Copper Extends Drop to 5-Year Low as China Fails to Spur Rebound

By Alex Davis - Jan 13, 2015

Copper fell to the lowest in five years as record Chinese imports failed to convince investors that demand from the largest metals consumer is strong enough to eliminate a supply glut.

The metal slid as much as 1.3 percent to trade at the weakest since October 2009. Copper is leading declines in industrial metals this year as raw-material prices slump on speculation supply growth is outpacing consumption. China imported a record volume of unwrought copper and copper products in 2014, customs data showed today.

The Bloomberg Commodity Index of 22 energy, agriculture and metal prices dropped to a 12-year low amid emerging supply gluts and slowing economic growth in Europe and China. Investors last week doubled bets on more losses in copper, the worst-performer in the past year among the six major base metals traded on the London Metal Exchange after plummeting 19 percent.

“Chinese demand is still growing, albeit at a slower pace,” said James Glenn, a senior economist at National Australia Bank Ltd., in an e-mail. “This will help the market, but may not be enough to offset rising production, keeping a lid on prices.”

Copper for delivery in three months on the LME slipped to as low as $5,936.25 a metric ton today and was at $5,949 by 3:19 p.m. in Hong Kong. It hasn’t posted a gain since Dec. 30.

More traders and analysts are negative on copper than any time since August. A Bloomberg News survey on the direction of prices this week showed that among 18 respondents, 10 were bearish, six were bullish and two were neutral.

Slowest Pace
China’s copper consumption will grow at the slowest pace since at least 2010, Deutsche Bank AG predicts. Refined production will exceed demand this year by 380,000 tons, more than double the level last year, according to Societe Generale SA. Macquarie Group Ltd. puts the glut at 98,000 tons.

China’s imports climbed 7.4 percent to a record 4.83 million tons in 2014, customs data showed today. Purchases were at 420,000 tons in December, unchanged from November.

In New York, March futures dropped 1.4 percent to $2.687 a pound. In Shanghai, metal for the same month fell 2.4 percent to close at 42,890 yuan ($6,915) a ton, the lowest since July 2009.

On the LME, nickel, lead, tin, aluminum and zinc all dropped.

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