

Commodities Insight

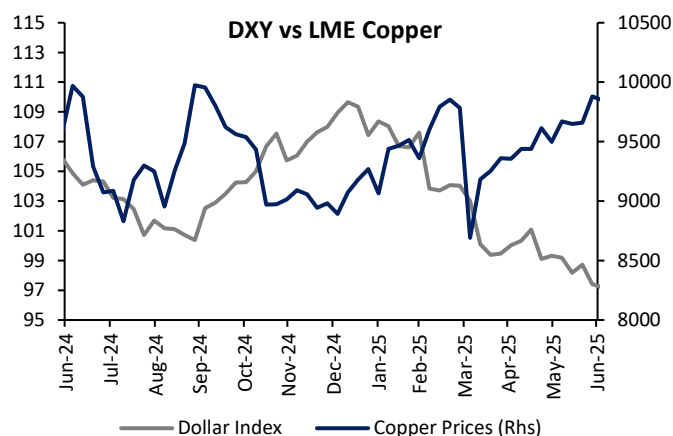
1 July 2025

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.



Source: Reuters

Chinese Demand Side Story Revival

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

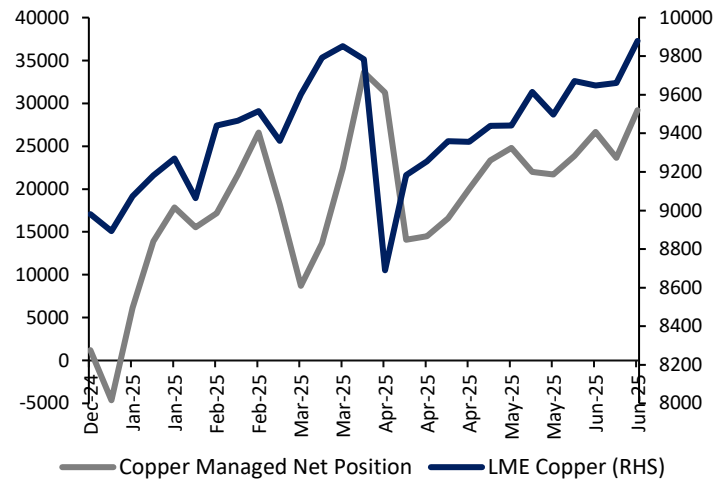
Beyond China, global economic indicators are improving. The Eurozone's manufacturing PMIs have climbed back into modest expansion territory, while US factory activity is also rebounding after a prolonged slump. The first step in reducing US-China tariffs has eased some of the uncertainty that hurt confidence 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.



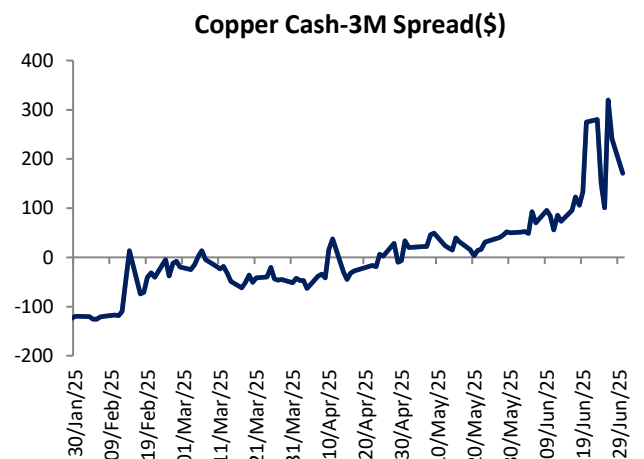
Source: Reuters

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.

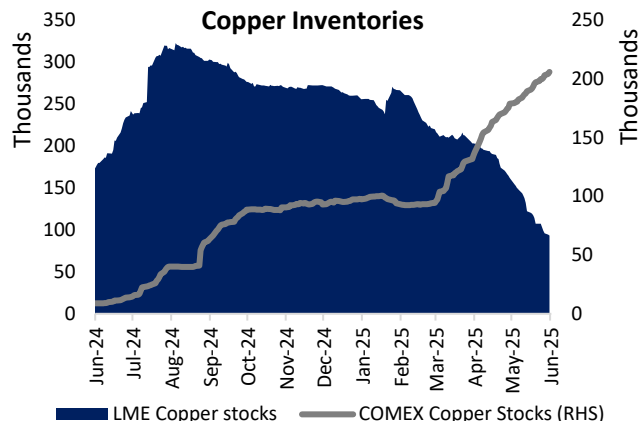
Backwardation – Market Squeeze Intensifies

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.



Source: Reuters

Conclusion

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

Navneet Damani	Head Research- Commodities & Currencies	navneet.damani@motilaloswal.com
-----------------------	--	---

Commodity Disclosure & Disclaimer:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NEERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>**Terms & Conditions:**

- This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.
- This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it.
- This report is not to be construed as an offer to sell or solicitation of an offer to buy any commodity or commodity derivative to any person in any jurisdiction where such an offer or solicitation would be illegal.
- It is for the general information of clients of MOFSL. It doesn't constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.
- The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL.
- The report is based on the facts, figures and information that are considered true, correct, reliable and accurate.
- All such information and opinions are subject to change without notice.
- Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.
- We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed.
- Neither MOFSL, nor any person connected with it, accepts any liability arising from the use of this document.
- The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the commodity referred to in this material may go up or down. Past performance is not a guide for future performance.
- Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors.
- Reports based on technical analysis centers on studying charts of a commodity's price movement and trading volume as opposed to focusing on a commodity's fundamentals and as such may not match with a report on a commodity's fundamentals.
- Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject commodity for which Research Team have expressed their views.
- MOFSL or its associates or Research Analyst or his relatives may have Open Position in subject commodity.
- A graph of daily closing prices of commodities is available at <http://www.moneyline.co.in/>
- Opinions expressed are our current opinions as of the date appearing on this material only. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.
- The commodities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.
- This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.
- The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the commodities mentioned in this document.
- The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein.
- The commodities described herein may or may not be eligible for trade in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.
- Certain transactions - including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.
- MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may (a) from time to time, have long or short positions in, and buy or sell the commodities mentioned herein or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodity/ (ies) discussed herein or have other potential conflict of interest with respect to any recommendation and related information and opinions. However the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the commodities mentioned in the research report.
- MOFSL and its associates and Research Analyst have not received any compensation or other benefits in connection with the research report. Compensation of Research Analysts is not based on any brokerage transactions generated by broking activities under Motilal Oswal group.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.: 022-40548085.

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

Registration details of group entities: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp@grievances@motilaloswal.com.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing