Market overview and trends in copper supply & demand

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28th April 2017
Outline

• Recent market trends
  – Balance, stocks, prices, premia

• Demand trends and prospects
  – Economic indicators
  – Chinese and global demand outlook to 2019

• Supply trends and prospects
  – Mine supply
  – Production disruptions
  – Smelter and refined production
  – Forecast capacity additions and mine output to 2019

• Prospects for supply, market balance and price
  – Refined balance and stocks
  – Copper prices and industry profitability
Recent market trends
Copper’s upwards price momentum reverses

LME 3 month price rally losing momentum...

Source: LME, COMEX, SHFE, Thomson Reuters, SNL Metals & Mining, an offering of S&P Global Market Intelligence. Data as of: April 2017
Positive investor sentiment helped fuel rally

LME COTR money manager net long positions drop…

…as do CFTC managed money net positions

Source: SNL Metals & Mining, Thomson Reuters, LME, CFTC. Data as of April 2017
Premia and stocks highlight weak physical market

Depressed premia suggest weak physical markets...

...as exchange stocks rise to multi year highs

Source: S&P Global Platts, Thomson Reuters, LME, SHFE. Data as of April 2017
Demand trends and prospects
Economic indicators point to an improving environment

Industrial production trending higher while…

…major manufacturing PMIs all in expansionary territory

Source: Markit, Caixin, NBS, LME, Thomson Reuters. Data as of April 2017

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Chinese demand from end-use sectors

Positive start to 2017 from end-use sector production

Chinese power grid investment

Source: NBS, China Electricity Council and National Energy Administration. Data as of April 2017

2017 = Government target
Chinese demand

Uptick in housing starts to boost future demand

Chinese copper consumption growth forecast

Source: LME, Thomson Reuters, SNL Metals & Mining. Data as of April 2017
Refined consumption

Consumption growth trending higher

Data as of April 2017

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Supply trends and prospects
Global mine production growth slowing in 2017

Source: SNL Metals & Mining Mine Economics, Thomson Reuters, LME. Data as of April 2017
Regional mine production growth driven by Latin America

Annual mine production changes

Cumulative mine production changes 2007-2018

Source: SNL Metals & Mining Mine Economics, Thomson Reuters, LME. Data as of April 2017
Treatment and refining charges

Tighter market lowering TC/RCs

Spot TC/RCs lower than annual

Source: SNL Metals & Mining, LME. Data as of April 2017
Cash costs

Lower cash costs have removed some price support

Source: SNL Metals & Mining, Thomson Reuters, LME. Data as of April 2017
2016 copper production ranked on total cash cost*

* Figures pre-2016 are based on reported/actual data where available. Figures in SNL's Constant scenario from 2016 and later are SNL's estimates and forecasts. All metals prices, wage rates, exchange rates, fuel and reagent cost for forecast periods are based on values in 2015 and presented in constant 2015 US Dollars.
Source: SNL Metals & Mining. Data as of April 2017
Refined and smelter production

Smelter production

Refined production

Source: SNL Metals & Mining Mine Economics, Thomson Reuters, LME. Data as of April 2017
Refined production SxEw and refinery split

SxEw’s contribution to refined production has been declining

Source: SNL Metals & Mining Mine Economics, Thomson Reuters, LME. Data as of April 2017
Summary of market prospects through to 2018
Market to shift to deficit in 2018, deepening in 2019

Source: SNL Metals & Mining. Data as of April 2017
Total stocks as number of weeks’ consumption

Source: SNL Metals & Mining. Data as of April 2017
Thank you.
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