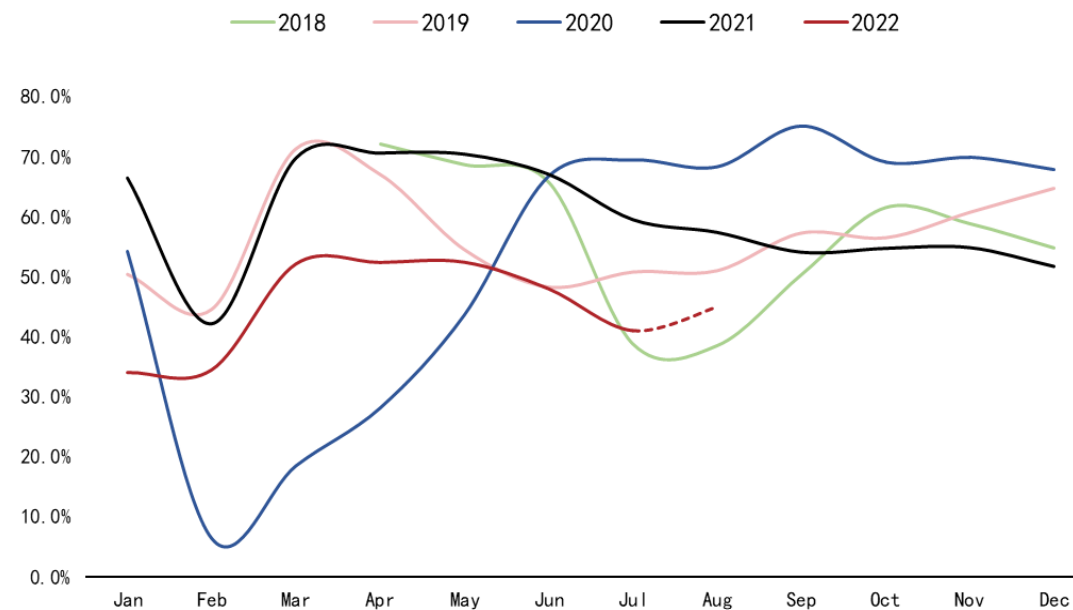
- ◆ The price of smelting sulfuric acids plunged in August with an obvious shrinking profit of the by-product and a declining general smelting profit. Negatively influenced by power rationing, Covid-19 control and tight supply of blister copper, the output of domestic copper concentrate was lower than expectation and only edged up month-on-month. In September, with less power rationing, a larger copper concentrate production with a month-on-month growth of nearly 5% is expected.

Figure 15: Price Spread b/t #1 Refined Copper and Scrap Copper in China (RMB/ton)



Sources: SMM, WIND, Minmetals Futures

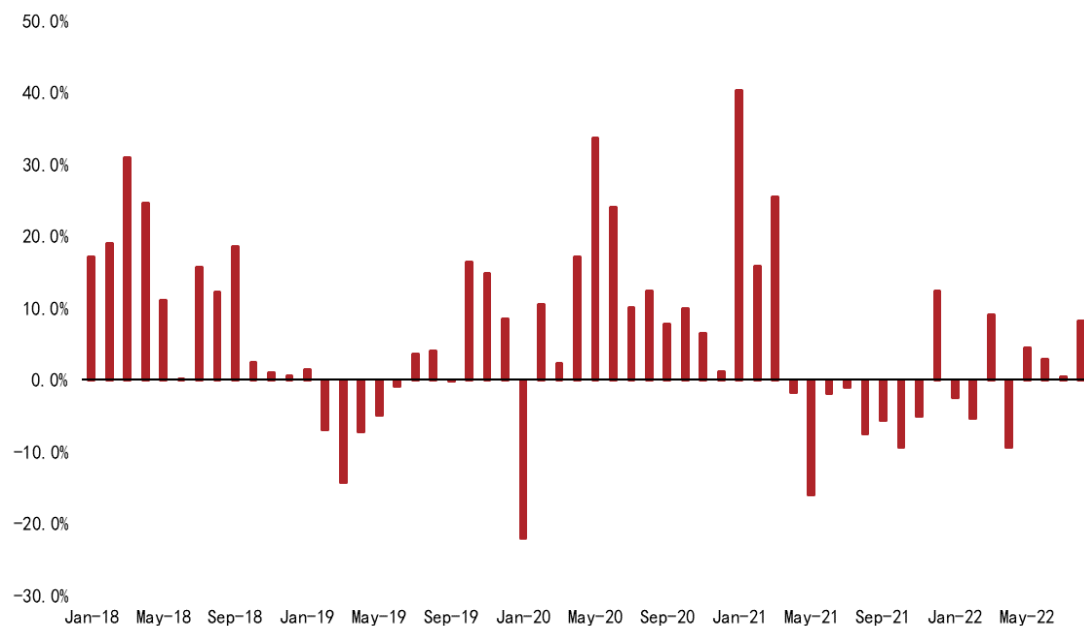
Figure 16: Operation Rate of China's Scrap Copper Rod Manufacturer



Sources: SMM, Minmetals Futures

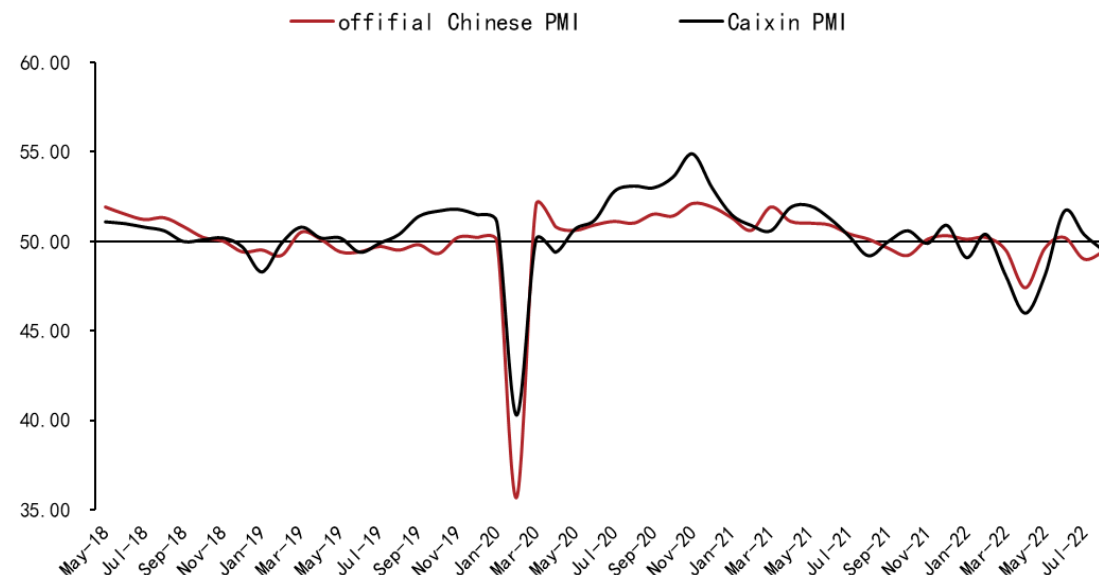
- ◆ Domestic refined-scrap copper spread narrowed in August to RMB680/ton with the substitution advantage of scrap remaining low and the scrap supply remaining weak. The operation rate of China's scrap copper rod manufacturers edged up in the second half of August, contributing to a slight recovery of the scrap substitution but the shrinkage was still significant year-on-year.

Figure 17: Monthly Apparent Consumption of Refined Copper in China (YoY)



Source: General Administration of Customs, SMM, Mymetal, Minmetals Futures

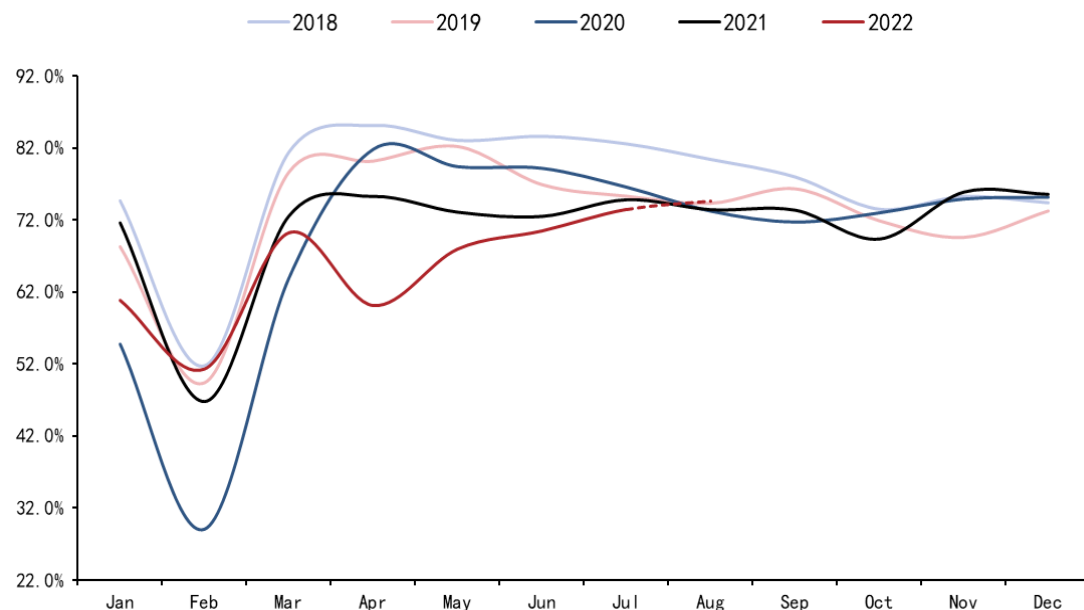
Figure 18: PMI of China



Sources: WIND, Minmetals Futures

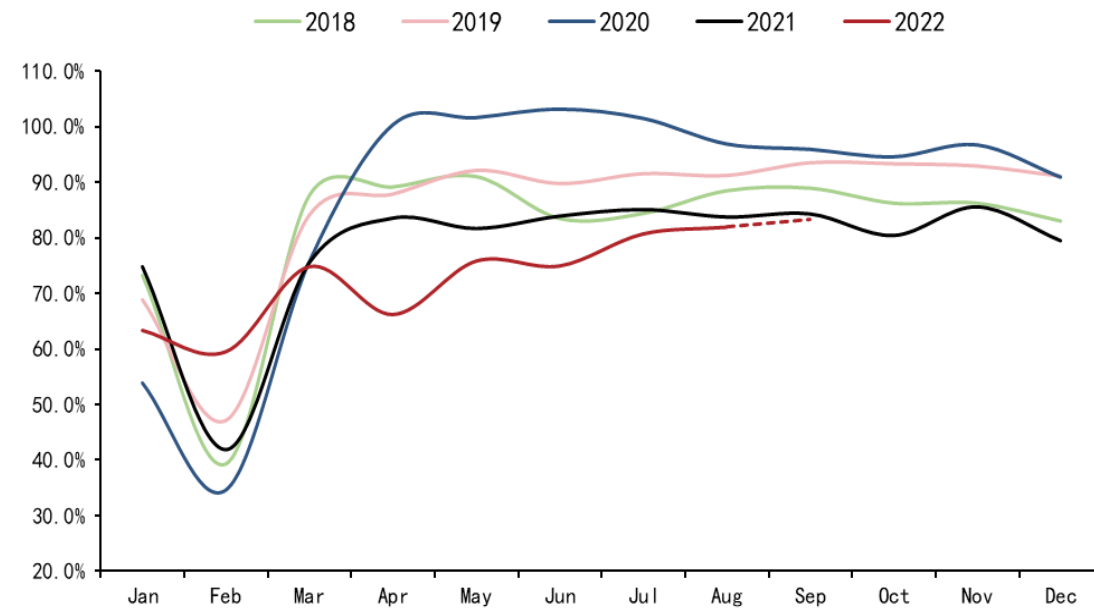
- ◆ Under the assumption of a net trivial growth month-on-month, the domestic apparent consumption of refined copper in August realized an increase of around 8% year-on-year and the accumulated apparent consumption from January to August increased by roughly 0.9%. PMI of China retreated month-on-month in August and the manufacturing industry continued its sluggish recovery subject to the impact of the pandemic.

Figure 19: Weighted Average of the Operation Rate of Copper Product Producers in China



Source: SMM, Minmetals Futures

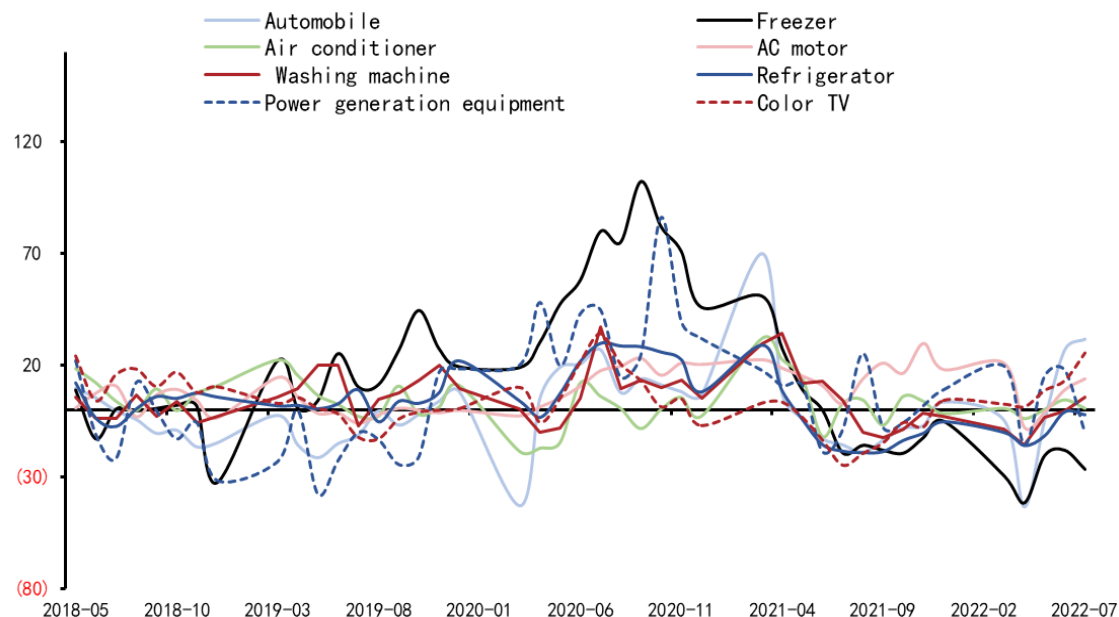
Figure 20: Operation Rate of Wire and Cable Companies in China



Sources: SMM, Minmetals Futures

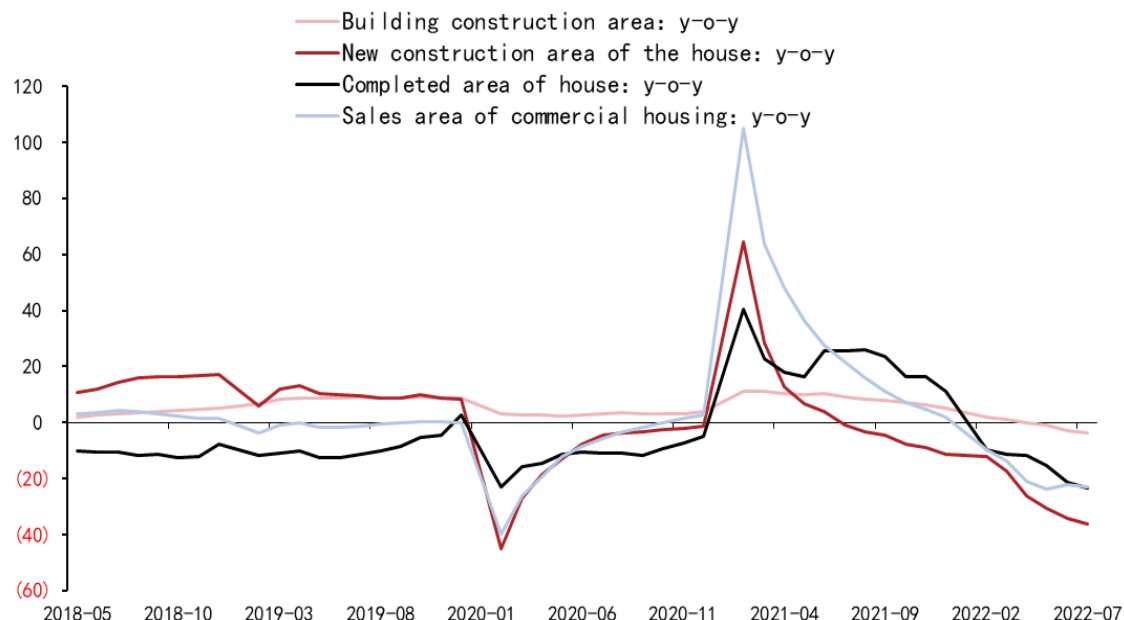
- ◆ In July, the average operation rate of domestic copper product producers went up which mainly attributed to the significant recovery from copper rod industry. More manufacturers of copper rod, copper plate, copper strip and copper foil are expected to resume operation while less copper pipes are expected to be produced. Similar operation recovery was seen for wire and cable producers with an increase of 1.2% in August and a forecast of 1.4% growth in September.

Figure 21: Downstream Industrial Output Comparison (YoY)



Sources: WIND, Minmetals Futures

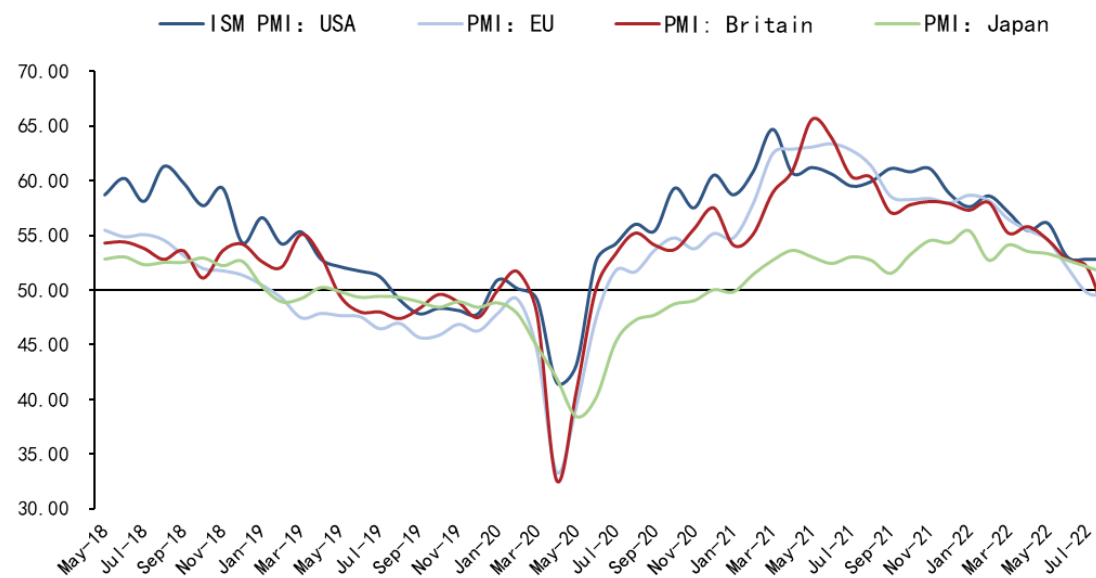
Figure 22: China's Real Estate Sector Data



Sources: NBS, Minmetals Futures

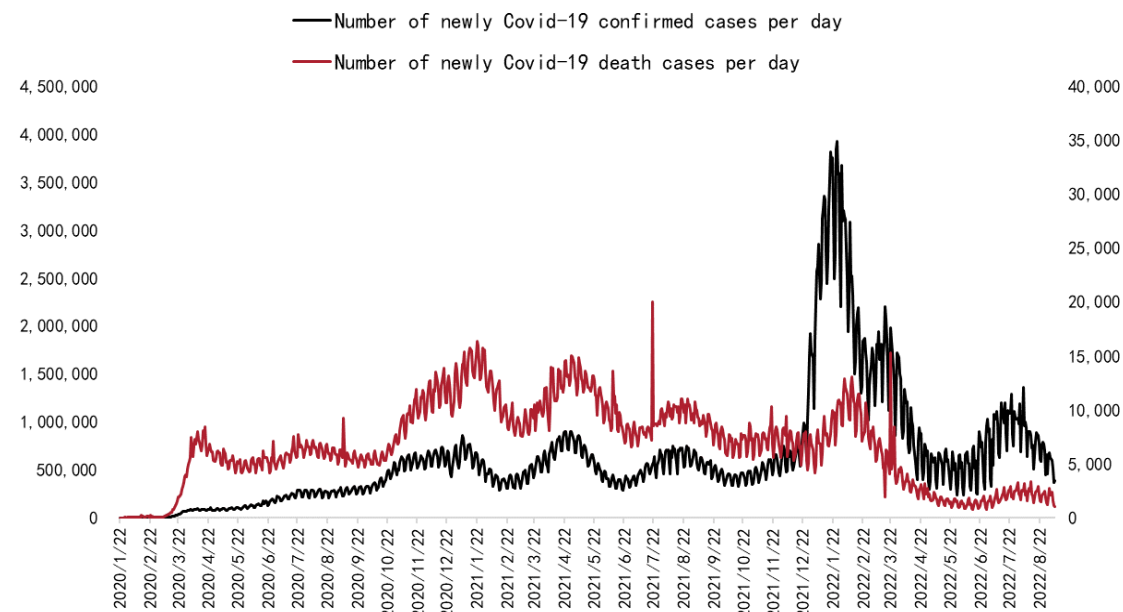
- ◆ In July, most downstream industries of copper realized certain growth, with the automobile, color TV and AC motor industries demonstrating more apparent increment and the power generation equipment industry reversing from shrinkage to expansion. The real-estate industry in July suffered from a continuous loss, leaving the Real Estate Climate Index further go down. According to the high-frequency data for August, real-estate industry still underperformed, automobile stayed strong, infrastructure remained its recovering momentum and copper demand overperformed the neutral forecast.

Figure 23: PMI of Major Developed Nations



Sources: WIND, Minmetals Futures

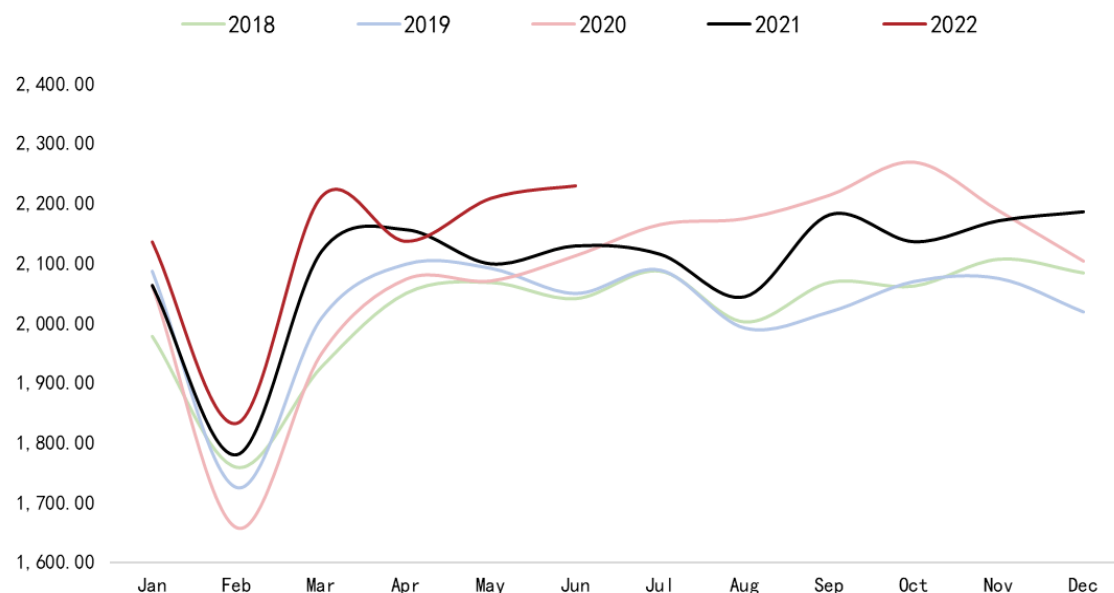
Figure 24: New Global Covid-19 Cases and Death Toll



Sources: WIND, Minmetals Futures

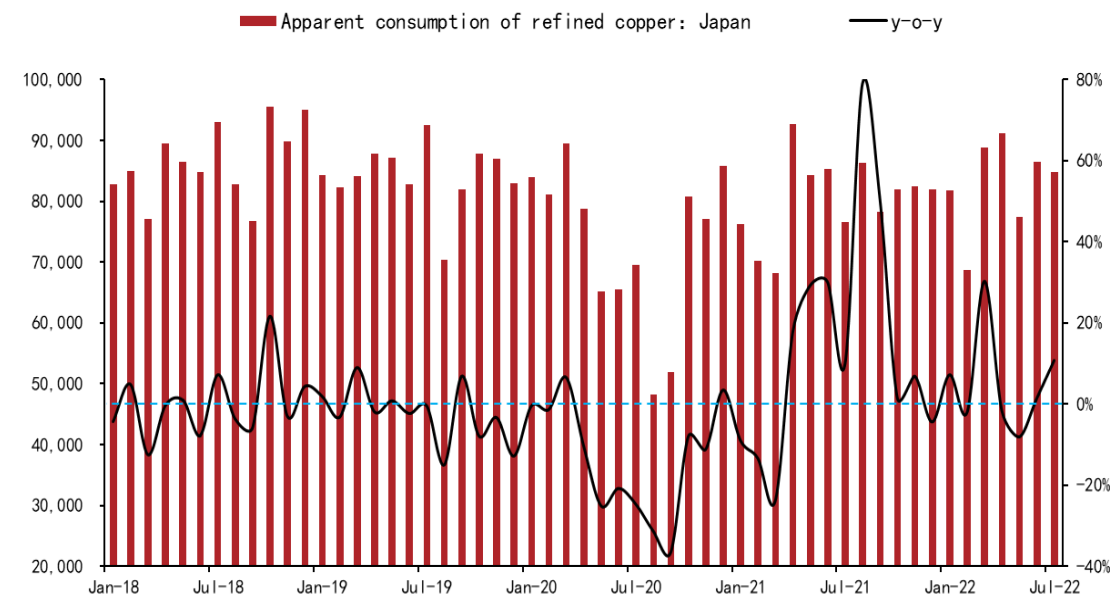
- ◆ PMI of major economies in August experienced divergent development, with the one of the US generally stabilizing while the indices of Eurozone, Japan and UK slowed the expansion pace. In August, less new Covid-19 cases overseas were diagnosed, limiting the impact on economy recovery.

Figure 25: Seasonality of Global Apparent Consumption of Copper Concentrate (kilo tons)



Sources: ICSG, WIND, Minmetals Futures

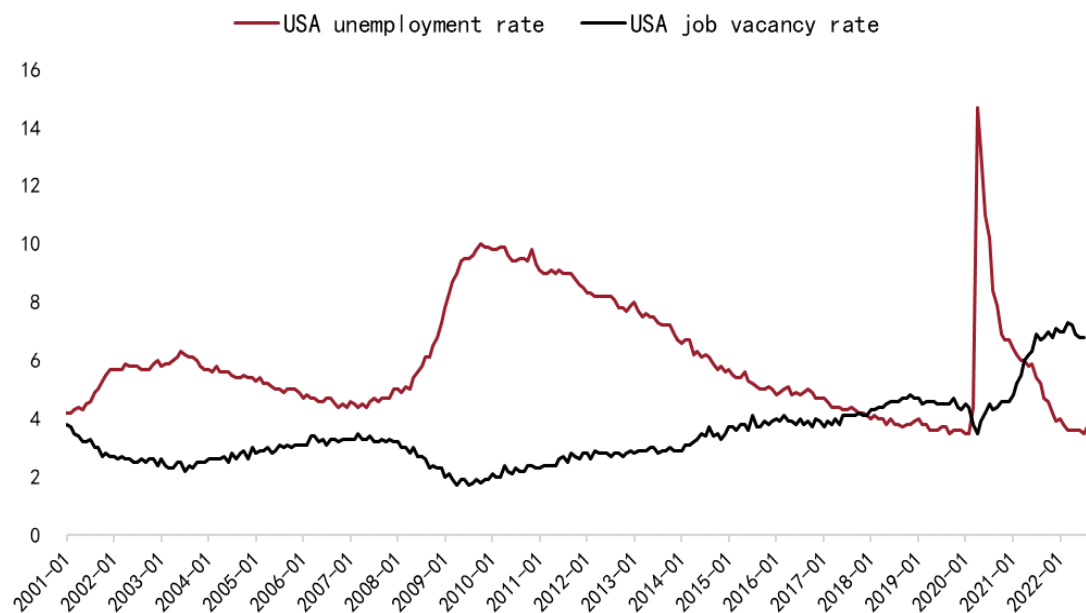
Figure 26: Apparent Consumption (ton) of Copper Concentrate and Growth Rate in Japan



Sources: WIND, Minmetals Futures

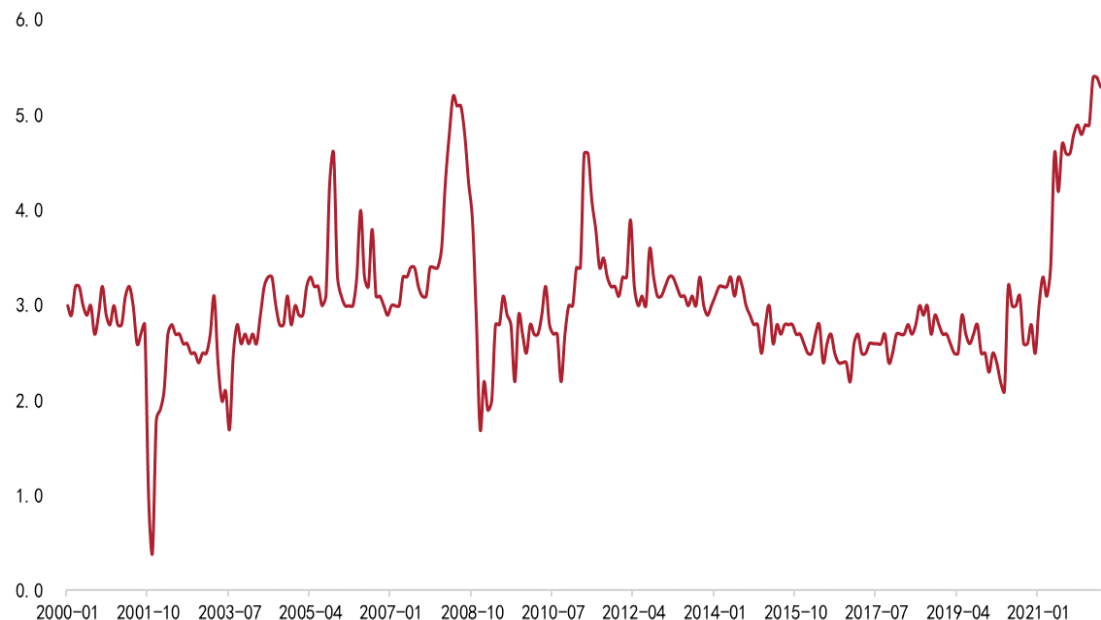
- ◆ According to ICSG data, the global apparent consumption in June improved by around 4.7% year-on-year, with an increase of roughly 3.3% in terms of the accumulated consumption in the first half of this year. Estimated by the official statistics of Japan, the apparent consumption of refined copper in Japan was up by 10.7% in July with a mild decrease month-on-month, contributing to a 4.6% of increase for consumption from January to July.

Figure 27: USA Unemployment Rate and Job Vacancy Rate



Sources: WIND, Minmetals Futures

Figure 28: Inflation Change Estimated by University of Michigan



Sources: IFIND, Minmetals Futures

- ◆ The employment rate of August ascended in the US. But given the intention of inflation control, the Fed is still highly expected to raise interest rates. Currently the market estimates generally agreed on a raise of 75BP for the Fed. Along with the interest rate lift and Fed's further measures to shrink the balance sheet, US economy may face a stronger headwind with the inflation forecast likely being downward.

Summary :

September will be a busy month for domestic consumption, with a stronger demand month-on-month, a more sufficient supply thanks to less power rationing and more imports. The scrap supply will be a determinant to the supply-demand balance. Supply is expected to overperform demand but only in a short run. Without a significant decrease of overseas demand, the relaxing margin of supply-demand will be limited. And due to the rising import demand from China, overseas supply may face a tighter situation. From the macroeconomic perspective, the market generally forecasts a certain interest rate hike in September by the Fed as well as a looser restrictive policy after the hike. However, along with a higher interest rate, long-term overseas economy and commodity demand may face a stronger headwind. Given the stronger supply and certain expectation of Fed's interest lift, we estimate the copper price to fluctuate with an upward trend and our recommended price range for the most active contracts of SHFE copper is RMB60,000-65,000/ton.

Risk reminder: Lower demand than expected. Unexpected stock release.

Disclaimer



五矿期货

Please refer to international@minfutures.com for any comment or suggestion.

All information in this report is based on reliable sources. We strive to provide you with accurate data, objective analysis, and comprehensive point of view. However, we must state that we are not responsible for any loss that may be incurred by those information. This report does not provide customized investment recommendations, nor consider the specific financial situation and objectives of the readers. The Research Team of Minmetals Futures suggests that investors should independently evaluate specific investments and strategies, and it is recommended that investors should seek the advice of professional financial advisers. Whether a specific investment or strategy is appropriate or not depends on the investors' own situation and goals. Any views mentioned in this report are for reference only and do not constitute a trading advice.

The copyright of this report is owned by Minmetals Futures Co., Ltd. Without the written permission of Minmetals Futures Co., Ltd., it is not allowed to copy, disseminate, or store the words, data, and charts in this report in any retrieval system in electronic, mechanical, photocopying, recording or other forms. Copying any content of this report without permission is in violation of the copyright law, and the violators may be subject to legal proceedings, and bear all related losses and legal costs.

Contact



五矿期货

产 融 服 务 专 家 , 财 富 管 理 平 台

Website: www.wkqh.cn www.minfutures.com/english/index

Hotline: 400-888-5398

Headquarter Address: 13-16/F, Minmetals Financial Center, No. 3165 Binhai Ave., Nanshan District, Shenzhen, China



Wechat Account: wkqhwfw



Weibo Account