

Commodities Insight

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Copper Conundrum

The global copper market is currently defined by a divergence between short term surplus conditions and tightening structural fundamentals. Elevated visible inventories suggest adequate near term supply, yet upstream indicators such as declining treatment and refining charges point to growing scarcity in copper concentrate.

Emerging risks to sulphur flows through the Strait of Hormuz introduce an additional supply risk, particularly for production in Africa's Copperbelt. This region plays a critical role in global supply and is highly dependent on imported sulphur for acid leaching processes.

The market is therefore best understood as transitioning from a period of cyclical softness toward a structurally tighter regime.

Market Structure:

Segment	Current Condition	Signal
Mining / Concentrate	Tight	Structural constraint
Smelting (TC/RCs)	Stressed	Severe margin compression
Refined Copper	Temporarily oversupplied	Cyclical softness
Inventories	Elevated	Temporary imbalance
Demand	Strong	Structural growth

Supply Risk: African Copperbelt & China Dependency

Two concurrent disruptions are now affecting sulphur availability:

Supply chain instability around the Strait of Hormuz

Potential export restrictions on sulphuric acid from China

Africa contributes approximately 10 to 12% of global copper production. Output is concentrated in the Democratic Republic of the Congo and Zambia.

A significant share of this production relies on acid leaching, which requires sulphuric acid (converted locally) produced from imported sulphur, and ~80-90% of it is imported from the Middle East.

From mid 2026, market reports indicate that China may restrict exports of sulphuric acid co-produced from copper and zinc smelting. These measures, if implemented, could extend through the remainder of the year.

China accounts for more than 40% of global sulphuric acid production. Export volumes have also increased materially, with shipments reaching approximately 4.7 mt in 2025.

As a result, any tightening in Chinese exports would not be marginal, but could have a meaningful impact on regional and global acid availability.

Reduced sulphur availability leads to lower acid production, slower leaching cycles, and reduced output efficiency.

Even modest disruptions could reduce regional copper output by 2 to 5%, with more severe scenarios resulting in materially larger losses.

Given the concentration of supply and limited substitution options, these disruptions represent a meaningful downside risk to global copper supply.

Inventory Dynamics: Elevated but Misleading

Global copper inventories across exchanges are at approximately 1.3 to 1.4 mt as of April 2026, sitting at multi-decade highs.

The increase in overall inventories has been driven by weaker near term demand, particularly in China, along with deliveries into exchanges during earlier periods of elevated prices.

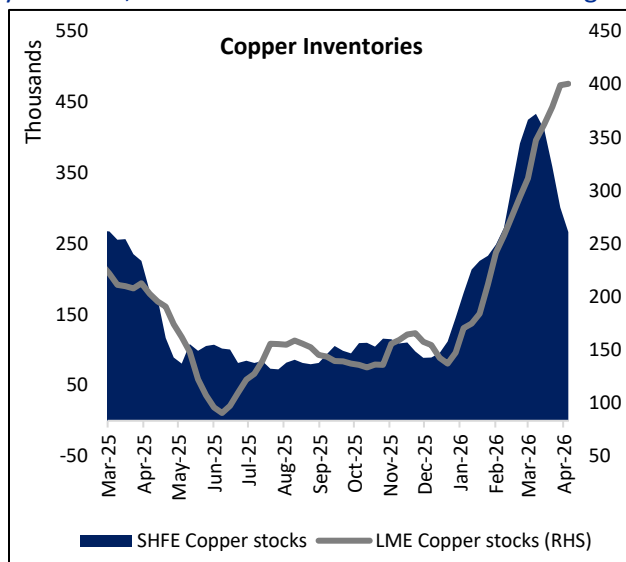
However, these inventories should be interpreted cautiously. They reflect a timing mismatch rather than structural oversupply. While refined copper appears abundant, the upstream supply of concentrate remains constrained.

As demand stabilizes and inventories begin to draw down (which we are seeing at SHFE), the underlying tightness is likely to become more visible.

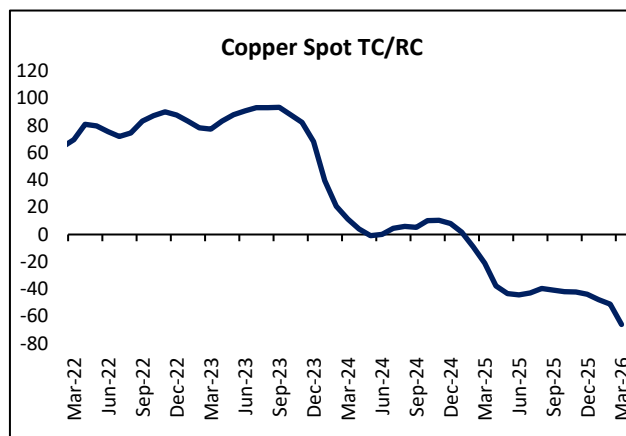
TC/RC Collapse: The Clearest Tightness Signal

Treatment and refining charges have declined to near zero or negative levels in 2026. This is a critical signal within the copper market.

Low charges indicate that smelters are competing aggressively for limited concentrate supply. Margins are compressed and the balance of power has shifted toward miners.



Source: Reuters



Source: Bloomberg

Outlook

In the near term, elevated inventories are expected to cap upside momentum and contribute to continued volatility.

However, the combination of supply risks, tightening upstream fundamentals, and structural demand growth provides strong underlying support.

Over the medium to longer term we expect copper prices to move towards its previous all-time high again i.e. **\$14500 on LME and ₹1400 on MCX.**

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