BASE METALS ANALYST

Copper: Ex-US Tightness Supports Higher Prices

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- While off the $14,153 all-time high of mid-May, copper prices remain elevated, up 10% year to date at $13,600.
- Year-to-date data does suggest that supply recovery from previous disruption events has trailed our expectations. Accordingly, we lower our 2026 global mine supply forecast by 350kt, equivalent to ~1.5% of global mine supply, including ~200kt less from Grasberg (Indonesia) and Kamoa-Kakula (DRC) combined, with neither returning to full capacity until 2028.
- Furthermore, US copper imports in H1 2026 have exceeded our previous forecast, tightening the ex-US balance. As a result, we now expect US inventory to build by 900kt in 2026 (vs. 550kt previously), even as our base case remains that no copper tariff will be announced this year.
- Combined, these factors mean that we now expect the ex-US market to be in a deficit of 640kt/170kt in 2026/2027 (vs. 60kt/40kt deficits previously), leading us to raise our end-2026/average 2027 LME copper forecasts to $13,735/$13,800 from $12,465/$12,150 previously (vs. forwards at $13,630/$13,610). While we expect prices to remain above our 2026 fair value estimate of $12,600 over the next six months as speculative positioning (reflecting the attractive long-term thematics for copper) continues to support prices above what fundamentals alone would imply, our 2027 price forecast of $13,800 is in line with our fair value estimate for next year, taking into account the ex-US balance and a stockpiling risk premium.
- While our base case is that the LME copper price remains close to current levels over the coming months, we lay out three alternative price scenarios under different economic and US copper tariff outcomes:
    - **(1) Strait of Hormuz Remains Closed for Longer:** While we would expect limited impact on the global copper balance as the demand hit from lower economic growth is largely offset by lower copper supply due to sulfur shortages, a substantial pullback in global risk appetite could push the LME price down to its fundamental support level at ~$12,600 in H2 2026, before resuming an upward trend.
    - **(2) US Copper Tariff Announced for January 2027:** If a US copper tariff is announced prospectively in June 2026, to start in January 2027, we would expect US copper imports to accelerate in H2 2026 (vs. our base case of a

slowdown in imports), tightening the ex-US balance and raising prices to over $14,000 in H2 2026. However, we would expect prices to retreat in 2027 as imports stop once the tariff is imposed.

- **(3) Announcement of No Copper Tariff:** A definitive decision against the tariff would reduce the size of our ex-US deficit forecast in 2026 and push the ex-US market back into surplus in 2027 as imports fall to a negligible level. In this scenario, we would expect the price to fall to an average of $12,800/t in 2027.

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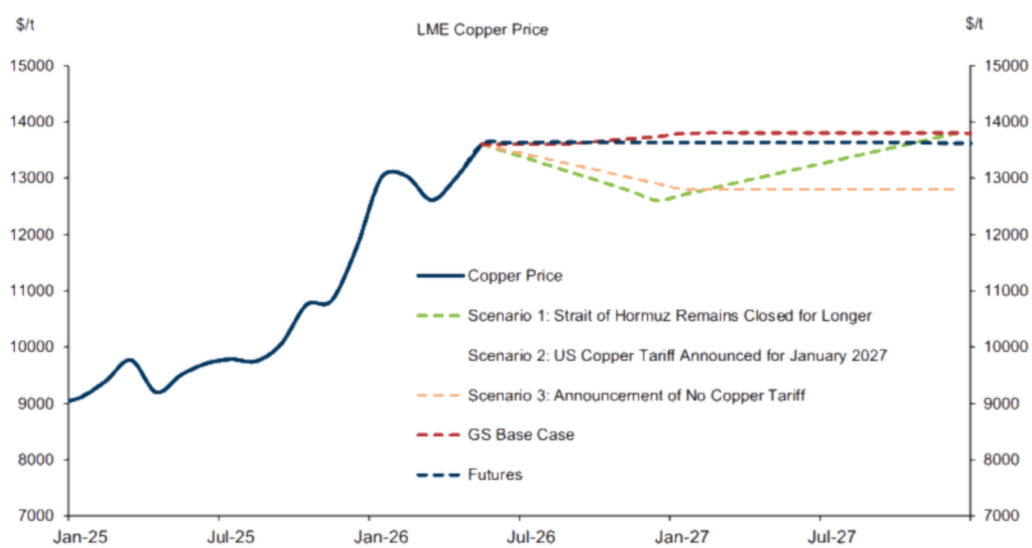
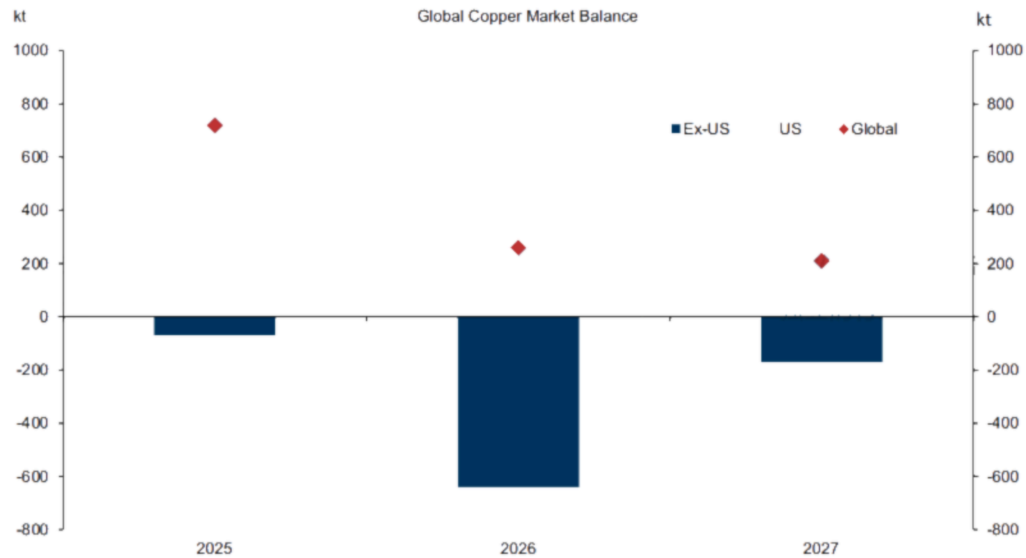
We raise our end-2026/average 2027 LME copper forecasts to $13,735/$13,800 from $12,465/$12,150 previously (vs. forwards at $13,630/$13,610) (Exhibit 1), as we now see the ex-US market tightening more than previously expected in 2026 and 2027. We now forecast the ex-US market to be in a deficit of 640kt/170kt in 2026/2027 (Exhibit 2) (vs. 60kt/40kt previously) as lower mine supply growth tightens the global balance, while higher imports into the US mean less metal is available to the rest of the world where the LME price is set.

Exhibit 1: Two-Sided Risks to our LME Copper Price Forecast



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 2: We Expect the Ex-US Market to be in Substantial Deficit This Year, Keeping the LME Price Supported

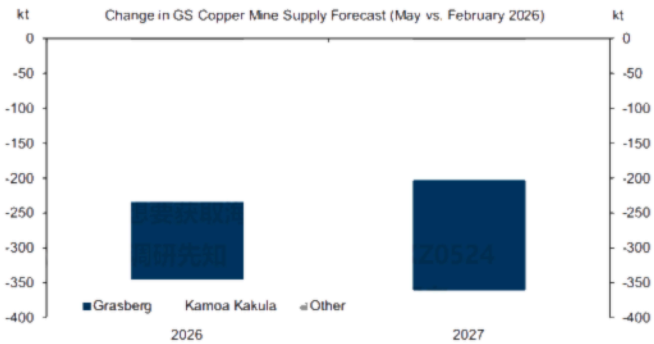


Source: CRU, Wood Mackenzie, Bloomberg, Goldman Sachs Global Investment Research

We have removed ~350kt of global copper mine supply from our 2026/2027 balances (Exhibit 3), explaining half of the ~600kt tightening in our ex-US balance since our April update. This is predominantly due to a slower than previously expected recovery in output from the Grasberg and Kamoa-Kakula mines following incidents in 2025. We do not expect either mine to return to full capacity until 2028. Furthermore, scrap has not been providing an offset to the tighter refined balance. In particular, China's domestic scrap output is down 12% YoY YTD, as stricter VAT invoice compliance has reduced the volume of domestic scrap that compliant buyers can source, keeping better-documented imported scrap in strong demand and limiting scrap's ability to substitute for refined copper[1] (Exhibit 4).

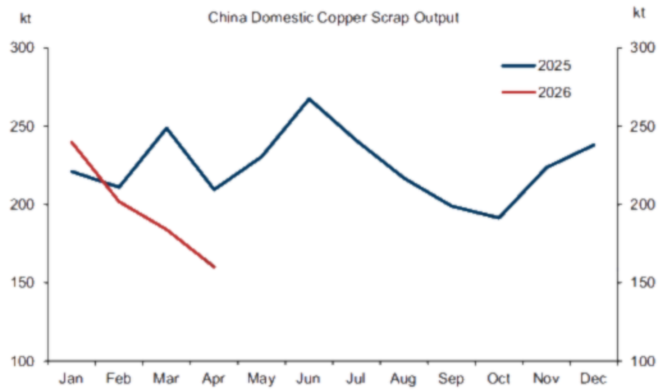
[1] Under China's reverse invoicing system, buyers can issue VAT invoices when purchasing scrap from smaller suppliers, but tighter scrutiny and invoice limits have made this documentation a constraint on formal scrap transactions.

Exhibit 3: We Have Removed ~350kt of Mine Supply in 2026 As the Impacts of Last Year's Mine Supply Disruptions Persist



Source: Visible Alpha Consensus Data, Wood Mackenzie, Goldman Sachs Global Investment Research

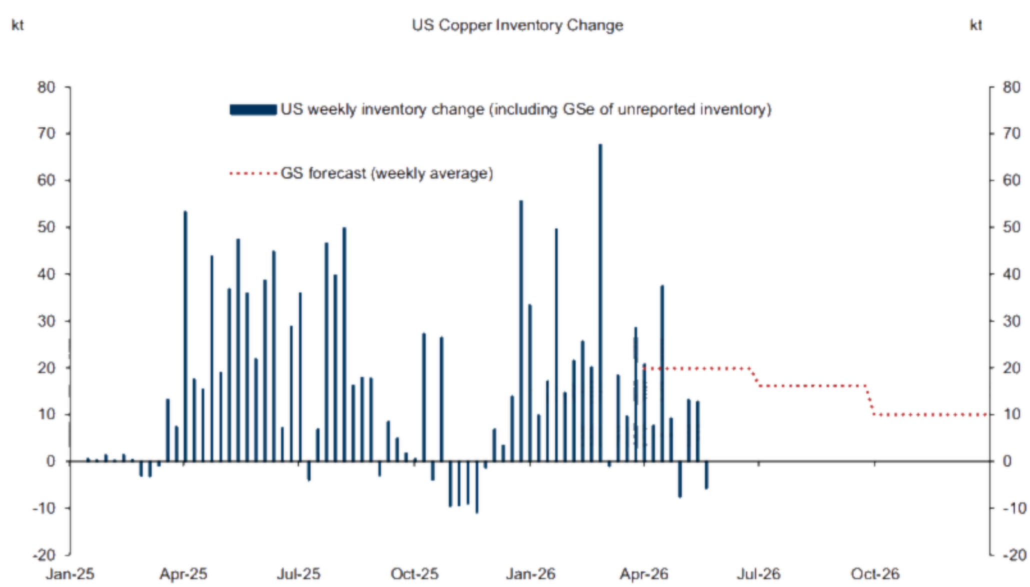
Exhibit 4: China Copper Scrap Output Falls 12% YoY YTD on Invoice Scrutiny



Source: SMM, Goldman Sachs Global Investment Research

While mine supply disruptions tighten the global balance, US import volumes impact the ex-US market, where the LME price is set. We have lifted our 2027 US stock build forecast to 900kt (vs. 550kt previously), widening the ex-US deficit. US imports beat expectations in H1 2026, and we expect US imports to reaccelerate over the coming month, reflecting the now-open import arbitrage. While we expect the pace of imports to slow in H2 2026 and 2027 under our base case of no tariff decision as the market-implied risk of a tariff reduces, we expect some flow of metal into the US to continue (reflecting the risk of a later tariff announcement), keeping the ex-US market in deficit for the next two years.

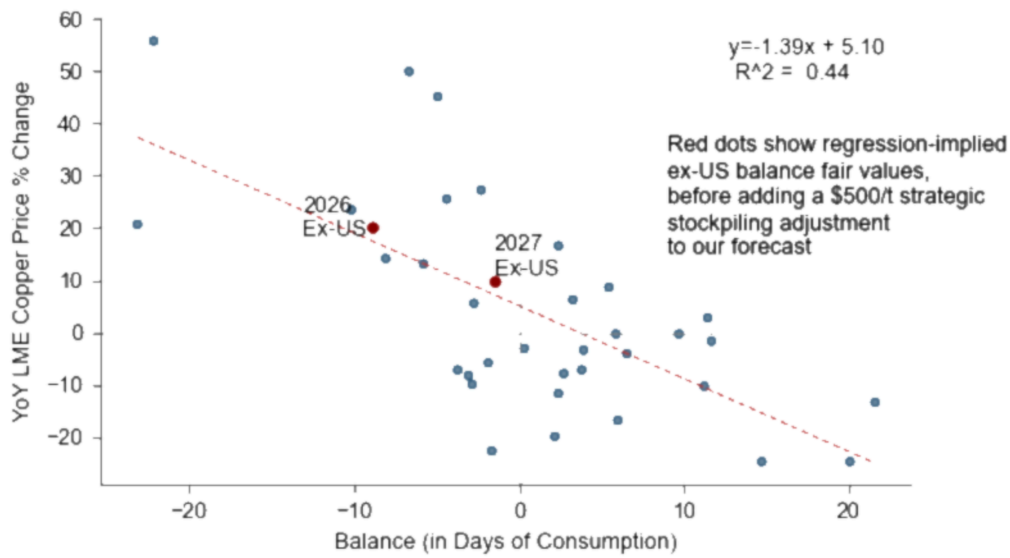
Exhibit 5: We Expect US Copper Inventory Growth to Accelerate in the Coming Weeks, but Slow in H2 Under the Base Case of No Tariff Announcement



Source: Bloomberg, Goldman Sachs Global Investment Research

Our updated 2026/2027 ex-US balance alone provides copper prices support at $12,120 in 2026 and $13,300 in 2027 (Exhibit 6). To this, we add a 25% probability of broad strategic copper stockpiling[2], which we estimate can drive an additional ~$500/t of price support, reflecting what we believe will be sustained market concerns that strategic stockpiling might limit visible inventory builds and support prices above what physical fundamentals alone would imply. This brings our estimated fair value for LME copper to ~$12,600 in 2026 and $13,800 in 2027. While the current copper price of $13,600 sits above our 2026 fair value, the price has been supported by speculative inflows into the market, in part driven by the hard asset rotation, and we do not see a catalyst for reversal in the near term due to copper demand's exposure to strategic sectors such as energy security, AI, and defence, plus the constrained nature of new supply. We see speculative outflows as especially unlikely as the ex-US market looks ahead to a potential tightening as copper imports into the US likely accelerate over the coming months.

Exhibit 6: We Estimate That a 1-Day Decline in the Copper Balance (Inventory Days) Results in a ~1.4% Boost to the LME Price



On an annual average year-over-year basis. Regression based on annual data (1990–2024); LME copper price year-on-year change versus refined balance in days of consumption. The year 2006 is excluded from the sample. The estimated slope of −1.39 indicates that each 1-day change in the balance (equivalent to roughly 75kt of global refined copper) is associated with a ~1.40% change in the copper price. This corresponds to an implied price effect of about +1.85% for each −100kt change in the refined balance. Forecast points (2026–2027 ex-US) are shown for illustration but are not included in the estimation. The price action in 2025 is in line with the model using the ex-US balance, as US inventory is effectively "trapped".

Source: Bloomberg, CRU, Wood Mackenzie, Goldman Sachs Global Investment Research

While our base case is that the LME copper price remains supported close to current levels in 2026/2027, we lay out three alternative price scenarios under different economic and US copper tariff outcomes.

(1) Strait of Hormuz (SoH) Remains Closed for Longer: Under the scenario that the SoH remains closed for longer than our base case that flows recover by end-June, the LME copper price could fall towards our estimated fair value of $12,600 in H2 2026. Notably, this fair value remains the same as our base case, as we would not expect any substantial change in either our global or ex-US balances. On the demand front, we

[2] The strategic stockpiling adjustment is based on a scenario where the US and China target an additional 60 days of copper cover, absorbing around 1Mt of copper. We probability-weight this scenario at 25%, equivalent to roughly $500/t of price support.

previously estimated that a 1pp slowdown in world real GDP growth is associated with a ~0.9pp slowdown in global copper demand growth. Therefore, under our economists' severely adverse scenario of a 1.1pp hit to global economic growth, this would result in ~300kt lower copper demand in 2026 vs. our February forecast. However, we would expect this to be largely offset by lower supply stemming from tightness in the sulfur/sulfuric acid market. Our base case does not account for these potential sulfur-related disruptions, but industry feedback suggests that ~125kt of DRC output is at risk from the lack of sulfur flowing through the SoH, and a further ~200kt in Chile is at risk from China's sulfuric acid export restrictions.

Furthermore, we note that copper demand's increasing exposure to strategic sectors may provide some limit to the demand hit vs. historical economic slowdowns. We expect more than 60% of copper demand growth by 2030 (vs. 2025) to come from grid and power infrastructure as AI and defence place grids – many of which are old and vulnerable in DMs – at the centre of energy security. Demand from these critical sectors is likely to be (1) less sensitive to an economic slowdown than cyclical sectors such as construction or white goods, and (2) less sensitive to high copper prices. For example, Chinese apparent copper demand remained resilient at +1% YoY in Q1 2026 (Exhibit 7), despite copper prices trading near all-time highs, as strength in grid and power infrastructure demand (+10% YoY YTD) helped offset weakness in solar and EV-related demand. We have also close to doubled our global datacentre copper demand YoY growth forecast for 2026/27, reflecting the latest update from our global datacentre team (although we note that the majority of copper demand from datacentres comes indirectly via grid and power infrastructure investment).

Exhibit 7: Chinese Apparent Copper Demand Remained Resilient at +1% YoY in Q1 2026

Source: SMM, Wind, Goldman Sachs Global Investment Research

However, unlike in our base case, where we expect speculative positioning to remain long, keeping the LME price trading above its fair value in 2026, a prolonged closure of the SoH and the resulting lower global economic growth expectations would likely result in a pullback in global risk appetite. We previously estimated a 0.7% short-term boost to copper prices from a 1pp increase (0.1 standard deviation) in net managed money as % of open interest. Using this rule of thumb, a reversal back to the March low of COMEX+LME net managed money positioning as a % of OI (8.4% vs. 18.2% currently) would imply 6.6% of downside to prices, taking copper to ~$12,700, close to our estimated fair value.

(2) US Copper Tariff Announced for January 2027: If a US copper tariff is announced prospectively in June 2026, to start in January 2027, we would expect US copper imports to accelerate in H2 2026 (vs. our base case of a slowdown in imports), tightening the 2026 ex-US balance and resulting in prices exceeding $14,000 in H2 2026[3]. However, we would expect prices to retreat in 2027 as imports stop once the tariff is imposed. Assuming that all of the global 210kt surplus builds outside of the US in 2027, we would expect the copper price to retreat to ~$13,900 in 2027 under this scenario.

(3) Announcement of No Copper Tariff: A definitive decision against the tariff would reduce the size of our ex-US deficit forecast in 2026, and push the ex-US market back into surplus in 2027, weighing on prices vs. our base case in both years. Under this scenario, we would expect US refined copper imports to decrease to a very small volume in H2 2026 and 2027, but not completely stop, nor would US stockpiles likely leave the US. This is because even if not imposed for now, a tariff would likely remain on the cards for the future, similar to the critical minerals tariff decision which stated *"it may be appropriate to impose import restrictions, such as tariffs, if satisfactory agreements are not reached in a timely manner"*. In this scenario, we would expect the ex-US market to be in a 410kt deficit in 2026, but move to 130kt surplus in 2027, and the LME price to move lower to ~$12,800 next year (our 2027 estimated fair value in this scenario).

[3] In this scenario, we assume the US copper stockpile builds by 760kt in H2 2026 (a simila 2025) ahead of the tariff being enforced from January 2027. This moves the ex-US maket i providing an additional 8% boost to prices (from 2025 levels) vs. our base case, resulting in $14,000 in H2 2026.

Appendix

Exhibit 8: We Raise our LME Copper Price Forecast

GS Forecast ($/mt)			
	LME Copper New	LME Copper Prior	LME Copper Futures
2026	13,400	12,650	13,392
2027	13,800	12,150	13,629
2028	13,700	12,150	13,608
1Q26	12,878	12,878	12,878
2Q26	13,400	12,700	13,415
3Q26	13,600	12,600	13,636
4Q26	13,700	12,500	13,633
1Q27	13,800	12,400	13,629
2Q27	13,800	12,200	13,633
3Q27	13,800	12,000	13,634
4Q27	13,800	12,000	13,622
Jan-26	13,012	13,012	13,012
Feb-26	13,034	13,034	13,034
Mar-26	12,609	12,609	12,609
Apr-26	13,020	12,600	13,020
May-26	13,600	12,700	13,602
Jun-26	13,600	12,800	13,625
Jul-26	13,600	12,635	13,633
Aug-26	13,600	12,600	13,639
Sep-26	13,620	12,565	13,636
Oct-26	13,665	12,535	13,634
Nov-26	13,700	12,500	13,634
Dec-26	13,735	12,465	13,631

Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 9: We Expect the Global Copper Market to Move into a Deficit by the End of the Decade

World Copper Market Balance

'000 tonnes	2024	2025	2026	2027	2028	2029	2030
Market Balance							
Refined Production	27,092	28,424	28,363	29,007	29,817	30,359	30,684
Refined Consumption	26,674	27,705	28,103	28,797	29,470	30,269	30,864
Market balance	**418**	**719**	**260**	**210**	**347**	**90**	**-180**
Production							
Mine Production before disruption allowance	22,883	23,249	23,792	24,919	25,955	26,436	26,772
Disruption allowance			*3.0%*	*5.0%*	*5.5%*	*6.0%*	*6.5%*
Mine Production	**22,883**	**23,249**	**23,078**	**23,673**	**24,528**	**24,850**	**25,032**
y/y change	*2.2%*	*1.6%*	*-0.7%*	*2.6%*	*3.6%*	*1.3%*	*0.7%*
Change in Copper Concentrate Inventories	(200)	(250)	(100)	-	200	150	200
Smelting loss	622	639	646	677	705	718	727
Scrap used in Smelting & Refining	4,630	5,564	5,831	6,010	6,194	6,377	6,580
y/y change	*13.0%*	*20.2%*	*4.8%*	*3.1%*	*3.1%*	*3.0%*	*3.2%*
Refined Production	**27,092**	**28,424**	**28,363**	**29,007**	**29,817**	**30,359**	**30,684**
y/y change	*4.3%*	*4.9%*	*-0.2%*	*2.3%*	*2.8%*	*1.8%*	*1.1%*
China	12,061	13,430	14,300	15,000	15,350	15,700	16,200
World Ex-China	15,031	14,995	14,063	14,007	14,467	14,659	14,484
Consumption							
Total Copper Consumption	**33,439**	**33,946**	**34,555**	**35,287**	**35,993**	**36,824**	**37,453**
y/y change	*2.6%*	*1.5%*	*1.8%*	*2.1%*	*2.0%*	*2.3%*	*1.7%*
of which							
Grid & Power Infrastructure	10,797	11,348	12,057	12,357	12,649	13,079	13,514
EVs & Renewables	3,244	3,695	3,700	3,942	4,227	4,623	5,005
Electrification share of demand	*42%*	*44%*	*46%*	*46%*	*47%*	*48%*	*49%*
China Building	4,070	3,474	3,062	2,881	2,771	2,655	2,564
Scrap used at Mills (directly melted)	6,765	6,382	6,452	6,491	6,523	6,556	6,589
y/y change	*1.9%*	*-5.7%*	*1.1%*	*0.6%*	*0.5%*	*0.5%*	*0.5%*
Refined Copper Consumption	**26,674**	**27,705**	**28,103**	**28,797**	**29,470**	**30,269**	**30,864**
y/y change	*2.7%*	*3.9%*	*1.4%*	*2.5%*	*2.3%*	*2.7%*	*2.0%*
China	15,232	16,008	16,221	16,654	17,161	17,837	18,351
World Ex-China	11,442	11,697	11,883	12,143	12,308	12,432	12,513
Total Scrap Consumption	**11,395**	**11,946**	**12,283**	**12,501**	**12,717**	**12,933**	**13,168**
y/y change	*6.2%*	*4.8%*	*2.8%*	*1.8%*	*1.7%*	*1.7%*	*1.8%*
Copper price, $/t	**9,253**	**9,973**	**13,400**	**13,800**	**13,700**	**13,900**	**14,100**

Source: CRU, Wood Mackenzie, SMM, ICSG, National Statistics, Company filings, BNEF, S&P Global Market Intelligence, Goldman Sachs Global Investment Research