

Copper goes red hot as prices rally to two-year high

BLOOMBERG

Copper surged to the highest level in more than two years, lifting shares of producers including Glencore Plc, on expectations that demand in China will fuel a global shortage, with plans in the country to curb metal-rich waste imports reinforcing a bullish outlook.

Benchmark three-month prices rallied as much as 2.8 per cent to \$6,400 a mt, the highest since May 2015, and were at \$6,296 at 11:09 a.m. in London. That's a fourth day of gains, and adds to Tuesday's 3.3 per cent jump.

"We're getting into rarified air here, and we'll probably need an oxygen mask to move higher," said Robin Bhar, an analyst at Societe Generale AG.

Base metals have rallied in the past month as economists have become more upbeat about the trajectory of 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 world's top metal user is also said to be planning a ban next year on some machinery waste imports and other items for the purpose of extracting scrap metal, which may reduce supply.

Glencore rose 1.5 per cent and BHP Billiton climbed 1.3 per cent in London.

"The market is very heated," Xu Maili, an analyst at Everbright Futures Ltd., said from Shanghai. "There is an outbreak of bullish sentiment following recent good macro data."

The ban, if enforced, may cut scrap imports by as much as 900,000 tonnes a year of contained copper, SMM Information & Technology Co. said in a note on its website, adding that some of the projected impact may be offset by increased local supply. Last year, scrap imports were about 3.3 mt, customs data show. Nationwide refined-copper consumption was 11.6 mt in 2017, according to the World Bureau of Metal Statistics.

Cutting pollution

The potential waste move, aimed at cutting pollution, will probably reduce imports of low-grade copper scrap, according to He Xiaohui, an analyst at state-backed researcher Antaika Information Development.

Still, the eventual impact may be limited as smelters buy higher-grade scrap instead, or improve the grades overseas before importing, He said by phone from Beijing.