Monday, December 15, 2025

Copper prices posted strong performance over the week, repeatedly testing and reaching record highs as supply-side concerns intensified across global markets. The rally was initially triggered by a sharp rise in requests to withdraw copper from London Metal Exchange warehouses, which fueled fears of an impending supply shortage. Mercuria's move to cancel around 50,000 tonnes of copper stocks from LME vaults marked the largest such withdrawal in more than a decade. This action, combined with strong physical demand from Taiwan and South Korea, was widely interpreted as a strategic effort to secure scarce material, capture higher U.S. premiums, and tighten the market further. As a result, visible inventories fell sharply and backwardation strengthened, underscoring immediate supply tightness.

Supply disruptions have remained a persistent theme throughout the year. Unexpected mine shutdowns in key producing regions such as Chile and Indonesia have constrained global output, placing sustained pressure on availability. Chilean copper production fell by 7% YoY, adding to concerns about the reliability of supply from traditional sources. At the same time, the global copper concentrate market continues to face a significant deficit, estimated at close to 500,000 tonnes, a shortfall that is expected to persist into next year. This imbalance has shifted negotiating power firmly toward miners, complicating supply discussions between Chinese smelters and upstream producers.

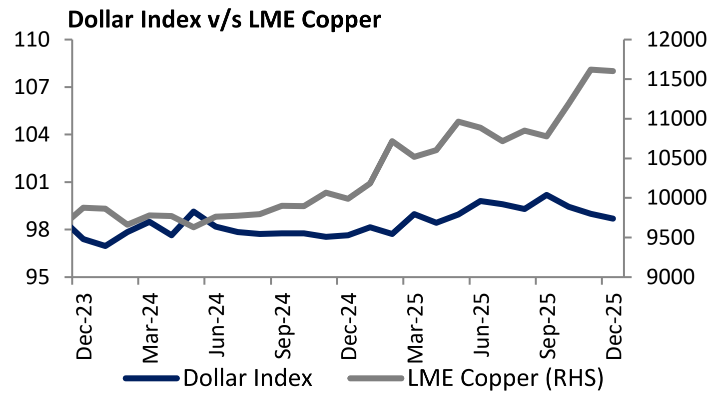
In China, structural challenges within the smelting industry have added another layer of complexity. Leading copper smelters have signaled plans to reduce output by more than 10% by 2026 in an effort to address industry overcapacity and depressed treatment and refining charges. This announcement strengthened expectations of a tighter refined copper market over the medium term. Deliverable copper stocks on the Shanghai Futures Exchange declined by over 9%, indicating tightening physical availability

Commodity	Copper	Aluminum	Zinc
Open	1110.95	278.6	319.65
Close	1096.8	278.90	316.70
Change	3.45	-0.10	6.10
% Change	0.32%	-0.04%	1.96%
Open Int.	7347	2914	2977
Change	-516	-294	-543
Pivot	1101.3	279.7	318.6
Resistance	1120.4	281.4	322.5
Support	1077.7	277.2	312.8

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	164550	253344	525800	57750
Close	165900	253032	519650	61925
Change	1350	-312	-6150	4175
% Change	0.82%	-0.12%	-1.17%	7.23%

within China despite some softening in near-term demand indicators.

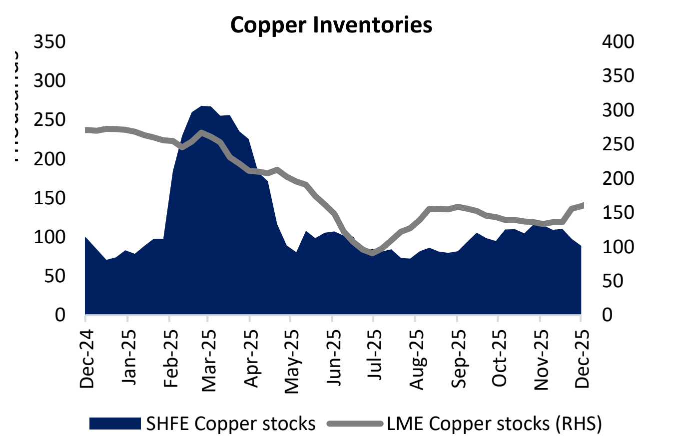
Demand signals from China were mixed during the week. While the country remains the world's largest consumer of metals, copper imports declined for a second consecutive month in November as elevated prices dampened buying interest. Some investors scaled back expectations for aggressive near-term stimulus following a high-level Chinese leadership meeting, raising concerns about the pace of demand growth. However, broader trade data remained supportive, with exports rebounding and China's trade surplus exceeding $1 trillion for the first time. China's foreign exchange reserves also rose to their highest level since 2015, helped by a weaker U.S. dollar, reinforcing confidence in the country's macroeconomic stability.



Source: Reuters

The U.S. emerged as a critical driver of market dynamics, with stockpiling activity intensifying amid concerns that the Trump administration could impose tariffs on refined metal imports next year. This precautionary buildup has heightened the risk of supply shortages in other regions, particularly Europe and Asia. Market participants increasingly fear an ex-U.S. copper squeeze as material flows toward American warehouses. These concerns have supported prices even during periods of profit-taking and broader risk aversion.

US Federal Reserve's decision to cut interest rates by 25 basis points provided some support. The dollar weakened in response, providing additional support to dollar-denominated commodities. Federal Reserve Chair Jerome Powell emphasized uncertainty around the pace and scale of future rate cuts, while policymakers revised growth expectations higher and lowered inflation projections for 2025 and 2026. Fresh signs of labor market softening, including a rise in jobless claims to a near two-month high, reinforced expectations of further monetary easing.



Source: Reuters

Despite strong fundamentals, copper prices did experience intermittent pullbacks driven by profit-taking and shifts in broader market sentiment. A sell-off in technology stocks raised fears of an AI-driven asset bubble bursting, prompting liquidation of long positions in metals. Concerns over slower U.S. rate reductions and softer Chinese demand also weighed temporarily on prices. Nevertheless, these corrections were shallow, with copper quickly finding support due to persistent supply tightness and positive long-term demand expectations linked to electrification, power grid upgrades, and industrial activity.

Other base metals showed subdued performance. Aluminium prices firmed as global producers sought sharply higher premiums from Japanese buyers for first-quarter shipments, reflecting tightening regional supply conditions. Zinc prices remained supported but further gains were capped by rising LME inventories and easing backwardation capped upside momentum. Industrial production in China grew by 4.8% YoY, slightly below forecasts and reflecting slower expansion in factory output compared with previous months. Retail sales, a key measure of consumer demand, rose by only 1.3%, the weakest pace in years and significantly below expectations. Fixed asset investment also continued to fall, declining 2.6% YoY, marking the third straight month of contraction and signaling weakened business investment. These figures point to sluggish domestic demand and highlight lingering structural pressures in the economy. Property investment and overall consumption remain major drag factors. Home prices continued to slide in November, with both new and existing home values falling further, underscoring deep strain in the real estate sector.

While short-term volatility remains likely amid shifting sentiment and policy uncertainty, the underlying fundamentals continue to point toward a tight market. With deficits expected to persist into 2026 and investment flows increasingly influenced by geopolitical and trade considerations, copper prices are likely to remain well supported in the near to medium term.

Technical Outlook

MCX Copper achieved the recommended target of Rs.1121 and marked a high around Rs.1025 and corrected sharply lower. Overall, the metal is trading in a rising channel forming higher highs and higher lows pattern signifying further strength in price. The metal has reversed from its recent low of Rs.1097 which also coincide with rising trend line support. The current recovery in price in likely to continue in the upcoming trading sessions and is likely to re-test the previous high of Rs.1125 mark. So, any dip towards Rs.1105 – 1100 zone should be a good buying opportunity however our bias will negate below Rs.1097 on sustainable basis.

MCX Zinc has been trading in a rising channel forming higher highs and higher lows pattern which signifies strength in price. However, recently the metal has reversed strongly lower from its peak around 324.50 has failed to close above the rising trend line. For the short-term the counter is likely giving some profit booking and initial weakness towards Rs.314 – 310 levels look possible in the upcoming trading sessions. So, selling on rise is recommended but our bias for the metal will negate if it trades and sustains above the resistance of Rs.322 on sustainable basis and in that scenario, it will resume if positive momentum.

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MCX Aluminium achieved our recommended target of Rs.275 and is trading well above the same at Rs.281. The metal has continued to trade in a rising channel which signifies strength in price. However, the recent high of Rs.282 will act as immediate resistance whereas supports are placed at Rs.275 – 268 area. Overall bias for the metal still remains positive and any dip towards the support will be a good buying opportunity. Our bias for the metal will negate only if price break and sustains below support of Rs.261 on sustainable basis

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