
COPPER MARKET FORECAST



Realising South East Asia's Gold and Copper potential

MINING AND MINERALS INDUSTRIES HOLDINGS

101, CECIL STREET, #10-11 TONG ENG BUILDING, SINGAPORE (069533)

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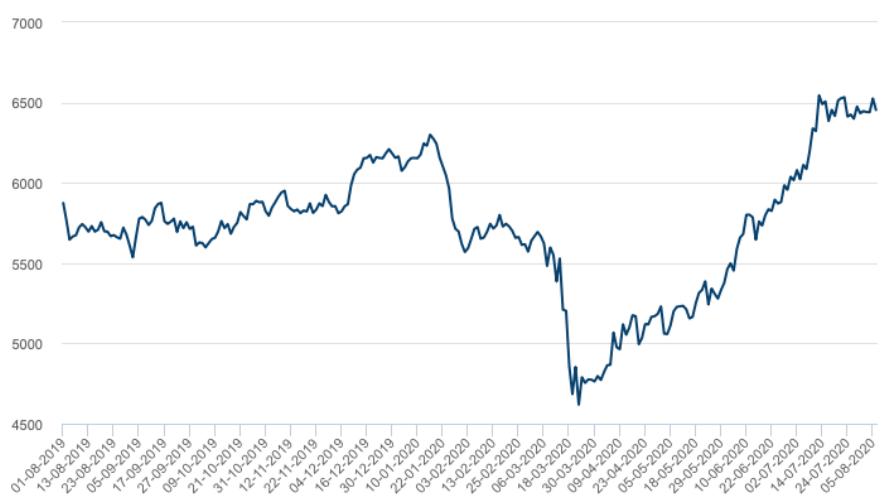
COPPER

Commodity and Industry Overview

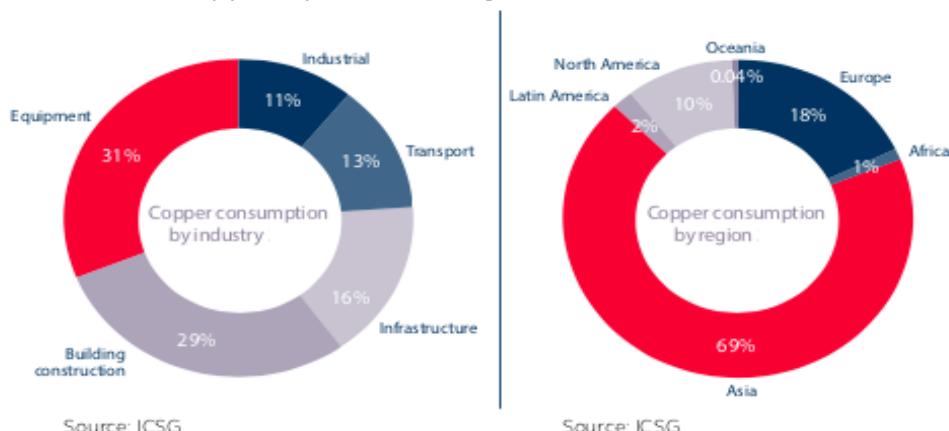
Copper, chemical symbol Cu is a shiny, red-orange metal that has a wide range of applications. The price of copper is primarily driven by the availability of substitutes, the global supply and demand ratio, and emerging markets such as India and China. The most important trading venues for copper are the London Metal Exchange, New York Mercantile Exchange (COMEX), and the Shanghai Futures Exchange. Copper is the most widely used industrial metal, mainly used in electrical wiring, roofing, plumbing, and cooking utensils. The global copper supply is fuelled by mining and recycling of copper products. When mined, copper is extracted from crushed ore and is further refined through smelting.

Copper spot rate is US\$ 6,453.65/ ton (as at 7th August 2020). Early 2020 pushed down copper prices by a significant margin, however, supply shortage from South America has sent the prices rising again. Post Covid-19, copper recovery shows signs of an elongated V-shape, perhaps stretching into a U.

LME COPPER HISTORICAL PRICE GRAPH



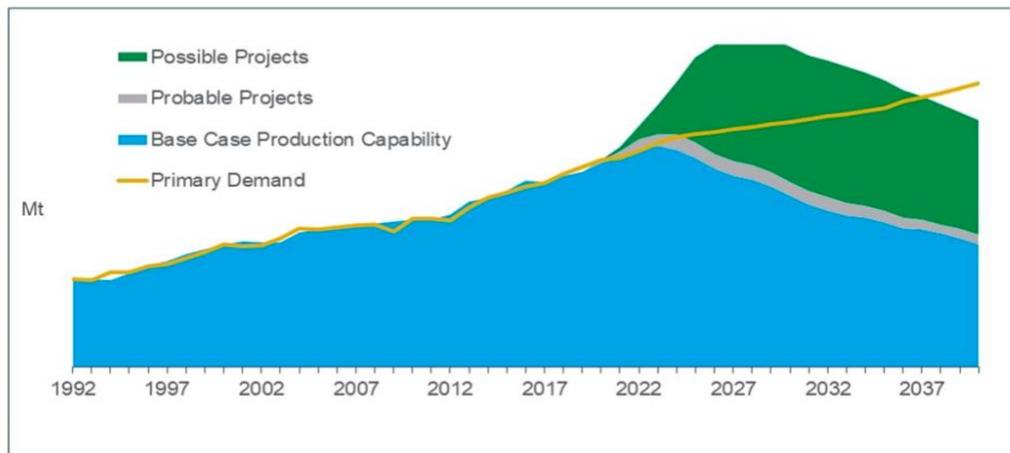
Demand for Refined Copper by Use and Region



Electric and electronic products, including power cables, account for over one-third of total copper usage, and construction, including wiring and water tubing, form a significant share. Transport industries use roughly one-eighth of the total, industrial machinery and equipment use approximately one-tenth.

Worldwide demand is expected to grow 2.6% annually through 2037 based on demand in the Chinese power and infrastructure market as well as expected growth in the electric vehicle market.

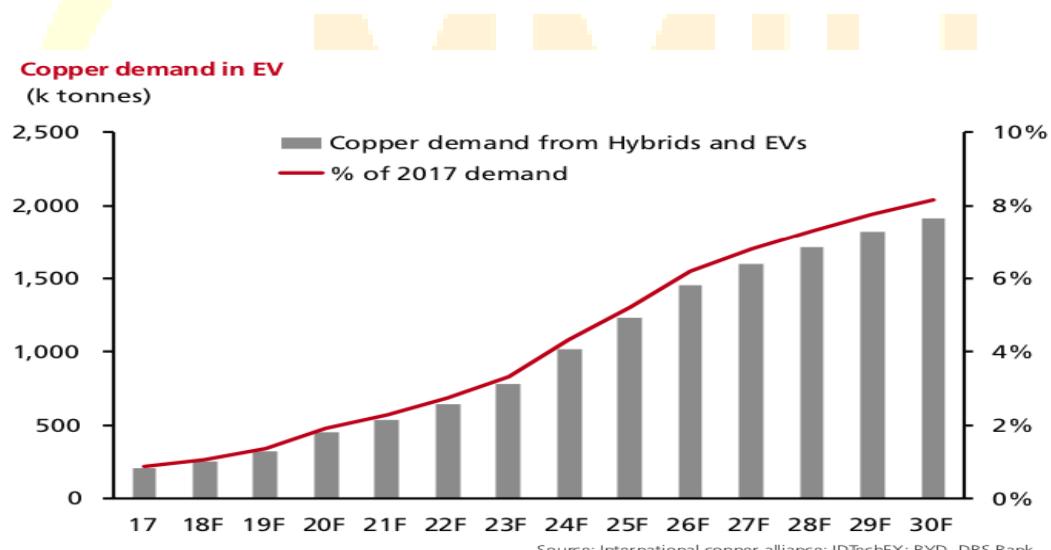
Global copper production and primary demand



Source: Wood Mackenzie

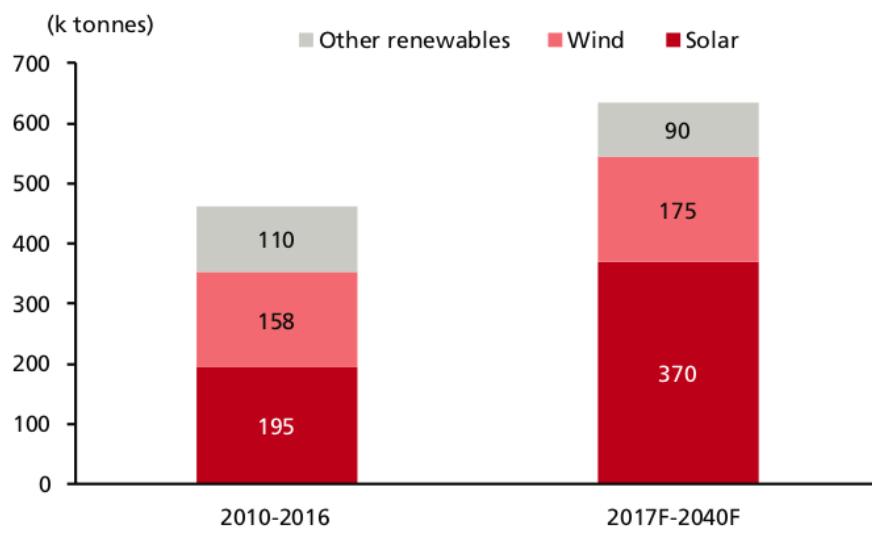
Rise in Sustainability and Impact on Copper Demand

With the world moving towards sustainable energy and green transport, copper demand from the electronic vehicle sector is expected to rise significantly over the next decade.



The International Energy Agency (IEA) forecasts an average global net capacity addition of 74GW for solar photovoltaic, 50GW for wind and 36GW for all other renewables, concluding that 635,000 tonnes of copper demand will be generated from the renewable energy sector every year on average till 2040.

Copper demand from renewable energy



Source: IEA, DBS Bank

Mine Supply of Copper

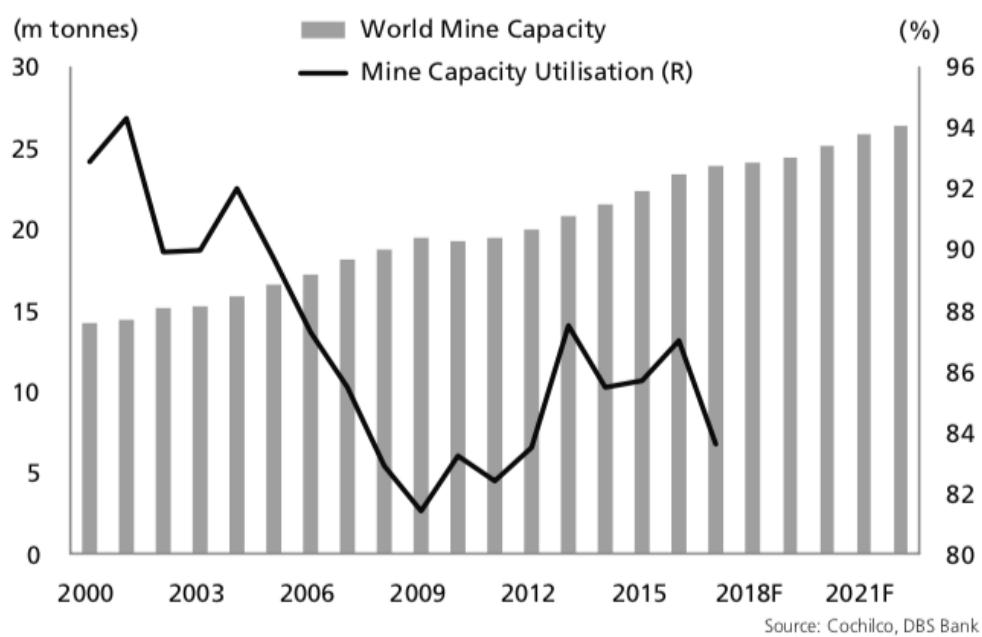
Growth in the global copper mine supply is expected to decelerate as existing mines experience higher production costs from systematic grade declines and resource depletion, while tepid exploration activities in recent years restrict new discoveries.

The year 2020 has been a huge setback for copper production as the Covid-19 crisis continues to rise weekly, leading to 889,000 tonnes of lost copper mine production this year. Losses for all causes stand at 1.456 million tonnes, already exceeding the around 1 million tonnes of unplanned losses in each of the past two years.

Expected 2.6% CAGR growth in global refining capacity and 3% CAGR growth in global refined copper supply in 2017- 2022, driven by China and India.

Expect shortages until 2022, with the deficits increasing. However, this shortage could lead to a significant rise in prices in the medium term.

World copper mine capacity vs utilisation



Copper Market Balance and Price Forecast

London Metal Exchange (LME) copper prices are expected to generally trend up, subject to fluctuations from market dynamics such as warehouse inventory, supply disruptions stemming from weather and labour strikes, and other macroeconomic indicators.

In 2021, a balanced copper market is anticipated with a strong recovery for both demand and supply (mined copper and refined copper to grow 3.5% and 2.7%, respectively).

Based on the outlook for emerging demand from electric vehicles (EVs) and higher exploration and production cost, copper price is forecast to average higher and head towards US\$7,000/ton levels over the long term.

Philippines Copper Prospects

Within the Philippines among the metallic minerals, the largest reserve is copper, which is estimated at 4 billion MT, making the Philippines the fourth largest country in the world in terms of copper reserves.

The mining industry supplies roughly 250,000 MT of concentrates annually, but all of this go to the foreign market. The Philippines is the 19th largest supplier of cathodes in the world, accounting for 1.5% of the total market. There is high demand for copper products coming from the Philippines industries as well, particularly electronics and automotive parts manufacturing.

The Philippines copper industry is essentially market-oriented, with minimal state policy intervention except a few that aims to enhance the business climate.

The Philippines government's objectives for the Copper industry within the next few years.

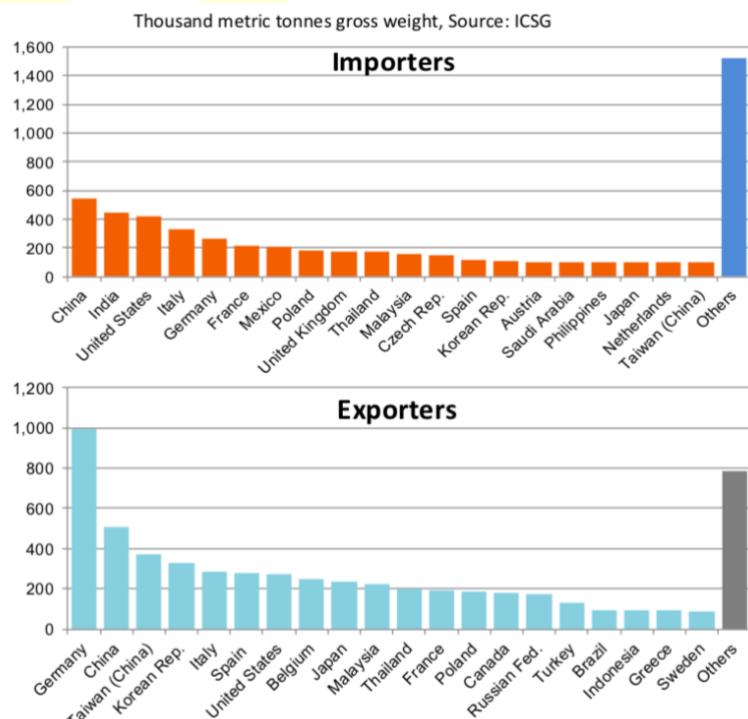
Objectives	Targets	
	Medium-term (2022)	Long-term (2030)
Local production of copper rods (MTPY)	18,000	40,000
Increased contribution to the economy (% of GDP)	1.2	2.0
Export of copper products, excluding cathodes (HSC No. 7407 to 7410) @ 15% pa (Million US\$)	800	2,450
Copper concentrate production (MTPY)	1,100,000	1,500,000

Copper Trade Patterns and Markets



Source: ICSG

Leading Exporter and Importers of Semi-Fabricated Copper Products



AUTHORED BY:

RIDHIMA AWASTHY

(ANALYST, MMIH GROUP)



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