The deficit is here to stay

CIO View: Copper

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- LME copper prices have consolidated below recent highs as headlines around a potential Cobre Panama restart weighed on sentiment, although tight physical market conditions have kept prices supported above USD 14,000/mt.
- Near-term supply relief remains unlikely as mine supply growth continues to disappoint and concentrate availability remains exceptionally tight, despite ongoing discussions about Cobre Panama.
- We remain constructive on copper, expecting the market deficit to widen from 219,000 metric tons in 2026 to 379,000 metric tons in 2027, supporting prices toward USD 15,500/mt in 2027. We continue to favor long copper positions and view any near-term weakness as a buying opportunity.

LME copper prices saw some profit-taking following recent Cobre Panama restart headlines, which raised expectations of a potential return of mine supply. However, while Panama's interministerial commission recommended formal negotiations with First Quantum Minerals and proposed restarting operations as part of a long-term closure plan, there is still no clarity on the timing, scale, or legal pathway for a restart, and no final decision has been taken. As a result, although the development marginally reduces longer-term supply risks, it does little to ease ongoing physical market tightness in the near term.

Meanwhile, the COMEX-LME copper spread narrowed through September before widening again to around USD 135/mt in October amid renewed tariff uncertainty. While COMEX inventory growth slowed to around 15,500 mt in September (versus 39,000 mt in August), stocks remain near record highs. LME and SHFE inventories continue to decline, highlighting persistent physical tightness outside the US. A further delay in the tariff decision would likely prolong these regional dislocations, keeping inventories concentrated in the US and supporting copper prices through tighter ex-US availability.

China remains a key pillar of copper demand. China's official manufacturing PMI rose to 50.1 in September from 49.8 in August, supported by modest improvements in new orders and production. While the property sector remains weak, investment in power grids, renewables, EVs, and manufacturing upgrades continues to underpin refined copper consumption. Elevated Yangshan premiums, a key gauge of import demand, together with ongoing SHFE inventory drawdowns, point to resilient downstream demand despite high prices. LME copper prices remained broadly stable during China's National Day Golden Week holiday

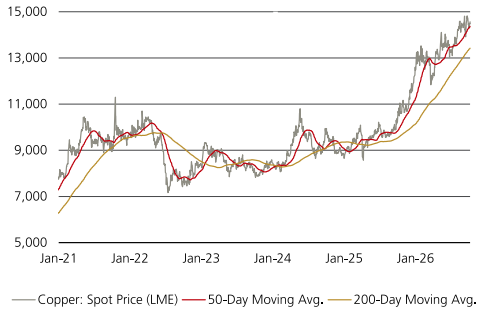
Copper (USD/mt)

	Forecasts	Spot
08 Oct 26		14,565
Dec 26	15,000	
Mar 27	15,000	
Jun 27	15,500	
Sep 27	15,500	

Bloomberg, UBS; Note: Forecasts refer to end of period.

LME copper prices are consolidating after a strong upward move

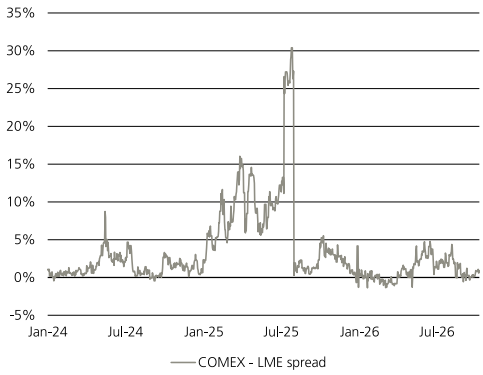
Daily data, values in USD/mt



Source: Bloomberg, UBS, as of October 2026

Copper spread remains volatile amid US tariff uncertainty

Daily data, COMEX - LME spread as a % of LME copper prices



Source: Bloomberg, UBS, as of October 2026

(1-7 October), with the key near-term question being whether post-holiday demand can absorb inventories accumulated during the holiday period.

On the supply side, market conditions remain tight despite persistent efforts by smelters to adapt. Spot treatment charges continued to decline through September, even as Chinese smelters increasingly resisted lower terms, with many opting to reduce operating rates rather than accept further deterioration in margins. According to Wood Mackenzie, scheduled smelter maintenance is expected to exceed 1.0 million metric tons per annum (Mtpa) in October, up from 0.5 Mtpa in September, underscoring continued tightness in the concentrate market.

More broadly, supply growth remains the key constraint for the copper market. Despite strong price incentives, mine output growth continues to disappoint amid weather disruptions, lower ore grades, project delays, and operational challenges, particularly in Chile. Uncertainty surrounding Cobre Panama, together with ongoing issues at several large mining operations, further increases the risk of supply underperformance. Year-to-date Chilean production is down 7% year over year and is at risk of falling below 5 million metric tons in 2026, compared with 5.3 million metric tons last year. Much of this year's decline is attributable to Codelco and BHP, which together account for around 50% of Chile's copper output.

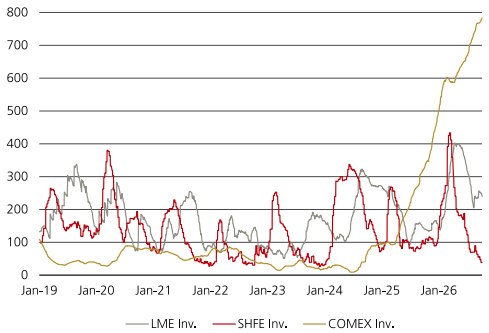
El Niño presents an additional source of copper supply risk, bringing drier conditions to Southeast Asia and Zambia, and wetter weather to Chile and Peru. Meanwhile, labor tensions remain elevated at Centinela and Escondida, which together represent around 5% of global mine production, further heightening near-term supply disruption risks.

Against this backdrop, concentrate availability remains exceptionally tight. China's imported copper concentrate treatment charges fell to record lows below USD -220/mt at the end of September, from around USD -45/mt at the start of the year, highlighting the growing imbalance between constrained mine supply and expanding smelter capacity. While Chinese smelters have partly offset shortages through greater use of scrap and alternative feedstocks, the concentrate market remains structurally undersupplied. Taken together, these factors suggest that supply-side pressures are unlikely to ease meaningfully in the near term, even if some of the headline risks surrounding Cobre Panama eventually diminish.

While macro concerns may weigh on sentiment intermittently, we remain constructive on copper. Constrained supply growth, tightening ex-US inventories, and sustained demand from electrification, grid investment, and AI infrastructure should continue to support prices. We therefore view any near-term weakness as temporary and maintain a preference for long copper exposure.

COMEX copper inventories stay elevated while LME and SHFE inventories continue to decline

Values in 1,000 metric tons



Source: Bloomberg, UBS, as of October 2026

Appendix

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