

# Global recovery powers metal boom as copper and steel prices soar

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LONDON: Investors looking to gauge the strength of the global recovery need look no further than metals markets.

Copper's at the highest in a decade, aluminum is surging, and iron ore is closing in on a record as steel prices climb.

Underpinning gains, which are taking commodities toward the highs of the last supercycle, is growing evidence that the world's largest economies are shaking off the coronavirus shock and their growth roadmaps will have a decidedly green focus.

The US recovery is accelerating and President Joe Biden's US\$2.25 trillion (RM9.22 trillion) infrastructure plan will highlight sectors like electric cars, driving further gains in commodities critical to the green-energy transition.

That's coming alongside a continued economic boom in China, where a push to reduce emissions is already filtering through to supply cuts for some metals just as demand is picking up.

"Global demand is recovering, led by China, while the green transition is bolstering sentiment further," Zhu Yi, an analyst with Bloomberg Intelligence, said by phone.

"In short, demand will stay resilient, while supply won't expand, upside momentum will go forward."

Metals extended their surge at the start of the week. Copper in London was up as much as 1.6% to US\$9,704 a tonne, the highest since 2011.

Iron ore in Singapore jumped to the highest since contracts launched in 2013, while Chinese steel futures reached fresh highs.

Copper's integral role in everything from electrical wiring to motors is fanning expectations that its rally is likely to be long-lived as countries worldwide roll out more aggressive climate targets.

Goldman Sachs Group Inc and trader Trafigura Group have said they expect the economic bellwether to top the record of US\$10,190 in 2011 and push substantially higher as demand outstrips supply.

"Copper could hardly peak and pull back with this backdrop," said Harry Jiang, head of trading and research with Yonggang Resources Co.

Tightness in markets outside China may lead to a supply squeeze, which will offset current weakness in Chinese demand, he said.

Still, risks to the industrial rally are building in the short-term.

A rise in coronavirus cases and new variants threaten to derail reopening plans in some regions, while investors are concerned about a possible pullback in Chinese stimulus.

"It's a solid growth story, but if you look at India and other emerging markets, there are some concerns there," said Vivek Dhar, commodities analyst at the Commonwealth Bank of Australia.

"The United States and China are headlining that positivity in the market, but there are still question marks on physical demand growth, and that will mean that the recovery will have hiccups along the way."

There's also a focus on the possibility of more intervention by Chinese authorities, who say they'll stabilise raw material prices and have already implemented a swathe of production curbs across industries.

Inner Mongolia has said it would stop approving new aluminum projects as part of the country's green push, and speculation about curbs in Xinjiang is giving further support to prices at a three-year high. — Bloomberg