

Copper Jumps to 2-Year High as China's Said to Cut Waste Imports

Bloomberg News

25. juli 2017, 12:41 CEST 26. juli 2017, 07:53 CEST

- ‘There is an outbreak of bullish sentiment,’ Everbright says
- Aluminum also surges with prices headed toward \$2,000 a ton

The red metal is red hot. Copper surged to the highest level in more than two years, lifting shares of producers including Glencore Plc, driven by expectations that demand in China will fuel a global shortage and amid plans by the nation to curb waste imports containing metals.

Benchmark three-month futures rallied as much as 2.6 percent to \$6,386 a metric ton on the London Metal Exchange, the highest since May 2015, and were at \$6,381.50 by 1:48 p.m. in Shanghai. That’s a fourth day of gains, and adds to Tuesday’s 3.3 percent jump. In Hong Kong, Glencore rose 4.3 percent.

Base metals have rallied in the past month as economists have become more upbeat about China’s economy, while concerns over tightening liquidity in the world’s top user have eased. Initial data for July have added to a positive picture. The top metal user is also said to be planning a ban next year on some imports of machinery waste and other products for the purpose of extracting metals scrap, which would cut supply.

“The market is very heated at the moment,” Xu Maili, an analyst at Everbright Futures Ltd., said by phone from Shanghai. “There is an outbreak of bullish sentiment following recent good macro data in China. The scrap import ban adds fuel to the rally.” Futures in Shanghai topped 50,000 yuan a ton for the first time since February.



The waste move, aimed at cutting pollution, will probably reduce imports of low-grade copper scrap, according to He Xiaohui, an analyst from state-backed researcher Antaike Information Development Co. Still, the eventual impact on supply may be limited as smelters buy higher-grade scrap instead, or improve the grades overseas before importing, He said by phone from Beijing. Shares of Jiangxi Copper Co. surged 6.1 percent in Hong Kong.

The global copper market had a 65,000 ton deficit in the first five months of this year, according to the World Bureau of Metal Statistics. There's a similar picture from the International Copper Study Group, which estimated the shortfall at 53,000 tons in April, paring the year's surplus to just 80,000 tons. Freeport-McMoRan Inc., the world's biggest publicly traded producer, reckons further gains are likely. Chief Executive Officer Richard Adkerson said a looming deficit will benefit the company, with prices expected to hit \$4 a pound (\$8,818 a ton) or higher, according to remarks on a conference call.

Aluminum also rallied on the LME amid speculation that China's efforts to curb overcapacity will benefit prices. Futures in London advanced as much as 1.7

percent to \$1,963.50 a ton, the highest price since May 26, and traded at \$1,962. That followed Tuesday's 0.9 percent climb.

LME nickel added 0.7 percent after closing at the highest in three months after Philippine President Rodrigo Duterte on Monday threatened to impose more taxes on mining firms unless they take steps to protect the environment, reviving concerns about supply from the world's top producer of mined nickel.

— With assistance by Winnie Zhu, Mark Burton, and Susanne Barton