

Copper: Macroeconomic bellwether turns geopolitical indicator

News-tickers have been filled with copper price news recently with different sources headlining with rising falling prices at the same time. What is going on?

The macro view

Overall commodities have been moving sideways with steel continuing its slow descent to normality after the spike due to Russia's attack on Ukraine. Year to date, steel is down 4% and aluminum 1%. This fits with a broader normalization narrative as well as the heavy drag on global growth exerted by the Trump administration.

Copper has some structural tailwinds including more exposure to growth verticals like electrification and electronics, which lead to projected medium term far outstripping confirmed supply. However, copper tends also to be much more sensitive to changes in global growth. In fact, BNP's senior commodities strategist David Wilson is quoted saying "We expect prices to collapse in Q2 2025" on the back of negative demand trends in a note published on Friday.

Steel, Copper, and Aluminum forward prices L10Y

Cumulative since to April 1, 2015



Source: Koyfin

Still, copper quoted on CME has increased 25% since the start of the year.

The geopolitics view

While copper prices in the US increased by a quarter, the global benchmark index at the London Metal Exchange increased only 11%. The explanation is in Washington: With the imminent threat of Trump tariffs on copper imports into the US, traders have been

Copper price, spot: LME (dark blue) vs. CME (light blue) USD / ton,

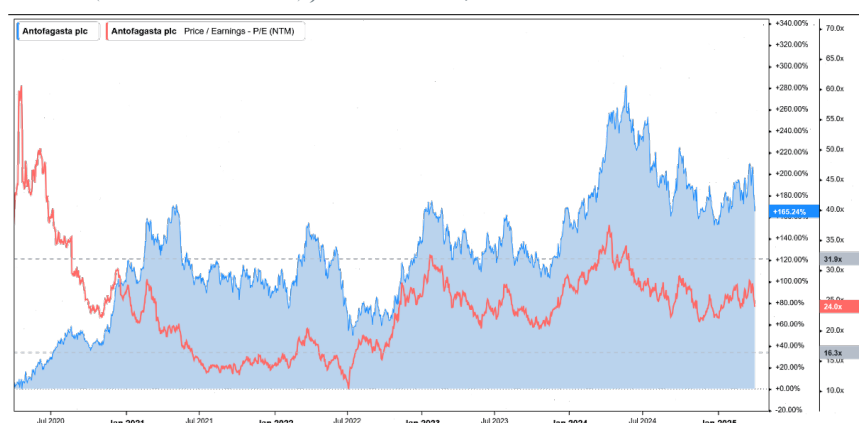


Source: Koyfin, LME

buying in London and selling in New York, which led London prices exceeding US prices more than usual at the start of the year. The result was a higher demand in London and higher supply in the US, opening up a pricing gap. As tariffs come closer to implementation and practical limits to hoarding copper stockpiles, that effect as unwound. Rather, the gap has inverted: Fitting with tariffs, copper is now more expensive in the US while London global copper is moving back to its overall trend of timid growth. Stockpiling of copper in the CME warehouses is something we have seen before - during the first Trump term.

Outside the US, there is no copper price surge as can also be seen multiples on copper stocks, which have held steady (though they are admittedly also influenced by other factors).

Antofagasta performance L5Y TRS (shaded in blue), and fwd. P/E ratio



Source: Koyfin