

Weekly Market Snapshot

Entering a copper squeeze

Weekly Recap

- US Black Friday sales grew signalling a pursuit of spending by the US consumers.
- Eurozone inflation rose to 2.2% in November, above economist predictions.
- Tensions between the US and Venezuela give concerns to the markets and mainly on the energy market.
- Trump announced that he will nominate the new FED Chair by beginning of 2026.
- No deal was reached during the latest discussions between the American envoys and the Russian president regarding the war on Ukraine.

Snapshot

In the past, the industrial metal copper has been used in many different ways, ranging from weaponry to construction and all things electrical. Today, copper demand is growing rapidly thanks to defence, electronics & technology, electricity generation & transmission and electric & hybrid vehicles.

This demand growth comes in the context of restricted supply, due to underinvestment in the recent years in this metal and disruptions at large mines. As per the International Copper Study Group global Copper supply will grow by only 0.9%, versus an expected demand growth of 2.1% year-on-year.

The projected supply-demand deficit should force copper prices higher. Several possibilities are then available for investors in order to take part in this commodity/market either through diversified commodities ETFs and funds, through direct investment in the physical copper or even in the mining companies.

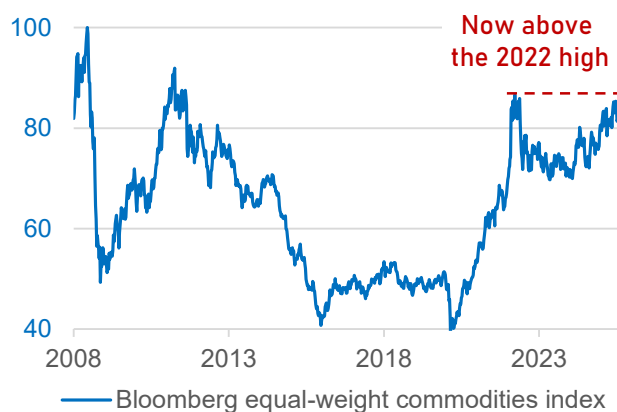
| | 03 December | % Chg | Return Trend | |
|---------------|-------------|-------|--------------|--------|
| Market | Level | 1 Wk | 1 Month | 1 Year |
| Stocks | | | | |
| S&P 500 | 6829 | +1,9% | ↘ | ↗ |
| Euro STOXX 50 | 5686 | +2,0% | ↗ | ↗ |
| FTSE 100 | 9702 | +1,0% | ↗ | ↗ |
| Nikkei 225 | 49865 | +0,6% | ↘ | ↗ |
| MSCI EM | 1374 | +0,2% | ↘ | ↗ |

| Bonds | Yield | | | |
|--------|-------|-------|---|---|
| US 10Y | 4,1 | +2,0% | ↗ | ↗ |
| Gm 10Y | 2,8 | +3,1% | ↘ | ↘ |
| UK 10Y | 4,5 | -0,6% | → | ↗ |
| Jp 10Y | 1,9 | +4,8% | ↘ | ↘ |

| IG Credit | Yield | | | |
|-----------|-------|-------|---|---|
| US | 5,0 | +0,8% | ↗ | ↗ |
| EU | 3,2 | +0,8% | → | ↗ |
| UK | 5,1 | -1,2% | ↗ | ↗ |

| Alternatives | | | | |
|------------------|------|-------|---|---|
| Gold | 4207 | +1,1% | ↗ | ↗ |
| Copper | 5,2 | +3,3% | ↗ | ↗ |
| S&P Global Infra | 3539 | -0,5% | ↗ | ↗ |
| EU REITs | 1624 | +0,9% | ↗ | ↗ |
| BBG Hedge Fds | 1786 | +0,0% | → | ↗ |

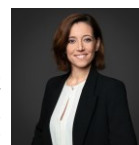
AVERAGE COMMODITY PRICE RETURNS TO HIGHEST SINCE 2011



Source: BNP Paribas, Bloomberg

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Where can copper be found?

In the past, the industrial metal copper has been used in many different ways, ranging from weaponry and coins to construction (copper pipes and cables) and all things electrical.

Today, copper demand is growing rapidly thanks to defence, electronics and technology, electricity generation and transmission, and electric and hybrid vehicles. This demand growth comes in the context of restricted supply, with only 0.9% global supply growth expected next year, versus expected demand growth of 2.1% year-on-year. This is projected to lead to a supply-demand deficit of 150,000 metric tons in 2026, according to the International Copper Study Group.

Surging Copper demand

In 2025, increasing copper demand has been driven by an important electrification trend worldwide related to all technological advances and electricity investments:

- 1) The increase of AI data centres all over the world has led to an increase in the demand for electricity as data centres require a powerful and stable power. The infrastructure needed to transfer this electricity will also need to be upgraded to cater for this growing demand. Hence, a higher demand on copper.
- 2) The growth in penetration of electric and hybrid cars has impacted the demand on copper as an electric car uses 2.4 times more copper than conventional thermal engine cars.
- 3) Not to forget, renewable energy sector in which copper is required in everything related to wind and solar power and, in the batteries used to store the energy.
- 4) Finally, the energy demand has also been affected by a growing demand from Emerging Markets. As countries develop, the middle classe grows consuming more electricity for its daily life.

Limited supply growth

In contrast, Copper supply has not grown much due to underinvestment in the recent years in this metal. Moreover, few mines are planned to be opened in the coming years, and their development usually takes more than 8 years. Finally, following incidents in the largest mines, the main one based in Indonesia - Glasberg mine operated by Freeport McMoran - the production was disrupted.

How best to invest in this commodity?

As mentioned, the supply restrictions due to a tight market faced with a rapidly increasing demand will create a deficit between supply and demand which can affect the copper prices in the coming years and lead Copper prices to rise from their current levels. We have set a USD 13,000 price target v USD 11,000/ton current LME price. Several possibilities do exist for investors in order to take part in this commodity/market:

- i) Investing directly in Copper through an ETC which invested direct in physical copper stores, i.e. Copper sitting in warehouses,
- ii) Investing in diversified commodities Funds or ETFs that have a high weighting in Copper or equally weighted funds and ETFs,
- iii) Investing directly in stocks of mining companies or ETF & Funds that regroup the stocks of those mining companies. It is to be noted that mining companies that extract copper are also companies that extract other precious metals and that have benefited from the increase in prices during 2025.

THE RISE OF AI AND DEMAND FOR MORE ELECTRIFICATION HAS LED TO AN INCREASE IN THE COPPER PRICE OVER THE PAST MONTHS



Source: BNP Paribas, Bloomberg



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