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(Bloomberg) -- A pricing mechanism underpinning the global copper-processing industry faces a major stress test this week, with negotiations coming to a head at a time when geopolitical tensions are running high, metal is limited and China's dominance has left smelters elsewhere struggling to survive.

Tensions have been building for years, fueled by a rapid expansion of metal-processing capacity that has outpaced mined production. That's now prompting questions over the entire benchmarking structure, a longstanding process under which major miners strike a deal with China's smelters, and the rest follow suit.

The crunch point may come during a major industry gathering in Shanghai over the coming days, which serves as a backdrop to annual discussions. Miners are expected to push for even tougher supply terms for 2026, after a year when annual treatment and refining charges — or TC/RCs — crashed to a record low.

A "further breakdown" of the annual benchmark system is expected, said Craig Lang, an analyst with CRU Group. One-on-one talks could mean more bilateral agreements — possibly at different levels to the Chinese annual benchmark — or caps and floors on TC/RCs, or even quarterly pricing, he said.

At the heart of the tensions is China, where the copper industry has continued to expand even as annual fees plunge and spot charges turn negative, meaning processors are effectively paying miners to process ore. While some smelters in China have racked up large profits this year, there have been closures in the rest of the world.

There's already been a push among non-Chinese players for better terms. Japanese smelters are joining forces to flex their bargaining muscle and ride out conditions that one producer, Mitsubishi Materials Corp., said have "significantly deteriorated." Last month, the industry ministries of Japan, South Korea and Spain issued a joint statement criticizing punitive TC/RCs and what they called "policies and practices that may not reflect fair market dynamics."

For much of the past decade, TC/RCs have swung in rhythm with supply and demand. But what began last year as a temporary squeeze in copper concentrate supply has evolved into a structural shift, as China's relentless expansion coincided with severe disruptions at some of the world's largest mines, making raw material scarce.

"The backdrop for copper's 2026 treatment/refining charge negotiations, now underway, features a brutal game of industrial survival," Panmure Liberum analysts led by Tom Price said in a note.

Japan's JX Advanced Metals Co. this year announced an output cut running into the tens of thousands of tons, while Glencore Plc received a government bailout to keep its Mount Isa smelter and refinery in Australia running for another three years.

Read More: Glencore Gets 'Lifeline' from Australia to Prop Up Smelter

Chinese smelters do also suffer from low TC/RCs — but they benefit from the surging price of refined copper, used in construction and electrical wiring, and sulfuric acid, a byproduct. Copper was steady at \$10,777 a ton on the London Metal Exchange as of 12:06 p.m. in Shanghai on Monday. Prices have retreated from a record high above \$11,200 in late October.

China produced 9.7% more refined copper in the year through October. China is effectively "crowding out players abroad by securing the lion's share of global concentrate supply and crushing the trade's fee structure," said the Panmure Liberum analysts.

With spot treatment charges having fallen as low as minus \$60 per ton this year, not only buyers are walking away from the benchmark. Freeport McMoRan Inc., a top miner, has also signaled its intention to find alternatives, citing concerns about the viability of smelter clients.

A growing disparity between term TC/RCs and spot business has not helped the benchmark, said Li Chengbin, an analyst with consultancy Mysteel Global. "What we worry about more is how much volume Chinese smelters could secure via the annual contracts," he said.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	10,727	R1	10,959	10,796	RSI above 50	
S2	10,599	R2	10,988			
S3	10,577	R3	11,066			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- The RSI is above 50 (51)
- Stochastic is above 50
- Price is above the daily pivot point USD 10,727
- Technically bearish on Friday, the move below USD 10,660.5 meant that we had an intraday divergence with the RSI. Not a buy signal, it warned that we could see a momentum slowdown, this needed to be monitored. We noted previously that that we should in theory trade below the USD 10,577.5 fractal low; however, the divergence warned that we could be looking at a flat correction, meaning this might not be the case. Price was on the intraday 200-period MA (USD 10,712), meaning we were at an inflection point, market sellers should be cautious on a close that held above the average due to the divergence in play. Upside moves above USD 10,827 would indicate that buy-side pressure was increasing, warning resistance could be tested and broken. Due to the divergence in play, we were a cautious bear.
- The futures sold to a low of USD 10,607.54 before finding bid support. We are above all key moving averages with the RSI near-neutral at 51, intraday price and momentum are aligned to the buy-side.
- A close on the 4-hour candle below USD 10,727 with the RSI at or below 44.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 10,988 will warn that there could be further downside within the corrective phase, above this level the probability of the futures trading to a new low will start to decrease.
- Technically bearish, the 4-hour divergence failed on Friday; however, we are moving higher on a lower timeframe divergence. Technically we continue to be cautious on downside moves, above USD 10,827 will indicate that buy-side pressure is increasing, warning the USD 10,988 resistance could be tested and broken; if it is, it will further support a buyer's argument. Conversely, a rejection of the USD 10,988 level will warn that there could be a larger, more complex corrective phase coming into play. A cautious bear, technically we could be looking at a flat Elliott wave correction, implying resistance levels are becoming vulnerable.

Aluminium Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,810.5		RSI below 50
S2	R2			
S3	R3			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (46)
- Stochastic is below 50
- Price is above the daily pivot point USD 2,790
- Technically bearish on Friday, the futures had closed below the 200-period MA (USD 2,799), We noted that if we held below it, then the USD 2,770 fractal support should in theory be tested and broken. Lower timeframe Elliott wave analysis based on the correction suggested that we could trade as low as USD 2,742; however, USD 2,751 was two standard deviations below the linear regression line, implying caution if we approached this area. As we were yet to make a new low, intraday upside moves should still be considered as countertrend, making USD 2,869 the key resistance to follow. If broken, then the probability of the futures trading to a new low would start to decrease.
- The futures sold to a low of USD 2,773 before finding light bid support. We are below the EMA resistance band with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 2,790 with the RSI at or below 40.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,869 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically we remain bearish with the MA on the RSI implying that we have light momentum support. The failure to trade to a new low warns that upside moves are still potentially countertrend. If we close and hold above the linear regression line (USD 2,843) will imply buyside pressure is increasing, whilst above USD 2,869 will mean that the probability of the futures trading to a new low will start to decrease. There is a chance that the wave 5 of C has truncated (finished early without trading below the USD 2,770), as we have seen higher volume bid support with price back above the intraday 200-period MA (USD 2,805). However, based on the wave cycle in front of us, we must conclude that upside moves should still be considered as countertrend at this point. A cautious bear.

Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	3,010		RSI below 50
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is below 50 (49)
- Stochastic is below 50
- Price is above the daily pivot point USD 2,985
- Technically bearish on Friday, the failure to hold above the intraday 200-period MA meant that the USD 2,961 fractal low is vulnerable. However, below this level price would be divergent with the RSI. Not a buy signal, it warned that we could see a momentum slowdown. We were a cautious bear at those levels, as the divergence warned that downside breakouts could struggle to hold.
- The futures sold to a low of USD 2,954.5 before moving higher on the divergence with the RSI. Price is between the EMA resistance band with the RSI near neutral at 49, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 2,985 with the RSI at or below 43.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 3,060 will leave the futures vulnerable to further tests to the downside, above this level the technical will be back in bullish territory.
- Technically bearish, the MA on the RSI implies momentum is supported with price moving higher on the divergence. A close that holds above the lower channel resistance (USD 3,011) will imply that buyside pressure is increasing, whilst above USD 3,060 the probability of price trading to a new low will start to decrease. This corrective cycle is looking like it may have completed, warning resistance could come under pressure.