

Copper Prices Steady on Chinese Stocks Gains, Supply Worries

Tatyana Shumsky, Dow Jones Business News, July 29, 2015

Copper prices hovered near unchanged on Wednesday as gains in Chinese equities soothed worries about the economic health of the world's top copper buyer, while potential cuts to global copper production calmed concerns about a glut of the metal.

The most actively traded contract, for September delivery, was recently trading 0.1% lower at \$2.4005 a pound on the Comex division of the New York Mercantile Exchange.

Copper prices hit six-year lows in July as investors fled the market on fears an economic slowdown in China will sap demand for the industrial metal. China accounts for about 40% of global copper demand, with much of the metal used in manufacturing and construction. But slowing business activity and steep declines in the country's stock market have fanned concerns over a potential slackening in raw-materials demand. Some investors worry that reduced purchases by China won't be offset by higher demand from other countries, leading to a global supply glut of copper.

"When you have the largest consumer of copper in the world going through an economic downturn and a liquidity crunch, those fears are going to weigh on copper demand forecasts and that's the pressure we've seen on copper for the last several weeks," said Dave Meger, director of metals trading with High Ridge Futures in Chicago.

On Wednesday, Chinese stocks closed higher and snapped a three-day losing streak that wiped 11% off the value of the Shanghai Composite Index after officials ramped up efforts to soothe markets.

In response, some copper traders who had wagered on further price declines returned to the market as buyers to close out their bearish bets, Mr. Meger said.

Elsewhere, Chile-based Antofagasta PLC cut its 2015 copper output forecast by 4.3k% to 665,000 metric tons. The company cited lower copper ore grades and recoveries at its Los Pelambres mine and delays to first production from its Antucoya project.

The move comes a day after Freeport McMoRan Inc., the largest U.S.-listed copper producer, said it would reduce capital spending and consider reducing copper and molybdenum output as part of a comprehensive review of its business.

"Given the 18% decline in copper prices since the start of the year, and noting that this is the fourth consecutive year of declining copper prices, the announcement by Freeport should elicit a sigh of relief," said Jessica Fung, metals analyst at BMO Capital, in a note to clients.

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