

## US-China trade war could slow copper-price recovery: Chile's Cochilco

S&P Global - Tom Azzopardi

METALS 17 Jan 2019 | 20:21 UTC Santiago | Chile

<https://www.spglobal.com/platts/en/market-insights/latest-news/metals/011719-us-china-trade-war-could-slow-copper-price-recovery-chiles-cochilco>

Santiago, Chile — The ongoing conflict over tariffs between China and the US could have a lasting impact on copper prices, even if negotiators from the two countries strike a deal in the coming weeks, analysts from the world's leading producer of the metal have warned.

In its latest market forecast released Thursday, the Chilean Copper Commission, a government agency, predicted that copper prices will average \$3.05/lb this year, up from \$2.96/lb in 2018.

The forecast is unchanged from its previous forecast released in November despite a continued decline in global copper stocks to the equivalent of just four days, and an announcement by Freeport McMoRan of a major production curtailment at its Grasberg mine in Indonesia, the world's second largest copper operation.

Chinese and US negotiators are working on an agreement that could resolve the trade dispute, with an initial agreement possibly ready by early March.

Cochilco analyst Victor Garay said that the copper price had been hit by withdrawal of financial investors from commodity market as they preferred currency, especially the US dollar, given the uncertainty caused by the China-US trade war.

Copper prices have fallen sharply since US President Donald Trump announced the first tariff on imports of Chinese goods in June, ending 2018 16% lower.

This has hit optimism about how soon copper could return to highs seen earlier this year, driven by a growing gap between supply and demand.

"The copper price remains on an upward trend, but unlike what we thought a year ago when we expected a rapid rise, we now think it will rise more slowly," Garay said.

Cochilco expects the global copper deficit to reach 227,000 mt, following a deficit of 187,000 mt in 2018, as a 1.6% rise in global mine output is outpaced by a 2.4% rise in world copper demand, driven principally by China.

For 2020, the government body expects prices to average only slightly higher at \$3.08/lb.

"This is because some effects of the trade war will be more permanent than transitory," Garay said.