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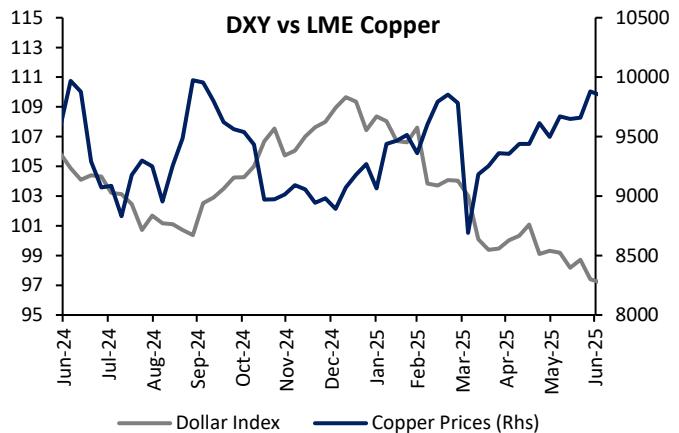
## Copper: Wired for Growth

Copper prices have had a great run, approaching the psychologically important \$10,000 threshold after a period of heightened volatility and uncertainty. In our previous report ["Copper at Crossroads"](#), we highlighted that the market remained delicately balanced between surplus projections and persistent demand concerns. However, recent developments are decisively tilting the narrative toward further upside. We now foresee a compelling case for copper to rally towards levels between \$10,800 and \$11,000 in the near term.

### Fall in DXY

The US Dollar Index has retreated significantly, to their lowest level in three years, as Treasury yields have moderated and expectations for additional US rate cuts have slightly increased. The combination of a softer dollar and rising risk appetite among investors is creating an environment favourable for further price appreciation.

### Chinese Demand Side Story Revival



Source: Reuters

China's policy interventions are showing clear results. After months of decelerating consumption and weakening PMI data, the government has worked on improving monetary easing cycle. The People's Bank of China cut the seven-day reverse repo rate and lowered the reserve requirement ratio, unlocking approximately 1 trillion Yuan in long-term liquidity. These steps, alongside targeted lending programs for consumption, technology, and housing, have rekindled confidence across downstream sectors. Early signals from physical markets reveal stronger offtake from warehouses and rising spot premiums, suggesting demand is reviving faster than previously anticipated.

### Economic Green Shoots

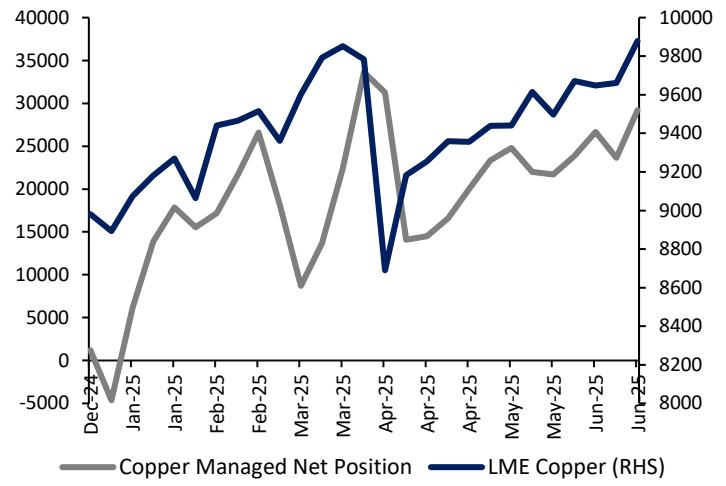
Beyond China, global economic indicators are improving. The Eurozone's manufacturing PMIs have climbed back into modest expansion territory, while US factory activity is also rebounding after a prolonged slump. The first step in reducing US-China tariffs has eased some of the uncertainty that hurt confidence earlier in the year. As a result, investor confidence is gradually returning, with financial flows rotating back into riskier assets. These green shoots provide an important backdrop supporting the copper market's resilience.

## ICSG Numbers Reversing

The global refined copper market is in a 50,000 metric tons deficit in April, compared with a 12,000 metric tons surplus in March, as per the latest International Copper Study Group data (ICSG). For the first 4 months of the year, the market was in a 233,000 metric tons surplus compared with a 236,000 metric tons surplus in the same period a year earlier. If this trend continues, we might see further deficit figures and also a turn in the 233,000 metric tons surplus number heading towards a deficit.

## The Story is Taking a Turn

Sentiment across the copper complex is shifting. Market participants who were previously positioned cautiously are gradually covering shorts and converting to longs. Commodity trading advisors and systematic funds have reversed their bets as stronger demand and lower inventories have made them rethink the positions. This shift in sentiment often comes before longer rallies, especially when the broader economy is improving.



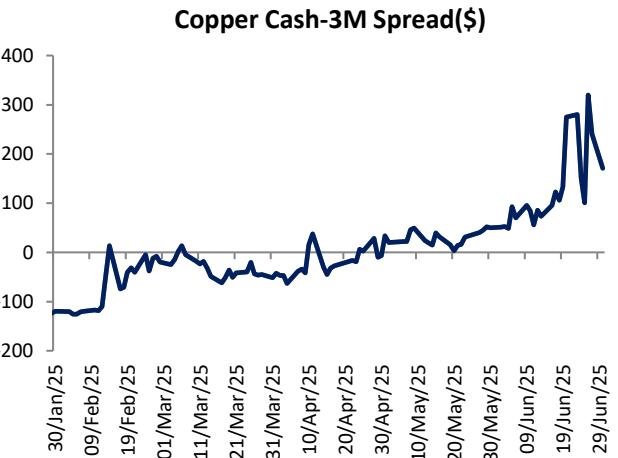
Source: Reuters

## Chinese Currency appreciation

Adding to this positive outlook, the Chinese Yuan has strengthened against the US dollar in recent weeks by almost ~2%. A stronger Yuan affects copper in two main ways. First, it reduces the cost of importing refined copper, which stimulates buying and potentially lifts demand. Second, it makes Chinese copper exports more expensive to foreign buyers, but increases confidence in the Chinese economy and restocking and speculative buying.

## Backwardation – Market Squeeze Intensifies

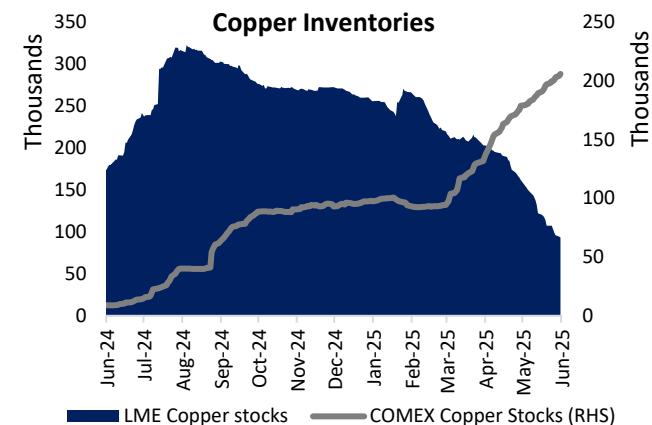
Copper stocks are running low, causing strong backwardation in futures prices. The LME cash–3M spread has widened past \$100, showing there's a shortage of copper for immediate delivery. Traders, merchants, and manufacturers are all competing for limited supply, which is pushing cash premiums higher. In the past, this kind of tight market has often led to sharp price increases as buyers rush to restock and short sellers cover their positions. The risk of an even bigger squeeze is rising, especially if demand keeps exceeding expectations.



## Inventories Depleting at a Fast Pace

The tightening supply is most evident in inventory trends. Visible copper inventories across major exchanges have fallen sharply. LME warehouse stocks have dipped below 100,000 tonnes, marking the lowest levels seen in nearly two years, while COMEX stocks are rising at a faster pace. This supply squeeze stems largely from traders rushing an estimated 400 kilotons of copper into the US market to get ahead of possible import tariffs under the Trump administration's probe into copper imports launched earlier this year.

## Conclusion



Source: Reuters

All these elements—demand revival, dwindling inventories, persistent backwardation, currency dynamics, and supportive macro sentiment—are setting a strong setup for higher levels in copper. While volatility remains elevated and supply chain uncertainties persist, the balance of risks increasingly favours additional upside. We maintain our view that copper is poised to extend its rally, targeting the \$10,800–\$11,000 range. Investors and market participants are expected to monitor further policy announcements in China, depleting inventory trends, and any surprises in demand revival as these will likely be the key catalysts for the next leg of higher rally.

**For any details contact:**

 Commodities Advisory Desk - +91 22 3958 3600; [commoditiesresearch@motilaloswal.com](mailto:commoditiesresearch@motilaloswal.com)

<b>Navneet Damani</b>	<b>Head Research- Commodities &amp; Currencies</b>	<a href="mailto:navneet.damani@motilaloswal.com">navneet.damani@motilaloswal.com</a>
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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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