# What's Hot: Copper is red hot right now. Here’s why.

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## Wichtige Erkenntnisse

- US tariff fears are fuelling aggressive copper buying and tightening global supply.
- China’s stimulus and steady manufacturing data are boosting demand.
- Supply constraints from smelter shutdowns and policy shifts could prolong the deficit.

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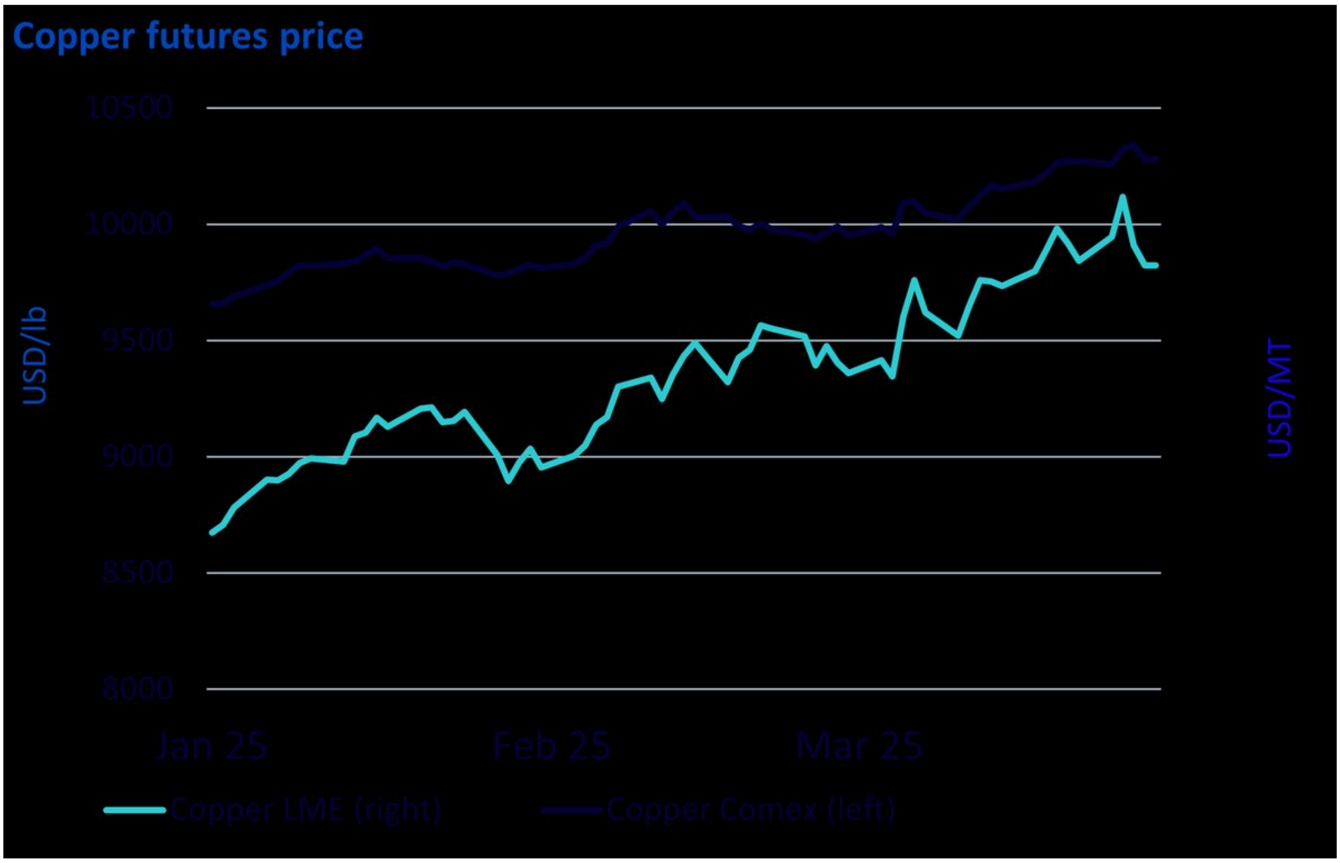
Copper’s COMEX price hit a new high on 26th March making the red metal red hot right now. The first three months of 2025 have seen industrial metals make noticeable gains with the Bloomberg Industrial Metals Subindex up 10.55% year to date1. Copper’s gains, however, stand out for numerous reasons. We outline them below.




Source: WisdomTree, Bloomberg, as of 28 March 2025. Generic first futures prices shown. **Historical performance is not an indication of future performance, and any investments may go down in value.**

## Tariffs

The additional premium of COMEX prices over the London Metal Exchange (LME) prices reflects aggressive buying by US traders importing copper in anticipation of a possible 25% tariff on copper imports. This speculation has been fuelled by President Trump last month ordering a probe into the threat to national security from the imports of copper. As aluminium imports were also recently subjected to tariffs, markets are speculating that copper might be next.

This rush has triggered a shift in global flows, with metal moving out of LME warehouses and into US Comex facilities, where copper is held on a “duty paid” basis to avoid future levies. As traders front-run potential policy changes, this behaviour is tightening global supply and fuelling price gains, adding to a market already under pressure from rising demand and a looming supply squeeze.

## Demand

China has given an additional boost to copper prices having announced a new action plan to boost domestic consumption by raising household incomes. The stimulus is seen as a positive signal for copper demand, especially as retail sales have already shown stronger-than-expected growth early in the year. China has also set itself a GDP growth target of 5% for 2025, and so far this year, its manufacturing

Purchasing Managers' Index (PMI) has remained in expansionary territory — a sign that the economy is holding steady. With momentum building across consumption and manufacturing, copper is getting a fresh tailwind despite lingering weakness in the property sector.

Further support for industrial metals, including copper, has come from Germany's recently unveiled €1 trillion infrastructure and defence spending plan — a move that will inevitably drive greater demand for base metals.

## Supply

Supply tightness in the copper market is being driven by several structural and emerging challenges. Exceptionally low processing fees—caused by an oversupply of smelting capacity, particularly in China—have placed financial strain on global smelters, prompting companies like Glencore to halt operations at its facility in the Philippines. Looking ahead, Indonesia's proposal to shift from a flat 5% copper mining royalty to a progressive rate of 10–17% risks discouraging future production growth. These supply-side pressures come as the International Copper Study Group reported a slight global copper deficit in January 2025. While a similar shortfall at the start of 2024 eventually turned into a surplus, this time the combination of weakening smelting economics, policy headwinds, and solid demand could make the current deficit more persistent and impactful.

Several major copper miners have recently downgraded their production estimates for 2025, adding further pressure to an already tight market. Glencore suspended output at its Altonorte smelter in Chile2, while Freeport-McMoRan delayed refined copper sales from its Manyar smelter in Indonesia due to a fire3. Anglo American expects lower output from its Chilean operations amid maintenance and water challenges, and First Quantum Minerals faces reduced grades and scheduled downtime4. These disruptions are likely to tighten global copper concentrate supply, potentially widening the market's supply-demand imbalance just as demand continues to strengthen.

1 Source: Bloomberg, based on total return index as of 28 March 2025.
2 Reuters, March 26, 2025
3 Reuters, October 16, 2024
4 Metal.com. February 14, 2025

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