

Copper prices climb despite Grasberg mine shutdown

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Despite the shutdown of one of the largest copper mines in the world, copper prices seem to be on the rise.

Freeport-McMoRan, the company behind the massive Grasberg mining operation in Indonesia, announced it was shutting down the mine Monday following worker road blockages.

Eric Zuccarelli, an independent metals trader, spoke with BNN Friday about why he expects good things to come for copper despite the halt of production out of Indonesia.

“Certainly the first quarter was underpinned by metals and materials showing up on LME, Shanghai and Colmex, but that seems to be coming to an end soon,” said Zuccarelli.

“The slow demand period out of China is usually the winter months and within the second quarter, that’s usually when consumer demand and power grid construction starts to ramp up, and copper prices should ramp up pretty nicely in the second quarter.”

China’s influence on the copper market is massive. When asked about other factors outside of China that could provide support, Zuccarelli says we could find solace come from the U.S. housing market.

“The weakening of the U.S. housing market has been the first thing on the scene over the last year or so, but we’ve actually seen some more construction, said Zuccarelli. “Once spring ramps up, we might see continued construction in the United States which really hasn’t been part of the main picture for quite some time. So with a good footing in the economy, a little housing never hurts for copper.”

The Grasberg mine was shut down due to a labour dispute, according to reports, but Zuccarelli says the time for concern shouldn’t come for another couple of weeks.

“If it’s a short duration, no impact, but certainly longer than three weeks, we’re going to have a few eyebrows raised and continued supply disruption.”

Zuccarelli predicts that within the coming months, copper could see a growth to \$3.00.

“The other day before the FMO meeting, we were down to \$2.56, and today we’re up to \$2.74, so the copper does reverse quickly,” said Zuccarelli.

“We don’t really have much resistance till \$2.85, but once we get there, if we have some continued demand in the second quarter out of China, supply constraints, and on a margin that makes all the difference to copper, that could put us up to \$2.85 and \$3.00 in the second quarter.”