中国五矿 五矿期货有限公司

Overseas copper mine production cuts lead to tighter supply outlook

Copper Monthly Report

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CONTENTS

01

Monthly Review

Annual Valuation & Strategy Recommendation

- **Supply**: Increasing disruptions to overseas copper mine supply are exacerbating expectations of tightness, while blister copper supply remains relatively stable. China’s refined copper output saw a significant decline in September, with further decreases expected in October.
- **Demand**: China's apparent refined copper consumption in September is estimated to have declined y/y. Apparent consumption in October is expected to see a smaller decrease. Overseas manufacturing activity weakened, leading to poor demand outlook.
- **Import & Export**: In September, the import window for Shanghai copper closed, while the price spread between U.S. and LME copper widened, reopening the U.S. copper arbitrage opportunity.
- **Inventory**: SHFE and COMEX inventories increased in September, while bonded zone and LME inventories declined, resulting in an overall rise in total inventory. Accumulation pressure is expected to remain low for both China and LME in October.
- **September Outlook**: As we enter October, China’s refined copper output is forecast to decline further, with seasonal softening in demand. Overall, the pressure of supply surplus appears limited. Weak overseas demand is expected, but rising U.S. copper prices may once again draw overseas refined copper supply, alleviating inventory buildup on the LME. On the macro front, markets still anticipate a high probability of a Fed rate cut this month, coupled with China’s Fourth Plenum, suggesting sentiment is unlikely to deteriorate significantly. Overall, reduced output from overseas copper mines has tightened supply outlook for this year and next, compounded by lower domestic refined copper production, strengthening the fundamentals for copper. Provided macro sentiment does not worsen notably, copper prices may continue to rise. This month, reference trading ranges are: SHFE main contract at 82,000–92,000 yuan/mt; LME-3M at USD10,200–11,500/mt. **Suggestion**: Buy on dips.

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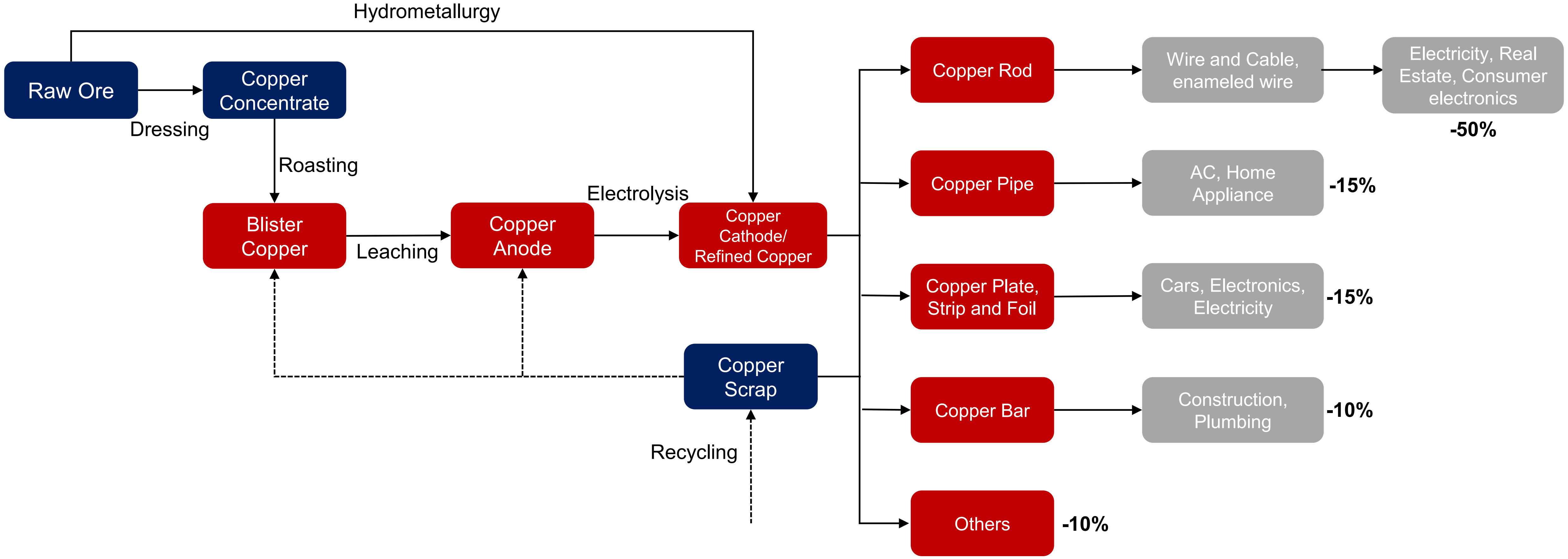
China Refined Copper Supply-Demand Balance (10k tons)

2024	Production	Import	Export	Net Import	SHFE Inventory	Inventory Change	Non-Exchange Inventory	Inventory Change	SH Bonded Zone Inventory	Inventory Change	Apparent Consumption	YoY	Cumulative YoY	Inventory / Consumption
Jan.	97.0	37.8	0.9	37.0	5.0	1.9	5.2	1.8	0.8	0.2	130.0	35.4%	35.4%	0.8%
Feb.	95.0	26.7	1.4	25.3	18.1	13.1	10.8	5.6	3.4	2.6	99.1	3.9%	19.7%	2.3%
Mar.	100.0	31.7	2.3	29.4	29.0	10.9	9.1	(1.7)	6.1	2.8	117.5	-7.8%	8.7%	3.2%
Apr.	98.5	30.6	2.5	28.1	28.8	(0.2)	10.0	0.9	8.0	1.9	124.0	-1.5%	5.8%	3.3%
May	100.8	34.7	7.3	27.4	32.2	3.4	12.1	2.1	7.8	(0.2)	123.0	-6.2%	3.1%	3.7%
Jun.	100.5	30.9	15.8	15.1	32.0	(0.2)	8.4	(3.7)	7.8	0.0	119.5	-3.6%	1.9%	3.4%
Jul.	102.8	29.9	7.0	22.9	30.1	(1.9)	4.5	(3.9)	7.3	(0.5)	131.9	7.7%	2.8%	3.0%
Aug.	101.3	27.6	3.1	24.5	24.2	(5.9)	3.2	(1.3)	6.0	(1.4)	134.4	0.9%	2.5%	2.4%
Sep.	100.5	34.8	1.6	33.2	14.2	(10.0)	2.1	(1.1)	4.6	(1.4)	146.2	7.2%	3.1%	1.5%
Oct.	99.6	38.6	1.0	37.6	15.3	1.1	5.5	3.4	5.7	1.1	131.6	-2.6%	2.3%	1.9%
Nov.	100.5	39.8	1.2	38.6	10.9	(4.4)	2.5	(3.0)	5.3	(0.4)	146.9	9.2%	2.8%	1.3%
Dec. E	106.0	40.8	1.7	39.1	7.4	(3.5)	3.0	0.5	1.4	(3.9)	152.0	16.0%	4.1%	0.8%

2025	Production	Import	Export	Net Import	SHFE Inventory	Inventory Change	Non-Exchange Inventory	Inventory Change	SH Bonded Zone Inventory	Inventory Change	Apparent Consumption	YoY	Cumulative YoY	Inventory / Consumption
Jan. E	102.0	29.7	1.7	28.0	10.9	3.5	5.7	2.7	1.3	(0.1)	123.9	(4.7%)	(4.7%)	1.3%
Feb. E	104.0	30.5	3.2	27.3	26.8	15.9	10.9	5.2	4.4	3.1	107.1	8.1%	0.8%	3.0%
Mar. E	110.0	35.4	6.8	28.6	23.5	(3.3)	10.4	(0.5)	11.1	6.7	135.7	15.5%	5.8%	3.2%
Apr. E	110.4	30.0	7.8	22.2	8.9	(14.6)	4.4	(6.0)	9.4	(1.7)	154.9	24.9%	10.9%	1.6%
May E	111.6	29.3	3.4	25.9	10.5	1.6	3.4	(1.0)	5.3	(4.1)	141.0	14.6%	11.6%	1.4%
Jun. E	111.0	33.7	7.9	25.8	8.2	(2.3)	5.0	1.6	6.3	1.0	136.5	14.2%	12.1%	1.4%
Jul. E	114.5	33.6	11.8	21.8	7.3	(0.9)	4.8	(0.2)	7.5	1.2	136.2	3.2%	10.7%	1.4%
Aug. E	114.0	30.7	3.7	27.0	8.0	0.7	4.8	0.0	8.4	0.9	139.4	3.8%	9.7%	1.5%
Sep. E.	110.0			30.0	9.5	1.5	6.2	1.4	8.1	(0.4)	137.5	(6.0%)	7.7%	1.7%
Oct. E.	107.0			30.0							130.0			

Industrial Chain



Upstream **Midstream** **Downstream**

02

Spot Market & Futures Market

Market Review

Figure 1: SHFE Refined Copper Main Contract (yuan/mt)

Sources: Wenhua, Minmetals Futures

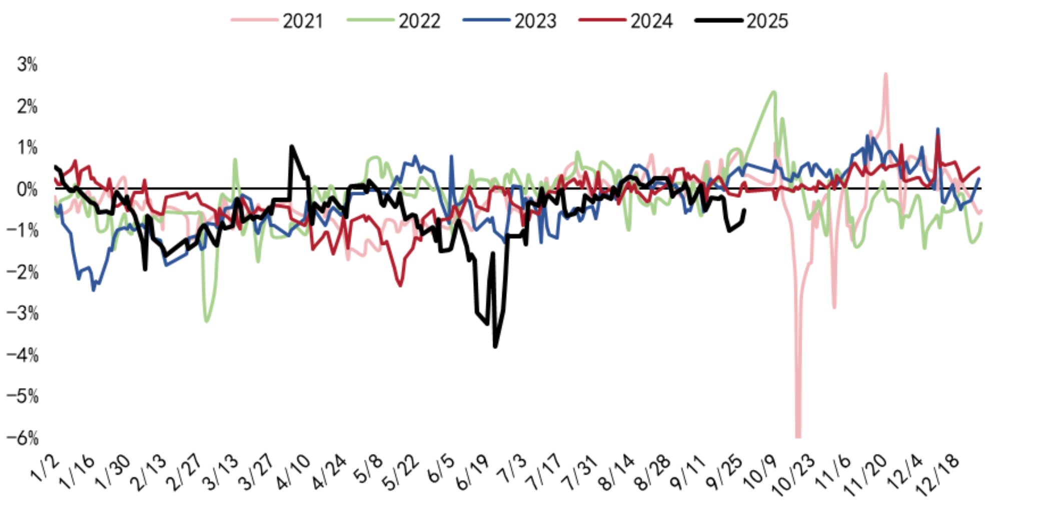
Figure 2: LME 3M Copper Price (USD/mt)

Sources: Wenhua, Minmetals Futures

- Copper prices rose with volatility in September, driven primarily by increasing volatility, rising precious metal prices to new highs, expectations of Fed rate cuts, and the shutdown of Grasberg, the world's second-largest copper mine. During the month, the SHFE main copper contract rose 4.66%, while the LME-3M contract gained 5.15%. The U.S. dollar index edged down, and offshore RMB depreciated slightly. Copper prices rose further at the beginning of October before pulling back.

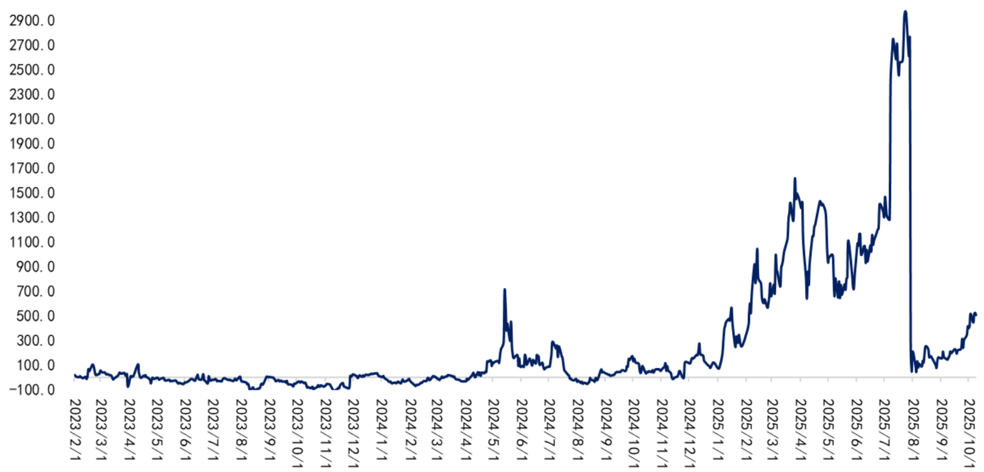
Inter-market Spread

Figure 3: China Refined Copper Import Profit/Loss Ratio



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

Figure 4: COMEX & LME Copper Prices and Spread (USD/mt)

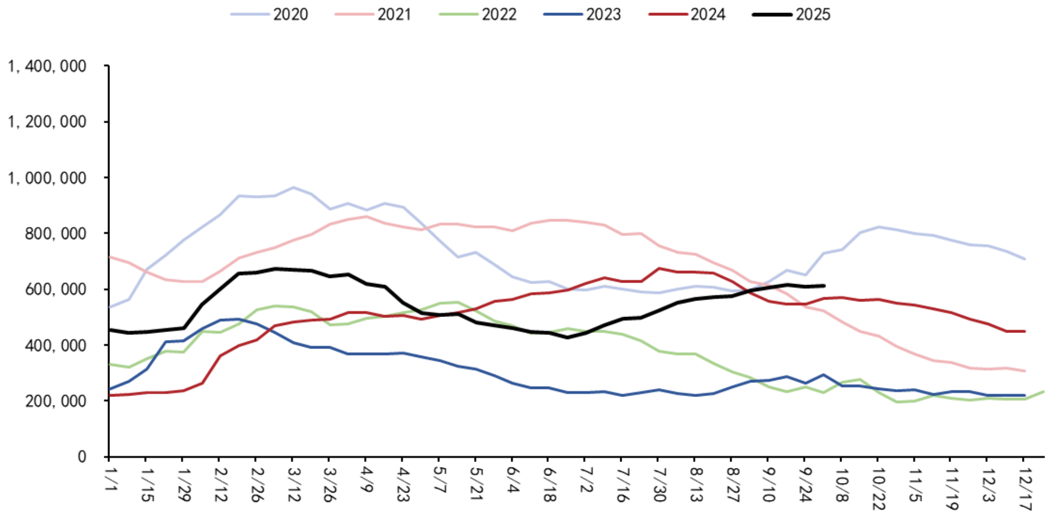


Sources: WIND, Minmetals Futures

- In September, overseas markets outperformed, keeping spot imports of SHFE copper in deficit, which widened further in early October. Since the end of September, market concerns over trade tensions have increased, the COMEX-LME copper price spread expanded, and the U.S. copper arbitrage window reopened.

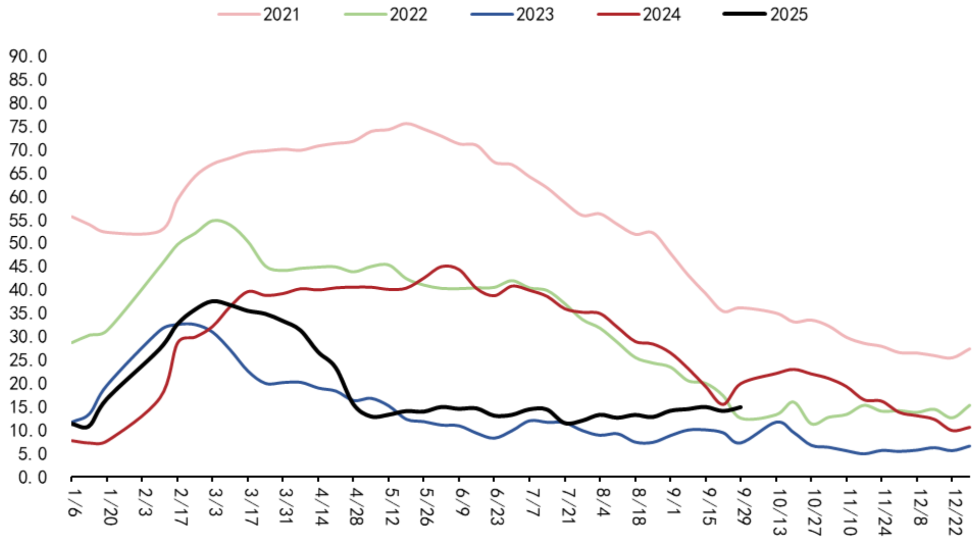
Inventory & Basis

Figure 5: Total Refined Copper Inventories: Three Exchanges + Shanghai Bonded Zone (mt)



Sources: LME, SHFE, COMEX, MYMETAL, Minmetals Futures

Figure 6: China Refined Copper Social Inventory (10k mt)

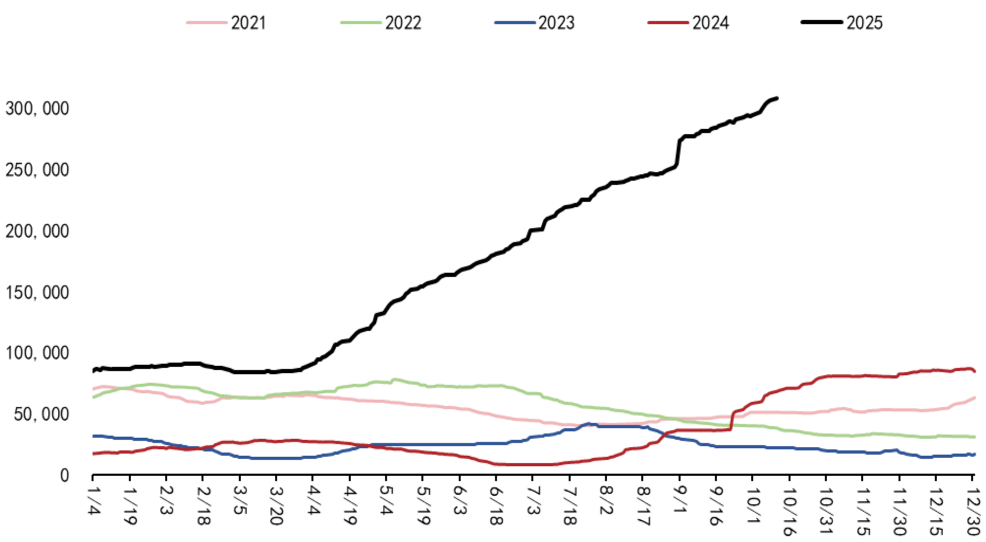


Sources: SMM, Minmetals Futures

- As of the end of September, total inventories across the three major exchanges and China's bonded zones stood at approximately 613,000 mt, up 39,000 mt from the end of August. Total inventory remains at a relatively high level compared to recent years, though structural issues persist (COMEX inventory accounts for a high share of around 48%).
- Chinese copper inventories saw a slight rebound during the month, with exchange inventories at about 95,000 mt and off-exchange social inventories at around 62,000 mt. Bonded zone inventories fluctuated lower, with an absolute level of about 81,000 mt.

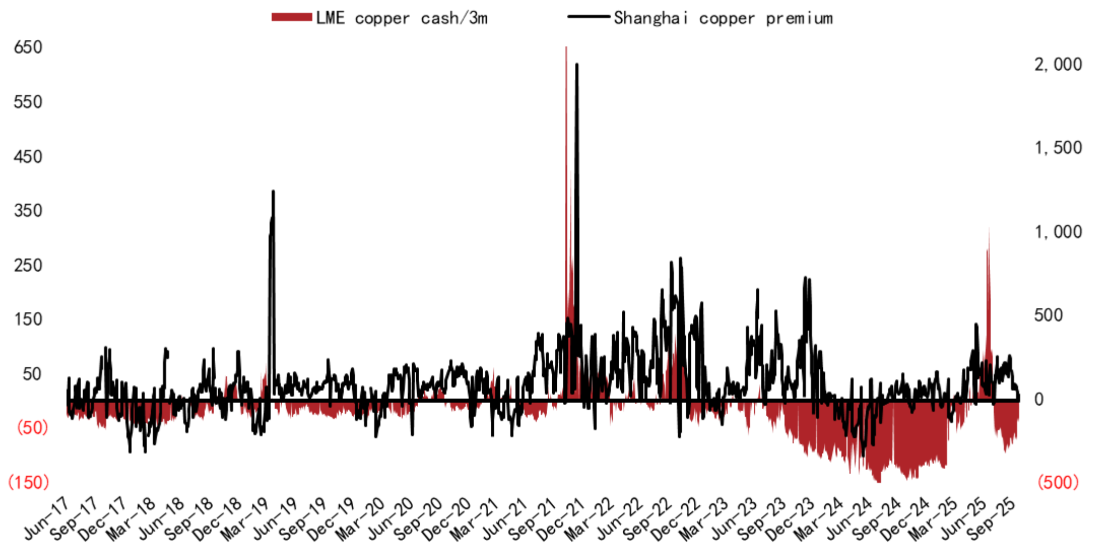
Inventory & Basis

Figure 7: COMEX Copper Inventory (mt)



Sources: WIND, Minmetals Futures

Figure 8: Domestic & International Copper Basis (USD/mt, yuan/mt)

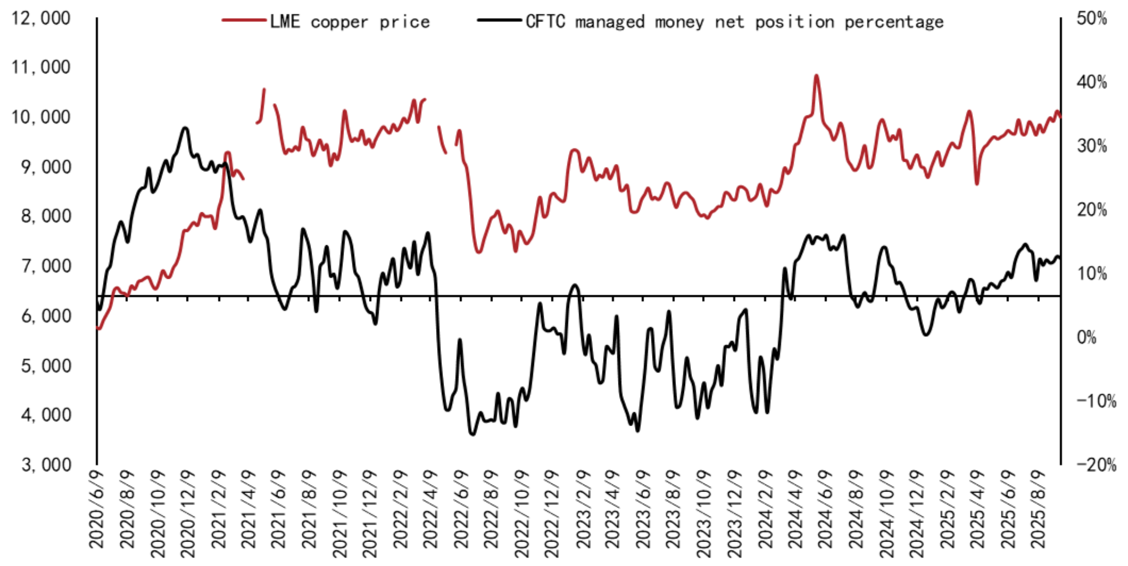


Sources: LME, WIND, Minmetals Futures

- LME copper inventories decreased, standing at around 143,000 mt at the end of September, down 16,000 mt m/m. COMEX total copper inventories continued to rise, increasing by approximately 42,000 mt in September, with stocks extending gains in early October.
- In terms of the basis: declining LME inventories and tightening supply expectations narrowed the Cash/3M discount, which stood at around USD 25/mt in early October. Domestic basis remained firm as well, with spot prices at a slight premium at the beginning of October.

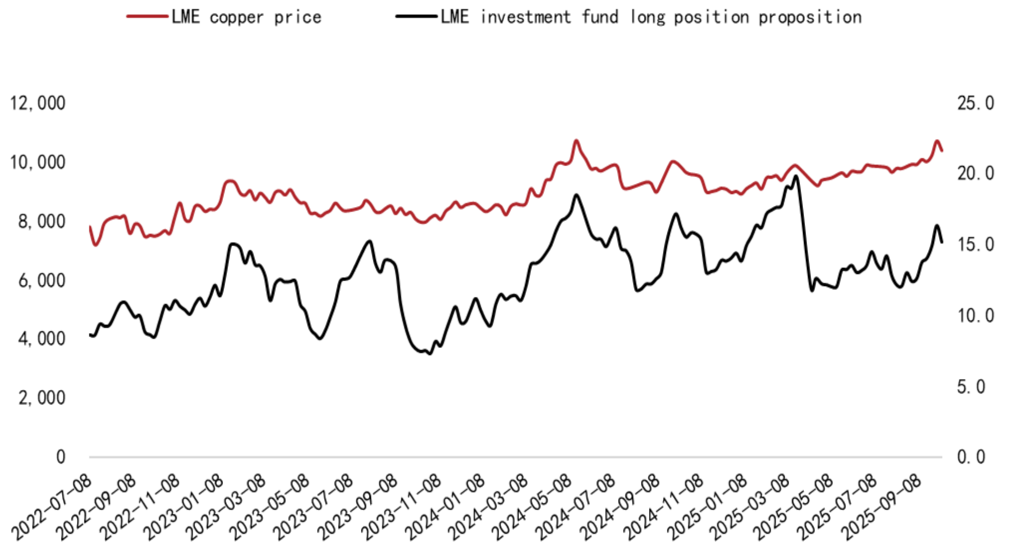
Fund Sentiment

Figure 9: CFTC Net Long Position Ratio & LME Copper Price (USD/mt)



Sources: WIND, Minmetals Futures

Figure 10: LME Investment Fund Long Position Share



Sources: WIND, Minmetals Futures

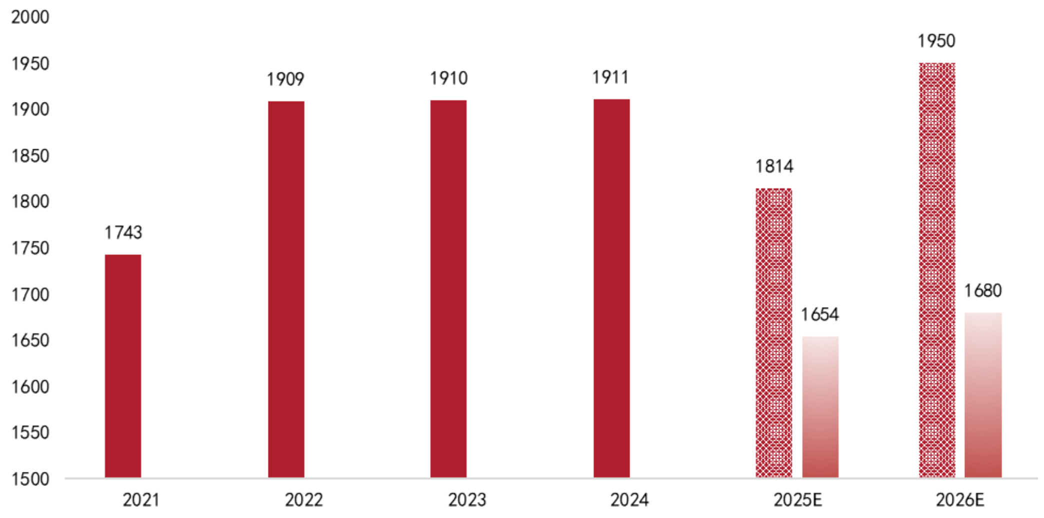
- As of the end of September, CFTC fund positions remained net long, with the net long ratio holding at around 12%, indicating that funds maintained a moderately bullish sentiment. LME investment fund long positions also rebounded notably, reflecting a turn toward a more positive market mood. In October, market sentiment is expected to be primarily influenced by inventory trends and changes in macro risk appetite.

03

Supply and Demand Analysis

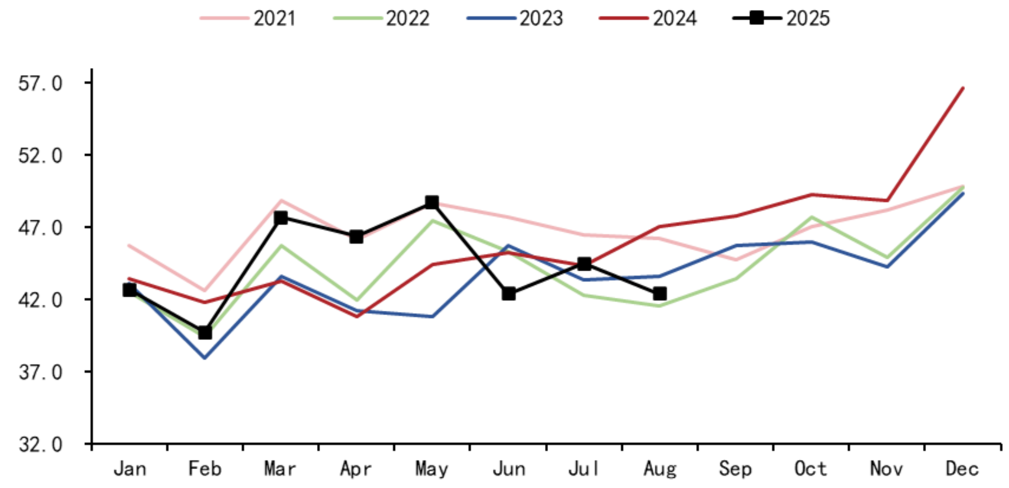
Supply – Copper Mines

Figure 11: Freeport Annual Copper Production Estimate (10k mt)



Sources: Company Press Release, Minmetals Futures

Figure 12: Chilean Copper Mine Output (10k mt)

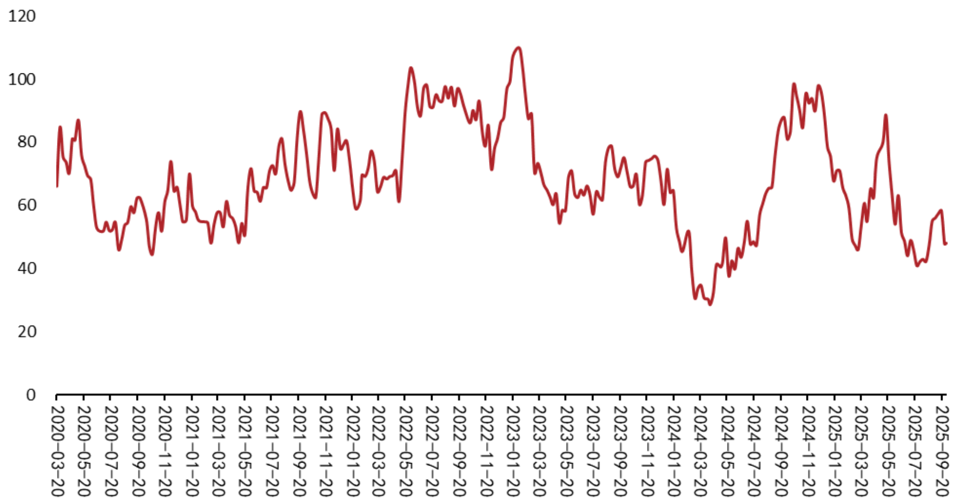


Sources: Cochilco, Minmetals Futures

- In September, a landslide at Freeport's Grasberg copper mine in Indonesia caused significant disruption to global copper mine supply. According to the company's announcement, output forecasts for this year and next have been substantially lowered, which will exacerbate tightness in global copper mine supply.
- Additionally, Chile’s copper production declined again in August, and Teck Resources cut its copper production guidance for 2026, further intensifying market concerns over mine supply tightness.

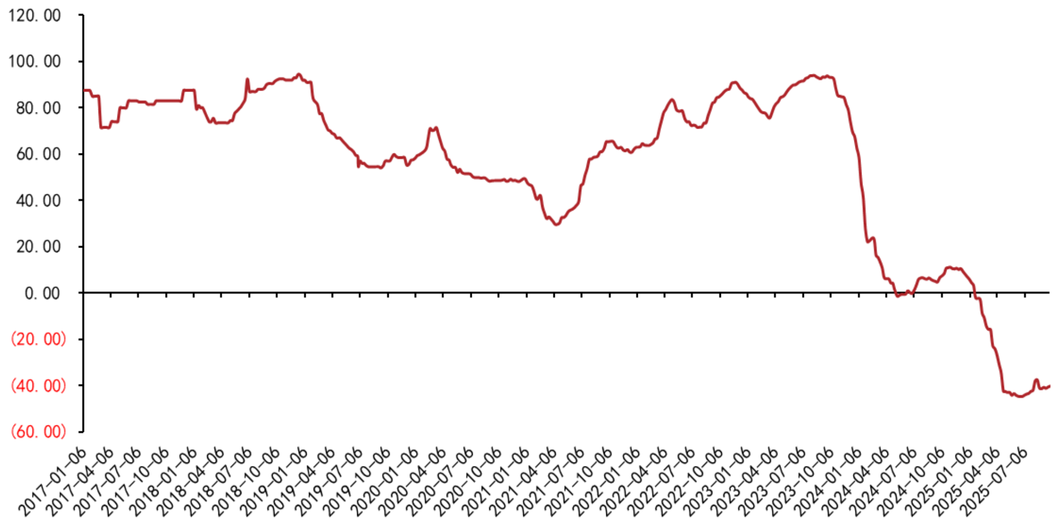
Supply – Copper Mines

Figure 13: China Major Port Copper Concentrate Inventory (10k mt)



Sources: IFIND, Minmetals Futures

Figure 14: Imported Copper Concentrate TC (USD/mt)

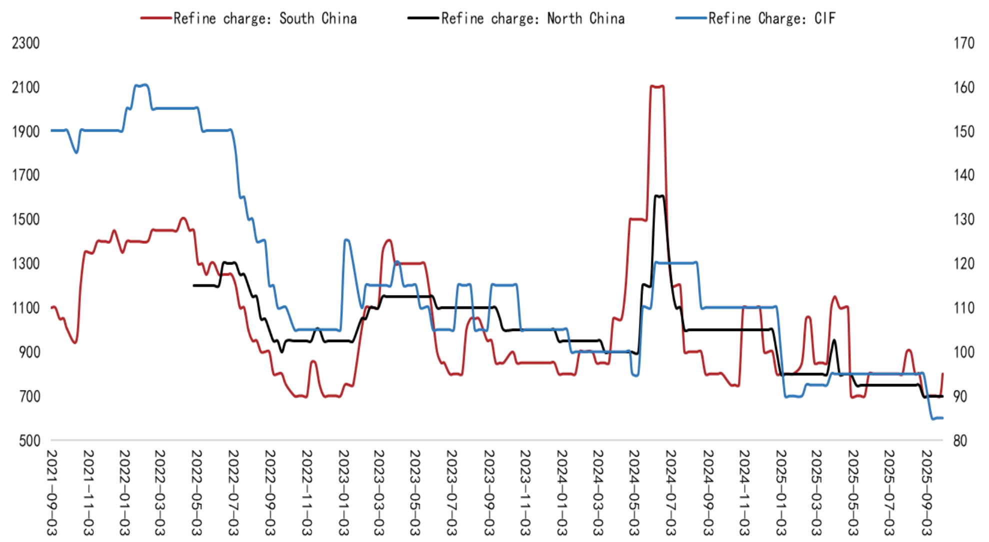


Sources: SMM, Minmetals Futures

- In September, copper concentrate inventories at China's major ports declined, leading to a marginal tightening in port-side spot supply. On the processing charge (TC) front, spot copper concentrate TCs fluctuated higher during the month, reaching around USD-40/mt by the end of September. The overseas mine production cuts have not yet been reflected in TCs, and TCs are expected to face relatively strong downward pressure in October.

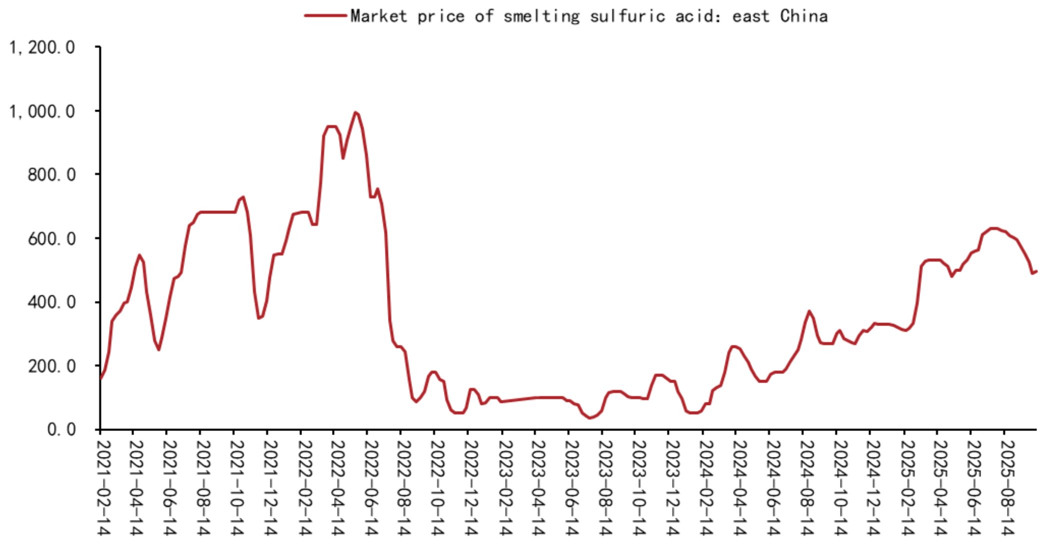
Supply – Refined Copper

Figure 15: Anode Copper Processing Fee (yuan/mt, USD/mt)



Sources: SMM, Minmetals Futures

Figure 16: China Main Region Smelting Acid Price (yuan/mt)



Sources: WIND, Minmetals Futures

- Domestic blister copper treatment charges (TCs) remained stable in September, while TCs for imported blister copper declined, keeping the overall supply of raw materials for refined copper production relatively tight. Sulfuric acid prices—the main by-product of smelting—at major domestic regions decreased m/m but stayed at relatively high levels, contributing positively to smelting revenues.

Supply – Refined Copper

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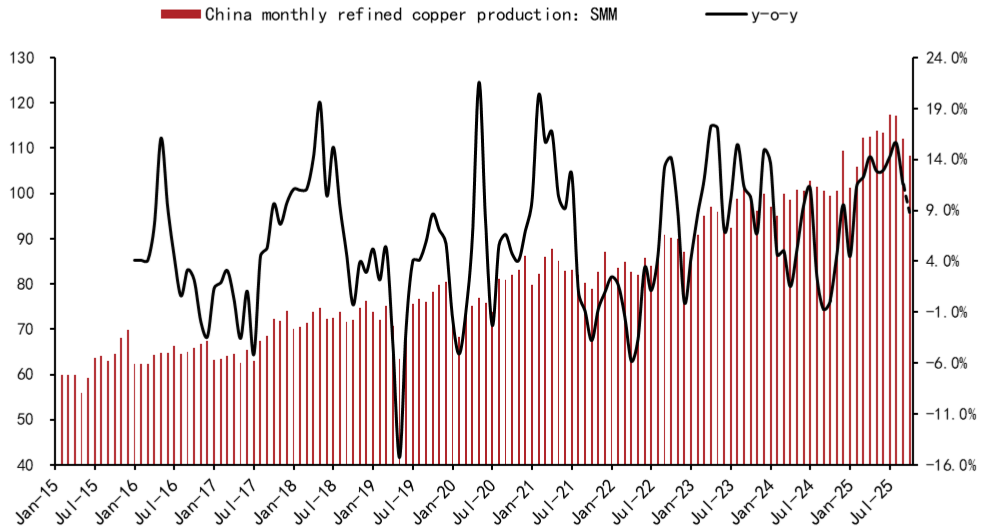
Figure 17: China Copper Smelter Maintenance Schedule (10k mt)

Company	Province	Smelter Capacity	Refinry Capacaty	Start Time	End Time
Company 1	Anhui	50	70	Mar-25	Mar-25
Company 2	Hubei	40	55	Mar-25	Mar-25
Company 3	Henan	12	15	Mar-25	Apr-25
Company 4	Shanxi	20	20	Apr-25	Apr-25
Company 5	Qinghai	15	15	Apr-25	Apr-25
Company 6	Shandong	20	20	May-25	May-25
Company 7	Shandong	40	55	May-25	May-25
Company 8	Neimenggu	20	20	May-25	May-25
Company 9	Heilongjiang	15	15	Jul-25	Jul-25
Company 10	Henan	10	12	Jun-25	Jul-25
Company 11	Jilin	10	15	Aug-25	Sep-25
Company 12	Neimenggu	40	40	Sep-25	Nov-25
Company 13	Neimenggu	30	25	Sep-25	Oct-25
Company 14	Shandong	40	45	Oct-25	Oct-25
Company 15	guangxi	40	40	Oct-25	Oct-25
Company 16	Anhui	50	46	Oct-25	Nov-25

Sources: MYSTEEL, SMM, Baiinfo, Minmetals Futures

Figure 18: China Monthly Refined Copper Production (10k mt)

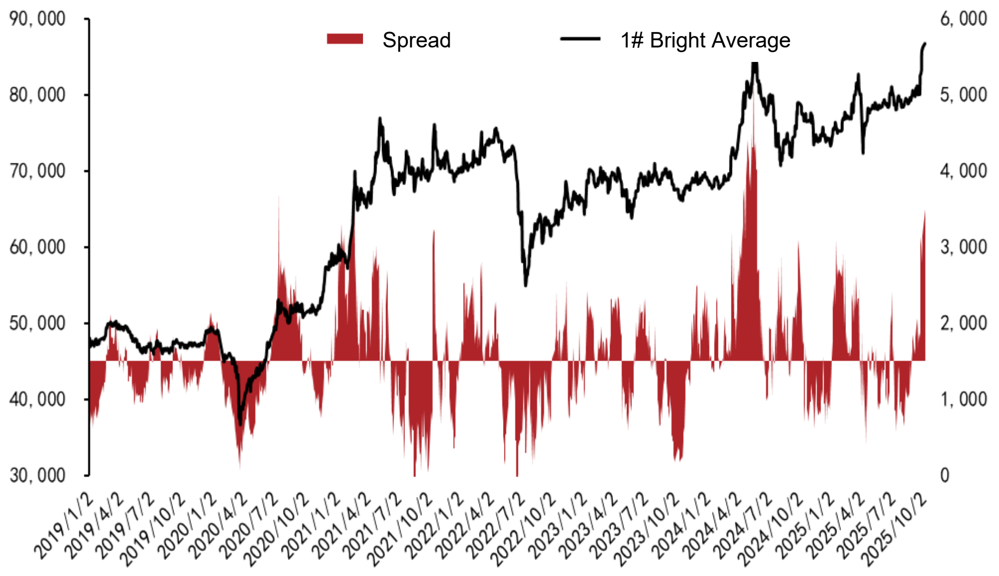


Sources: SMM, Minmetals Futures

- Smelter maintenance activities increased in September, leading to a significant m/m decline in domestic refined copper output. In October, smelting maintenance remains frequent, and anode slab supply constraints persist, suggesting refined copper production will continue to fall (estimated decrease of 30,000–40,000 mt).

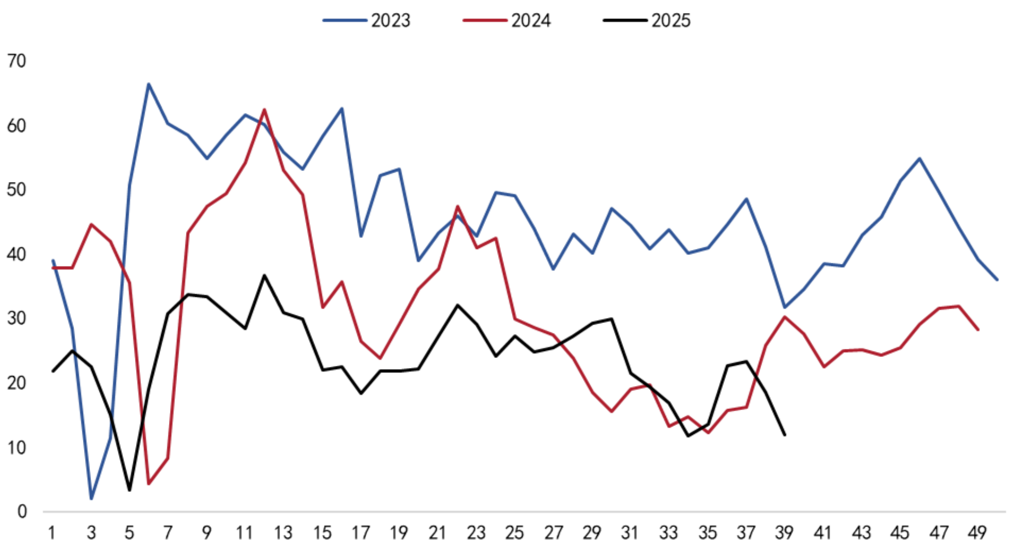
Supply – Secondary Copper

Figure 19: China Refined Copper vs. 1# Bright Copper Spread (yuan/mt)



Sources: SMM, WIND, Minmetals Futures

Figure 20: China Secondary Copper Rod Maker Weekly Operating Rate (%)

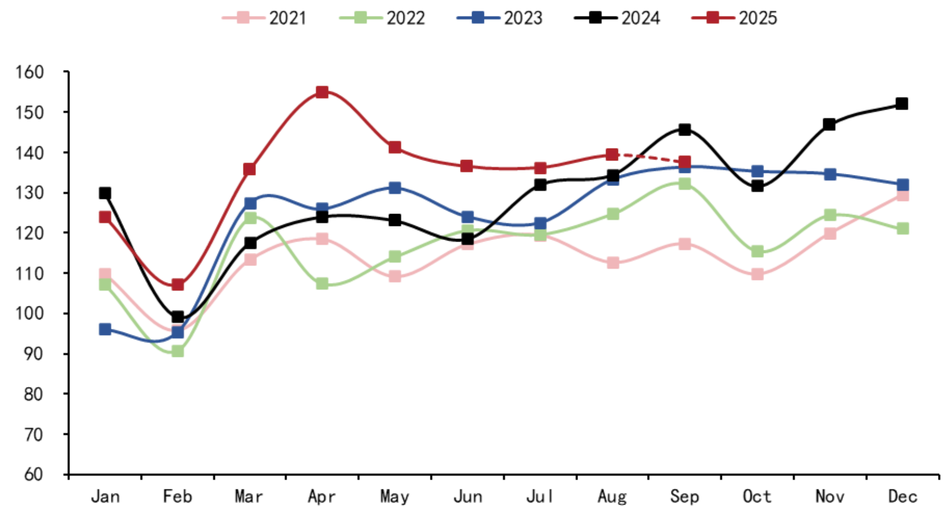


Sources: SMM, Minmetals Futures

- The average price spread between primary and scrap copper in China was around 2,020 yuan/mt in September, widening m/m, yet substitution with scrap copper remained limited. Although operating rates at secondary copper rod producers rebounded in September, the increase was modest. Policy adjustments for secondary copper rod production in certain provinces remain unclear, continuing to constrain plant utilization. However, with the widening of the primary-scrap basis, raw material replenishment at secondary copper rod producers is expected to increase, supporting a further rebound in operating rates.

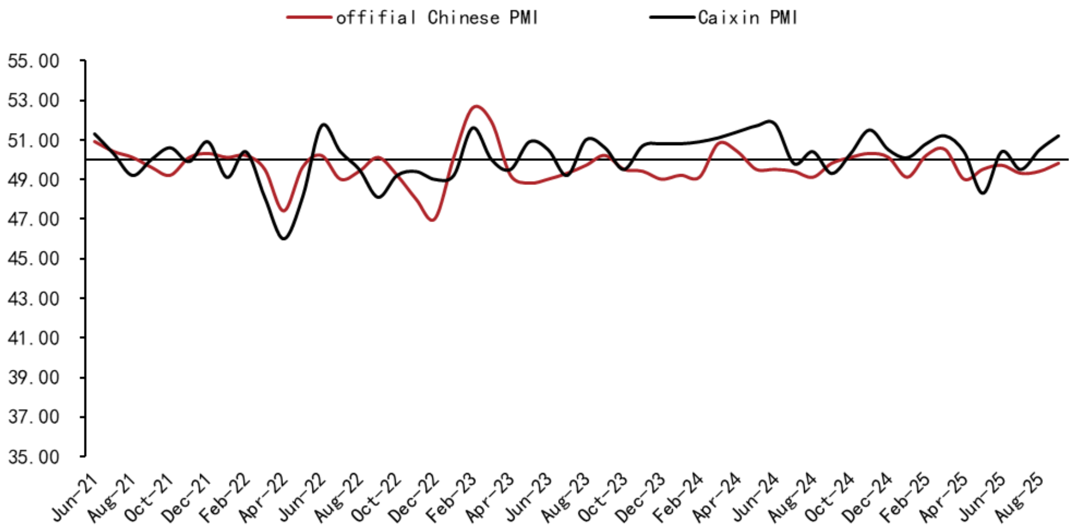
Demand – China

Figure 21: China Monthly Apparent Refined Copper Consumption (10k mt)



Sources: Customs, SMM, MYMETAL, Minmetals Futures

Figure 22: China Manufacturing PMI

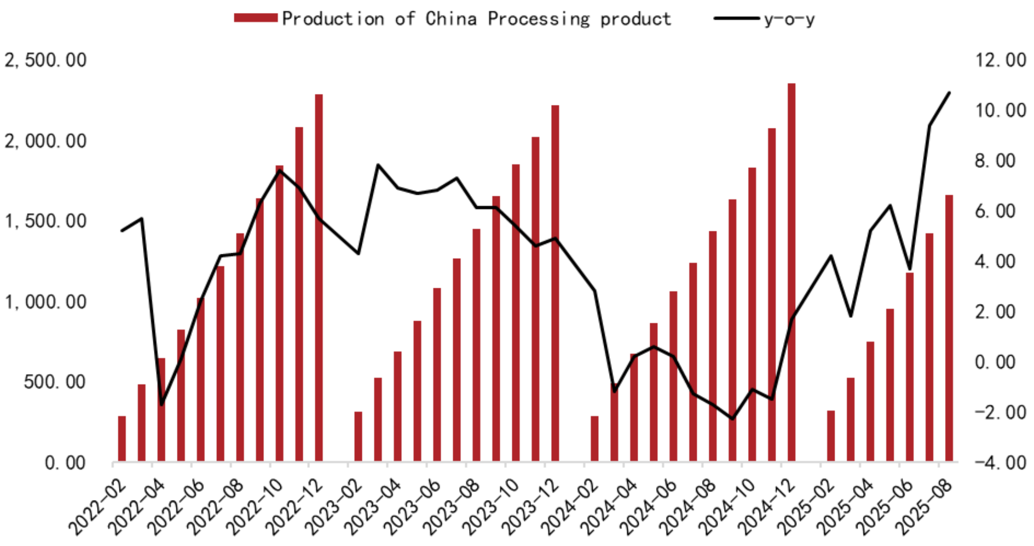


Sources: WIND, Minmetals Futures

- Assuming continued growth in net imports, China's apparent refined copper consumption in September is estimated at 1.375 million mt, down approximately 6% y/y. Cumulative apparent consumption from January to September reached about 12.122 million mt, up 7.7% y/y. From leading economic indicators, China's official manufacturing PMI and Caixin manufacturing PMI both continued to recover in September, with the Caixin PMI showing relatively strong performance, indicating a marginal improvement in manufacturing sector activity.

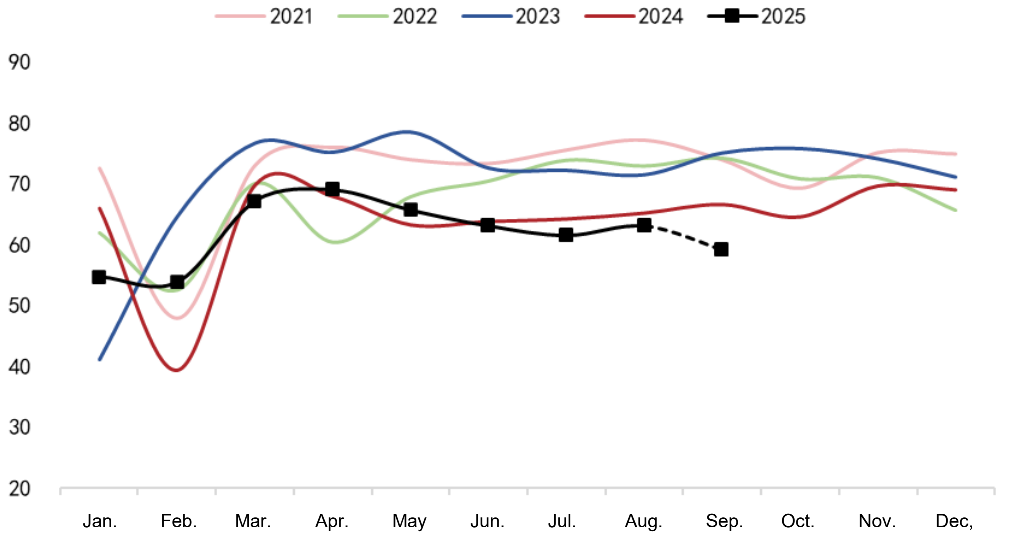
Demand – China

Figure 23: China Copper Fabrications Cumulative Output & YoY Growth (10k mt, %)



Sources: WIND, Minmetals Futures

Figure 24: China Copper Fabrications Sector Average Operating Rate (%)

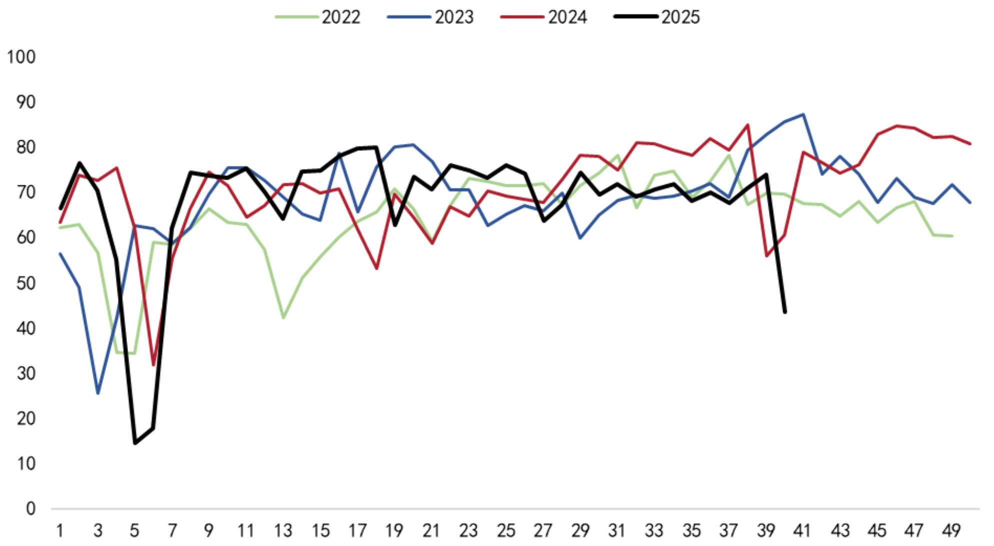


Sources: SMM, Minmetals Futures

- China's copper fabrications output grew by approximately 10.7% in the first eight months of 2025, with the growth rate accelerating m/m. According to SMM data, copper fabrications operating rates are expected to have risen in September, while October faces seasonal downward pressure on utilization.

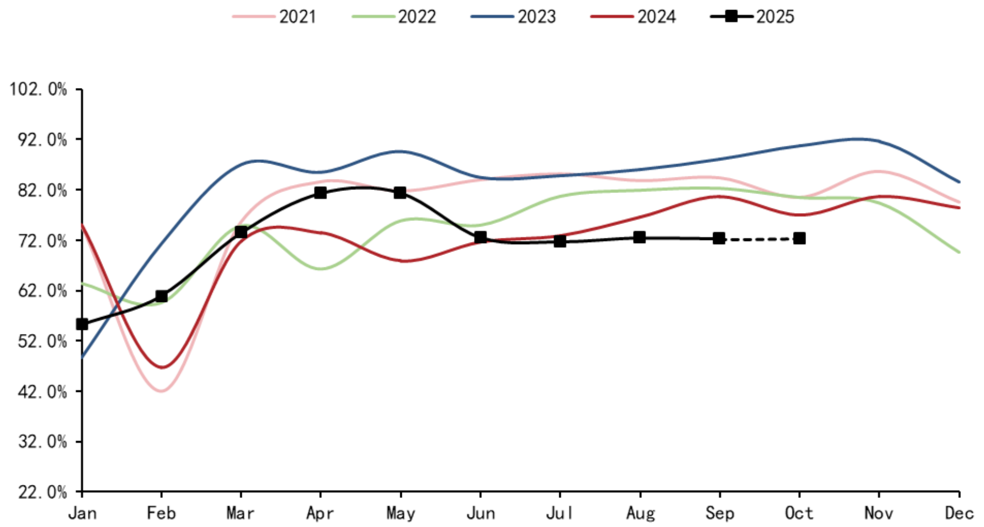
Demand – China

Figure 25: China Refined Copper Rod Maker Weekly Operating Rate (%)



Sources: SMM, Minmetals Futures

Figure 26: China Wire & Cable Sector Operating Rate (%)

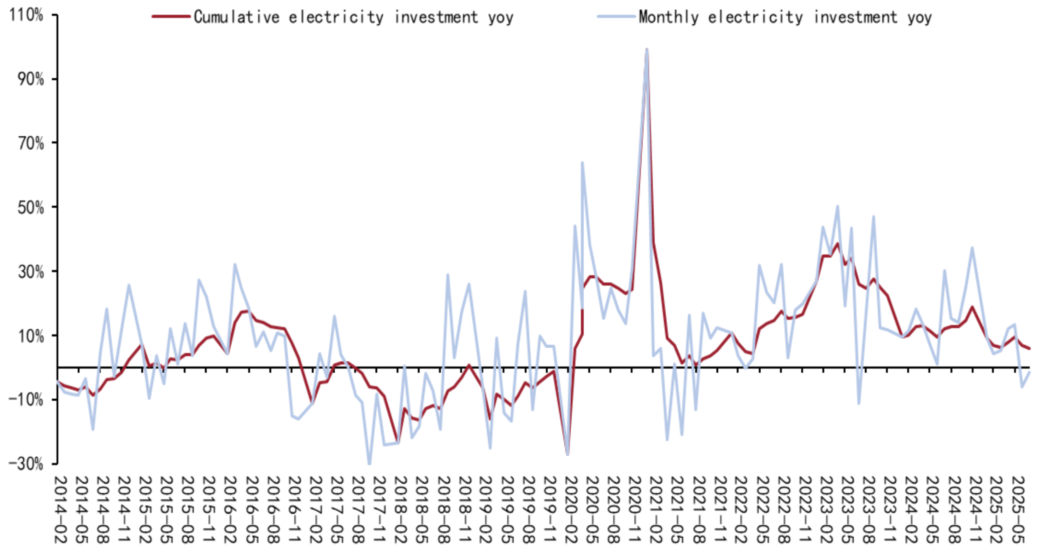


Sources: SMM, Minmetals Futures

- In September, the operating rate of China's refined copper rod producers fluctuated slightly upward, with the monthly average still below the same period last year. The operating rate was relatively weak during the National Day week. Meanwhile, domestic wire and cable enterprises maintained a relatively stable operating rate, and a steady level is expected in October.

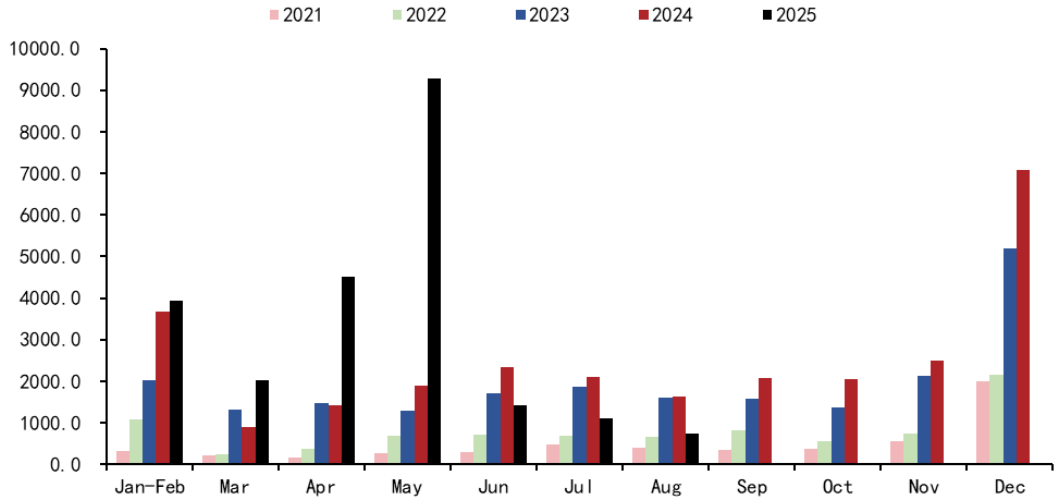
Demand – China

Figure 27: China Power Generation + Grid Investment YoY Growth (%)



Sources: NEA, Minmetals Futures

Figure 28: Photovoltaic New Installed Capacity (10k kW)

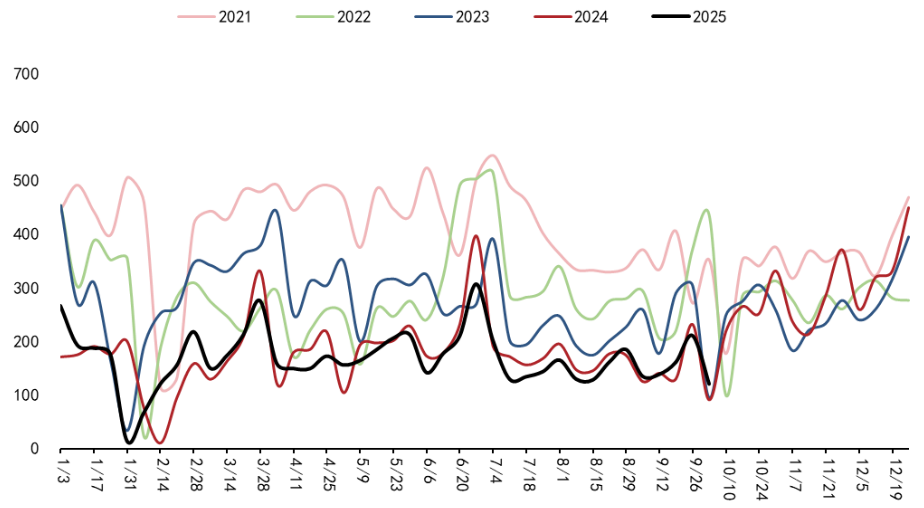


Sources: NEA, Minmetals Futures

- On the downstream side, in August, investment in the power sector (power generation + grid) continued to decline y/y, though the pace of decline narrowed. Newly installed photovoltaic capacity continued to fall both y/y and m/m, while new wind power installations rebounded month-on-month. Overall, related demand remains neutral to weak.

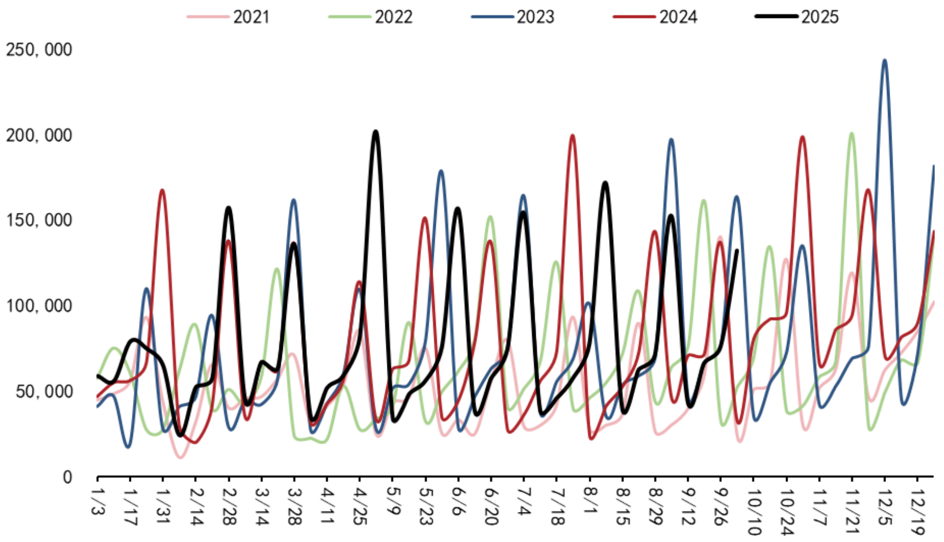
Demand – China

Figure 29: Weekly Sales Area of Commercial Housing in 30 Major Cities (10k m²)



Sources: WIND, Minmetals Futures

Figure 30: Daily Passenger Vehicle Sales: Manufacturer Wholesale (Units)

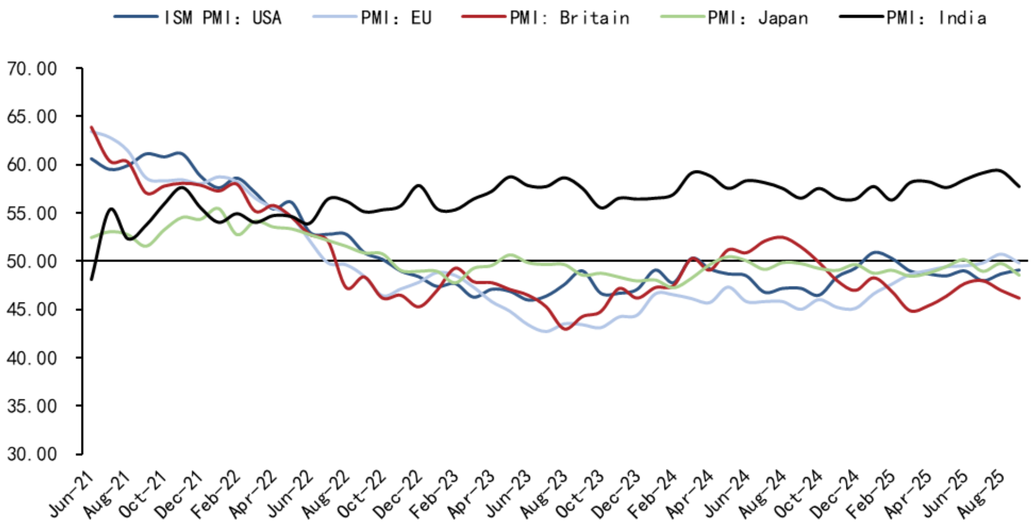


Sources: WIND, Minmetals Futures

- From high-frequency data, domestic real estate transaction volumes in September were broadly unchanged compared to the same period last year. Entering October, appliance production scheduling—representing the later stage of the property sector—has shown signs of marginal stabilization. In contrast, high-frequency auto sales data in September showed some weakening.

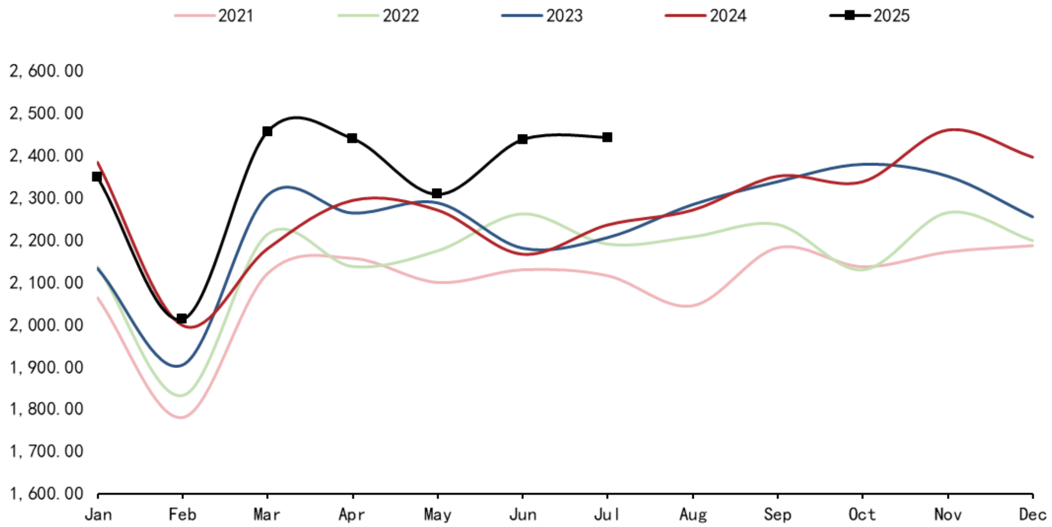
Demand – Overseas

Figure 31: Manufacturing PMI in Major Overseas Economies



Sources: WIND, Minmetals Futures

Figure 32: Global Refined Copper Consumption Seasonality (1k mt)



Sources: WIND, ICSG, Minmetals Futures

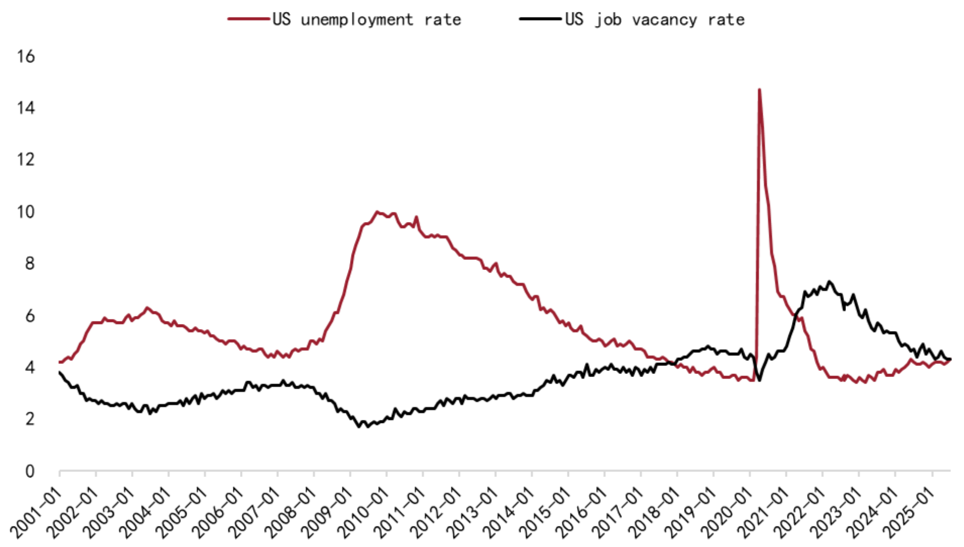
- In September, manufacturing PMI in major overseas developed economies showed marginal weakening. According to ICSG data, global refined copper consumption declined m/m in July 2025 but remained up y/y. Cumulative consumption from January to July increased by approximately 5.9%.

04

Macro Analysis

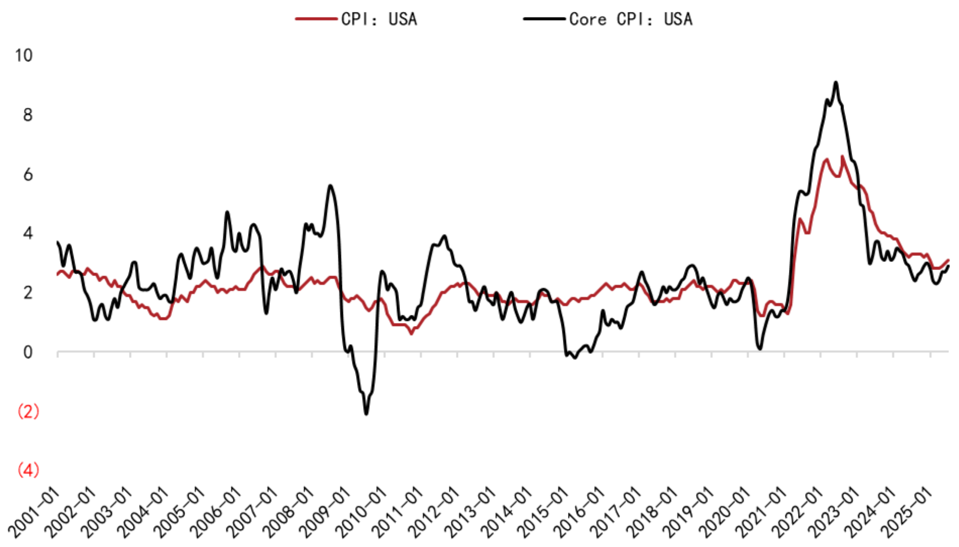
Fed Policy

Figure 35: U.S. Unemployment Rate & Job Openings Rate (%)



Sources: WIND, Minmetals Futures

Figure 36: U.S. Core CPI YoY & CPI YoY (%)

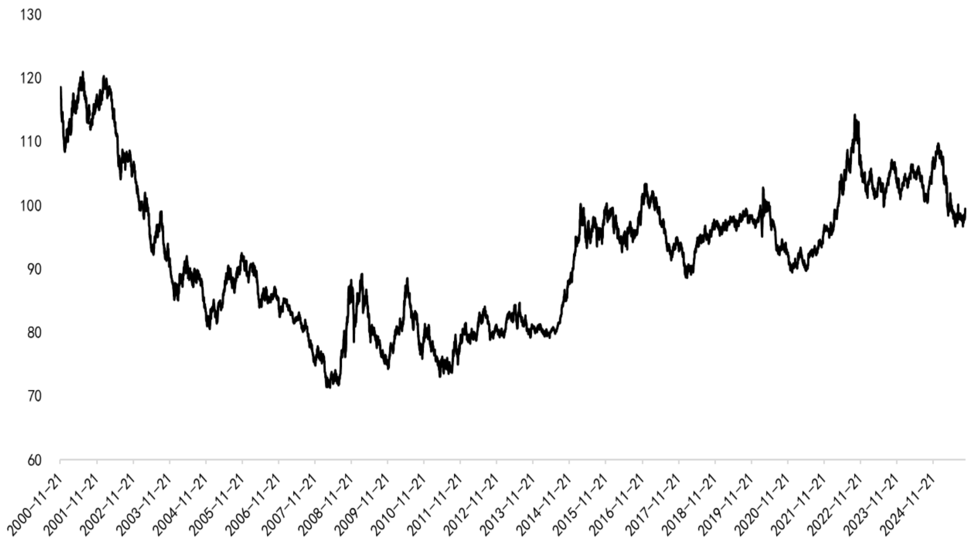


Sources: WIND, Minmetals Futures

- U.S. employment data for August was weak, while inflation readings rose. Due to the U.S. government shutdown starting October 1, the release of U.S. employment and inflation data has been delayed. However, based on current market expectations, the Federal Reserve still has a relatively high probability of delivering another rate cut at its upcoming meeting. If rate cuts continue, the market's generally optimistic sentiment is likely to persist.

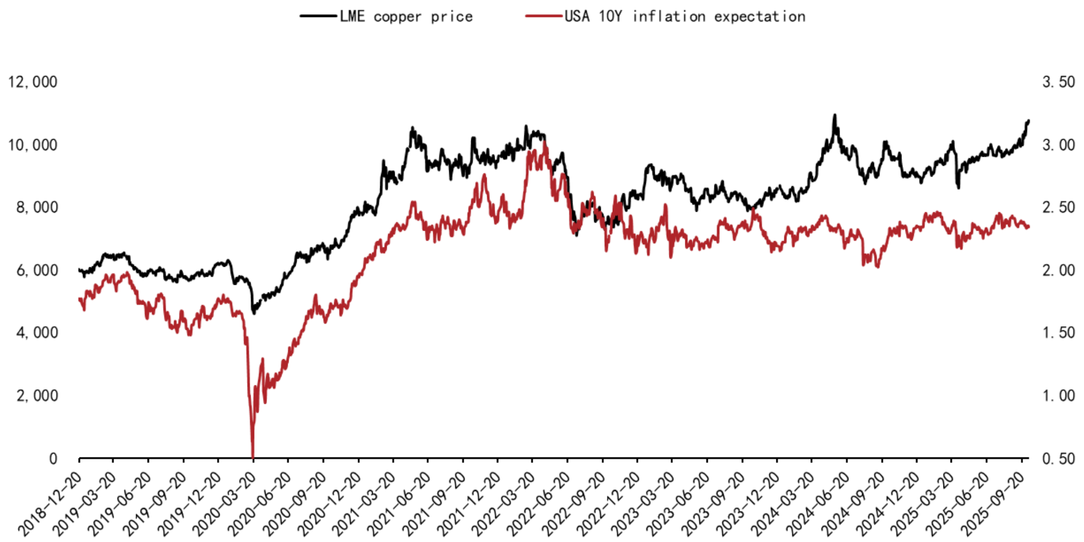
Dollar Index & U.S. Inflation Expectation

Figure 37: U.S. Dollar Index



Sources: WIND, Minmetals Futures

Figure 38: LME Copper Price & U.S. 10-Year Breakeven Inflation Expectations (USD/mt, %)



Sources: WIND, Minmetals Futures

- The U.S. Dollar Index stopped declining in September and is currently trading within a range, without a clear directional breakout yet. U.S. 10-year breakeven inflation expectations have consolidated recently, showing a divergence from copper price movements.

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