

Commodity Idea

January 28, 2026

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Metals Rally at Risk on Weak Chinese Demand

Fundamental report-based call

Date	28/01/2026
Recommendation	Sell
Sell LME Copper	\$13210
Sell MCX Copper Feb.	Rs 1326
Target	\$11800
Timeframe	3-6 Months
Date of Call generation	28/01/2026

Source: Bloomberg; Mirae Asset Sharekhan Research

Summary

- Global copper prices have risen 22% in absolute terms since November 27th 2025, and were up 42% for the whole year in 2025. We stay structurally bullish and see prices at \$15,000/tonne in the medium-to-long run as supply may struggle to meet growing demand.
- However, in very short-term, we find that due to certain factors, copper currently at \$13,000/tonne looks somewhat overextended. The incremental 22% run-up since late November has been supported by reasons like resource war, weaker Dollar, notions of supply crunch and rallies elsewhere rather than solely on supply-demand fundamentals.
- Thus, we expect prices to correct 10-12% by in 3-6 months with though a potential US import tariff announcement in Q2 may pose a risk. On the other hand, no tariffs on refined copper will end US stockpiling and bring copper fundamentals back into focus (300 kt surplus eyed in 2026).

Our rationale :

Demand /supply Elasticity :

In the short term, copper demand remains largely inelastic, showing minimal sensitivity to price movements due to supply crunch possibility. However, as prices have risen exponentially, demand is likely to become more sensitive to high prices as we noted that there is a negative correlation of roughly -0.4 between copper prices and consumption—meaning a 10% increase in price leads to an estimated 0.4% decline in demand. This elasticity is influenced not only by prices but also by availability of viable substitutes. Aluminium, particularly in electrical applications, plays a key role as an alternative material, and its wider adoption could further moderate copper demand.

China signalling slowdown

Chinese GDP growth is expected to further ease in 2026. Despite having grown **4.5% in Q4**, underlying data signals weakening domestic momentum. **New home sales across the top 10 Chinese cities fell 34% year on year**, reflecting a deepening property slowdown and continued pressure on household confidence.

Chinese automakers (PVs, NEVs) sales have shown declining trend in Nov.-December period with lower volumes, as the new trade-in subsidies have stringent requirements, while higher copper prices may also lead to jump in input cost, that if passed on to end users could hit the demand in 2026.

Global copper market balance sheet

World refined copper usage and supply Yearly (in mln tons)	2018	2019	2020	2021	2022	2023	2024	2025
World Refined production	24.06	24.02	24.62	24.90	25.27	26.50	27.40	26.11
World refined usage	24.48	24.41	24.94	25.21	25.86	26.60	27.33	25.90
Refined balance	-0.43	-0.39	-0.48	-0.31	-0.59	-0.10	0.07	0.21

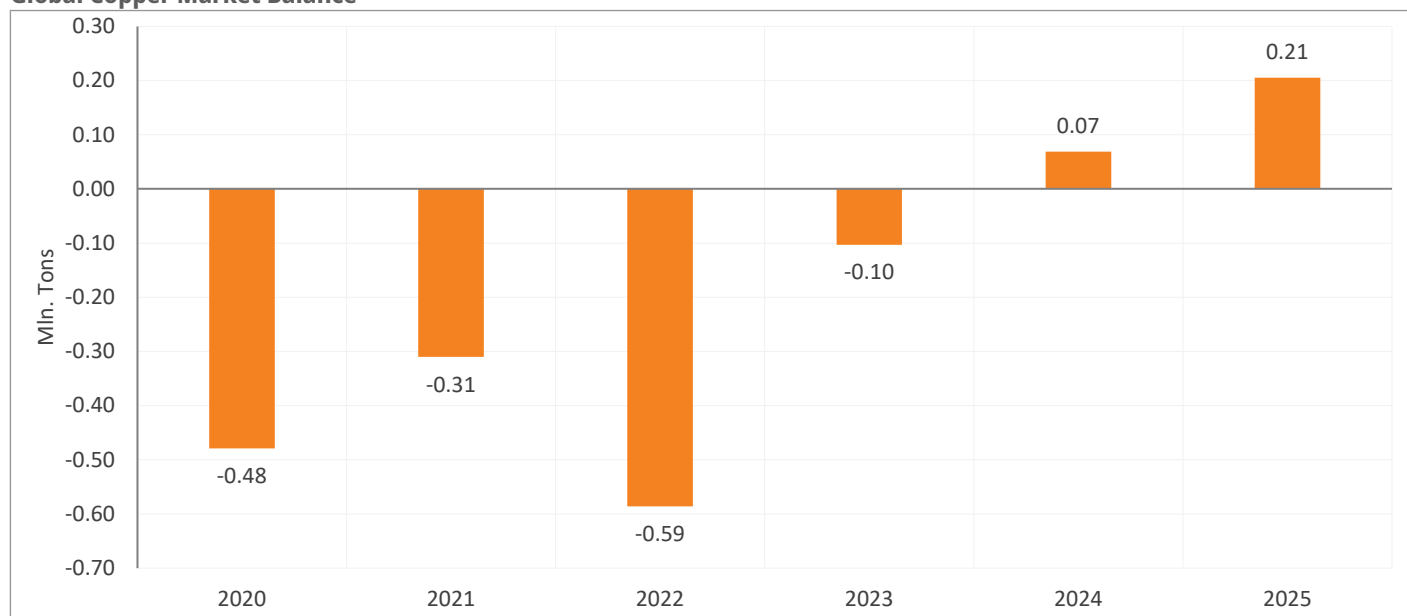
Source: ICSG, MASK Research

Global refined copper market has shown steady expansion over 2018–2025, with production rising from 24.06 million tons in 2018 to 26.11 million tons in 2025, while usage increased from 24.48 million tons to 25.90 million tons over the same period. The refined balance, which was consistently negative between 2018 and 2023, turned positive in 2024 and 2025, indicating a shift toward a modest surplus as supply growth outpaced consumption.

Preliminary 2025 data suggest that world copper mine production grew by about 1% during the first eleven months in 2025, supported by a 4.2% increase in global refined output. Secondary production from scrap also strengthened, rising 5.8% to reach 4.55 million tonnes. On the demand side, global refined copper usage increased by ~4% during the same period, with China accounting for nearly 58% of total world consumption. Overall, improving supply conditions and moderated demand growth point toward a marginally surplus market heading into 2026.

Surplus surprise

Copper demand may soften as companies delay projects and increasingly substitute the red metal with aluminium. As a result, the previously expected 400–600 kt deficit for 2026 is unlikely, and the refined copper market is now projected to stay in a slight surplus through 2026. ICSG's latest data indicates a 210 kt surplus for January–October 2025, reflecting stronger supply conditions than anticipated.

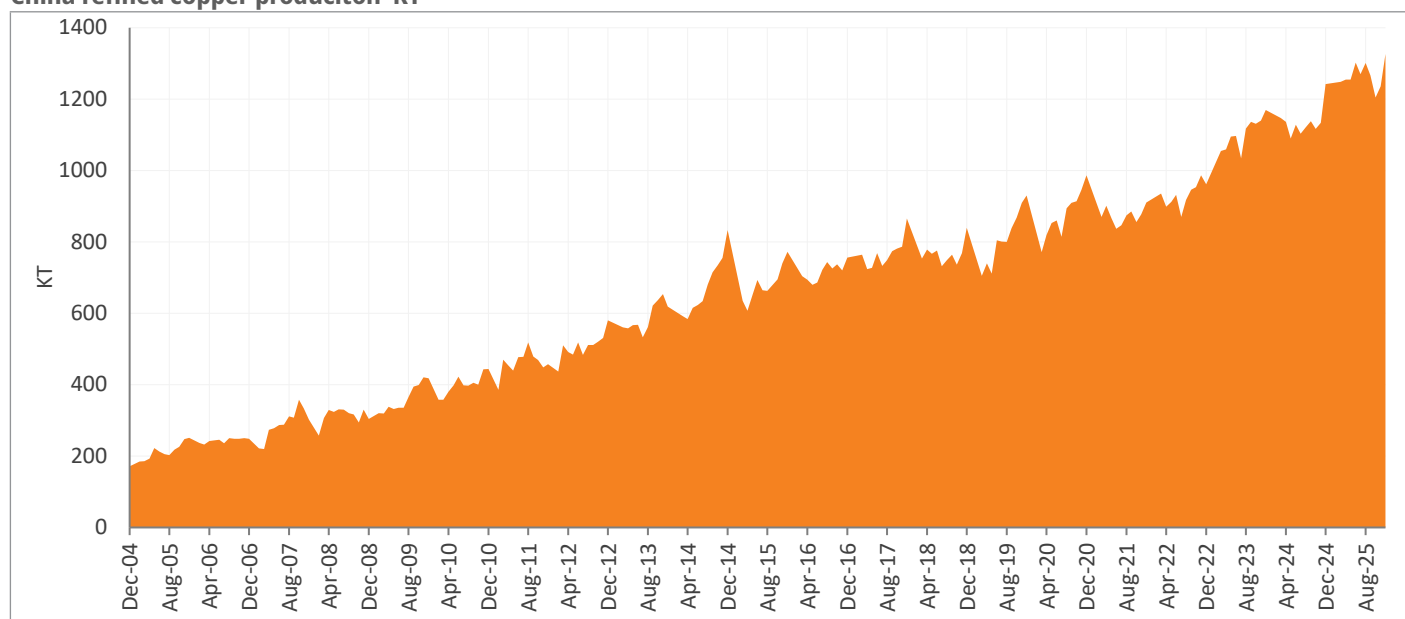
Global Copper Market Balance

Source : ICSG MASK

Global warehouse inventories at healthy levels

Global copper inventories have surged 26% in 2025 and currently stand around 780kt in January 2026. We see enough of inventories around the warehouses to cater for the short term demand.

China refined copper production KT



Source: NBS, MASK

Risk:

- ♦ Speculation on the US tariff on refined copper imports
- ♦ Weaker Dollar
- ♦ Resource war

Conclusion

While China's exports have remained surprisingly resilient, the combination of **soft domestic demand** and rising global trade frictions—particularly the **renewed tariff actions on the Eurozone and broader US-China trade tensions**—is expected to weigh on export activity in early 2026, which may weigh on the Chinese economy.

Copper may face a **10-12% correction in the short-term** as demand expectations soften and risk sentiment deteriorates.

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