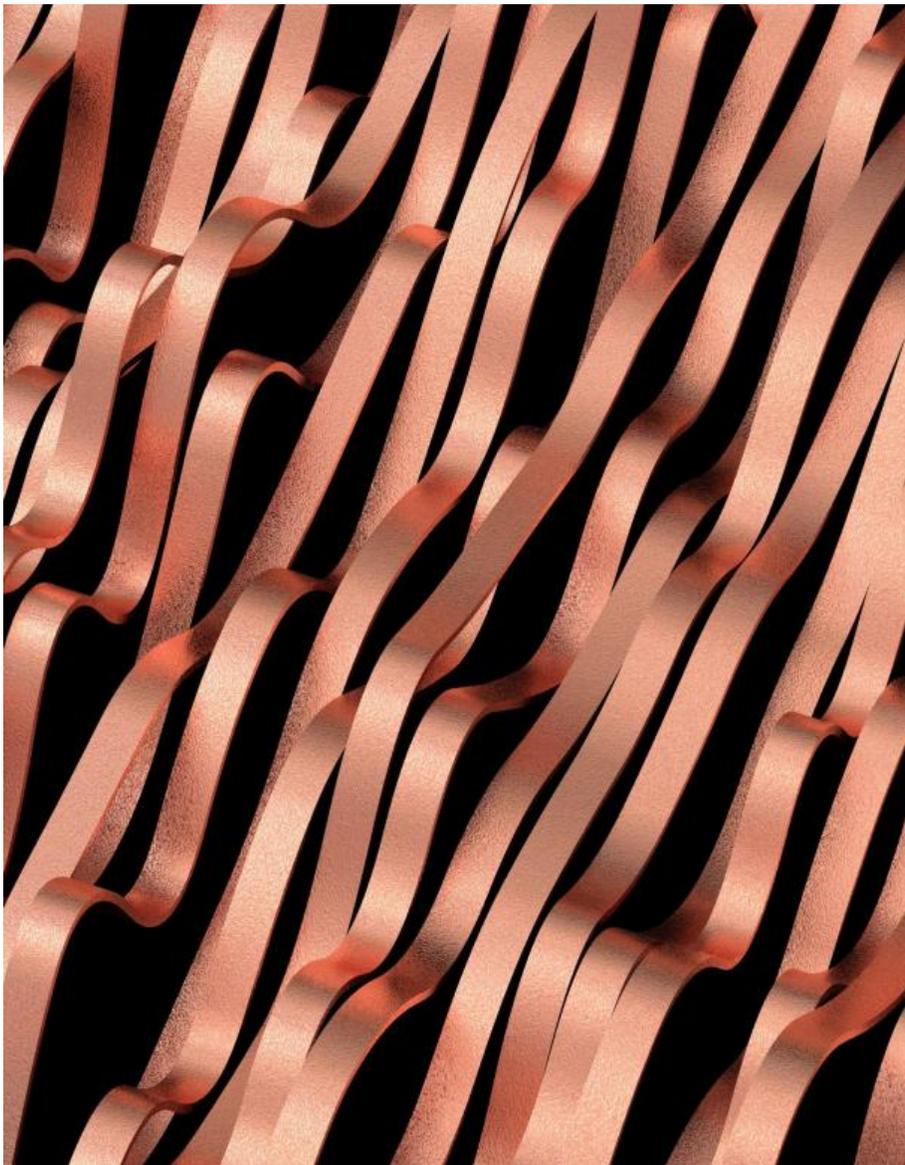


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Why Copper, Why Now?



WHITE PAPER

October 2020

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COVID-19 Bailout Packages Could Lead to a Copper Resurgence



1 October 2020 saw the biggest drop in copper prices since the start of the pandemic. On the Comex, the market for delivery in December fell 5.9% to a low of \$2.85/lb (\$6,2929/ton)- more than 2.6bn pounds was sold off. However, this sell-off was short lived, and caused by traders taking profits through selling down LME stockpiles rather than a reflection of any underlying fundamentals.

China Recovery Reflects a Strong Need for Copper

The true tale of copper lies with China. In September, China released its PMI numbers which suggests that the economy is entering a period of above-trend growth, which is indisputably good news for industrial commodities, and copper in particular.

China accounts for around half of global copper demand, making its manufacturing sector a primary driver of prices; already supply is struggling to keep pace with current demand.



Widespread Infrastructure Development is Expected to Spur Copper Demand

Beyond China, governments around the world have launched economic recovery packages in response to the recession brought on by the pandemic. Both China and the EU have reactive plans to support 5G telecommunications networks, big data, and artificial intelligence.

The EU has further deepened its commitment to move the region to a carbon neutral position by 2050, proposing the mass expansion of electric vehicles.

These initiatives are expected to accelerate the arrival of the copper age.

In June China recorded the highest ever monthly imports in copper as the country prepared for a rebound. There is no argument that any global recovery will have to be fiscal led, via large-scale infrastructure development plans which is expected to provide a significant boost to copper demand.

Supply Not Keeping Up; Exploration Spending is Valuable

Meanwhile major suppliers have been caught off-guard. Stung by the end of the super cycle in 2012, CODELCO and other leading Latin American Miners continued to operate conservatively.

Producers have been highly focused on cost cutting, consolidation and boosting productivity. Having discarded low-grade projects and limiting exploration expenditure. The upshot is that there are very few new projects set to come on stream before 2023/24. Supply constraints have deepened further as the pandemic took its grip on Chile and Peru, reducing tonnages by over 200,000 tons this year.

Following a lag in exploration over the last decade, new mines are needed. Global economies will recover, but it will need copper for infrastructure expansion-lots of it. The electric economy is well underway. The pandemic brought lower carbon emissions, governments are intent on ensuring that emissions remain low and are accelerating their goals to become carbon neutral. This goal requires copper.

There is simply not enough copper to go around. Exploration is needed and until then we should see a resurgence in prices.

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