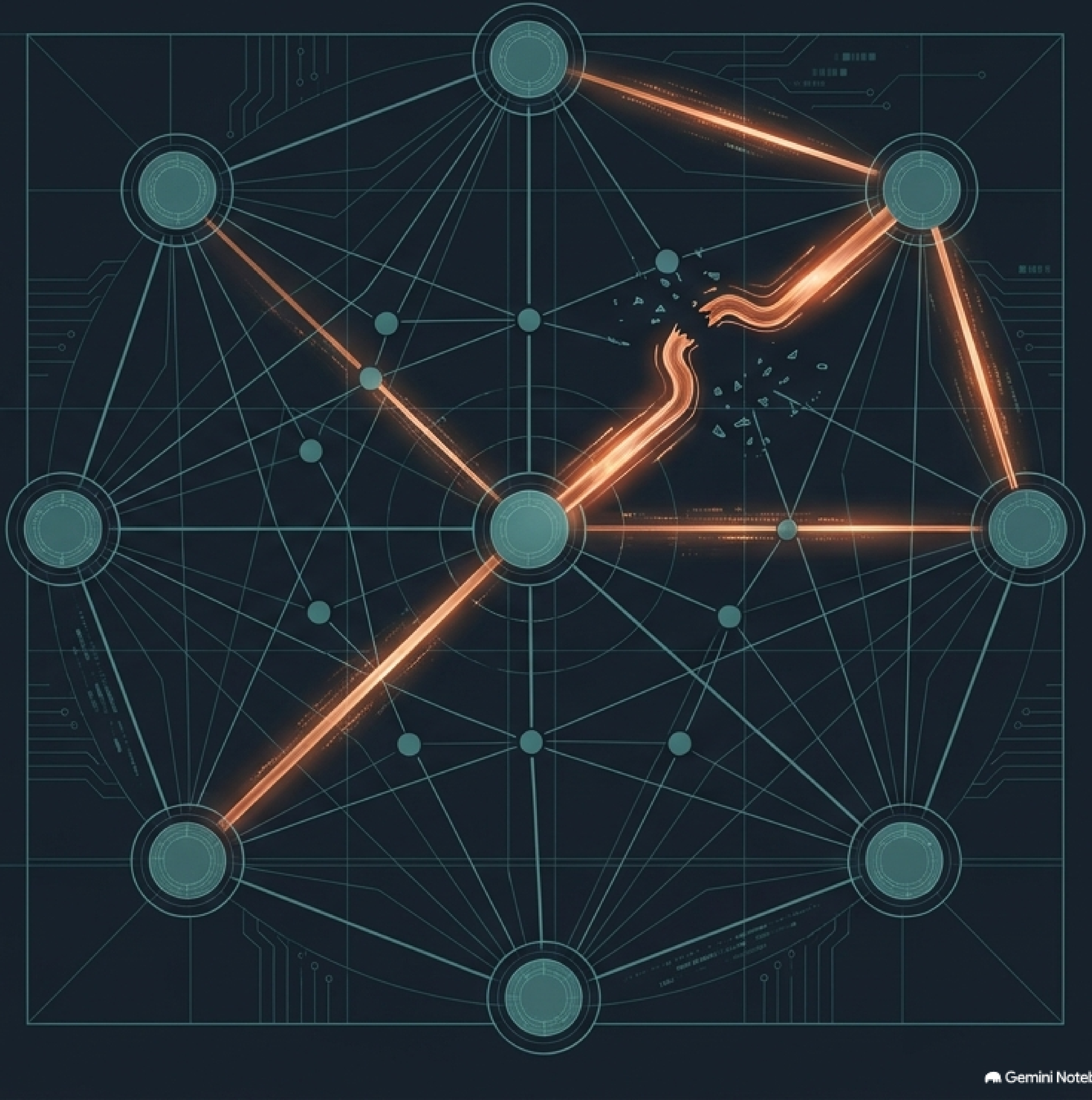
The Metal Isn't Missing. The Route Is.

Mispricing the Copper Crunch: A Tactical Briefing for Allocators.

August 2026 | Horizon: 3–16 months



ACTION

Buy COMEX calendar spreads (Long Dec-26 / Short Dec-27).

Fade LME equities.

Own the dislocation, not the metal and not the miner.

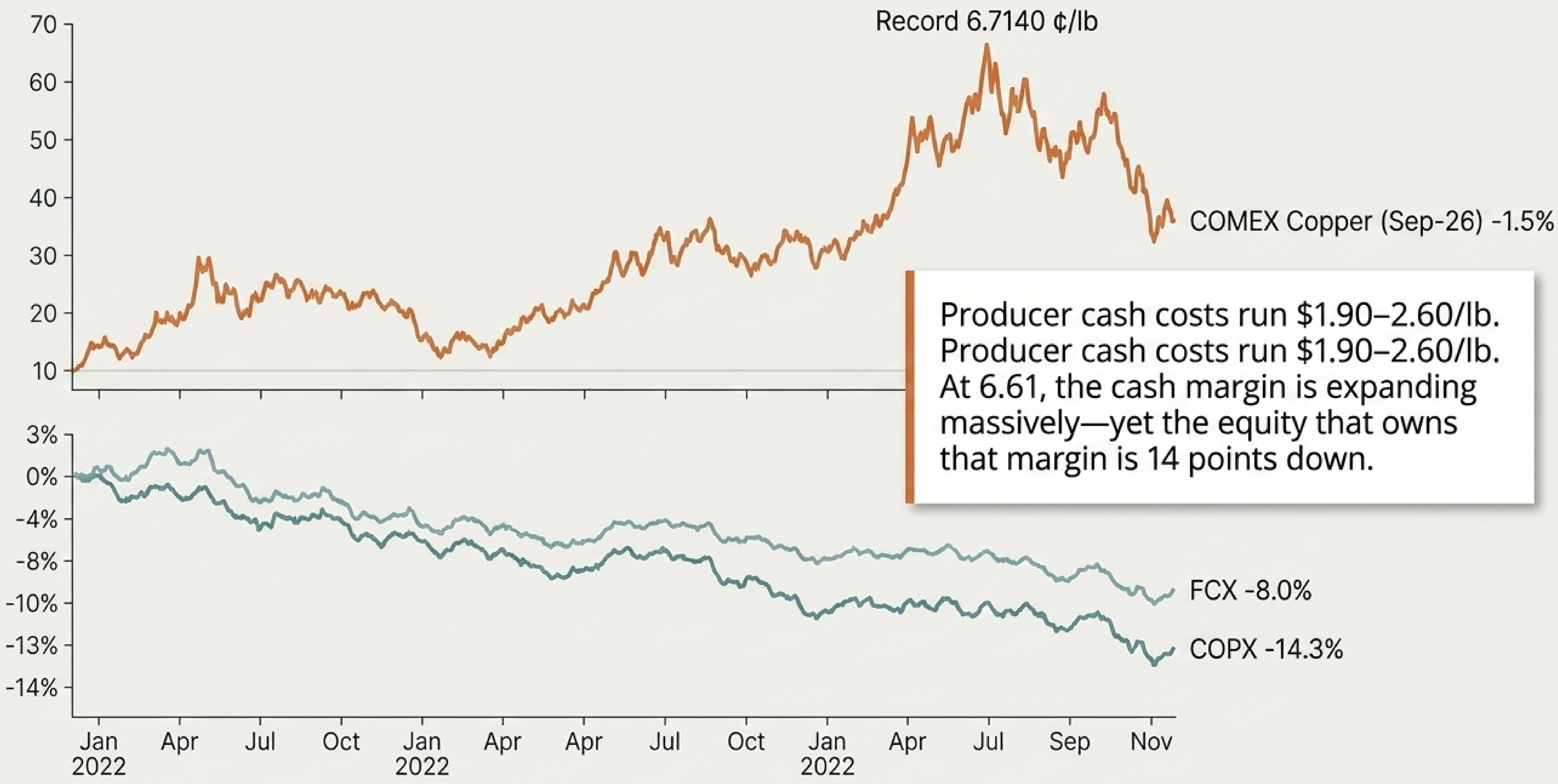
PARADIGM

This is a routing artifact, not a scarcity event.

Global throughput is roughly intact, but flow has been re-routed into a non-deliverable jurisdiction.

DRIVER

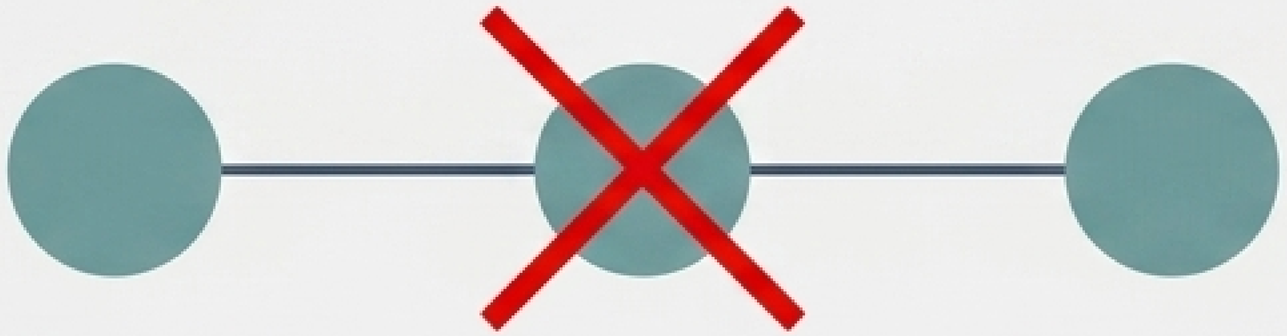
Front-running of the Section 232 Tariff has pulled 1.2Mt of copper into the US since February 2025, capturing 64% of globally visible stock.



The market is not mispricing the miners. It is accurately pricing where the rent lands.

Graph Theory for Commodities: Node vs. Edge Failure

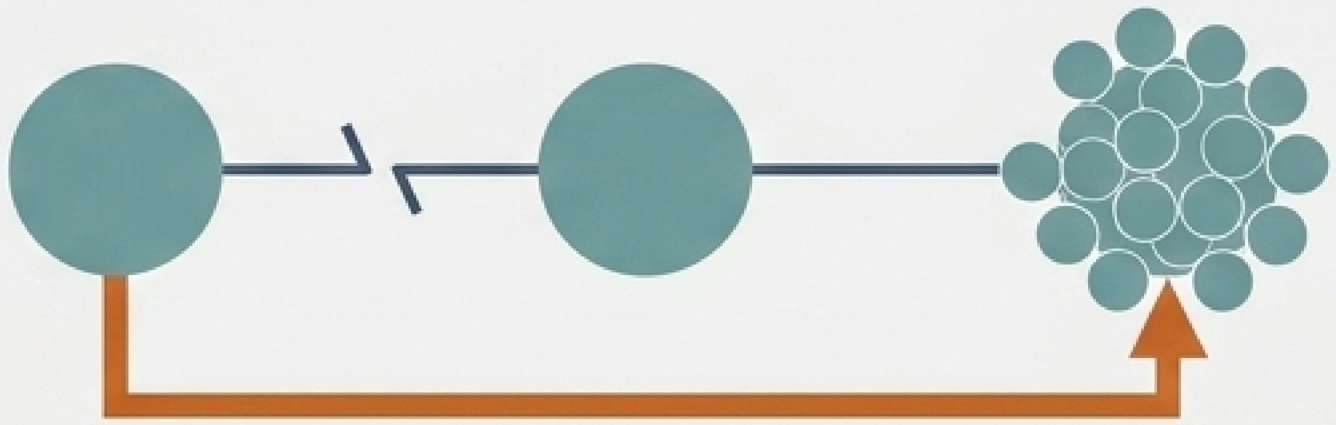
Node Shock



Productive capacity removed.
Permanent until rebuilt.
Lowers total system throughput.

Rent accrues to whoever still owns capacity.

Edge Shock

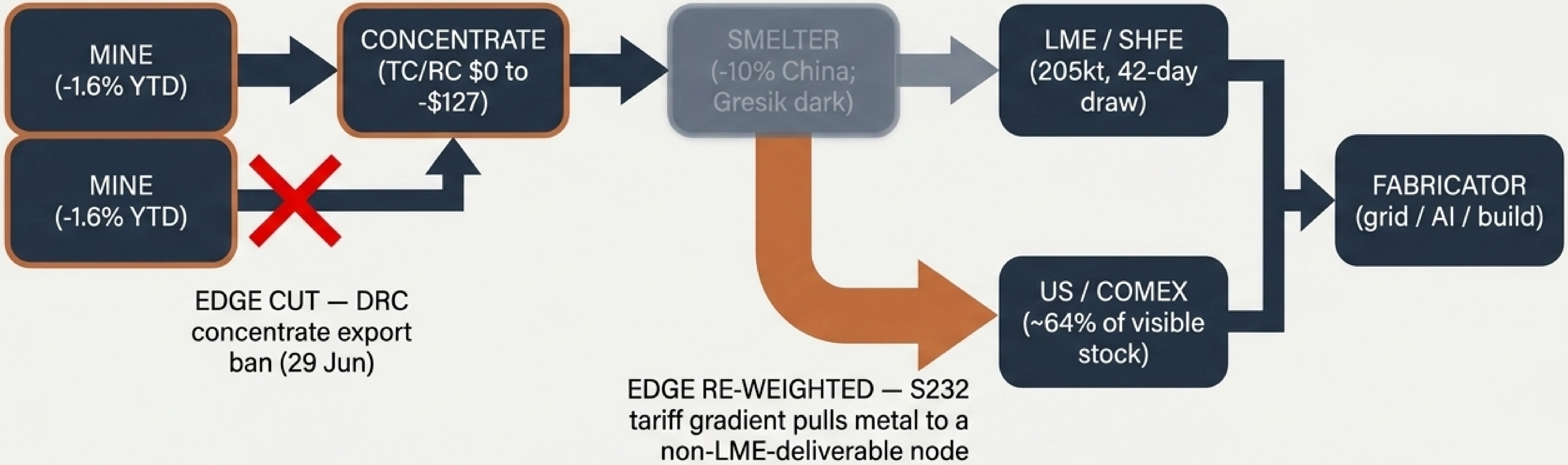


Capacity intact.
Flow simply re-routes.
Congestion appears at the new destination.

Rent accrues to whoever controls the constrained edge.

Copper in August 2026 is a textbook edge shock wearing a node shock's clothing.

Mapping the Copper Transport Graph



Throughput is intact. Two edges were re-priced, only one node went dark.
No listed producer owns the constrained transport edge.

Fact vs. Artifact: The Illusion of Scarcity

GLOBAL SUPPLY (INTACT)

VISIBLE INVENTORY (PANICKED)

ICSG Global Mine Output YTD: -1.6%
Refined Production for 2026: +0.4%

LME Drawdown: 42 consecutive sessions
Inventory Level: Plunged to ~205kt

64% of globally visible inventory now sits in a jurisdiction where it cannot settle an LME contract.
It wasn't consumed; it was relocated.

The S232 Vacuum: A One-Way Tariff Gradient

THE DRIVER

Section 232 on refined copper remains undecided (assumed 15-30% band, effective Jan 1, 2027).

THE ARBITRAGE

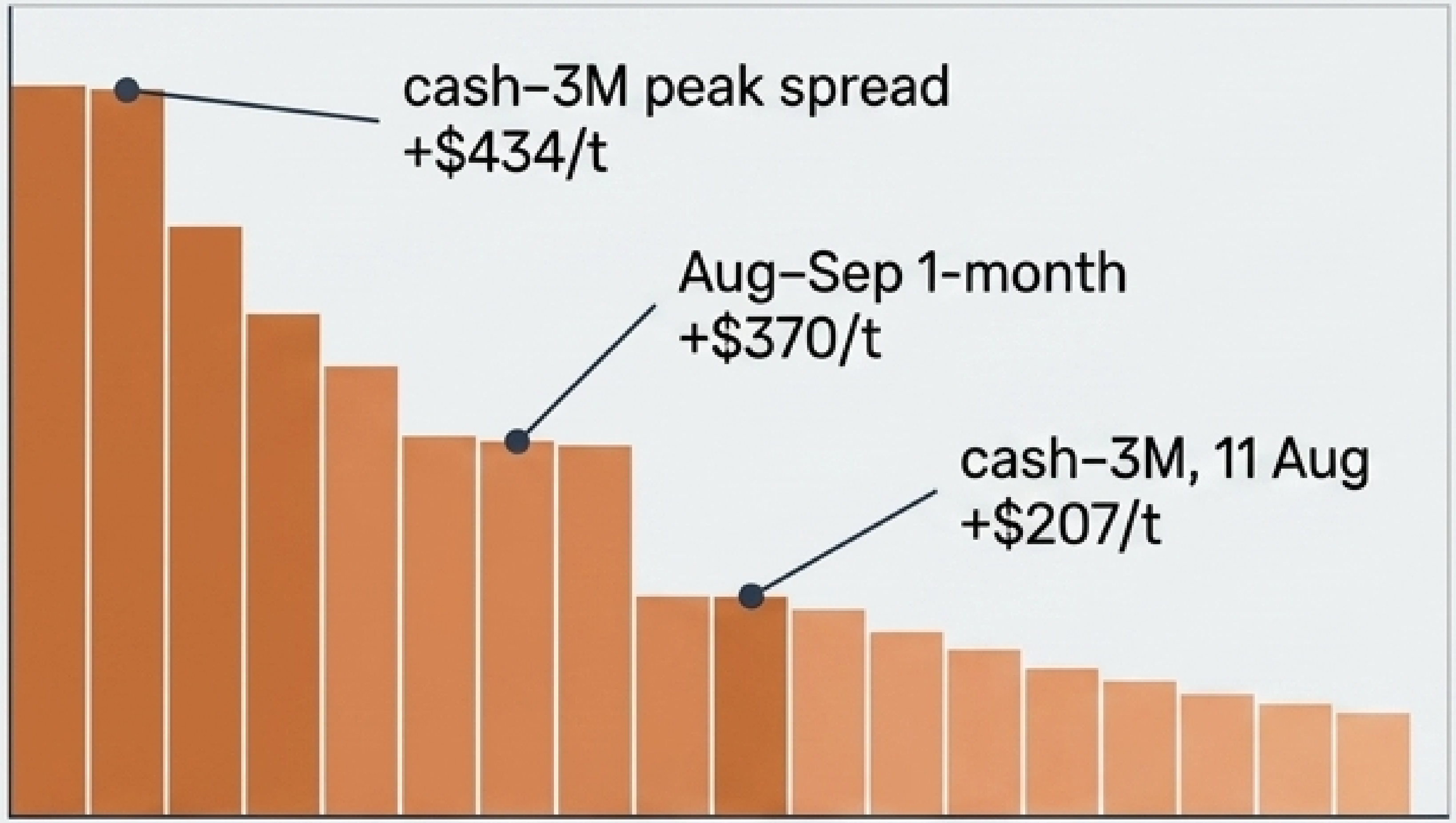
Metal in a US warehouse is worth the future tariff more than metal in Rotterdam. Metal moves west and stays west.

THE CONSEQUENCE

Every tonne that crosses is subtracted from LME deliverability without being subtracted from world supply.

One Metal, Two Shapes of Time

LME — backwardated (pay up for NOW)



End-July cash-3M was +$34/t. The whole structure appeared in eleven sessions.

COMEX — contangoed (pay up for LATER)

Dec-27 sits +$974/t (+6.7%) over the front. A 15% tariff would be ~$2,190/t. The deferred contract is pricing roughly 45% of the base-case tariff.

London prices physical availability. New York prices a policy option. The arbitrage that would normally close this gap is the very thing the tariff threat has switched off.

The Rent Diagnostic: Who Captures the Crunch?

Node	What it earns from the crunch	Why the equity does or doesn't capture it
Mine	Cash margin ~$4.00-4.70/lb, plus the transfer from negative TC/RC	Captures the level, which is real and large. Does not capture the dislocation. Realizations are LME- or provisionally-priced; the US location premium is not in the offtake. Also carries inflation/disruption risk.
Smelter	Negative. Processing terms are at or below zero against a break-even near $50-60/dmt	Structurally value-destructive right now. Avoid the standalone.
Transport / warehouse	The full ~$360-400/t COMEX-over-LME basis, plus the front-spread carry	This is where the crunch's rent actually sits — and it is owned by physical traders and inventory holders, almost none of them listed. The only listed access is the futures curve itself.
Fabricator	Negative — pays the location premium as input cost	US downstream margin compresses if the tariff lands and the premium becomes permanent.

If you want the crunch, you have to buy the edge. And the edge is only listed as a spread.

The Macro Metals Paradigm

Subsector	What is actually driving the return	Node or edge?	Fundamental underpinning — and its durability
Copper	S232 tariff gradient, DRC concentrate ban, LME deliverability drain	Edge	Durable at the level; not durable in the spread.
Steel (flat)	S232 import severance	Edge	Scarcity is in delivery slots, not tons.
Aluminum	Record US Midwest premium on tariff	Edge	Highly reversible.
Rare earth / battery	Government demand and tariff walls	Node (created)	Durable while the appropriation is durable.
Gold	Metal near $4,400/oz with the producer equities showing 3–4x operating leverage	Node	The control case. Gold has no location basis and no tariff gradient, so the rent lands entirely on the producer — and equities behave exactly as textbook operating leverage predicts.

That is what copper equities would do if copper's move were a node event.

Core Expression: The COMEX Calendar Spread

COMEX Dec-26 / Dec-27 Calendar

1. EXECUTION

Direction: Long Dec-26 / **Short** Dec-27

Entry: ~ -34¢

Sizing: Two-thirds of sample-discounted Kelly fraction

2. THESIS

The deferred leg is pricing both a tariff premium and a scarcity premium. If the tariff lands, front-running stops and the 1.2Mt in US warehouses becomes overhang against a forecast 377kt surplus in 2027. Spread flattens.

3. RISK

A 50%+ tariff or a genuine 2027 mine-supply failure (Grasberg/Kamoa) that converts surplus to deficit. Dec-27 liquidity is thin—work the spread, never lift the offer.

Tactical Extensions & Equity Positioning

LME Front-Spread Fade

Short cash / long 3M on tags beyond $400/t.

A queue, not a forecast.

RISK: Path risk is severe. Defined-risk options structures only. Do not carry naked short.

Copper Equities

Sell upside premium; do not add length.

Large-cap realized vol >50%.

ACTION: Covered calls or call spreads into strength above Jan highs

Cross-Node Pair

Long concentrate producers / short standalone smelting.

Negative TC/RC is a literal transfer from smelter to mine.

CATALYST: Persists while mine supply is constrained.

Risk Management: Tactical Tripwires

Trigger	Reads as	Action
S232 Decision Published	The single dominant variable	If <=15%: Hold Calendar. If >30%: Cut it.
COMEX-LME basis < $150/t	Edge is re-opening	Take calendar off; thesis paid.
Gresik restart / Manyar ramp	Real node repairs	Reduces Dec-27 scarcity. Press calendar.
LME stocks stabilize (<30% cancelled)	Congestion clearing	Add to front-spread fade.
Spot TC/RC recovers >-$20/t	Transfer reversing to smelters	Exit cross-node pair.

Own the dislocation, not the metal, and not the miner.

2026's dispersion inside metals is driven entirely by policy-created edge scarcity. Align your capital with the topology of the system, not the consensus of the street.