

Is Dr. Copper Diagnosing a Recession?

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We've recently had a look at the outlook for the prices of some critical materials, namely [lithium](#) and [graphite](#). As fears of a recession continue to grow, I thought it might be interesting to have a look at the price of copper. After all, Dr. Copper is often used as an indicator when it comes to the health of the economy. So perhaps we can glean some insights on what lies ahead based on how copper prices have reacted over the last few weeks.

Another reason to have a look is that I pretty much nailed the [outlook for copper](#) last October when I suggested the price had put in a bottom at roughly US\$3.20/lb and that if it broke back above US\$3.70/lb, it had very little overhead resistance until the US\$4.10/lb threshold. The chart was really speaking to me that day, so let's take another look and see if there is a new story unfolding.

Macro fundamentals for copper

But first, we'll quickly review the macro fundamentals for copper before we dive into what the chart is trying to say. It doesn't take a lot of searching around the internet to find just about any opinion on the future of copper supply and demand. Generally speaking, as the world electrifies in an effort to decarbonize, the demand for copper could prove difficult to meet and, to that end, there tend to be more bullish than bearish opinions out there.

McKinsey [recently forecasted](#) that by 2031, annual copper demand will be 36.6 million metric tons, while current supply

projections (including recycled production) are roughly 30.1 million metric tons, meaning another 6.5 million metric tons of capacity (an additional 20 percent) need to be found. Contrast that with the International Copper Association (a leading advocate for the copper industry) which [states](#):

“Despite an ever-increasing demand for copper, there is more of the metal available today than at any other time in history. This, together with the ability to infinitely recycle copper, means that society is extremely unlikely to deplete the copper supply, and copper will continue to contribute to global initiatives...”

However, these views look well out into the future, whereas I’m contemplating the next 3-6 months. Looking more near term we see China emerging from its strict zero-COVID policy leading to a rebound in copper demand from Chinese consumers. Additionally, the Chinese Government is introducing new policies to revive the private and public sectors including numerous stimulus measures to support the domestic construction sector. There is also the issue of increasingly challenged supply streams in South America, particularly in Peru, but Chile is also facing some issues of its own such as labor strikes and community opposition to mining activities.

US dollar impact

Then there’s the real wild card – the US dollar. A weaker US dollar typically boosts investor sentiment towards industrial metals and increases demand from emerging markets. Has the US Federal Reserve raised interest rates too far and broken the system? Silicon Valley Bank would say yes. But the question remains as to whether the Fed has ended its rate hiking cycle or does the fear of inflation still poses the greatest threat in

their opinion. I'm leaning towards the Fed not hiking rates any further but have the least conviction on this being bullish near-term support for copper prices.

Overall, I would say the fundamentals appear to be positive for copper pricing in the near term despite Tesla et al reducing their EV prices. Near-term supply and demand seem to be headed in opposite (bullish for price) directions and we all know, new production doesn't come on overnight. And even though over the last decade more than 30 percent of global copper demand was met with recycled copper, I still think 2023 could be a good year for copper pricing for the reasons noted above.

What does the copper chart say?

But what does the chart say? After all, that was what guided my forecast last October.

Price of Copper – 1-Year – Price Per Pound



Source: [StockCharts.com](https://stockcharts.com)

Unfortunately, this chart isn't as decisive for me as it was last October. The longer-term trend (green lines) is intact, which is encouraging. Additionally, the price has broken through

the 200-day moving average (MA) and isn't all that close to retesting that level. As well the 50-day MA has moved above the 200-day MA which also tends to be a bullish signal.

However, after decisively breaking through the 50-day MA in early November, and holding this support threshold at the beginning of 2023 and again in late February, copper prices fell below again and over the last couple of weeks the 50-day MA is now proving to be more of a resistance level. Additionally, since mid-January, we are seeing a bit of a down channel (blue lines) with lower highs and lower lows, albeit the longer-term (green line) support level has held.

Technically, it appears we are at a bit of a critical juncture for copper prices at present. A few things need to happen over the next couple of weeks to move me from the indecisive camp and back into the bullish camp. First, prices need to move back above the 50-day MA, which in turn should break copper out of the current down channel (blue lines). The next thing I'd like to see is a close above US\$4.35/lb to give us a new higher high in the longer-term uptrend (green lines). Satisfying those two criteria would place me firmly back in the bull camp.

Better to understand the question

The question becomes, are you wanting to trade copper or invest in copper? The technical analysis of current prices is more geared toward traders. If you are more of a long-term investor then the fundamentals suggest there could be a pretty good opportunity to be long copper over the next several years, regardless of what the price is today or two weeks from now. To myself be true...I know what I'm doing when it comes to copper.

Copper, gold, pending drill results and money in the bank – Kodiak Copper has them all

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It's been a while since I've had a close look at the copper chart and, in my opinion, it doesn't look too bad right now. Like almost everything, we've seen a significant price decline since April of this year, and despite a brief rally in late May, the commodity has since been taken to the woodshed and didn't stop hemorrhaging until mid-July. Since then, it looks like copper may have put in a bottom at roughly US\$3.20/lb and held that level again in late September. It is currently attempting to climb back above the 50 day moving average which would be a positive signal, but before I get too excited about copper I'd like to see it punch back above US\$3.70/lb. From there it looks like it has limited overhead resistance until the US\$4.10/lb threshold after which it could go for a run back to the US\$4.70/lb range. But cresting US\$4.10/lb probably needs a lot of positive economic news over the next few months. Regardless, it looks like we've got a decent support level at US\$3.20/lb suggesting there could be more upside than downside from current levels.



Source: [StockCharts.com](https://stockcharts.com)

This begs the question of where to look if you want exposure to copper. The company with the most recent exciting news is

probably [Kodiak Copper Corp.](#) (TSXV: KDK | OTCQB: KDKCF). The latest news regarding the Company's most advanced asset, the 100% owned [MPD copper-gold porphyry project](#) in the prolific Quesnel Trough in south-central British Columbia, Canada, appears to be very encouraging. The 147 square kilometer MPD project has all the hallmarks of a large, multi-centered porphyry system. Kodiak has made the Gate Zone discovery of high-grade mineralization within a wide mineralized envelope, and MPD hosts several other targets with similar discovery potential.

Last week Kodiak announced the [latest results for five drill holes](#) from their fully funded 25,000 meter 2022 drill program, and there were some pretty interesting numbers.

[Highlights](#) include:

- MPD-22-006 intersected 117 meters of 0.69% Cu, 0.46 g/t Au, and 2.22 g/t Ag (1.03% CuEq) within 735.4 meters of 0.24% Cu, 0.14 g/t Au and 0.71 g/t Ag (0.34% CuEq).
- MPD-22-008 intersected 59.9 meters of 0.33% Cu, 0.25 g/t Au, and 1.77 g/t Ag (0.52% CuEq) within 585 meters of 0.18% Cu, 0.09 g/t Au and 0.71 g/t Ag (0.25% CuEq).
- MPD-22-005 extended the Gate Zone mineralization to depth and intersected 190.2 meters of 0.19% Cu, 0.12 g/t Au, and 1.07 g/t Ag (0.29% CuEq) within 715.2 meters of 0.13% Cu, 0.07 g/t Au and 0.65 g/t Ag (0.19% CuEq).

All of this relates to the Gate Zone. Porphyry mineralization at Gate has been traced down to 900 m depth, across a width of 350 m (east-west) and over 1 km in length (north-south). In addition, the Company reported holes MPD-22-013 and MPD-22-017 which intersected a new mineralized trend northeast of, and adjacent to Gate called the Prime Zone. The new Prime Zone trend has been drilled down to 550 m depth, across 200 m width (east-west) and over 400 m length (north-south).



Source: Kodiak Copper [Sept 29, 2022 Press Release](#)

With over 700 m of mineralization, can you say bulk tonnage? Plus, I was looking at this and thinking to myself that I've seen some junior gold explorers with numbers that aren't as good as just the gold components in these drill results. But perhaps that's not what a company called Kodiak Copper wants me to fixate on. Instead, we'll look at what catalysts lie ahead for the company over the next weeks and months.

Drilling for 2022 is on schedule and Kodiak has completed 33 holes totaling 21,300 meters as of September 26. Drilling has transitioned to testing high priority targets in the Dillard area and the program will continue evaluating additional copper-gold drill targets across the MPD property throughout the fall. A new 3D Induced Polarization (3D IP) geophysical survey is currently underway which will be completed this month, covering nine square kilometers and extending southward from the Gate Zone to the Man and Dillard target areas. The latter is important because the extension of the Gate Zone and delineation of the new Prime Zone confirm that recent 3D IP surveys are an effective tool for targeting host geology and discovering prospective porphyritic mineralization on the MPD Project.

Anyone who has read my articles in the past knows I'm always on the lookout for drill results. A previous [corporate update](#) stated that Kodiak had completed 29 holes totaling 19,150 meters as of September 9. This indicates that there are plenty of drill results still to come. Additionally, at the end of June Kodiak still had almost C\$14 million in cash to continue unlocking the secrets of the MPD Property. With a market cap of C\$30.5 million it would seem there is plenty of leverage to copper prices at Kodiak.

Kodiak Copper expands their MPD Copper-Gold Porphyry Property by 51% and increases the strike length of the Gate Zone by over 500%

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[Copper metal prices](#) have recently fallen back from a May 11 high of US\$4.74 to US\$4.30 today, resulting in lower prices for many copper stocks. Furthermore, the July 9 news of [China reducing their](#) reserve requirement ratio by 0.5% for most banks will unleash about 1 trillion yuan (US\$154 billion) of long-term liquidity into the Chinese economy and will be effective on July 15, 2021.

These two events are very good news for investors looking to buy into the copper sector. Lower prices mean better buying, and Chinese stimulus usually means stronger copper demand and higher future prices.

One copper junior miner has seen its stock price pullback around 25% since peaking on May 17, 2021. The Company is [Kodiak Copper Corp.](#) (TSXV: KDK | OTCQB: KDKCF) (“Kodiak”). Investors can take a longer look at this junior miner with enormous potential, now selling at a ~25% discounted stock price since May.

Kodiak Copper stock price has dropped ~25% as copper prices fell since mid May, 2021



Source: [Yahoo Finance](#)

More good news for Kodiak Copper

Ironically while the stock price of Kodiak Copper fell back 25% following the copper fall, the Company has released a string of good news.

[April 19, 2021](#) – Kodiak expands MPD Project through acquisition of Axe Copper-Gold Property of 4,980 hectares. This is a huge expansion and increases the MPD project by 51% to a total of 14,716 hectares. The release stated: “Axe is contiguous with Kodiak’s 100% owned MPD Project...with year-round accessibility from paved roads and excellent infrastructure. **Axe is host to a porphyry complex comprised of four drill-proven copper-gold porphyry centres** and has potential for additional targets similar to Kodiak’s Gate Zone.....Four known zones of porphyry copper-gold mineralization (West, Adit, Mid, and South) occur within an **extensive copper-gold porphyry system having a 17 square kilometre** hydrothermal footprint.” This is a great acquisition which it seems the market is yet to appreciate. You can read the transaction details [here](#).

MPD-Axe Properties location map within British Columbia, Canada



[Source](#)

[May 11, 2021](#) – Kodiak provided an update on the drill program at MPD Copper-Gold Porphyry Project in Southern British Columbia. Plans for 2021 include up to 30,000 metres of drilling at several priority target areas, as well as further geotechnical studies...**New drilling at the Gate Zone in 2021 has intersected prospective, sulphide-bearing altered porphyritic host rock at**

least another 125 metres south, and 75 metres north of last year's drilling. This is more excellent news as the resource strike length grows.

[June 17, 2021](#) – Kodiak adds a second drill rig at MPD Copper-Gold Porphyry Project in Southern British Columbia.

[July 7, 2021](#) – Kodiak reports increase in strike length of Gate Zone from 125 m to 800 m, intersects 242 m of 0.52% CuEq in 575 m step-out. With over 15 drill holes completed by Kodiak to date, **results suggest that the 1.2 kilometre long copper-in soil target in this area is underlain by a significant copper-gold-silver porphyry system.**

It is the first and last news above that are most exciting.

The expansion of the MPD Project through the acquisition of the Axe Copper-Gold Property increases the MPD property size by 51% and therefore increases the potential end resource size.

The Gate Zone strike length extension was massive, an increase from 125m to 800m, or over a 6x (>500%) increase. Furthermore the drill result of “242 m of 0.52% CuEq in 575 m step-out” is exceptional in its length and will add to the resource estimate by being in a step-out zone outside the known resource area. This paves the way for further significant expansion of the resource.

Kodiak Chairman, Chris Taylor, [stated](#): “With a six-fold increase in its drill-confirmed strike length to over 800 metres, and the identification of high-temperature bornite-rich copper mineralization, the Gate Zone has growing similarities to other large scale copper porphyry systems in British Columbia. In particular, recent mineralization and alteration discoveries have similarities to the Red Chris deposit where Newcrest Mining Ltd. recently acquired a 70% interest. Like the Gate Zone at

MPD, Red Chris has high-grade copper-gold-silver mineralization core with a broad lower grade halo.”

Summary of Kodiak Copper’s projects

- The MPD copper-gold porphyry project – 100% owned, very large (9,733 hectare land package plus the new Axe property bring the total to 14,716 hectares) in a proven, mineral producing belt, in British Columbia (BC), Canada. For those that are new to Kodiak Copper, the Company amalgamated 3 projects into one – Man, Prime, Dillard. In 2020 Kodiak Copper drilled a massive [282 m of 0.70% copper and 0.49 g/t gold \(1.16% CuEq\)](#). The MPD Property has road access and is close to nearby power, towns, and other mines.
- The Mohave Copper-Molybdenum-Silver Porphyry Project in Arizona USA
- The Kahuna Diamond Project in Canada.

Finding copper at Kodiak Copper’s MPD Project in British Columbia, Canada



Source: [Kodiak Copper images gallery](#)

Closing remarks

A recent copper price dip has resulted in Kodiak Copper’s stock price pulling back by about 25%. Combine this with the July 15 reduction of China’s banking reserve ratio requirement by 0.5% and you have a nice combination of value and growth that has appeared.

Kodiak Copper trades on a market cap of just C\$72 million and has huge exploration potential upside, especially given their assets, past results, and proven management. One to consider

strongly.

Biden's US\$2T+ infrastructure plan should support strong copper demand and be a tailwind for Kodiak Copper

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The US\$2T+ Biden infrastructure plan announced today will be built on copper. The US\$2T+ plan includes [an additional US\\$400B of clean energy tax credits](#) which will give US wind and solar energy a huge tailwind in the years ahead. Other parts of the plan support Electric Vehicles (EVs) and rebuilding infrastructure. **All of which requires huge amounts of copper.**

For example, BHP says that [one wind turbine uses 4 tonnes of copper \(video link\)](#). President Biden announced yesterday that [the US will target to deploy 30 GW of offshore wind energy by 2030](#). This equates to roughly 3,000 wind turbines assuming an average of 10MW per turbine. 3,000 turbines mean 12,000 tonnes of copper (~26 million pounds) would be needed this decade just for new US offshore wind turbines. Now that is a huge amount of copper and potentially a lucrative business for copper miners given copper prices are now at ~US\$4/lb.

Copper is on a bull run as the green energy boom takes off



[Source](#)

Copper producer's stock prices are reflecting the higher copper prices from the past year. However, copper juniors that can grow their resource are not yet reflecting their full stock price potential. This means for investors with a 5-7 year time frame 'successful' copper juniors offer much greater reward, and of course greater risk. One junior with enormous upside potential is [Kodiak Copper Corp.](#) (TSXV: KDK | OTCQB: KDKCF) ('Kodiak').

Kodiak 100% own the MPD copper-gold porphyry property spread over their 9,733-hectare land package in British Columbia, Canada. I introduced Kodiak previously [here](#), so today I will focus on their latest progress and next steps.

Kodiak's latest drill results

On Feb. 8, 2021 Kodiak [announced](#) drill results from five further holes from their exploration program at their MPD copper-gold porphyry project. Following on from past great results with superb long copper-gold mineralization, Kodiak reported 213 m of 0.65% copper and 0.37 g/t Gold (1.00% CuEq) and 171 m of 0.62% Copper and 0.43 g/t Gold (1.03% CuEq), as well as other results.

Claudia Tornquist, President and CEO of Kodiak, [stated](#): "Once again, the Gate Zone has yielded impressive copper-gold numbers over significant widths. With only a small number of holes drilled so far, we have already intersected the newly discovered high-grade zone at Gate and the surrounding larger mineralized envelope over significant dimensions. **Over 90% of this kilometre-long target remains unexplored by Kodiak, with considerable discovery potential yet to be unlocked.**"

The key to understand about these drill results is the massive interval lengths as is typical of porphyry systems. This typically allows them to be mined at scale, despite the grades

not being as high as some other smaller or underground copper projects.

Kodiak Copper MPD Project – Gate Zone drilling results



[Source](#)

Next steps for Kodiak

Kodiak will continue exploring at MPD in 2021 with a fully funded, significantly larger program which includes up to 30,000 meters of drilling in several target areas, as well as further geophysical and geochemical surveying, prospecting and geotechnical studies.

Closing remarks

The green energy boom is only just beginning to take off now and is set to have a superb decade ([green energy metals supercycle](#)) as countries all around the world shift from fossil fuels to cleaner renewable energy in order to meet their emissions targets. China and Europe will continue to lead, but with Biden in power, the US will start a rapid catch-up beginning today with the US\$2T+ US\$400B infrastructure plan (assumes Congress passes it). Copper prices have been surging over the past 6 months as the market identifies the strong demand drivers and limited available new copper supply.

For investors looking for a potentially higher risk/higher reward copper play it is hard to go past Kodiak Copper. Management is top tier with a track record of success. Kodiak has enormous potential as they continue to explore both their copper-gold porphyry MPD Property as well as their two other promising projects (The Mohave Copper-Molybdenum-Silver Porphyry Project in Arizona USA and the Kahuna Diamond Project in

Canada).

On a market cap of just C\$59M for 3 quality exploration projects in safe locations, investors would be wise to take a look again at Kodiak Copper Corp..