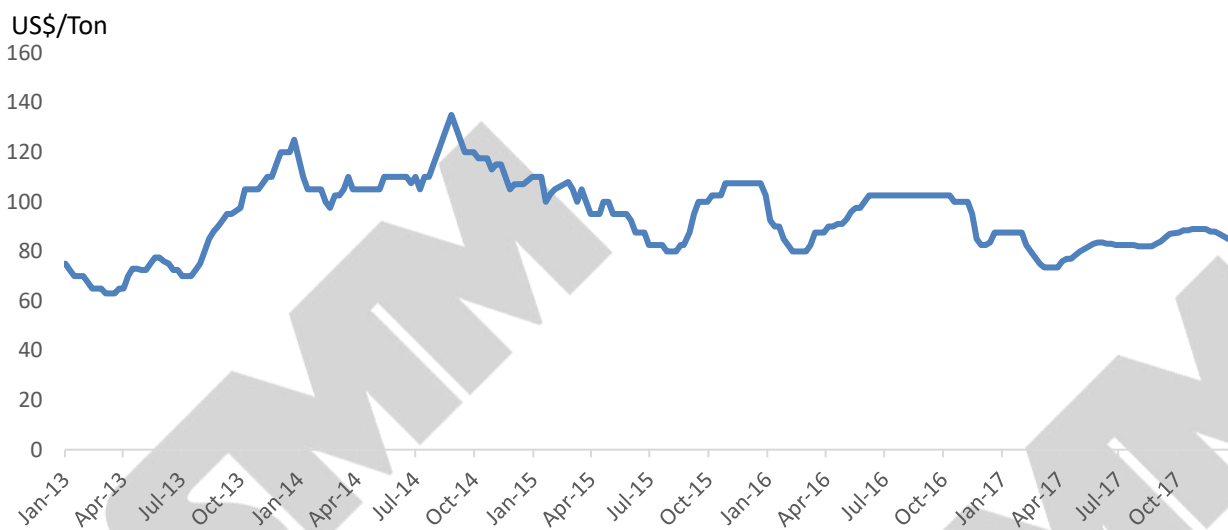


2018 Annual Copper TC Set at US\$82.25/ton; SMM Bullish on 2018 Copper Prices

China's CSPT team, led by Tongling Nonferrous this year, signed 2018 annual TC with Freeport at US\$82.25/ton before the New Year, down 11.08% from 2017's annual TC. The floor for spot TC in 1Q18 is US\$87/ton, down 8.42% from 4Q17. SMM is bearish on 2019 TC, forecasting at US\$75/ton based on the tight supply of copper concentrate.

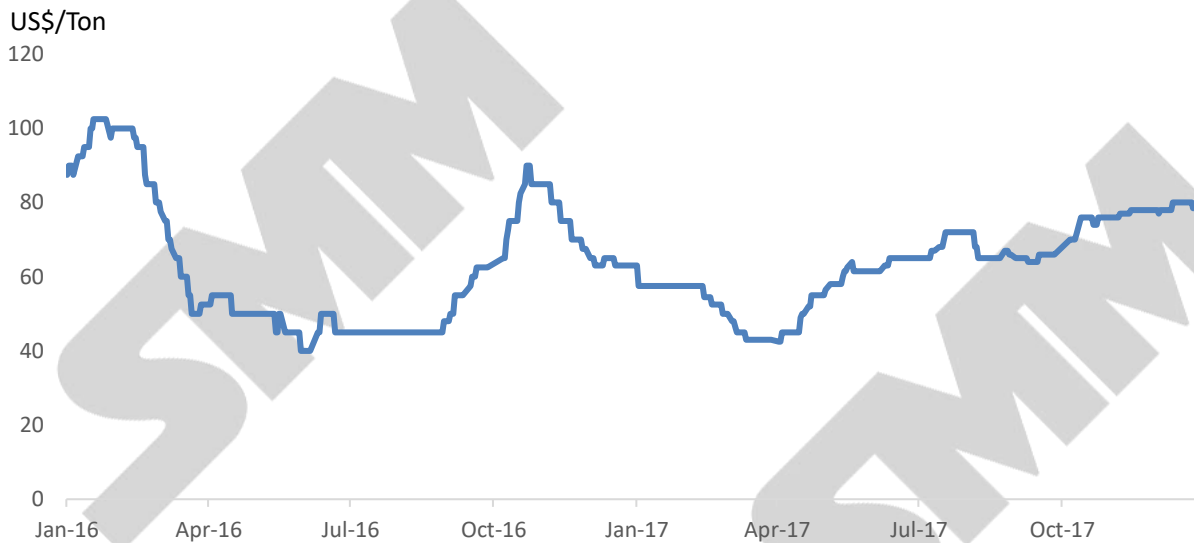
The trading of imported copper concentrate and refined copper was quite last week. The spot premium for imported refined copper was slightly higher than the benchmark annual price for 2018, implying downside risks for the spot premium. Yangshan copper premium was US\$78.5/ton, down 1.88% from the previous week.

1.China' s Spot Copper Concentrate TC (US\$/ton)



Source: SMM

2. Yangshan Copper Premium (US\$/ton)



Source: SMM

Sensitivity Analysis for Chinese Smelters' Net Income to TC

SMM forecasts that copper prices will go higher in 2018. Based on our financial models of three major smelters in China, we reiterate our positive views on Jiangxi Copper due to its high self-sufficiency rate of copper concentrate, and on Tongling Nonferrous due to its ramp-up of the 15,000-tons-per-annum lithium copper foil capacity in 2018.

Table 1 : TC Sensitivity Analysis for 2018 Expected Net Income

Company Name	Self-Sufficiency Rate (%)	2017 Expected Net Income	2018 Expected Annual TC (Usd/t)				
			70	75	80	85	90
Jiangxi Copper	16.20%	2,199	2,485	2,511	2,537	2,563	2,589
Tongling Nonferrous	4.07%	509	522	555	587	620	653
Yunnan Copper	9.30%	341	333	372	411	450	489

Source : SMM

SMM has comprehensive **China Cost Database** for nonferrous and ferrous metals, by conducting regular field trips and interviews with all Chinese metal producers, from large-scaled to small-scaled, from SOEs to private-owned. We collect their detailed cost breakdown for individual plants/mines and for the whole production processw, and update the database regularly as well as keep close track of any updates/changes.

We also have Cost Database for Steel, Iron Ore, Aluminum, Copper, Copper Mine, Nickel, Nickel-Pig-Iron (NPI), Tin, Manganese, Lead and Lead Ore, etc.