Daily Dose of Macro & Markets 6th August 2025: "Copper –> Tariffs out the Way. Fundamentals Supportive."

The 'Daily Dose of Macro & Markets' is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

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"It's also possible, given the unpredictability of Trump's decision making on tariffs, that the administration decides against copper tariffs (i.e. uses them as a 'stick'/a negotiating tactic). With several technical copper models currently generating SELL signals (point 2), that would result in significant COMEX copper price weakness (particularly relative to LME prices)."

Source: The SHORT VIEW (& market positioning), 25th March 2025: "Copper (+27% YTD): Tariffs & China"

From late February onwards, copper prices have been significantly distorted by the threat (and eventual announcement) of tariffs on copper imports. That encouraged the hoarding of copper in the US, and drove a wedge between US (COMEX) and global (LME) copper prices. By late July, the COMEX price was +17.8% above the LME price (Chart 3). Copper, in that sense, was following the 'gold tariffs playbook' from earlier in the year (which we analysed HERE).

As always with Trump, though, policy change is a key risk (see quote above). Last Wednesday he removed the copper tariff. As a result, the COMEX price closed down 22% (on the day), with the spread between the COMEX & LME prices returning to 'normal' (Chart 3). With that weakness, the COMEX price has returned to its long term (up)trend line (& its 200 day moving average), in place since mid-2022 (Chart 1).

Chart 1: Copper futures (COMEX 1st position, US$/lb) with key moving averages

Source: Longview Economics, Macrobond

The key question, now, is: What's next? Is that uptrend ongoing? What is the fundamental outlook?

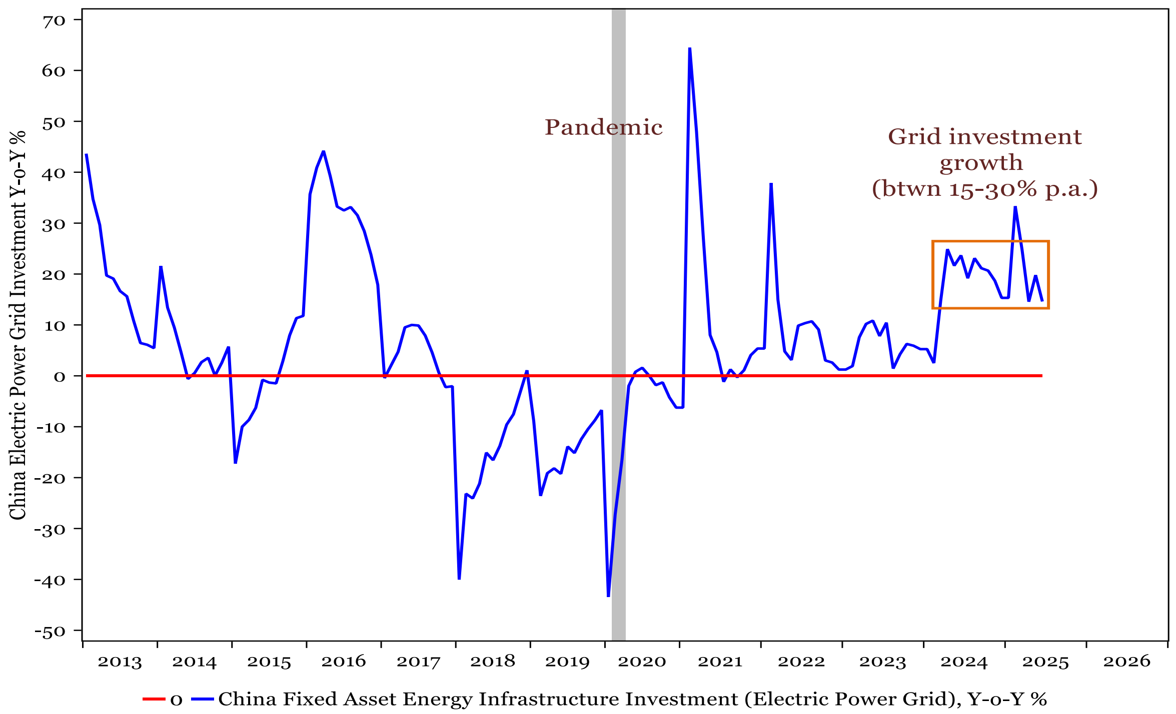
Two key factors are encouraging in that respect:

(i) **China's housing cycle is starting to turn up**. With significant policy loosening underway (and evidence that the credit cycle is beginning to re-accelerate), activity is improving in the 'early moving' segments of China's housing chain (for detail see yesterday's Daily Dose of Macro & Markets – Tuesday: "Chinese Housing: Any Signs of Life?", available HERE). Most notably, land sales have accelerated rapidly (a precursor for stronger developer activity). NB China's construction/real estate sector accounts for 30% of its total copper demand (and 15% of global copper consumption).

(ii) **China's power sector spending is ramping up** (and accounts for ~50% of Chinese copper demand). Last year China's NDRC and National Energy Administration (NEA) launched an "Action Plan for Accelerating the Construction of a New Power System (2024–2027)". That plan is currently being implemented and involves large scale grid upgrades/expansions. It's expected to cost RMB 2.5 – 3.0 trillion (i.e. around 1.7% – 2% of GDP) over 4 years. As the chart below shows, it's resulting in relatively strong spending growth on the electric power grid (Chart 2), e.g. see HERE & HERE for detail.

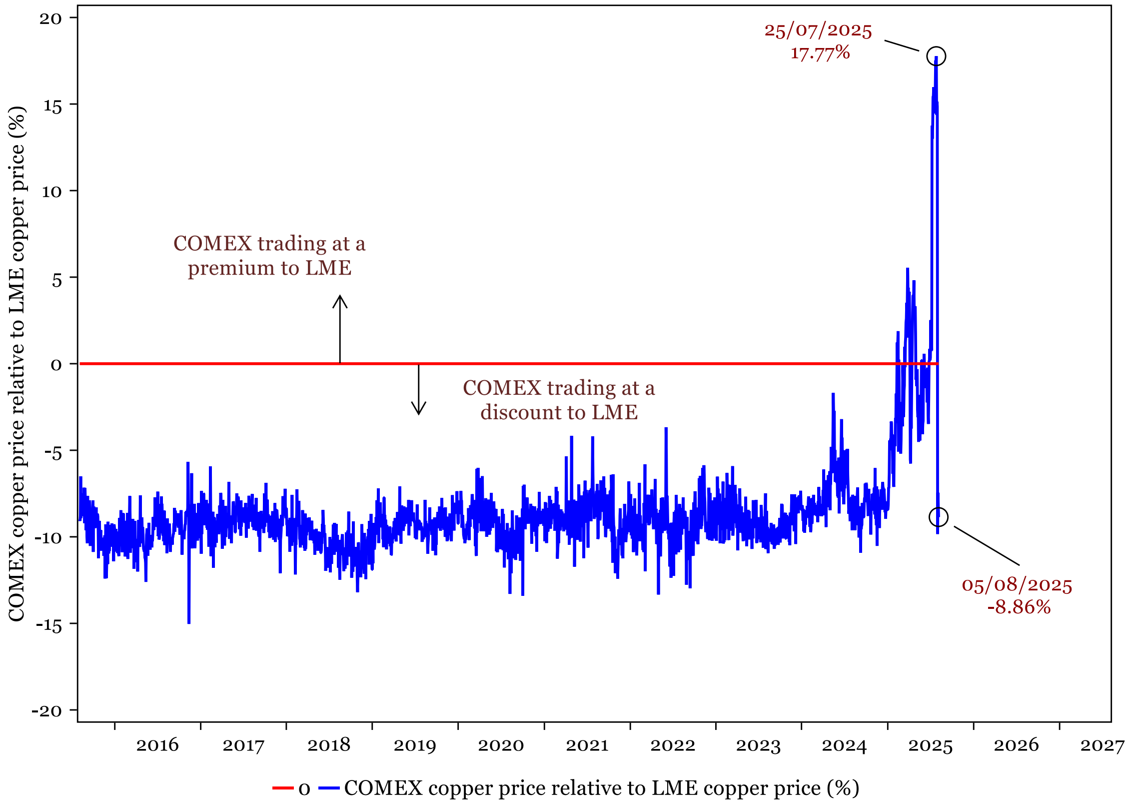
Typically, markets focus on one major fundamental issue/theme at a time. With 'tariff distortions' now in the rear view mirror, there's a strong argument that 'Chinese demand' becomes the new, key focus of the copper market. In which case that uptrend should remain in tact.

Chart 2: Chinese electric power grid investment spending (Y-o-Y %)



Source: Longview Economics, Macrobond

Chart 3: COMEX relative to LME copper price (% premium/discount)



Source: Longview Economics, Macrobond