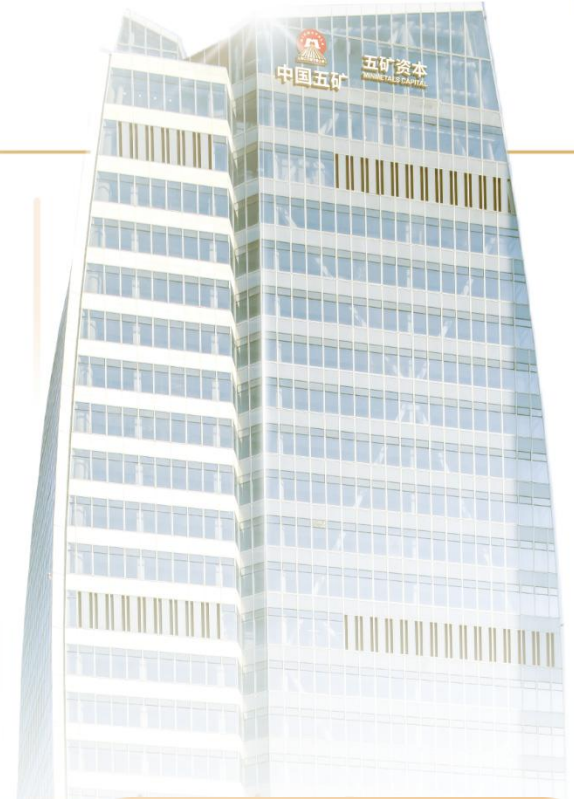
中国五矿 五矿期货有限公司 MINMETALS FUTURES CO.,LTD



Tightness in ore supply continues, bulls not yet exhausted.

Copper Annual Report

December 19, 2025

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Annual Assessment & Strategy Recommendation

Annual Valuation & Strategy Recommendation

- **Supply:** Global copper mine production growth in 2026 will mainly come from brownfield expansions. Without considering disruption rates, the median increase in supply guidance for major medium to large copper mines is approximately 400kt. However, disturbances such as conflicts in the Democratic Republic of Congo, South American presidential elections, and mining accidents warrant caution, as supply growth may continue to fall short of expectations. By the end of 2025, China's Copper Raw Material Procurement Group (CSPT) reached a consensus to reduce copper ore load by 10% in 2026. Whether this can be strictly enforced remains uncertain. If enforced, domestic refined copper output could turn negative, and even without production cuts, the growth rate in 2026 is expected to decline. Overseas smelting capacity releases are slower than expected, and with continued raw material shortages, output in 2026 is projected to remain stable.
- **Demand:** In 2025, China's apparent copper demand surged significantly. In 2026, grid demand is expected to remain robust, while photovoltaic demand is forecasted to decrease. Automotive demand is predicted to continue growing, with real estate and home appliance demands remaining steady. Data centers represent a new demand increment, ensuring overall demand continues to grow. The largest demand variable overseas is the U.S., where tariffs are expected to create a "suction effect" on global refined copper.
- **Macro:** Historically, after or during Fed interest rate cuts, the U.S. economy has experienced recoveries. With three rate cuts in 2025 bringing interest rates close to neutral, there is a high probability of a temporary economic rebound in 2026. Additionally, the Fed’s renewed bond purchases and adjustments to the eSLR rule favor liquidity improvements. Similarly, China’s policy stance remains accommodative, providing a bullish macro environment for commodities.

Annual Valuation & Strategy Recommendation

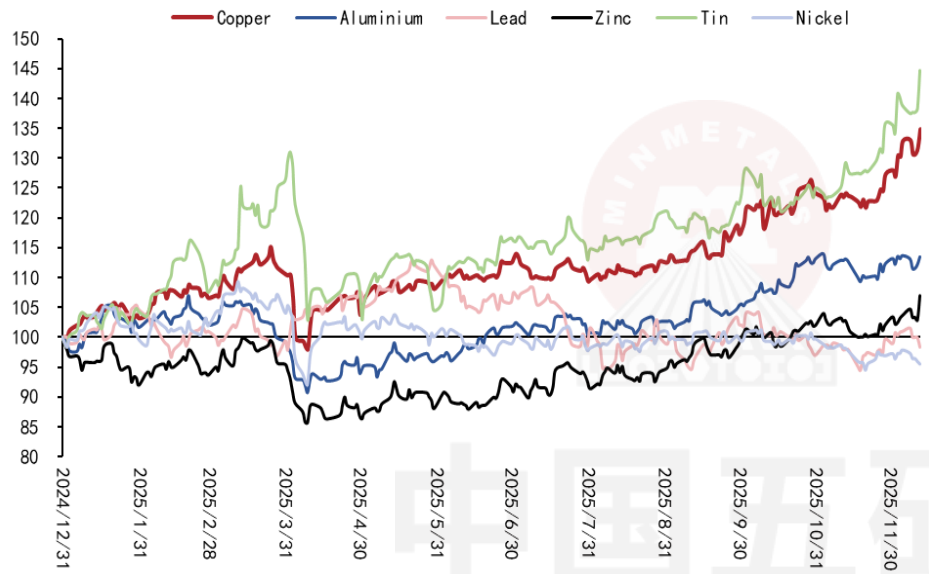
- **Supply-Demand Balance:** In 2025, the global copper concentrate supply deficit widened. In 2026, if no smelting reductions occur, the copper ore supply gap is expected to widen further. However, if smelting reductions do occur, the supply-demand balance for copper concentrates could reverse. In 2025, global refined copper supply recorded a surplus. For 2026, there would be a significant shortage in an optimistic scenario, whereas a continuation of oversupply is expected in a neutral scenario, and in a pessimistic scenario, the surplus would be larger. Given current tightness in ore supply, it is more likely that the global supply-demand situation in 2026 will fall between the optimistic and neutral scenarios.
- **Price Outlook:** Global copper mine supply growth in 2026 is expected to remain low. Persistent supply-demand contradictions may lead to ongoing shortages in ore supply or transmission to refined copper, both of which will continue to provide strong support for copper prices. Macro-wise, anticipated monetary easing by the Fed and consequent economic fundamentals improvement will also drive copper prices upward. However, attention should be paid to high-cost mine supply releases, demand substitution, and consumption squeeze as copper prices rise. For 2026, the operating range for SHFE copper futures is estimated at RMB 78,000-110,000/tonne, and LME 3M copper at USD 10,000-14,000/tonne.

02

Market Review

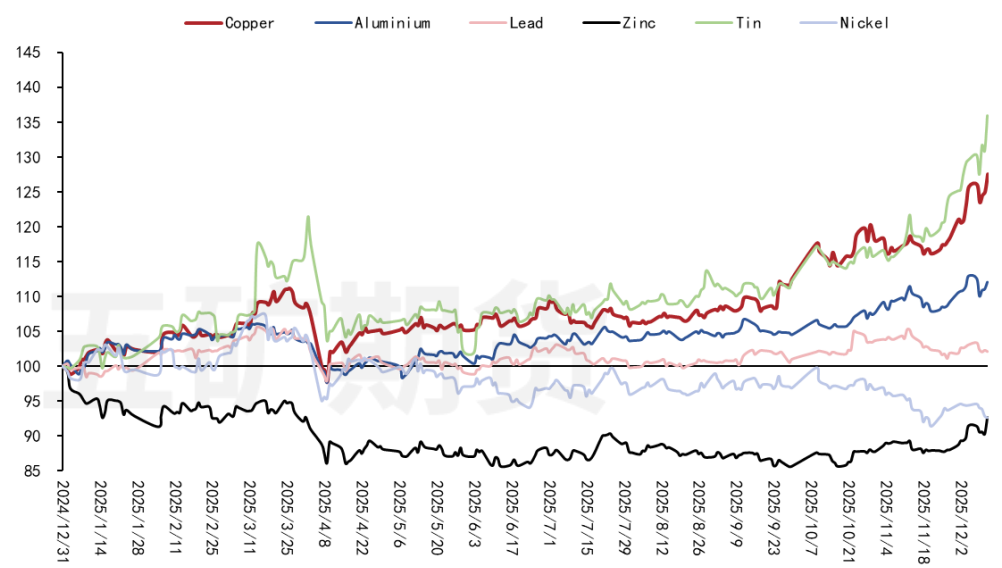
Copper Prices Surge in 2025

Figure 1: SHFE Base Metals Futures Price Index



Sources: WIND, Minmetals Futures

Figure 2: LME Base Metals Futures Price Index

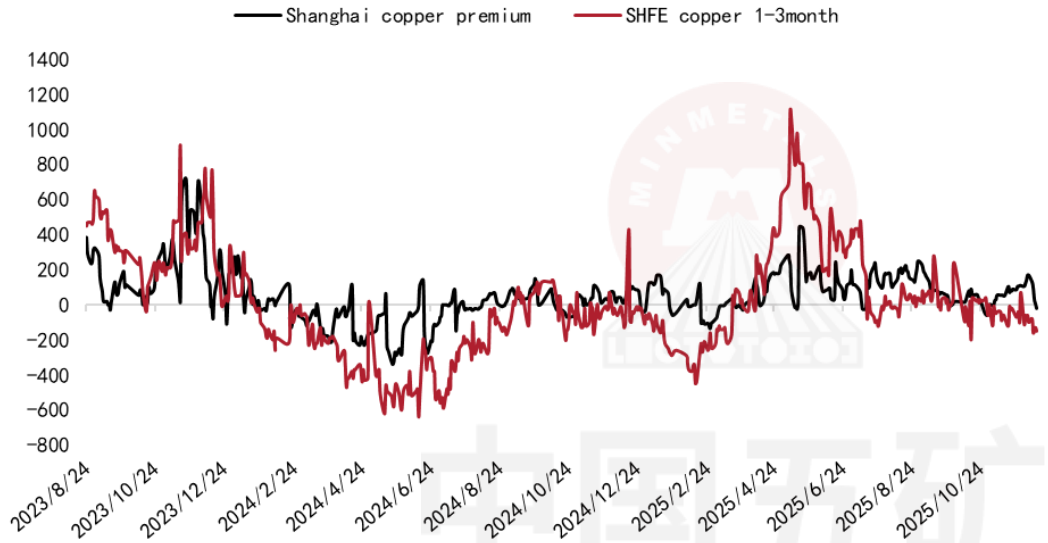


Sources: WIND, Minmetals Futures

- Global copper futures surged bullishly in 2025, with tariff negotiations, ore supply-demand dynamics, and macro policies forming the year's main trading themes. In Q1, expectations of U.S. tariffs on copper products led to stronger U.S. copper prices. After an early April shock due to reciprocal tariffs, copper prices resumed their upward trend. Despite a sharp drop in U.S. copper prices in late July when tariffs excluded refined copper, tariff expectations and production cuts due to major mine accidents pushed prices higher again. Coupled with consecutive Fed rate cuts and balance sheet expansion expectations, copper prices hit record highs. As of December 12th, SHFE copper futures were up about 27%, and LME 3M contracts rose around 35%.

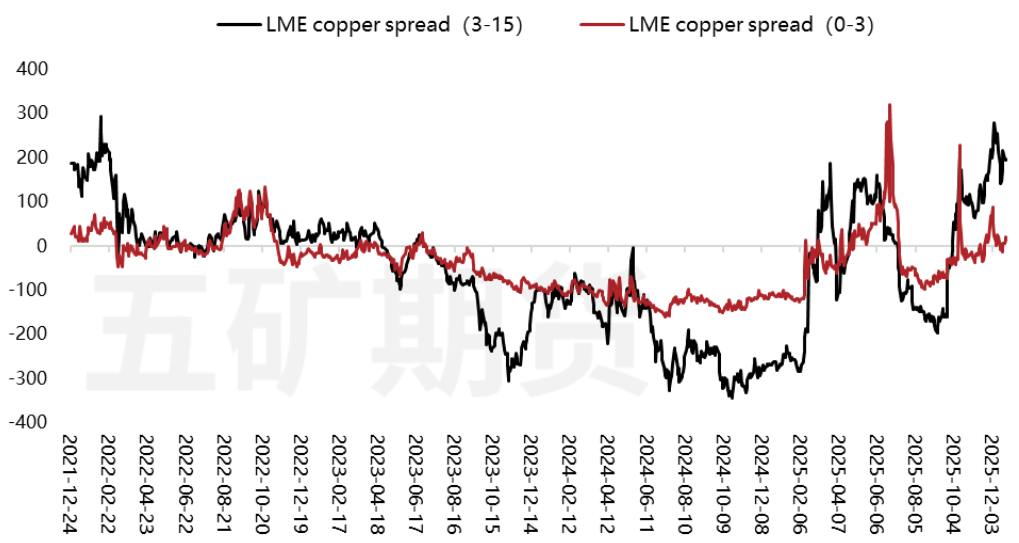
SHFE Copper Monthly Spreads Decline, LME Spreads Stronger

Figure 3: Domestic Copper Spot Premium/Discount & Monthly Spread (RMB/tonne)



Sources: IFIND, Minmetals Futures

Figure 4: LME Copper Cash-3M Spread (USD/tonne)

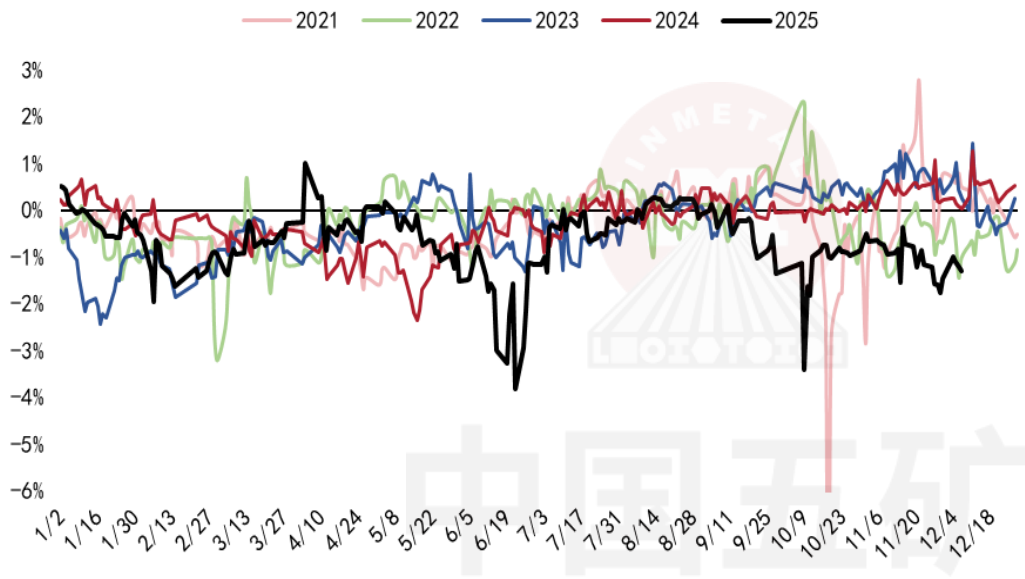


Sources: IFIND, Minmetals Futures

- In 2025, domestic SHFE copper basis and futures monthly spreads both peaked and then declined. Q2 saw increased exports driven by U.S. tariff expectations, boosting spot basis and monthly spreads simultaneously. In H2, stronger copper prices led to declining monthly spreads and basis. LME monthly spreads strengthened under expectations of U.S. copper tariffs and inventory drawdowns, outperforming 2024, with a near-term strength versus long-term weakness structure maintained through mid-December.

Inter-Market Price Spreads Fluctuate Widely

Figure 5: LME Copper Cash-3M Spread (USD/tonne)



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

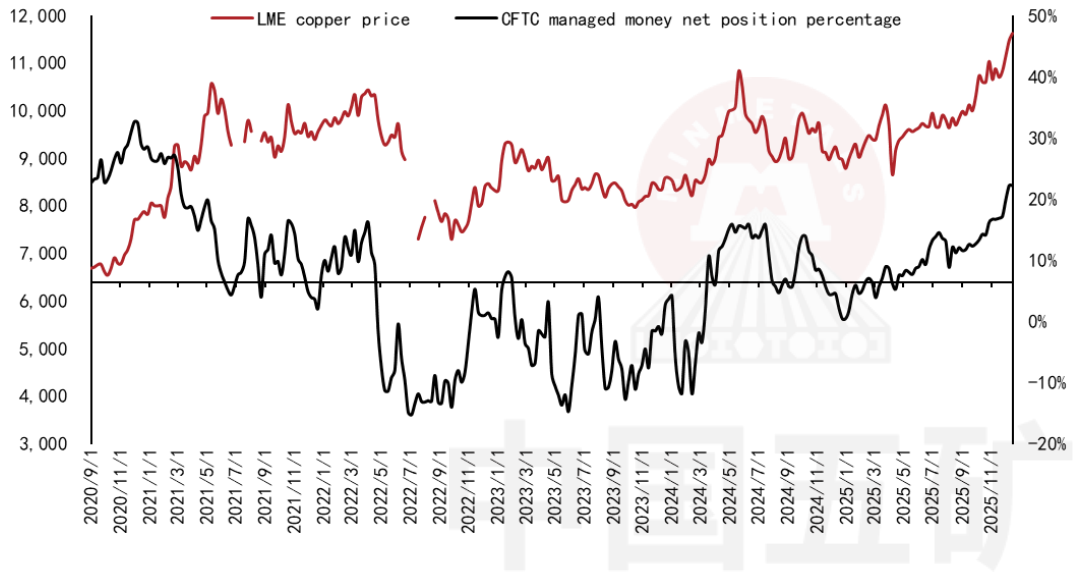
Figure 6: COMEX-LME Copper Spread (USD/tonne)

Sources: WIND, LME, Minmetals Futures

- Throughout most of 2025, SHFE copper performed weaker than LME, with significant import losses in June and October, leading to feedstock processing export openings. The import window was only notably open in early April. COMEX-LME copper spread saw dramatic swings, primarily driven by U.S. copper tariffs, peaking at around USD 3,000/tonne before falling rapidly as tariff expectations waned, settling at USD 100-200/tonne by mid-December. Tariff expectations will likely remain a focus in 2026.

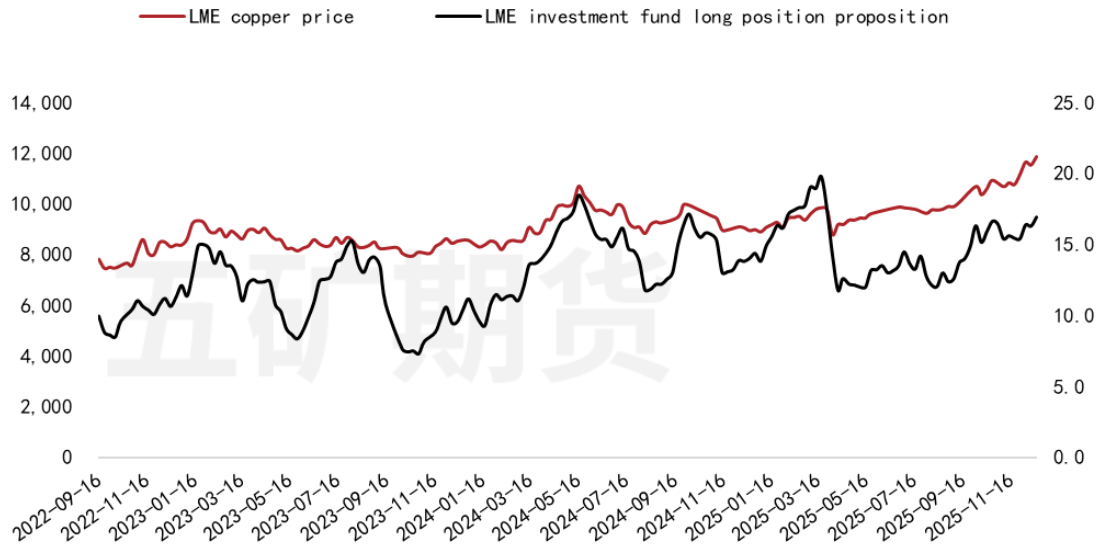
Funds Maintain Bullish Stance on Copper

Figure 7: CFTC Net Long Ratio & Copper Price (RMB/tonne)



Sources: WIND, Minmetals Futures

Figure 8: LME Fund Long Ratio & Copper Price (USD/tonne, %)



Sources: WIND, Minmetals Futures

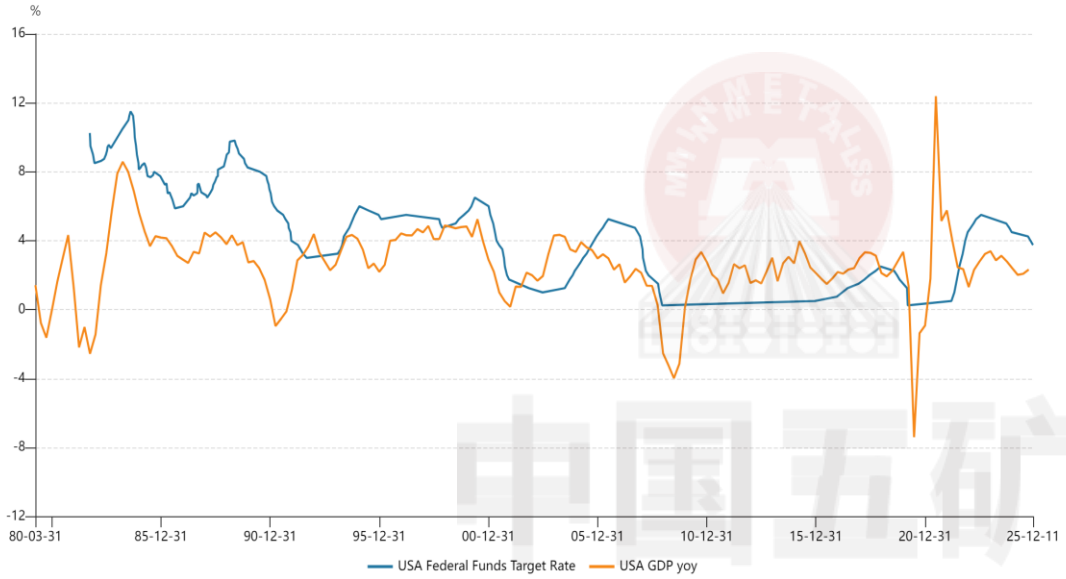
- COMEX market funds maintained net long positions in copper throughout 2025, with the net long ratio gradually increasing, reflecting positive sentiment.
- LME market investment fund long positions fluctuated but remained generally bullish, supported by macro funds.

03

Macroeconomic Analysis

Fed Rate Cuts Expected to Boost U.S. Economy Temporarily

Figure 9: Fed Funds Rate & U.S. GDP Growth (%)



Sources: WIND, Minmetals Futures

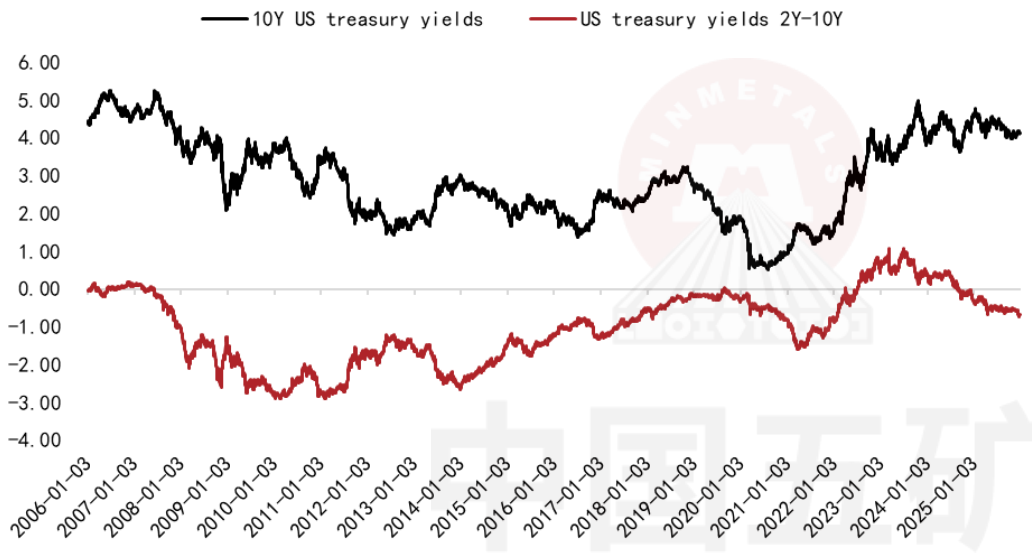
Figure 10: U.S. ISM Manufacturing PMI

Sources: WIND, Minmetals Futures

- Historically, U.S. economic recoveries follow Fed rate cuts. With three cuts in 2025 bringing rates close to neutral, a temporary economic rebound in 2026 is probable.
- Manufacturing PMI serves as a leading indicator of economic recovery, and with rate cuts implemented, PMI is expected to improve temporarily.

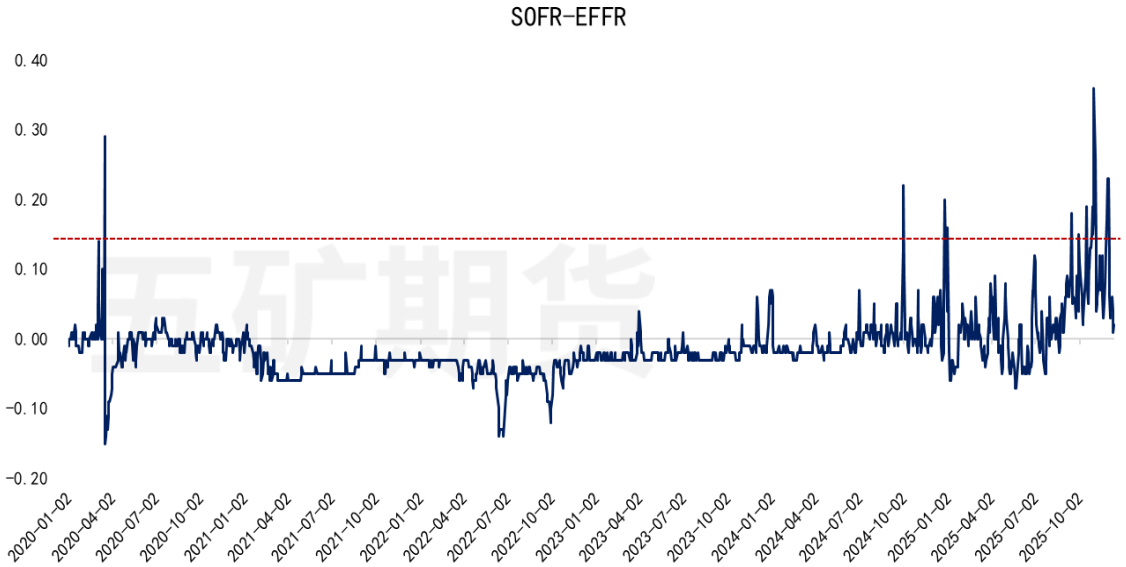
U.S. Financial Market Liquidity Improves Marginally

Figure 11: U.S. 2s10s Yield Curve & 10Y Treasury Yield (%)



Sources: WIND, Minmetals Futures

Figure 12: SOFR-EFFR Spread (%)

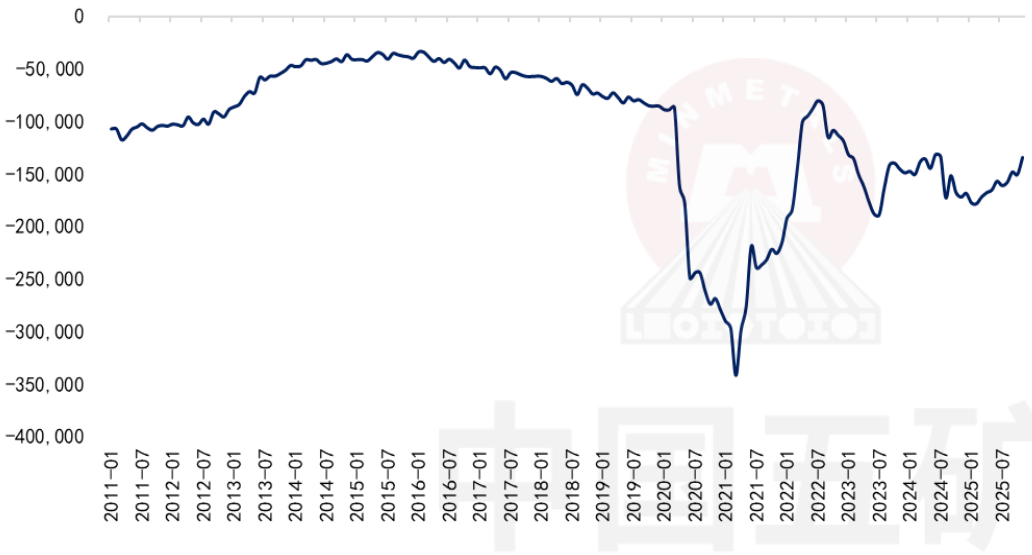


Sources: WIND, Minmetals Futures

- In late November 2025, the Fed, OCC, and FDIC relaxed enhanced supplementary leverage ratio (eSLR) requirements for globally systemically important banks, releasing Tier 1 capital and alleviating liquidity pressures.
- At the December FOMC meeting, the Fed announced a return to quantitative easing via repurchase agreements (RMP), buying short-term Treasuries, shifting from balance sheet reduction to expansion. This improved market liquidity expectations, with front-end U.S. rates weakening relative to longer maturities, and the 2s10s Treasury yield curve flattening. Historically, a narrowing of this spread has been supportive of higher commodity prices—particularly when accompanied by rising 10-year yields.

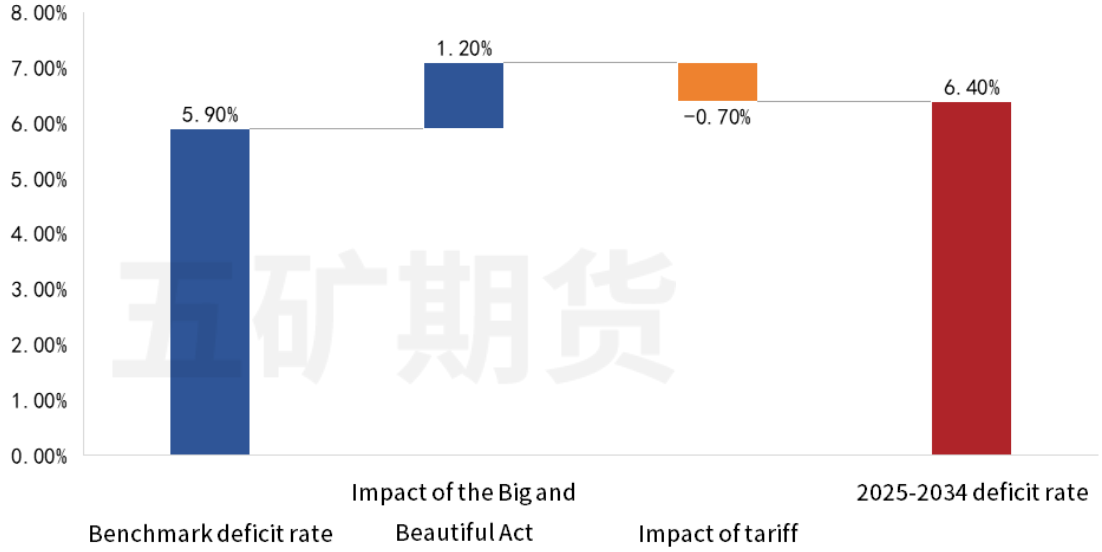
U.S. Fiscal Policy Remains Accommodative

Figure 13: U.S. Fiscal Balance (million USD)



Sources: WIND, Minmetals Futures

Figure 14: “Big & Beautiful” Act to Keep U.S. Fiscal Deficit Elevated

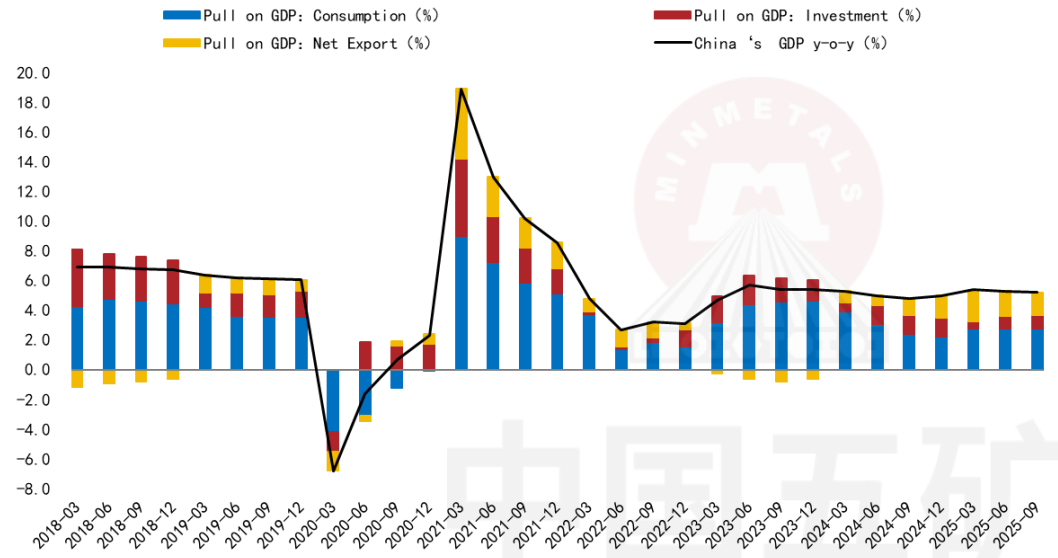


Sources: CBO, CRFB, Minmetals Futures

- The fiscal deficit in FY2025 was largely unchanged from FY2024. Despite increased tariff revenues, rigid expenditures prevented effective deficit reduction.
- The "Great and Beautiful" Act passed in July 2025 promises substantial tax cuts over ten years and increased defense and homeland security spending, maintaining fiscal stimulus direction and raising deficit ratios.

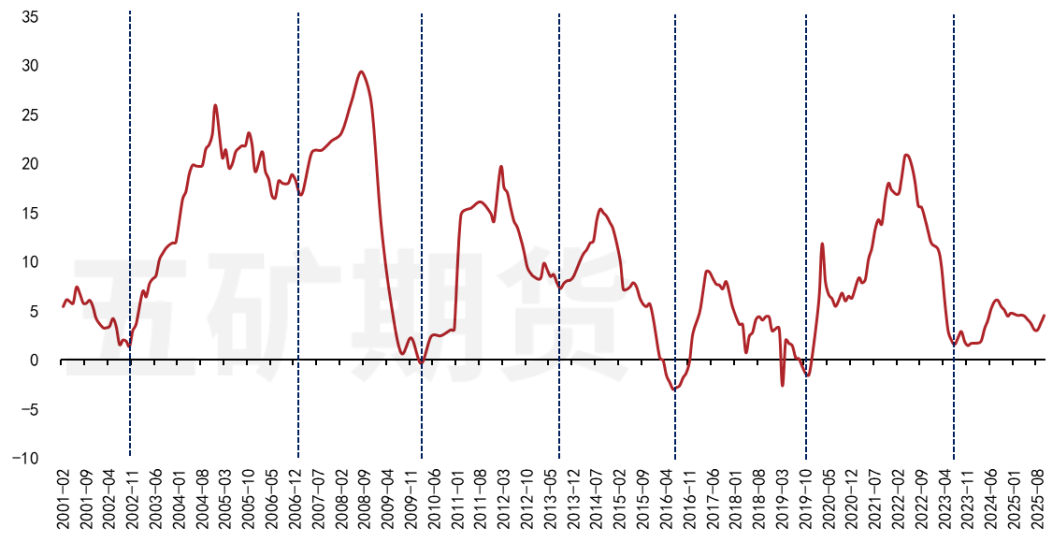
China’s Inventory Cycle Lacks Clear Trend

Figure 15: China GDP Growth & Contributors (%)



Sources: WIND, Minmetals Futures

Figure 16: YoY Change in Finished Goods Inventory (%)

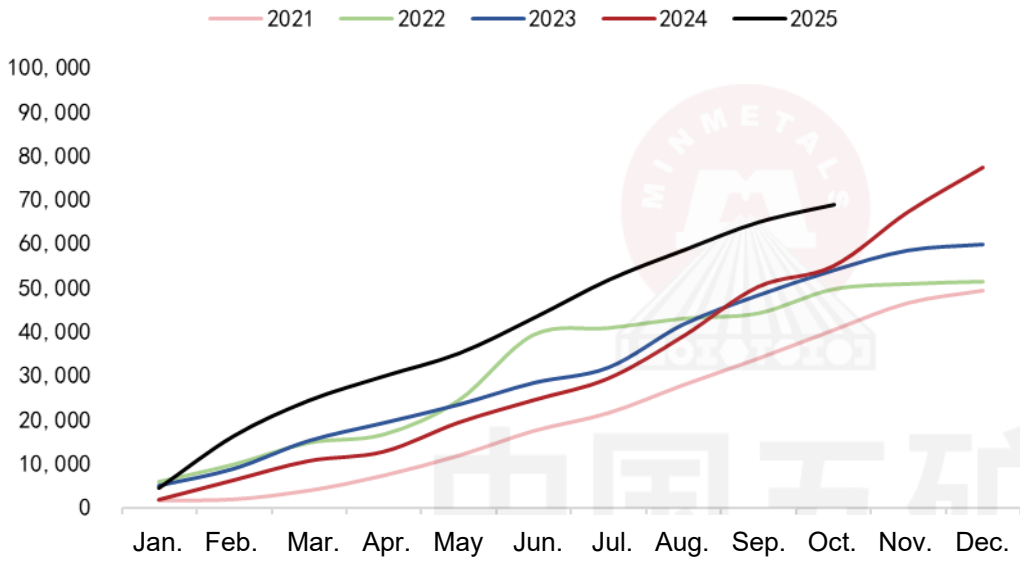


Sources: WIND, Minmetals Futures

- In the first three quarters of 2025, GDP growth was mainly driven by consumption and net exports, with little change in investment contribution.
- Finished goods inventory changes were minimal, indicating no clear inventory cycle trend.

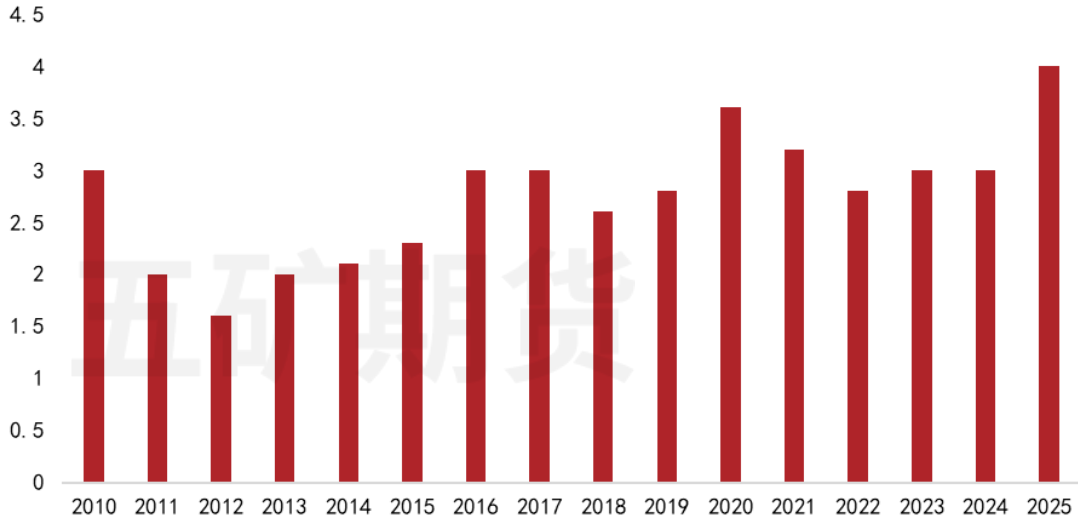
Accommodative Fiscal Policy

Figure 17: Cumulative Local Gov't Bond Issuance (100 million RMB)



Sources: WIND, Minmetals Futures

Figure 18: Budget Target: Fiscal Deficit Ratio

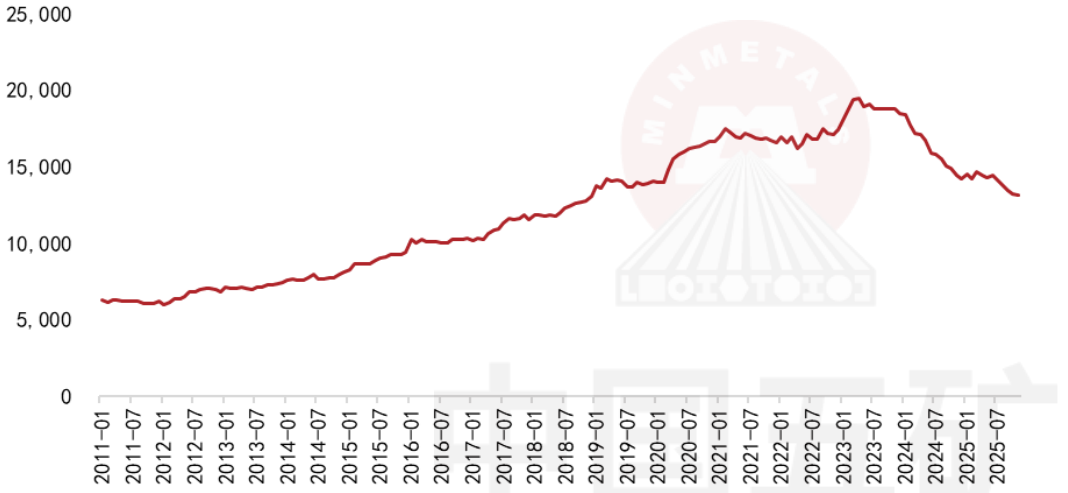


Sources: WIND, Minmetals Futures

- Local government bond issuance in 2025 exceeded 2024 levels significantly, accelerating debt resolution.
- Central economic work conferences emphasized implementing more proactive fiscal policies, maintaining necessary fiscal deficits and debt levels. Overall, deficit ratio in 2026 is unlikely to be raised further but will remain at an elevated level. Authorities have explicitly called for "halting the decline in investment and stabilizing it," suggesting continued strong fiscal support for both the broader economy and commodity demand.

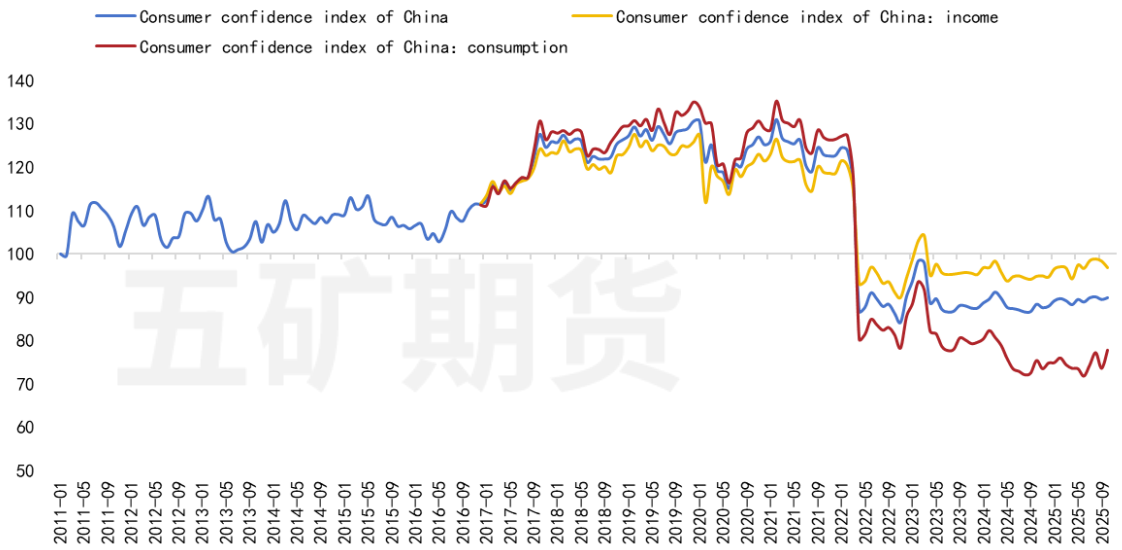
Demand from Households and Corporates Remains Subdued

Figure 19: New RMB Loans in Social Financing (100 million RMB)



Sources: WIND, Minmetals Futures

Figure 20: China Consumer Confidence Index



Sources: WIND, Minmetals Futures

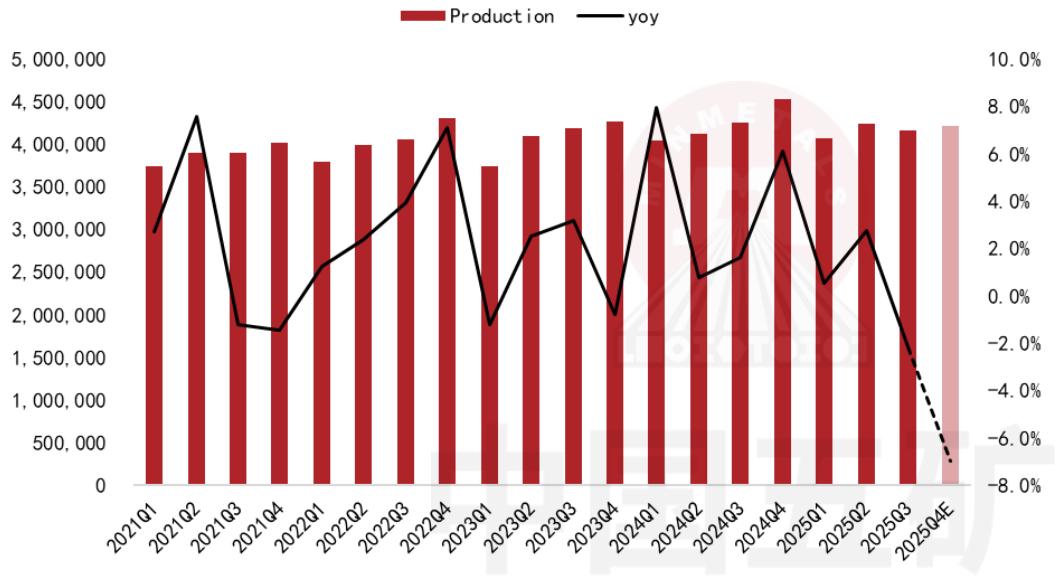
- Compared to sustained fiscal and policy support from the government, loan demand from households and corporates in China remains relatively weak.
- Household consumer confidence has yet to show meaningful improvement, suggesting that policies aimed at stabilizing employment and consumption are likely to remain in focus.

04

Supply

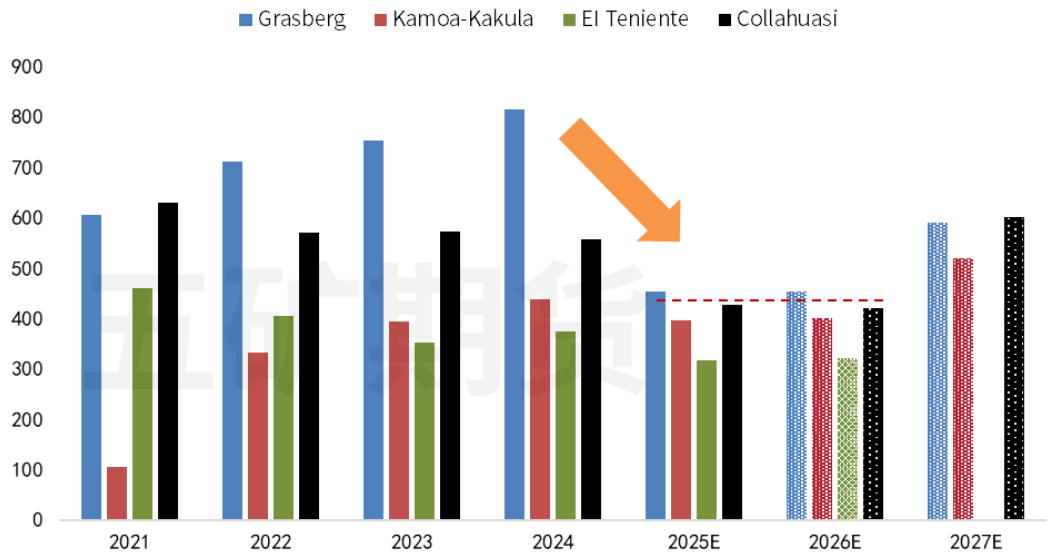
Major Copper Mines Post Output Declines in 2025

Figure 21: Output of Sample Large/Mid Copper Mines & YoY Change (tonne)



Sources: Company Press Release, Minmetals Futures

Figure 22: Slow Recovery Outlook for Disrupted Major Mines in 2025 (kt)

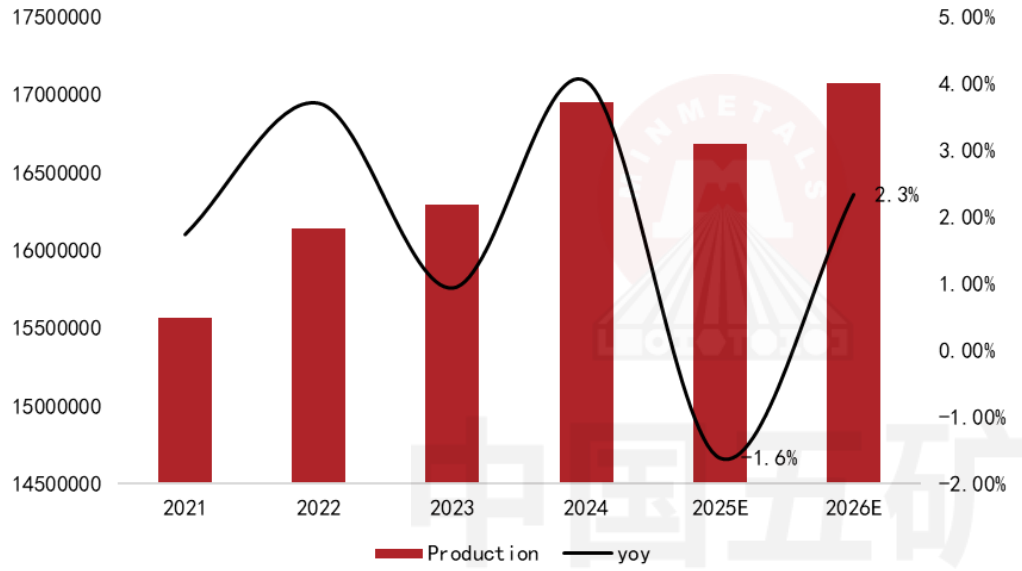


Sources: Company Press Release, Minmetals Futures

- Global copper mine supply underperformed expectations in 2025, weighed down by major mine accidents, declining ore grades, and limited new project additions. Among 34 major and mid-sized copper miners, aggregate output rose just 0.3% YoY in Q1–Q3, but Q4 output is projected to decline by approximately 6% (over 300kt), resulting in a 1.6% YoY drop in full-year supply.
- Large-scale operations such as Grasberg, Kamoa-Kakula, and El Teniente experienced larger-than-expected production shortfalls. Their 2026 output is expected to remain broadly flat versus 2025, with meaningful recovery unlikely before 2027. Consequently, we expect copper ore supply tightness to persist into 2026.

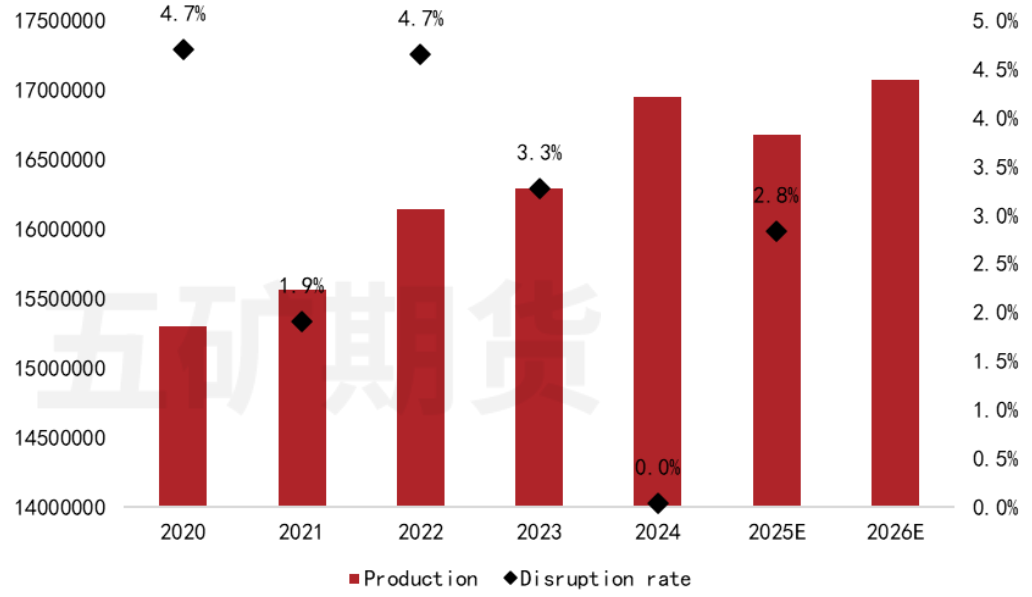
Copper Mine Supply Growth Set to Rebound in 2026—but Risks Remain

Figure 23: Output of Sample Large/Mid Copper Mines & YoY Change (tonne)



Sources: Company Press Release, Minmetals Futures

Figure 24: Mine Supply Disruptions in 2026 Cannot be Ignored (tonne)

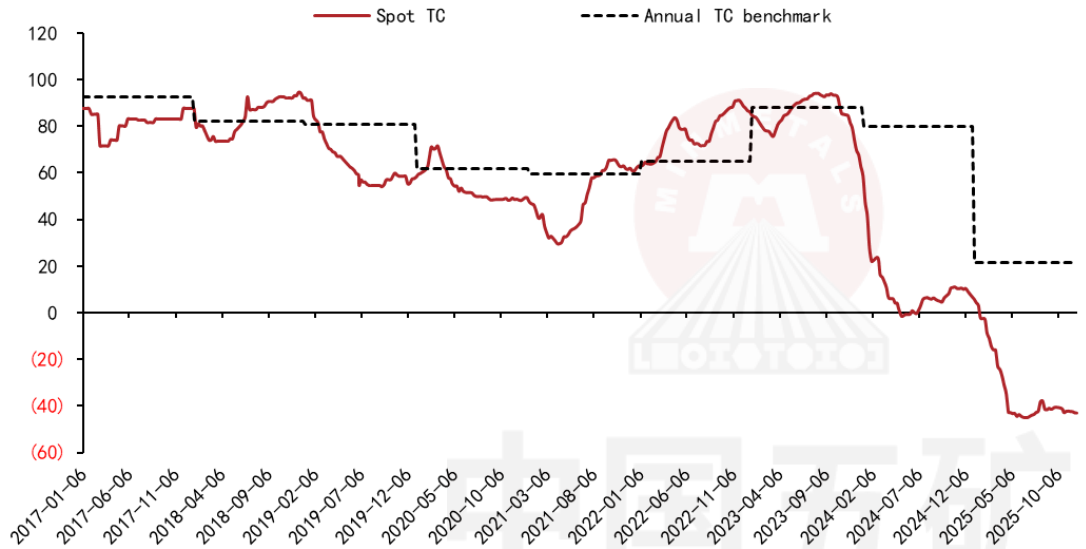


Sources: Company Press Release, Minmetals Futures

- Global copper mine production growth in 2026 will be driven primarily by brownfield expansions—including Zijin Mining's Jilong (Giant Dragon) Phase II, Tongling Nonferrous's Mirador Phase II, and Oman's Batu Hijau—as well as higher operating rates at existing mines such as Teck's Quebrada Blanca and Antamina. Escondida, however, faces potential output declines.
- Assuming no disruptions, the median supply guidance from major miners implies an incremental increase of approximately 400kt in 2026. Nevertheless, ongoing risks—including conflict in the DRC, presidential elections across Latin America, and operational accidents—could continue to hinder stable production, leaving supply growth vulnerable to further downside surprises.

Tensions Over Profit Allocation Between Miners and Smelters Intensify

Figure 25: Spot vs. Annual Benchmark TC for Copper Concentrate (USD/tonne)



Sources: SMM, Minmetals Futures

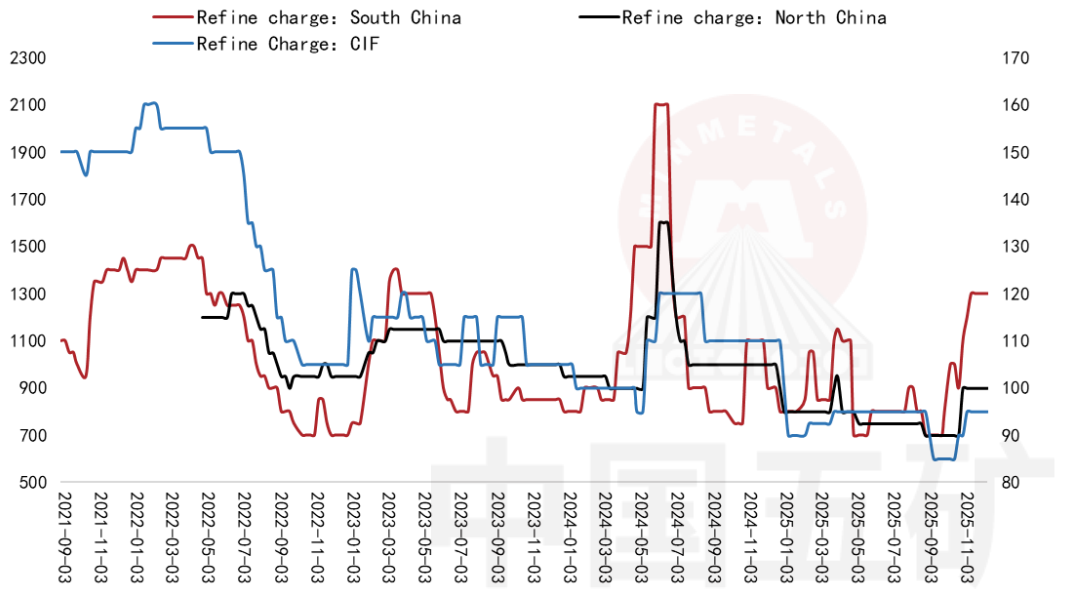
Figure 26: Copper Concentrate Inventory at Major Chinese Ports (kt)

Sources: IFIND, Minmetals Futures

- Amid declining copper mine supply and expanding smelting capacity, the shortage in copper concentrate has persisted. Spot treatment charges (TCs) for copper concentrate have fluctuated near historic lows, reinforcing expectations of lower annual TC contracts for 2026 and exacerbating tensions over profit allocation between miners and smelters. Should Chinese smelters proceed with the anticipated reduction in operating rates in 2026, the concentrate supply deficit could ease marginally.
- In 2025, copper concentrate inventories at major Chinese ports declined from end-2024 levels, reflecting tight spot availability. However, supply tightness showed some relief toward year-end.

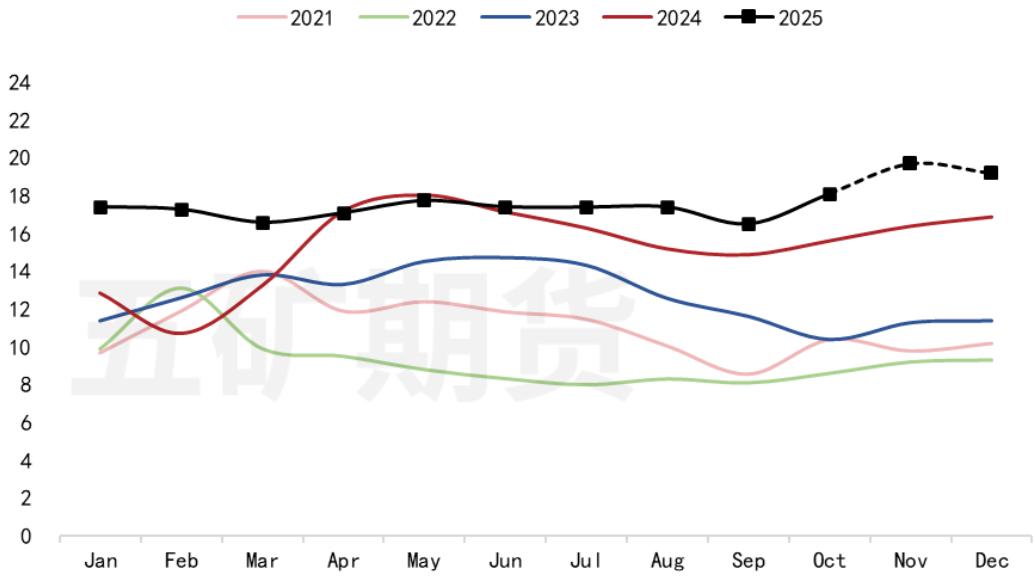
Scrap-based Blister Copper to Continue Supplementing Raw Material Supply

Figure 27: Domestic Blister Copper Processing Fee (RMB/tonne)



Sources: SMM, Minmetals Futures

Figure 28: Secondary Copper from Scrap (10kt)

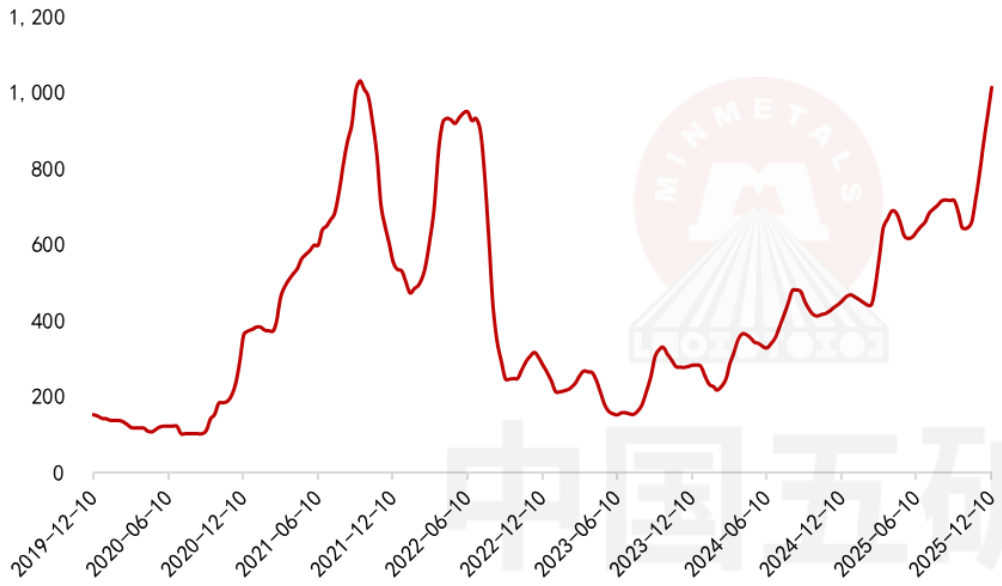


Sources: SMM, Minmetals Futures

- In 2025, domestic blister copper refining fees initially declined but rose in Q4 as higher copper prices spurred increased production of scrap-based blister copper.
- In 2025, the production of blister copper from scrap reached approximately 2.1 Mt, representing a YoY increase of more than 14%. Given the expectation that copper concentrate treatment charges will remain low, the production of blister copper from scrap is expected to continue supplementing raw material supplies in 2026.

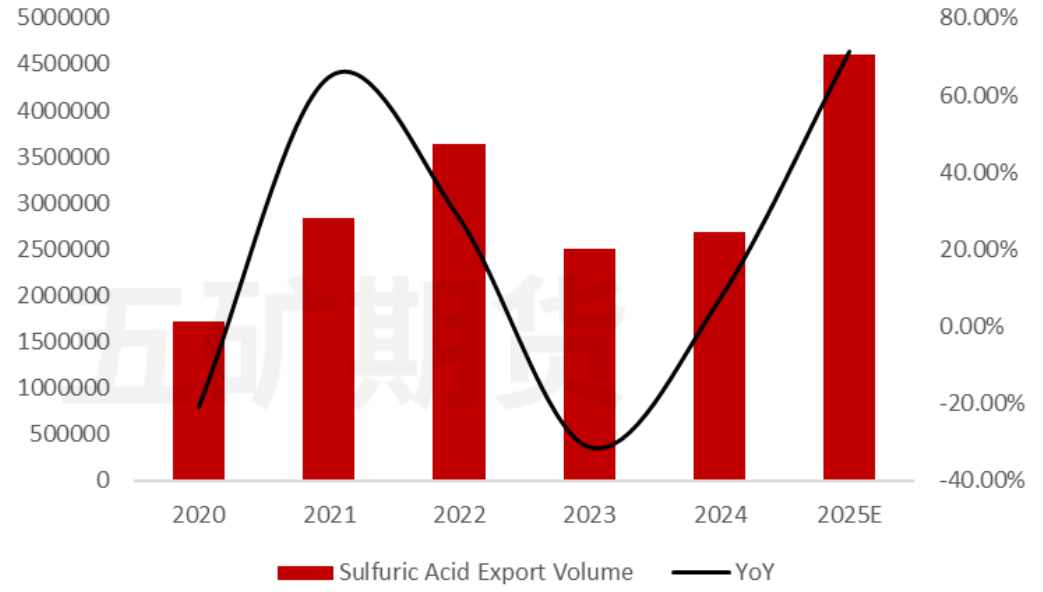
Byproduct Revenue May Decline

Figure 29: China Sulfuric Acid Price (RMB/tonne)



Sources: WIND, Minmetals Futures

Figure 30: China Sulfuric Acid Exports (USD/tonne) & YoY Change (%)

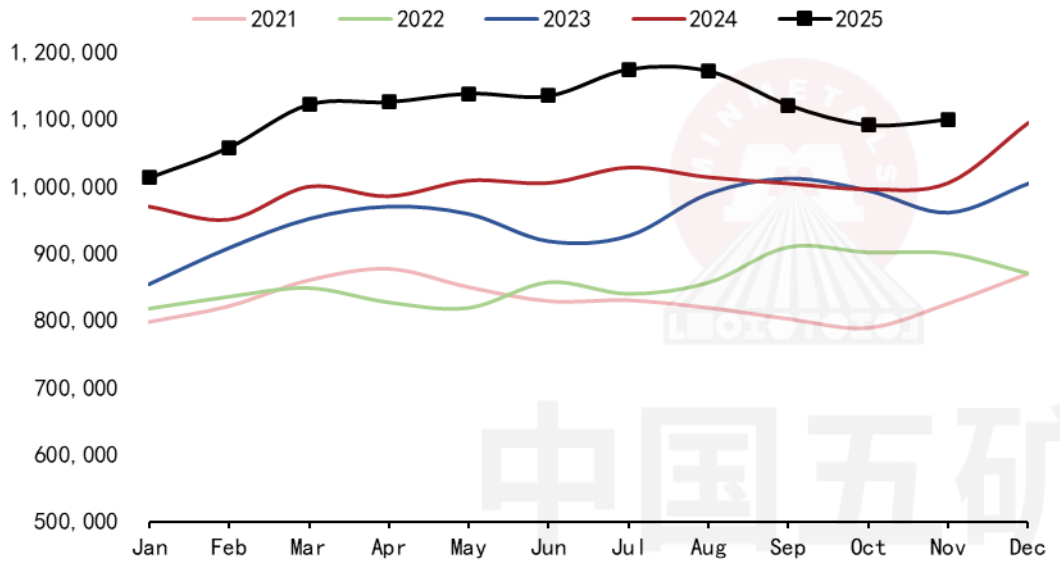


Sources: Customs, Minmetals Futures

- Benefiting from higher sulfur prices and increased exports, the price of sulfuric acid—a byproduct of copper smelting—rose significantly in 2025, contributing positively to smelter earnings.
- By the end of 2025, the China Sulfuric Acid Industry Association recommended that exporters prioritize domestic demand, suggesting that export volumes may decline in 2026. However, given tight supply and strong demand for sulfur, sulfur prices are likely to remain firm, supporting relatively high domestic sulfuric acid prices. Additionally, potential reductions in smelter operating rates could further contribute to sustained high sulfuric acid prices, continuing to provide positive revenue contributions.

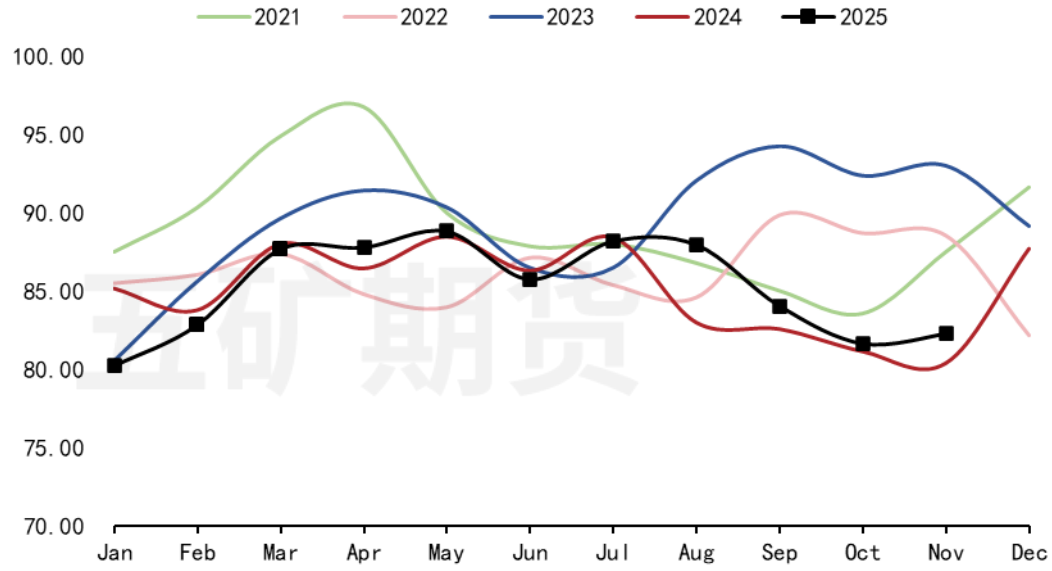
Significant Growth in China's Refined Copper Production in 2025

Figure 31: China Monthly Refined Copper Output (tonne)



Sources: SMM, Minmetals Futures

Figure 32: Operating Rate of Chinese Copper Smelters (%)



Sources: SMM, Minmetals Futures

- According to data from SMM, China's refined copper production Jan.-Nov. 2025 was approximately 12.252 Mt (+11.8% YoY). Full-year production is estimated to have increased by around 1.36 Mt (+11.3%). This growth was primarily driven by expanded electrolytic capacity and high operating rates at smelters.
- Average smelter utilization during the first eleven months of 2025 stood at 85.2%, slightly higher than the same period in 2024.

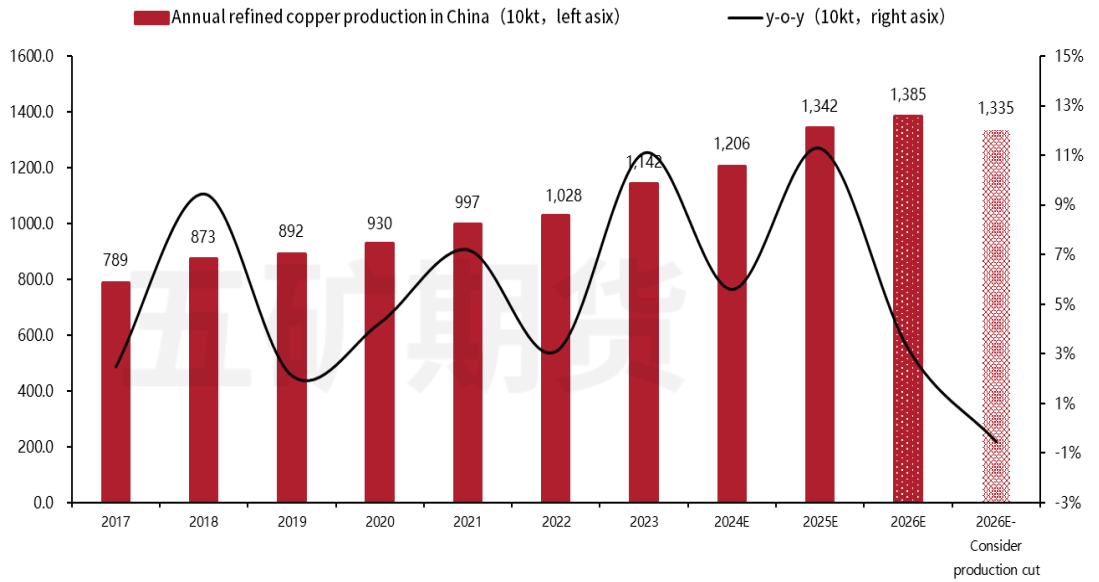
Expectations for China's Refined Copper Production Growth Slow Down

Figure 33: China New Copper Smelting Capacity(10kt)

	Smelter	Refinery	Commission Time
Guangxi Jinchuan	30	0	2025
Gansu Jinchuan	30	40	2024-2025
Tongling Jinxin	50	50	2025.3
Chifeng Jintong	30	30	2026H2
Jianfa Shenghai	30	30	2026H2
Zijin copper	0	20	2027

Sources: SMM, MYSTEEL, Company Press Release, Minmetals Futures

Figure 34: China Refined Copper Output & YoY Forecast (10kt)



Sources: SMM, Minmetals Futures

- The Central Economic Work Conference emphasized curbing "a race to the bottom," and the China Nonferrous Metals Industry Association has actively promoted efforts to counteract this trend in copper smelting. As a result, the momentum for future capacity expansion has been somewhat controlled. New additions to copper smelting capacity in 2026 are expected to be lower than in 2025.
- At the end of 2025, the China Smelter Procurement Team (CSPT) agreed to reduce ore processing loads by 10% in 2026, although it remains uncertain whether this agreement will be strictly enforced. If fully implemented, domestic refined copper output could decline; even without cuts, growth rates are expected to slow down.

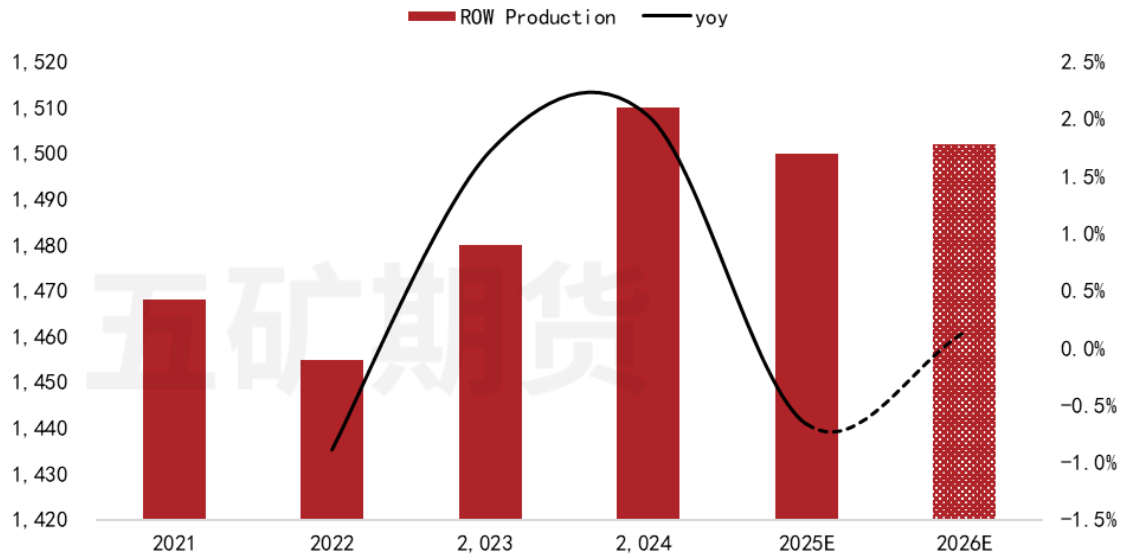
Overseas Copper Smelting Capacity Ramp-Up Lags Expectations

Figure 35: New Overseas Copper Smelting Capacity (10kt)

	Smelter	Refinery	Commission Time
Amman	22	22	2024Q4
Freeport Indonesia	40	40	2024
Adani	50	50	2024
Zijin	50	50	2025Q4

Sources: Company Press Release, Minmetals Futures

Figure 36: Overseas Refined Copper Output & YoY Change (10kt)



Sources: ICSG, Minmetals Futures

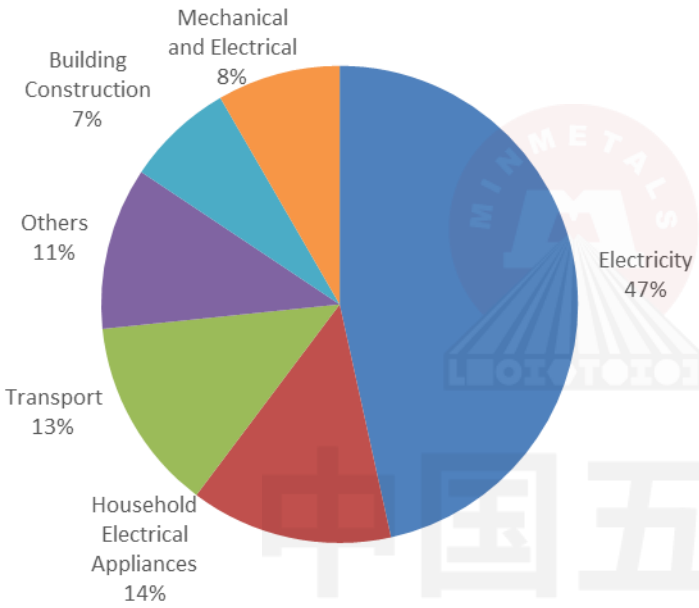
- In 2025, overseas refined copper production growth fell short of expectations due to unexpected maintenance at existing smelters caused by low processing fees and feedstock shortages. New capacity additions, particularly in Indonesia and India, also underperformed relative to expectations.
- Consequently, global ex-China refined copper output in 2025 is estimated to have declined YoY. With raw material constraints persisting, 2026 output is projected to remain relatively stable.

05

Demand

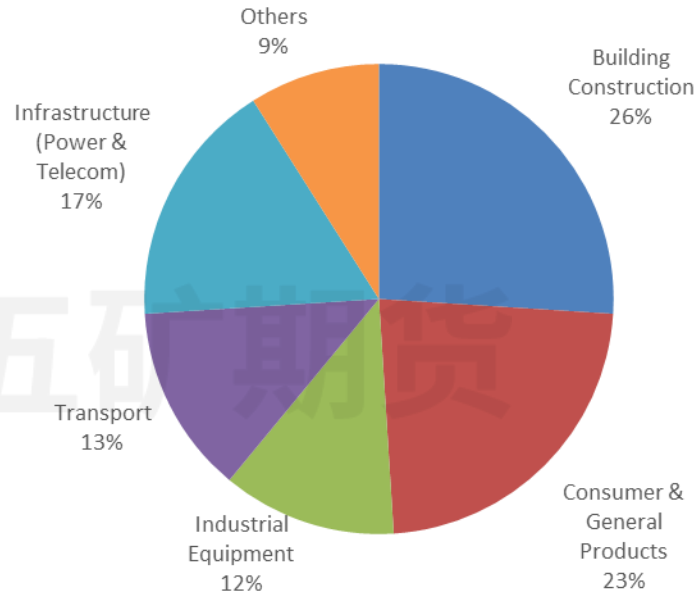
Downstream Copper Consumption Sectors

Figure 37: China Distribution of Downstream Copper Consumption (2025)



Sources: SMM, Minmetals Futures

Figure 38: Distribution of Downstream Copper Consumption Globally (2024)

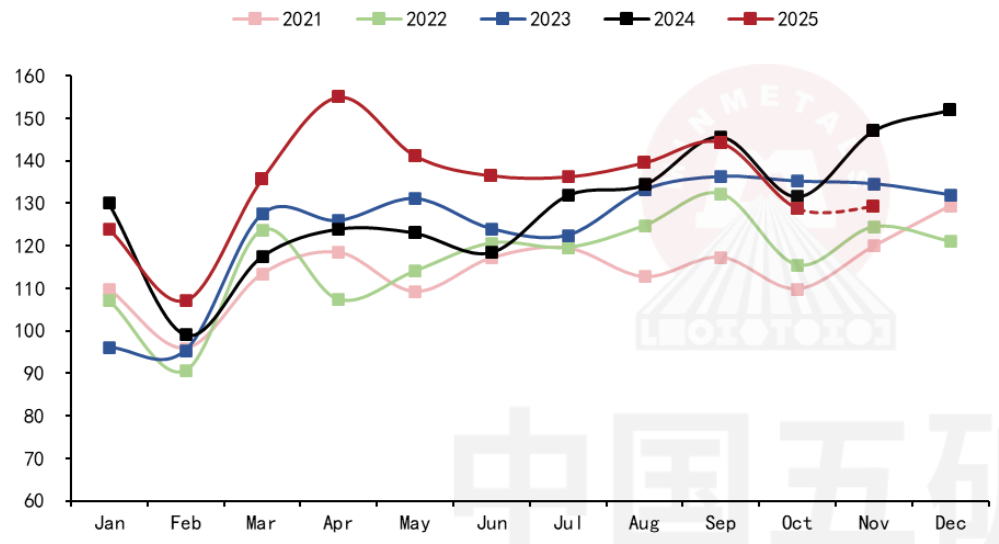


Sources: ICSG, Minmetals Futures

- In 2025, the power sector maintained the highest share of copper consumption in China, followed by home appliances, transportation, machinery, and construction.
- Globally, building, equipment, infrastructure, transportation, and industrial sectors are the primary consumers of copper, with a relatively dispersed distribution.

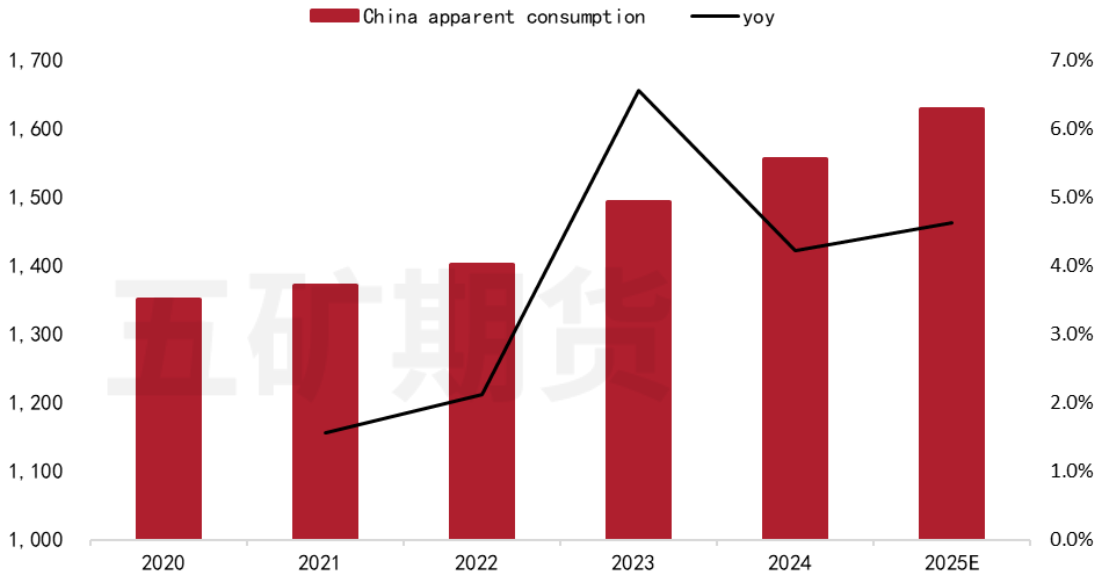
Significant Growth in China's Refined Copper Apparent Consumption in 2025

Figure 39: China Apparent Refined Copper Consumption (10kt)



Sources: SMM, Customs, MYSTEEL, LME, Minmetals Futures

Figure 40: China Apparent Refined Copper Consumption & YoY Growth (10kt, %)

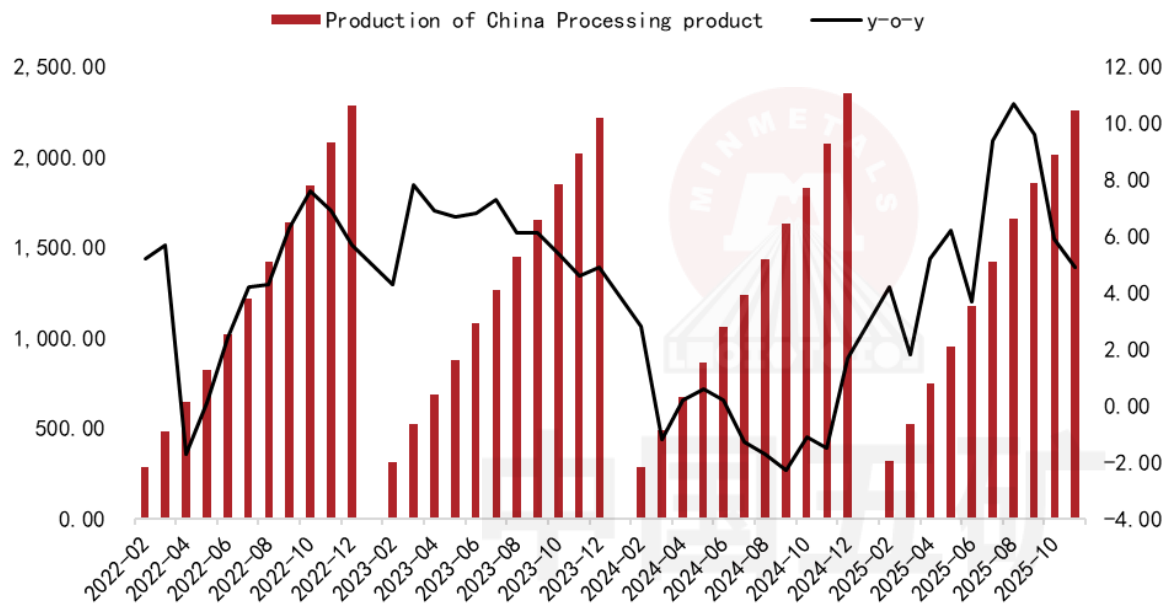


Sources: SMM, Customs, MYSTEEL, LME, Minmetals Futures

- China's apparent refined copper consumption saw substantial growth for most months in 2025, particularly from March to June, with growth rates exceeding 15% each month. The annual apparent consumption reached approximately 16.28 Mt, representing a YoY increase of about 4.6%.
- Factors contributing to this significant growth include more scrap copper being directed towards smelting, concentrated installations of photovoltaic (PV) systems in Q2, and policies promoting trade-ins for home appliances and vehicles.

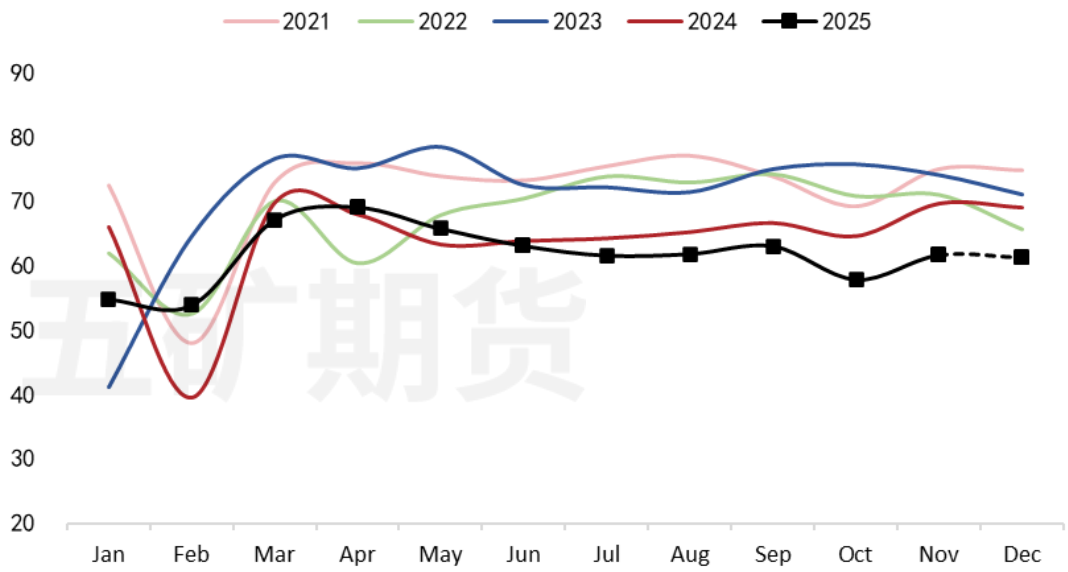
Growth in Copper Products Production

Figure 41: China Cumulative Copper Products Output & YoY Growth (10kt, %)



Sources: WIND, Minmetals Futures

Figure 42: Average Operating Rate of Chinese Copper Products Enterprises (%)

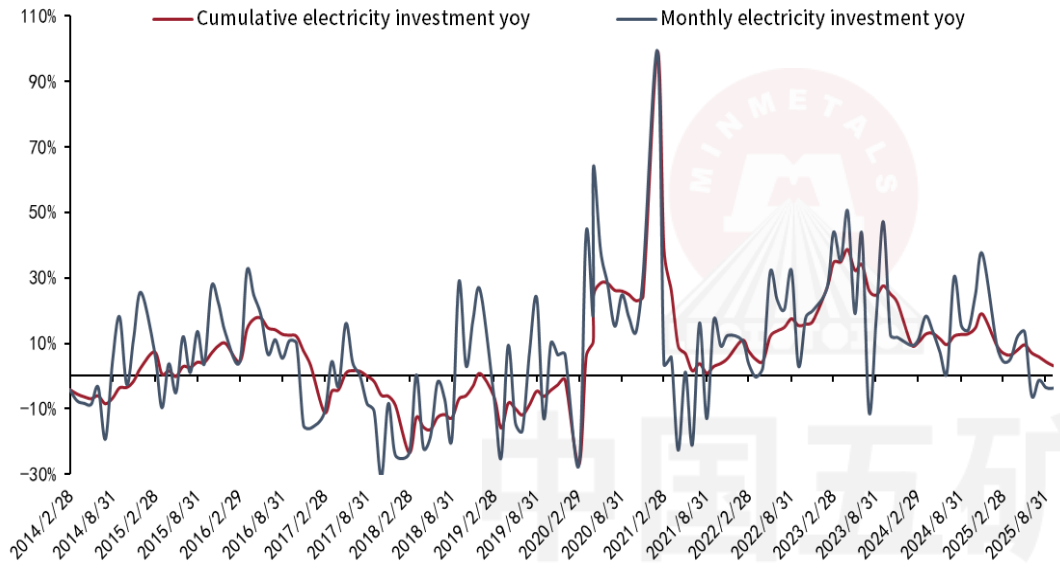


Sources: SMM, Minmetals Futures

- Jan.- Oct. 2025, China's copper products production increased by approximately 5.9%, indicating rapid growth in copper processing demand.
- According to SMM data, the average operating rate of copper product enterprises was around 61.8% during this period, down by about 1.9 ppt compared to the same period in 2024. Operating rates for refined copper rods, copper tubes, and copper plates and strips declined to some extent, while copper foil operating rates rose significantly.

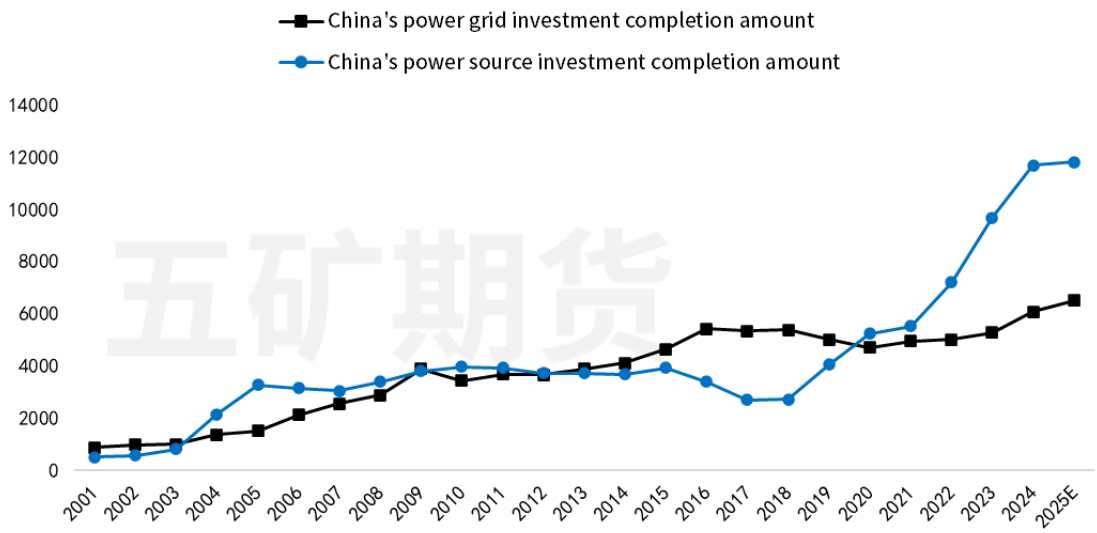
Accelerated Growth in China's Power Grid Investment

Figure 43: China Growth Rate of Power Grid + Power Generation Investment



Sources: NEA, Minmetals Futures

Figure 44: China Power Grid and Power Generation Investment Completion (100 million RMB)

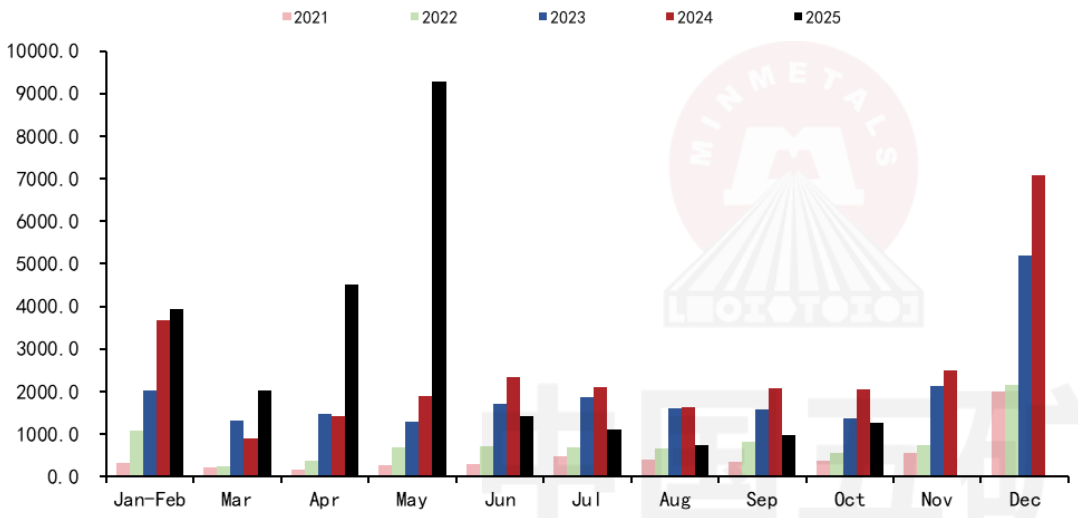


Sources: NEA, NBS, Minmetals Futures

- In 2025, China's power engineering investment (including both grid and power generation) continued to grow, with a YoY growth rate of about 3.1% Jan.-Oct.. Specifically, grid investment grew by 7.2%, while power generation investment increased by 0.5%.
- The growth rate of grid investment exceeded that of power generation investment, benefiting from the high growth in power generation investment in previous years. This trend is expected to continue, providing strong support for copper demand.

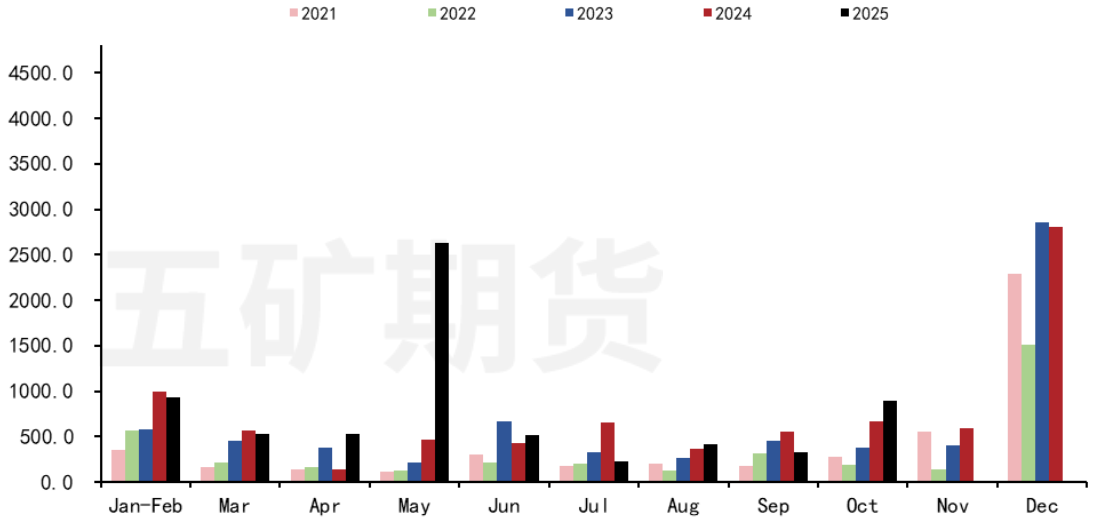
Pressure on New PV Installations, Growth in Wind Power

Figure 45: China New PV Installed Capacity (10k MWh)



Sources: NEA, Minmetals Futures

Figure 46: China New Wind Power Installed Capacity (10k MWh)

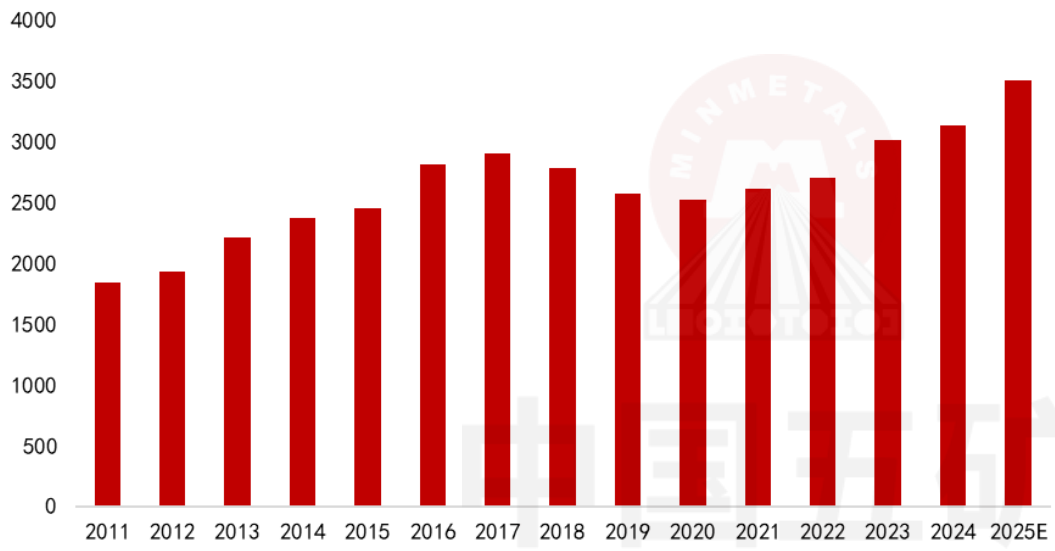


Sources: NEA, Minmetals Futures

- In 2025, China's new PV installations surged before the implementation of new policies but dropped significantly afterward, with monthly installations below those of 2024. Cumulative new installations Jan.-Oct. reached 253 GW, up by 72 GW compared to 2024. Full-year installations are expected to see modest YoY growth. In 2026, with the advancement of anti-competitive measures in the PV industry, new installations are expected to decline YoY.
- Meanwhile, new wind power installations recorded overall growth in 2025, with cumulative installations reaching 70 GW Jan.-Oct., an increase of 24 GW YoY. With improved profitability, wind power installations are expected to maintain rapid growth.

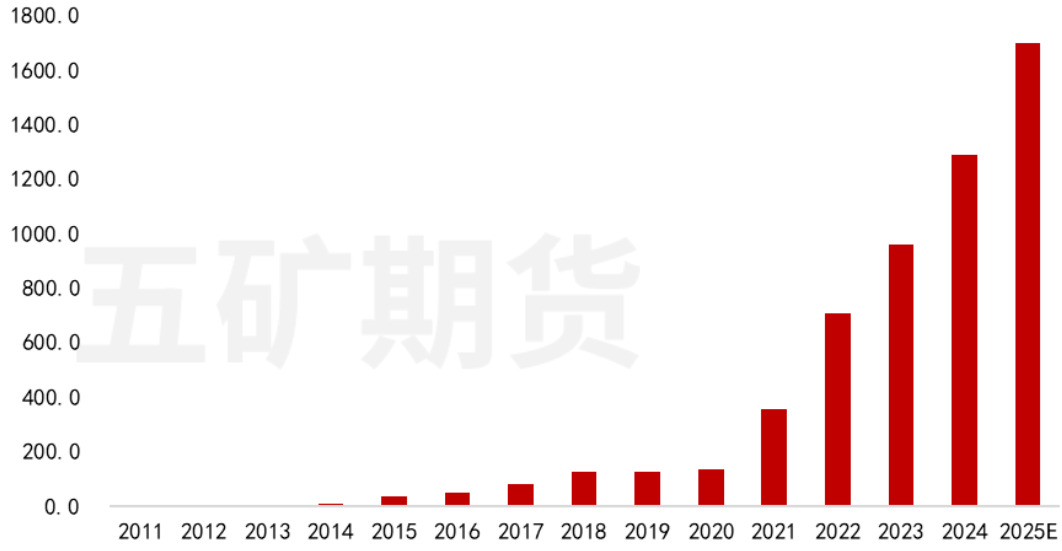
Automotive Production and Sales Growth Slowing Down

Figure 47: China Total Vehicle Production (10k units)



Sources: CAAM, Minmetals Futures

Figure 48: China Total NEV Production (10k units)

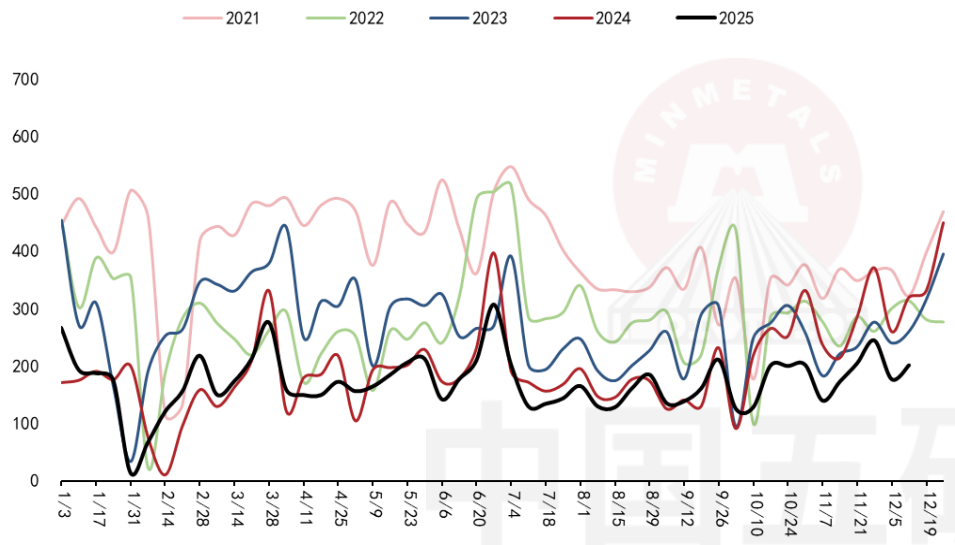


Sources: CAAM, Minmetals Futures

- In 2025, the policy of encouraging trade-ins for older vehicles (including pre-June 2012 registered National IV gasoline vehicles) drove better-than-expected growth in domestic automotive production and sales. From January to October, total vehicle production increased by 11.9% YoY, with NEV production growing by 31.4% YoY, further increasing their market penetration rate to around 50%.
- The Central Economic Work Conference emphasized optimizing “Two New” policies, combined with halving the NEV purchase tax, which is likely to lead to a slowdown in automotive production and sales growth, albeit still maintaining double-digit growth.

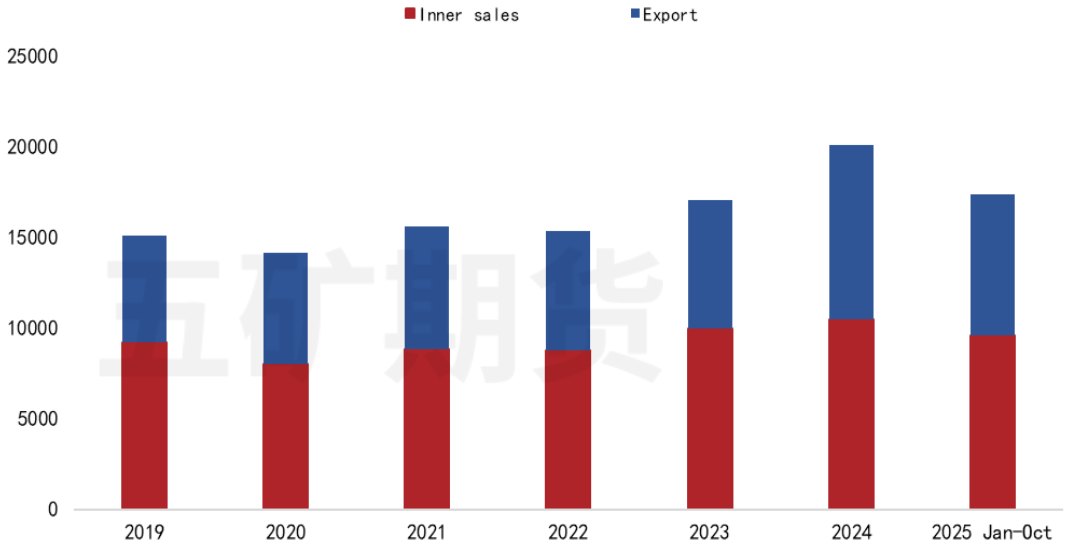
Weak Real Estate Market Continues

Figure 49: Floor Area of Commodity Housing Transactions in 30 Major Cities (10k sqm)



Sources: WIND, Minmetals Futures

Figure 50: China Domestic Sales & Exports of Household Air Conditioners (10k units)

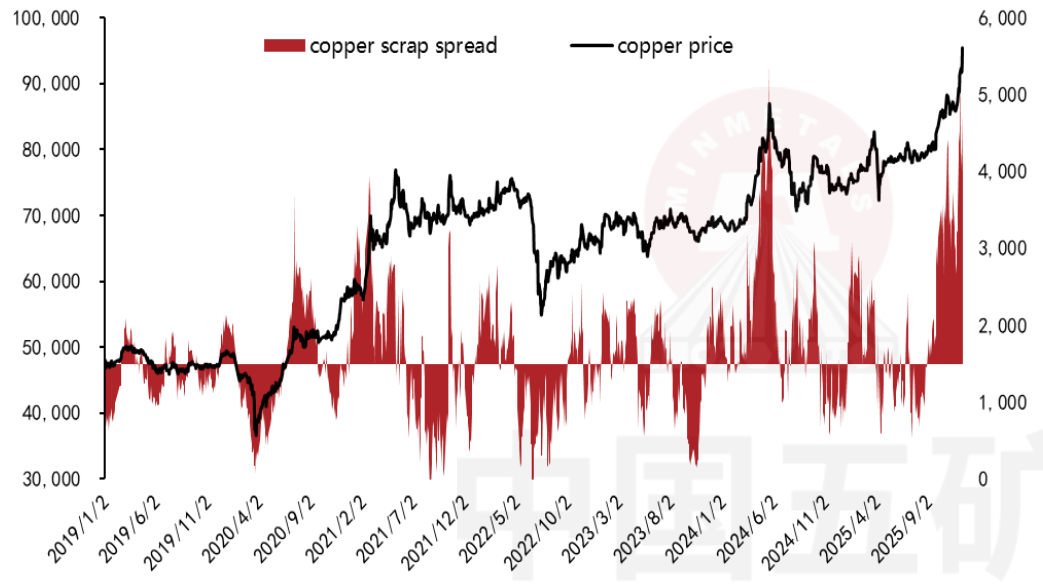


Sources: MYSTEEL, Minmetals Futures

- In 2025, China's real estate data remained weak, with declines in new starts, construction, completions, and sales areas, and the National Housing Prosperity Index initially rising before declining.
- Benefiting from trade-in policies, the production and sales of home appliances performed well, with Jan.-Oct. domestic sales of household air conditioners increasing by 6.0% YoY, while exports grew only slightly due to a high base. In 2026, the real estate market will focus on "controlling new supply, reducing inventory, and optimizing supply". With expected continued decline in real estate, it may lead to a slower growth in home appliance sales.

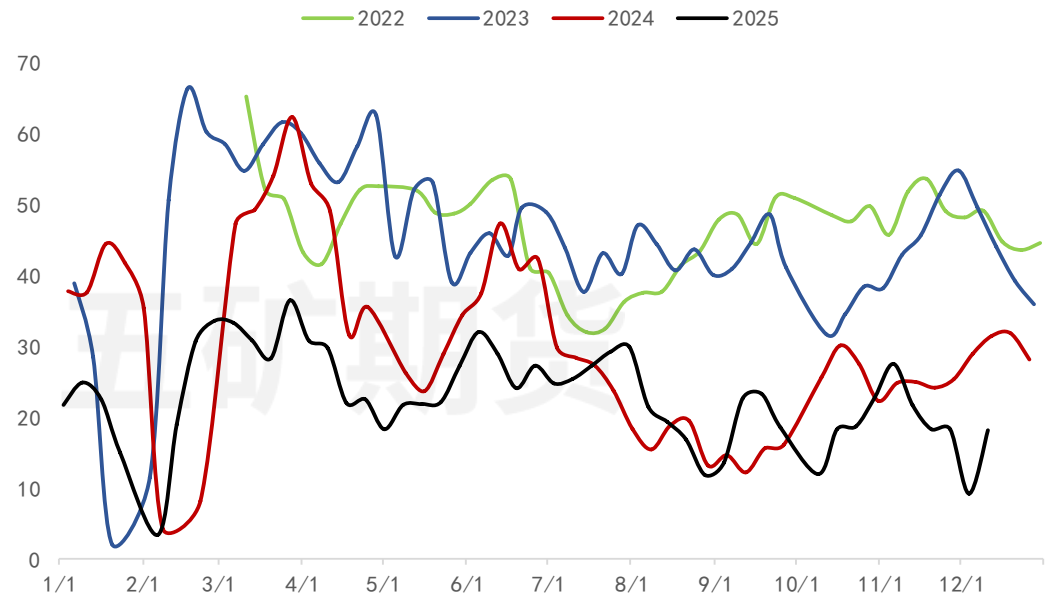
Policy Uncertainty Weighs on Secondary Copper Rod Production

Figure 51: China Refined vs. Scrap Copper Price Spread (RMB/tonne)



Sources: SMM, WIND, Minmetals Futures

Figure 52: China Operating Rate of Secondary Copper Rods (%)

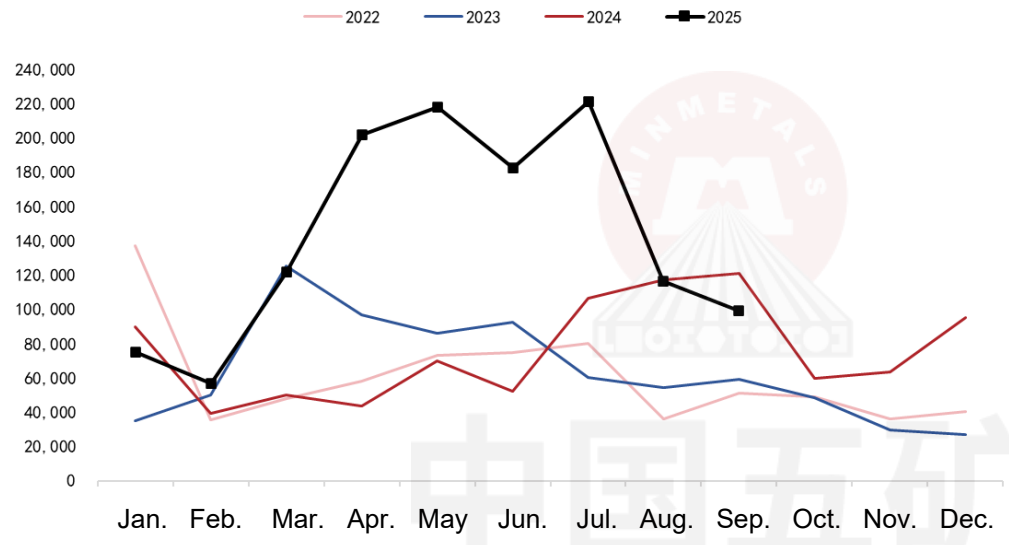


Sources: SMM, Minmetals Futures

- In August 2025, the NDRC and three other ministries issued guidelines requiring local governments to standardize investment promotion policies, increasing uncertainty around local tax rebates for secondary copper rod producers and keeping operating rates persistently low.
- In 2026, production of secondary copper rods is expected to remain affected by policy headwinds. However, as copper prices rise and the price spread between refined and scrap copper widens, the economics of secondary copper rod production are gradually improving.

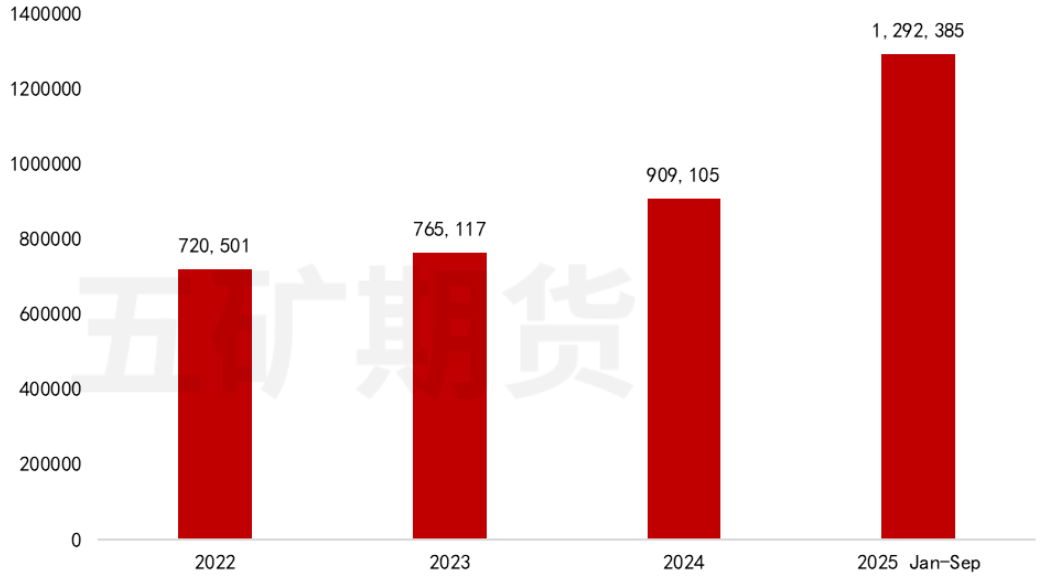
The U.S. as the Largest Demand Variable Overseas

Figure 53: Refined Copper Imports into the U.S. (tonne)



Sources: CBP, Minmetals Futures

Figure 54: Refined Copper Imports into the U.S. (tonne)

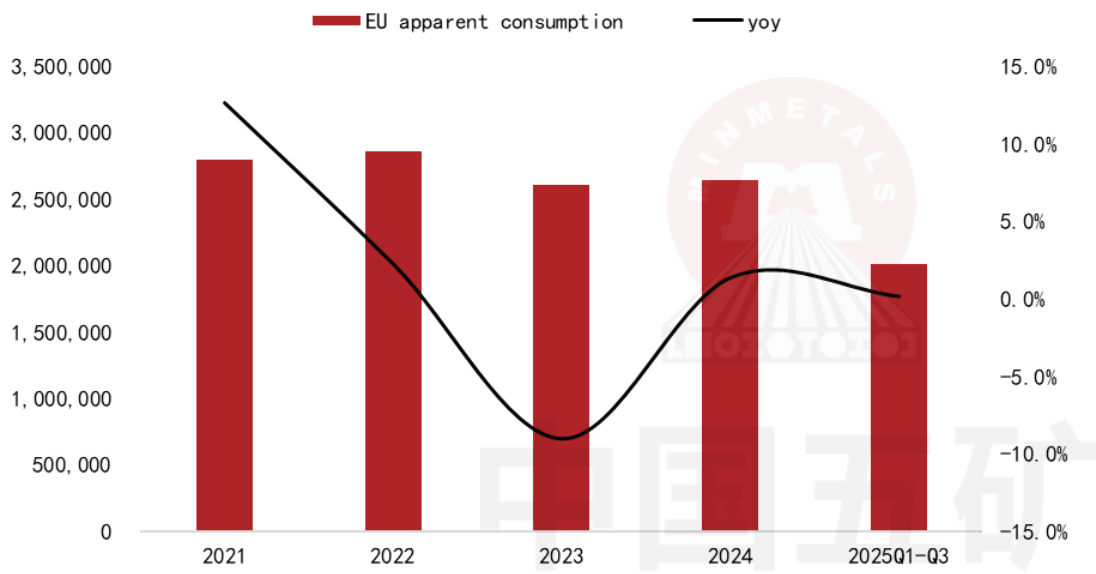


Sources: CBP, Minmetals Futures

- In late February 2025, the U.S. initiated Section 232 investigations into copper imports, leading to a significant increase in copper imports starting in March. Although tariffs were not imposed on refined copper by July, expectations of future tariffs kept import levels above historical averages.
- Jan.-Sep. 2025, U.S. refined copper imports increased by about 380kt compared to the whole year imports of 2024, with an annualized increase of 600-700kt. Tariff expectations and resulting price differentials and global trade flows will be the largest demand variables in 2026.

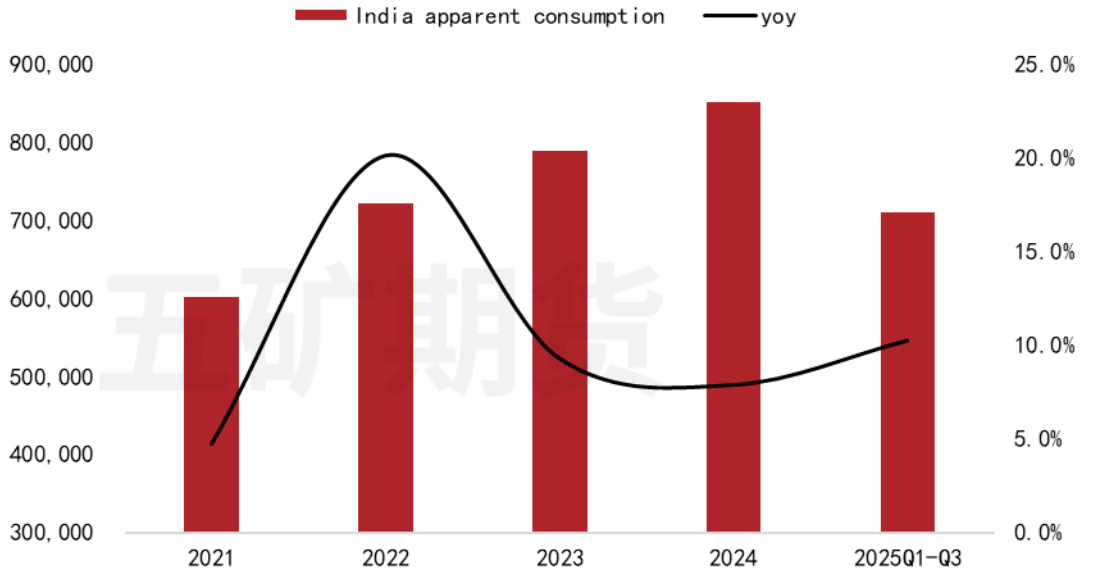
Steady Increase in Non-U.S. Regions' Apparent Consumption

Figure 55: EU Apparent Refined Copper Consumption & YoY Growth (tonne, %)



Sources: EU, Minmetals Futures

Figure 56: India Apparent Refined Copper Consumption & YoY Growth (tonne, %)



Sources: Indian Official Website, Minmetals Futures

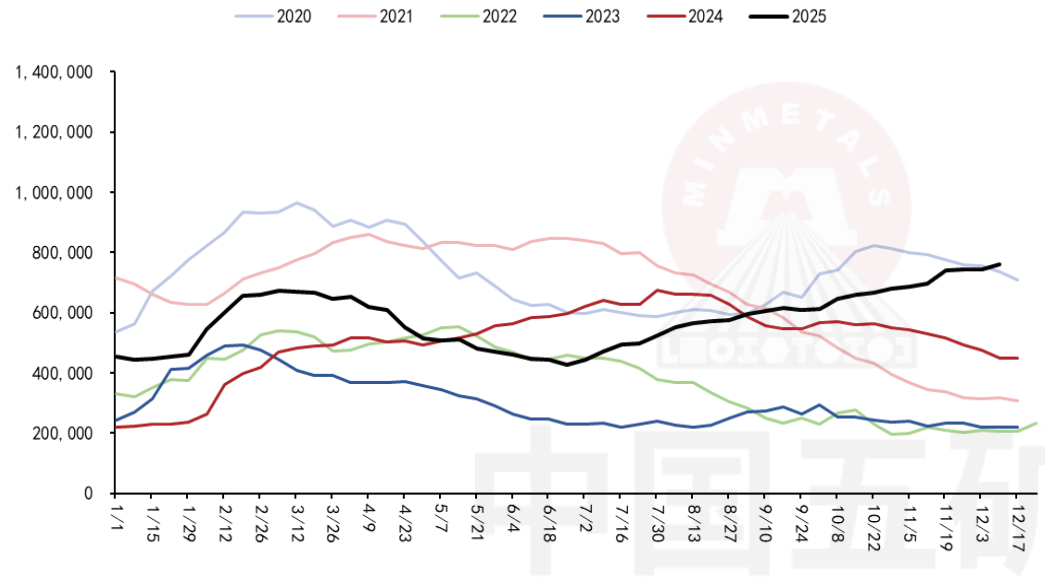
- In 2025, the EU's refined copper apparent consumption started low but picked up in Q2 and Q3, with the first three quarters showing stable YoY performance.
- Emerging market countries maintained robust copper consumption growth, with India's refined copper apparent consumption increasing by about 10% in the first three quarters of 2025.

06

Balance & Outlook

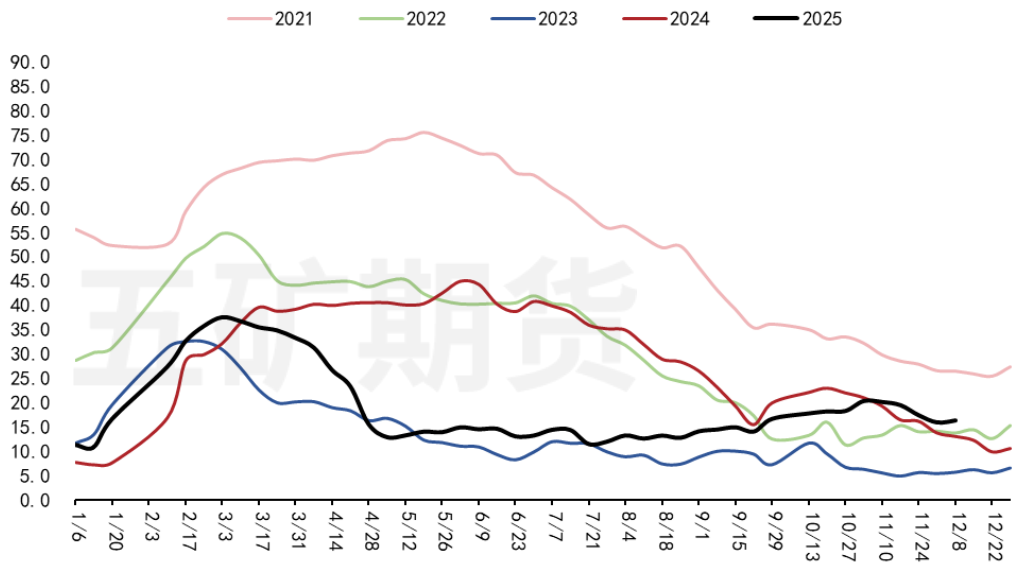
Tight Balance Outside the U.S. Market in 2025

Figure 57: Refined Copper Inventory at Three Major Exchanges Plus Shanghai Bonded Area (tonne)



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

Figure 58: China Social Inventory of Electrolytic Copper (10kt)

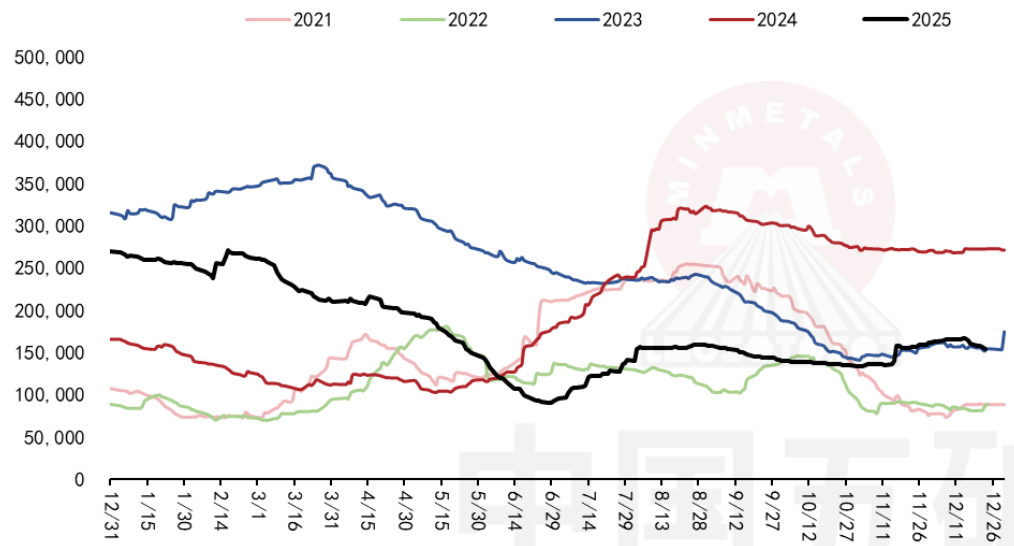


Sources: SMM, Minmetals Futures

- As of early December, total electrolytic copper inventory across the three major exchanges and Shanghai bonded warehouses stood at about 761 kt, an increase of about 307 kt compared to the end of 2024. Excluding COMEX inventory increases, the market outside the U.S. achieved a tight balance.
- Domestic electrolytic copper social inventories saw a slight rise from the beginning of the year, with overall inventory levels remaining low. Bonded warehouse inventories recovered from a low point at the start of the year to around 100 kt.

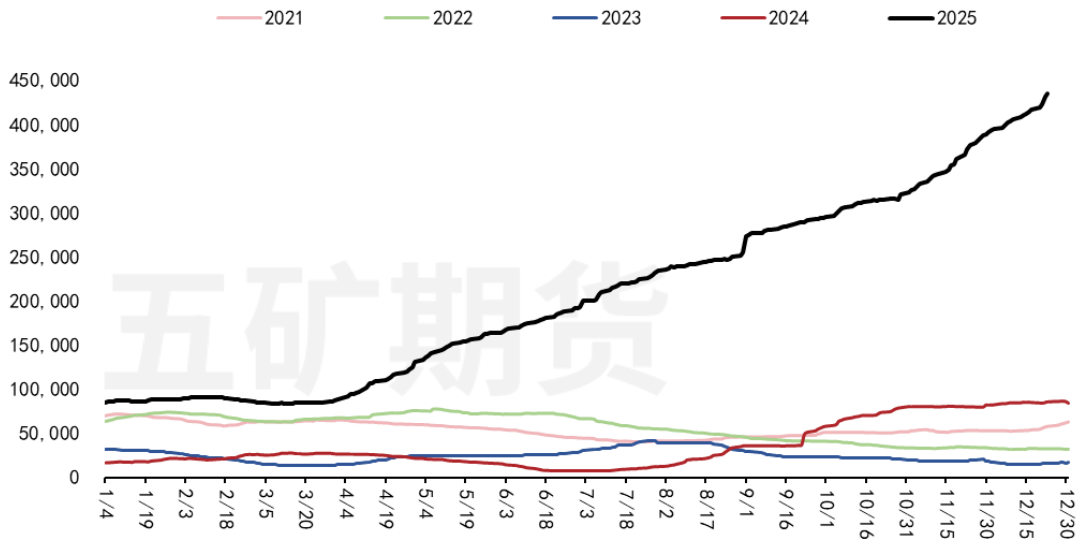
LME Copper Inventory Declined from Early 2025

Figure 59: LME Copper Inventory (tonne)



Sources: WIND, Minmetals Futures

Figure 60: COMEX Copper Inventory (tonne)



Sources: WIND, Minmetals Futures

- In 2025, LME copper inventory initially decreased before rebounding, with about 160 kt of inventory reduction in H1 due to shifts in global trade flows, followed by a recovery in H2.
- COMEX copper inventory began a continuous rise from April, reaching about 406 kt by early December, accounting for about 53% of total visible inventory, an increase of about 320 kt compared to the beginning of the year.

Global Refined Copper Supply-Demand Relationship Tightens Under Optimistic and Neutral Scenarios

Figure 61: Global Copper Concentrate Supply-Demand Balance Forecast (10kt)

	2023E	2024E	2025E	2026E (No reducing production)	2026E (Consider reducing production)
Concentrate					
Supply	1,985	2,010	2,045	2,085	2,085
Demand	1,975	2,022	2,080	2,130	2,080
Balance	10	(12)	(35)	(45)	5

Sources: ICSG, Company Press Release, Minmetals Futures

Figure 62: Global Refined Copper Supply-Demand Balance Forecast (10kt)

	2022	2023	2024	2025E	*2026E (Optimistic)*	*2026E (Neutral)*	*2026E (Pessimistic)*
China							
Supply	1,028	1,144	1,209	1,342	*1,335*	*1,385*	*1,400*
Demand	1,400	1,497	1,556	1,653	*1,710*	*1,705*	*1,700*
Aadjustment	0	0	0	0	*0*	*0*	*0*
Net Import	365	350	358	341	*320*	*320*	*320*
Balance	(7)	(3)	11	30	*(55)*	*0*	*20*
ROW							
Supply	1,455	1,480	1,510	1,500	*1,500*	*1,500*	*1,500*
Demand	1,108	1,135	1,150	1,155	*1,165*	*1,160*	*1,155*
Net export	365	350	358	341	*320*	*320*	*320*
Aadjustment	0	12	5	0	*0*	*0*	*0*
Balance	(18)	7	7	4	*15*	*20*	*25*
Global							
Supply	2,483	2,624	2,719	2,842	*2,835*	*2,885*	*2,900*
Demand	2,508	2,632	2,706	2,808	*2,875*	*2,865*	*2,855*
Balance	(25)	4	18	34	*(40)*	*20*	*45*

Sources: SMM, ICSG, Customs, MYSTEEL, Minmetals Futures

- In 2025, the global copper concentrate supply deficit widened, and without considering potential smelter production cuts, the supply gap is expected to further expand in 2026. If smelter production cuts are considered, the copper concentrate supply-demand balance could reverse.
- Global refined copper supply recorded a surplus in 2025, with significant shortages expected under optimistic scenarios in 2026, while neutral scenarios predict continued surpluses, and pessimistic scenarios anticipate even larger surpluses. Given current tightness in mining supply, it is more probable that global supply-demand dynamics will fall between optimistic and neutral scenarios in 2026.

Still Room for Copper Prices to Continue Rising

Figure 63: LME Copper 3M Contract Monthly K-Line (USD/tonne)

Sources: Wenhua, Minmetals Futures

- In 2026, global copper mine supply is likely to maintain low growth rates, and ongoing supply-demand imbalances will continue to support copper prices. Additionally, anticipated monetary easing by Fed is expected to improve economic fundamentals, providing upward momentum for copper prices. However, rising copper prices may lead to increased supply from high-cost mines, demand substitution, and potential consumption displacement. For 2026, the forecasted trading range for SHFE copper futures is RMB 78,000-110,000/tonne, and for LME 3M is USD 10,000-14,000/tonne.

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