

If Copper Can Race Higher, Invest in These Three Stocks

Copper prices could see higher highs.

Not only are we seeing bigger demand, but we're also seeing supply issues.

"That big surge in demand met with that big shortage of supply, and I think that's one of the explanations right now. There's no question that stimulus and vaccinations and the eventual reopening of the economy is being priced in here, but some of this is a shortage of supply," says Gina Sanchez, CEO of Chantico Global, as quoted by CNBC.

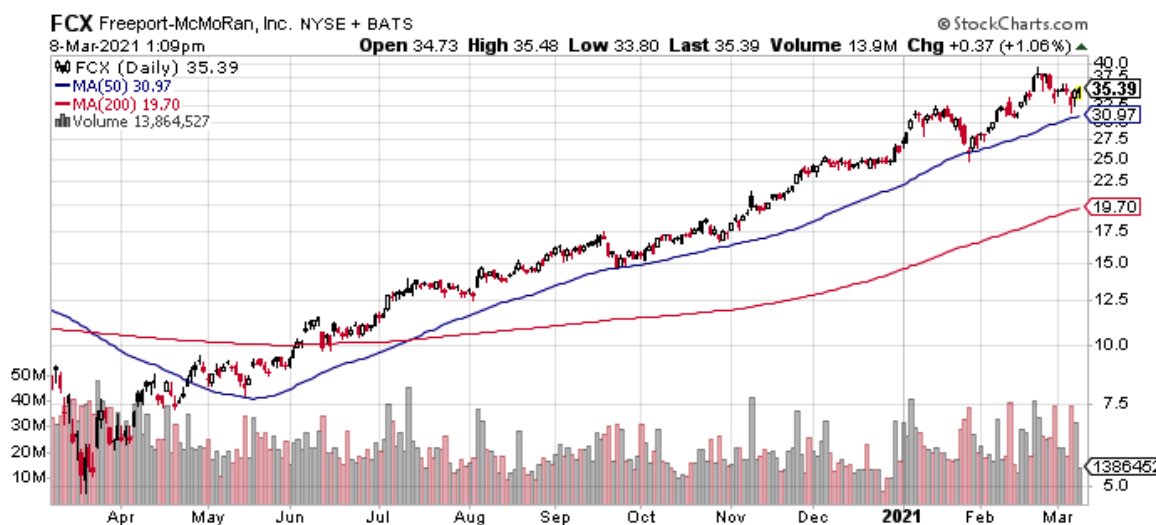
Goldman Sachs even just raised its 12-month price target to \$10,500/t, noting copper could be heading for a period of "scarcity pricing," as noted by Reuters.

Plus, as reported by Mining.com, according to "Natalie Scott-Gray, a senior metals analyst at StoneX, forecasts copper demand in 2021 will rise by about 5% year-on-year, outstripping supply, which she expects to grow by 2.3% year-on-year. If her predictions come true, that means the global copper supply will move from a small surplus in 2020 to a potential deficit of more than 200,000 tonnes of copper this year."

If copper prices can move higher, here are three of the top ways to consider trading it.

Opportunity No. 1 – Freeport McMoRan (FCX)

For several months, FCX has remained in a strong uptrend.

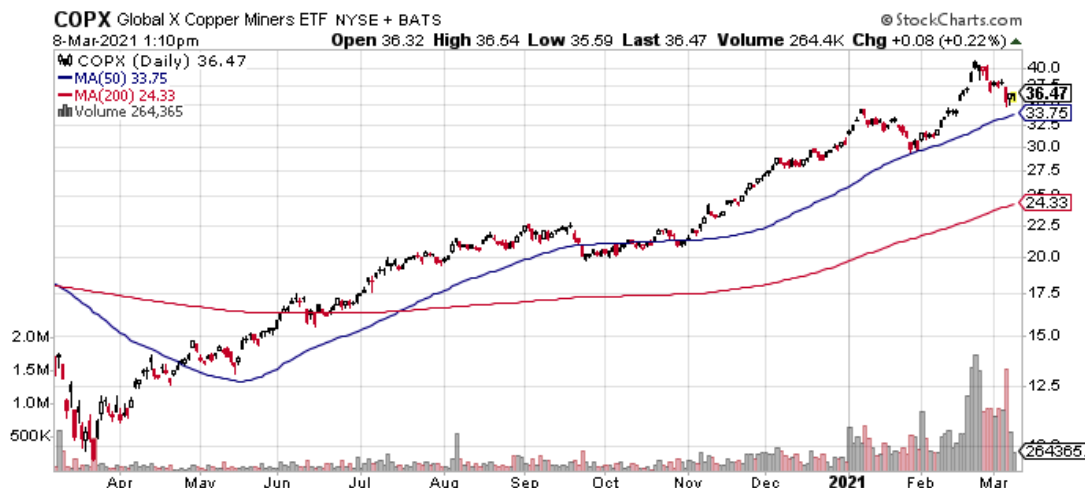


On a recent pullback, it could race higher. After all, according to S&P Global Market Intelligence, "A deficit in the copper market is set to deepen over the next several years as supply of the widely used metal struggles to keep up with strong demand from the power and construction sectors, compounded by the proliferation of electric vehicles."

The company is also eyeing potential expansion, with Joe Biden's electric vehicle plan also boosting copper. "President Biden clearly has a commitment to addressing climate change, and any climate change initiative creates demand for copper," said FCX Chief Executive Richard Adkerson. "We're very well-situated to address that with the assets we have."

Opportunity No. 2 – Global X Copper Miners ETF (COPX)

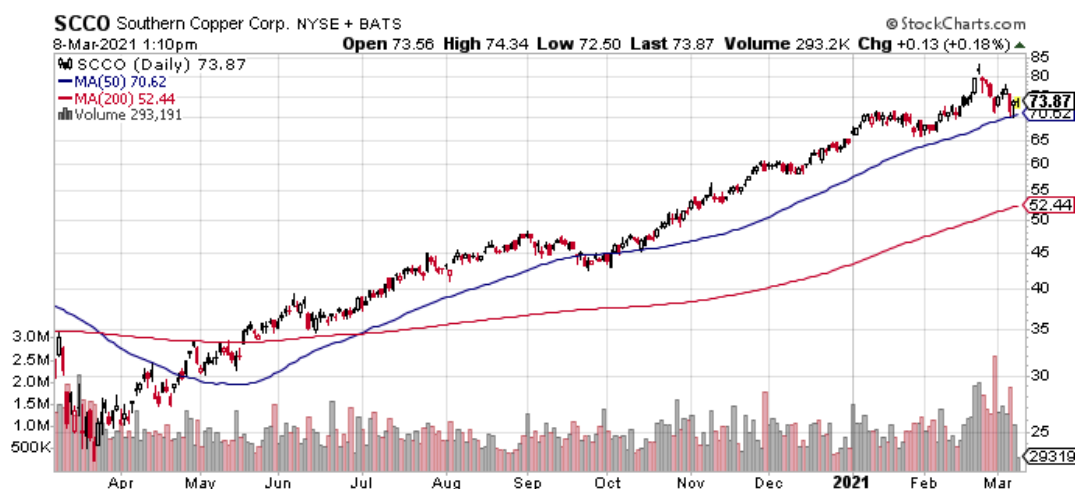
One of the best ways to trade copper is with an ETF such as CPER. Not only does it offer broad diversification among hot copper stocks, it does so at less cost. At \$36.50, it offers exposure to stocks such as Freeport McMoRan, Glencore PLC, Invanhoe Mines, and Lundin Mining Corp.



Over the last year, COPX ran from a low of about \$22 to \$41.05. After a slight pullback to \$36.50, the ETF appears to have bottomed out. We'd like to see a near-term test of \$41 again.

Opportunity No. 3 – Southern Copper (SCCO)

SCCO is another hot copper stock to consider.



Over the last year, it ran from a low of \$44 to \$82.50 before pulling back to \$73.81. From here, we'd like to see a retest of \$82.50 highs. Our long-term target for SCCO is \$100. In addition, according to Barron's, "They're one of the lowest-cost providers, and there is also the opportunity for them to de-leverage," says Nick Niziolek, co-CIO and head of international and global strategies at Calamos Investments, "noting that many mining concerns increased their leverage to manage the cyclical downturn in demand."