
Copper supply concern to keep prices firm in short term

COPPER SUPPLY CONCERN TO KEEP PRICES FIRM IN SHORT TERM

- LME 3 month copper prices are now trading at \$9792 per metric tonne, down 0.52 percent from the previous close but still higher than last week's low of \$9458 per metric tonne. As of 3 February, copper stockpiles in LME-approved warehouses were at 82400 tonnes, down almost 65 percent since August. Low inventory is supportive for copper prices.
- Rising geopolitical tensions surrounding Ukraine is likely to affect metals supply as the United States has threatened to hit major producer Russia with economic sanctions. Copper prices are likely to be positive in any such scenario. The United States will send nearly 3,000 extra troops to Poland and Romania to shield Eastern Europe from a potential spillover from the crisis over the massing of Russian troops near Ukraine.
- Copper prices will get fresh direction after policy decisions and outlook on interest rate from the Bank of England and the European Central Bank later today .
- US dollar index softness after recently tumbling from a 19-month peak is likely to support copper prices. Wednesday's U.S. economic data was bearish for metals demand . The U.S. Jan ADP employment change unexpectedly fell -301,000, weaker than expectations of a +180,000 increase and the biggest decline in 1-3/4 years.
- Meanwhile, inflation concern Eurozone is likely to affect metals prices. According to Eurostat, in seasonally adjusted terms, the year-on-year rate of consumer price inflation picked up from 5.0% in December to 5.1% for January. Economists had penciled-in a rate of CPI increase of 4.3%.
- Chile's copper output ended 2021 down 1.9% at 5.68 million tonnes, the country's statistics agency said on Monday, while output in the world's top copper producer dipped 0.6% in the final month of the year to 503,605 tonnes.
- As per January month ICSG report , global copper mine production increased by 2.6% over the first ten months of 2021, with concentrate production increasing by around 4.1% and solvent extraction-electrowinning (SX-EW) declining by about 3.8%. Global mine production grew by around 2.6% in Jan-Oct 2021, but this compares to a low 2020 basis when the copper mining industry was severely impacted by the global lockdown. As for refined production, according to the report, global refined copper output increased by about 1.4% over the first ten months of 2021 with primary production (electrolytic and electrowinning) up by 1% and secondary production (from scrap) up by 5%. Similarly, ICSG noted that global apparent refined copper usage increased by about 1% over the first ten months of 2021, as world ex-China refined usage is estimated to have increased by about 9.5% in Jan-Oct 2021 compared to Jan-Oct 2020 but remained 2.5% below that of the same period of 2019. However, due to a 31% decline (1.2 Mt) in net refined copper imports, Chinese apparent usage (excluding changes in bonded/unreported stocks) declined by 5.5%, partially offsetting usage growth in other regions of the world, the report found. More importantly, ICSG pointed out that preliminary world refined copper balance in the first ten months of 2021 indicated an apparent deficit of about 295,000 t, whereas copper balance adjusted for changes in Chinese bonded stocks indicated a market deficit of about 438,000 t.

Outlook

- LME 3 Month copper prices are likely to trade firm while above key support level of \$9450 and \$9337 while immediate resistance is seen around \$9964-\$10065

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