

Market Snapshot

Copper - What's Behind the All-Time High?

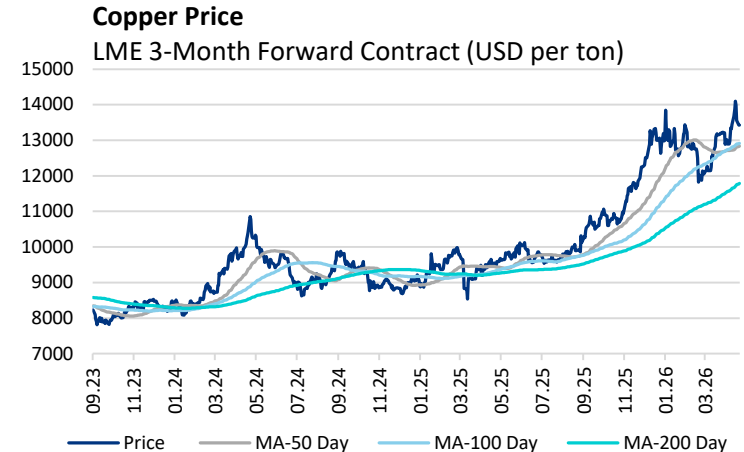
May 2026



Commodities – Copper

Middle East War Damages Copper Production

- Copper prices closed at an all-time high in May, exceeding \$14,000 per ton.** Three forces stand out, each with a different time horizon: the Middle East war, persistent operational issues, and surging demand from new technologies.
- The war has disrupted supply chains of sulphur, a key chemical element in copper production.** The Persian Gulf is among the main suppliers globally, as sulphur is extracted during oil and gas processing.
- When converted to sulphuric acid, it can be used to dissolve low-grade copper ore and extract the metal, a process called leaching. **Chile, the world's largest copper producer ahead of the DR Congo and Peru, does not produce enough domestically and relies heavily on imports, with China covering 37% of its needs.**
- In May, China banned acid exports entirely.** As sulphuric acid is also a key input for fertilizer production, Beijing moved to prioritize its domestic food security.

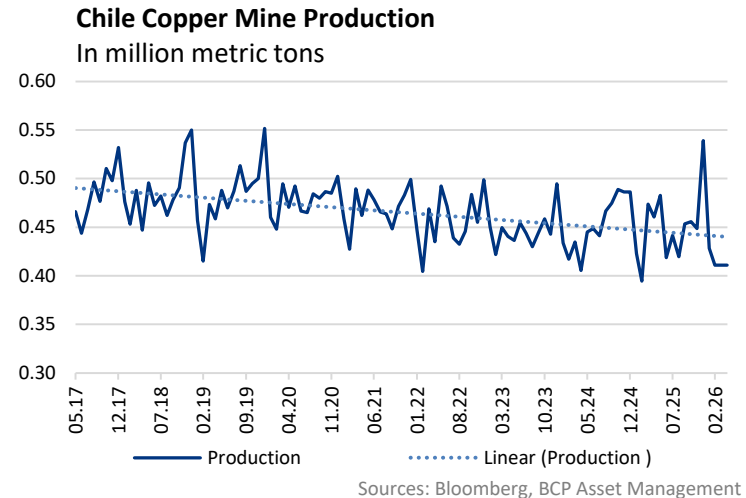


Sources: Bloomberg, BCP Asset Management

Commodities – Copper

Operational Issues Aren't New

- **Chile was already struggling before the war.** The country is going through a prolonged drought, and water is critical for ore processing and equipment cooling.
- Falling ore grades have compounded the problem: lower-quality deposits require more water to process the same amount of metal.
- **The geopolitical situation in the Middle East also weighs on copper consumption.** Higher inflation and borrowing costs are dampening economic activity, slowing particularly traditional copper demand from industrial equipment and construction.
- This segment is further pressured by continued weakness in China's property sector, though it remains structurally supported by rapid demographics and urbanization in economies such as India.

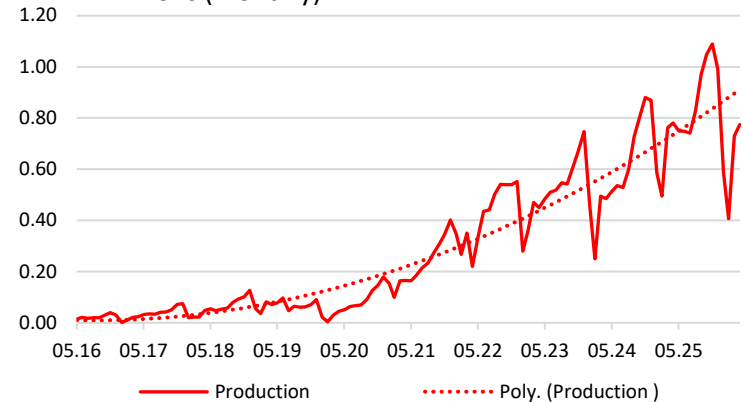


Commodities – Copper

New Technologies Boost Demand

- **Traditional demand remains a solid pillar but is no longer keeping pace with demand from electric vehicles, renewable energy, power grid modernization, and AI infrastructure.** These are all highly copper-intensive sectors.
- The United States is among the countries to recognize this strategic shift, adding copper to its critical minerals list in 2025.
- **The outlook remains structurally positive, with estimates suggesting a significant copper deficit in the coming years, though current fundamental turbulence is likely to keep prices volatile.**
- Demand perspectives remain solid with the accelerating consumption in new applications, and supply tightness is unlikely to ease given how difficult substitution is in most uses, owing to copper's unique properties.

China Passenger Electric Vehicles
In millions (monthly)



Sources: Bloomberg, BCP Asset Management



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