

ARE WE HEADING TO A NEW AGE OF COPPER?

25TH JUNE 2020

On the 12th March this year, Copper prices fell to its lowest for 3 years. In the midst of the growing Coronavirus pandemic, the market in every asset class became fearful and metals were joining in as it became apparent that both production and consumption across the world would grind to a halt.

But in January of this year, Copper prices hit their highest prices since May 2019 excited by talk of the US completing an initial trade deal with China, (which we are still no clearer about today but China is the biggest single user of refined Copper in the world.)

So what is going on, why is Copper important and why could it become the “new boom” metal?

Copper is a perfect multi-tasker; its common uses include:

- Electricity – apart from Silver Copper is the most effective electrical conductor. 65% of Copper production is consumed by electricity related industry and products. Among its many capabilities, it is used in wiring, conductors, microchips and printed circuit boards.
- Construction - takes another 25% of production, utilising it in water and heating systems. It is in a class of its own in these tasks because of its ability to inhibit the growth of bacterial and viral organisms. It is considered stable and corrosion resistant and it is malleable. Common applications include heat exchanger tubes for condensers in steam power stations and chemical plants, tubes for distribution of natural liquified petroleum and fuel gas distribution piping.
- Transport – takes 7% of production. The core components of cars, trains, planes and boats are depend on the thermal and electrical properties of copper.
- Other- 3% of production is used in Cookware and Thermal applications, Clocks and Watches, Art, Coins and Musical instruments.

Looking at this list it’s easy to see why Copper is so vitally important to modern society and you can also pick outgrowth areas that will provide a potentially massive increase in its demand.

Construction is an easy one to see, although it is cyclical, you only have to look east to see how much new development is taking place. In the right economic environment demand for Copper material in this sector could soar over the next 10 years.

But its use in the electrical sector is the most exciting. As the world moves more towards hybrid and full electric cars, supply will have to increase to facilitate this growth. Add to that the future growth of the east and continued consumption of the west, developments in computing technology, mobile phones, televisions and portable electronic devices and it’s easy to see how demand for Copper could increase significantly in the coming years.

So who produces Copper and its Alloys?

Chile is the world’s biggest Copper producer, followed by Peru, China and then the United States of America. It’s also mined in Australia, The Congo, Zambia, Canada, Russia and Mexico.

Prominent companies include Glencore, BHP Billiton, Rio Tinto but the world’s largest Copper producer is Codelco – a Chilean company that is state owned.

Middleton Private Capital Ltd is authorised and regulated by the Financial Conduct Authority.

Middleton Private Capital Ltd is registered in England and Wales, No. 11148660. Registered Office: Cavendish House, Welbeck, Nottinghamshire, S80 3LL

A Rush to buy in to Copper and its producers?

Copper is widely seen as an indicator of the general strength of the economy – because of its link to construction and the technology sectors mainly – and recently we have seen a slump in world demand due to the Coronavirus shutdown, so prices are lower at the moment but you have to consider whether or not they have reached their low.

Watching the economy carefully is vital and its likely we will see further falls in Copper prices throughout the rest of 2020, but when the world starts to shrug off the economic effects of the virus, its likely we will see a significant increase in demand and as such the start of Copper's rise to the top of the metal commodity tree.

Demand could be further increased by the enormous green and digital stimulus programs in Asia and Europe – Electric Cars, 5G networks and renewable power generation will all need large amounts of Copper. The electric car industry currently accounts for about 1% of copper production but that is expected by some analysts to grow to 10% by 2030.

All in all, Copper will be a key factor in virtually all industries that are currently developing across the world, especially in the east, so it's easy to see how it's value has to increase, potentially significantly over the next decade.

Look out for early signs of economic development and growth and keep an eye on the spot price to see where it looks like it may be settling into its lows, positioning for the recovery.