ICBC Standard Bank

ICBCS Base Metal Market Outlook

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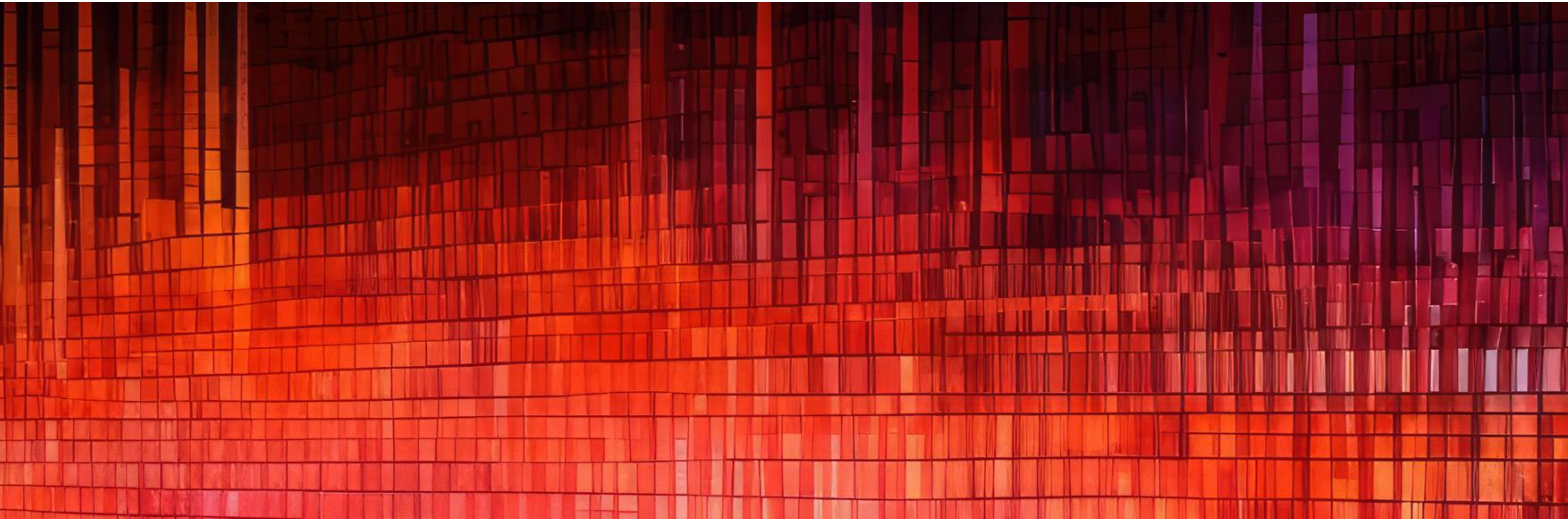
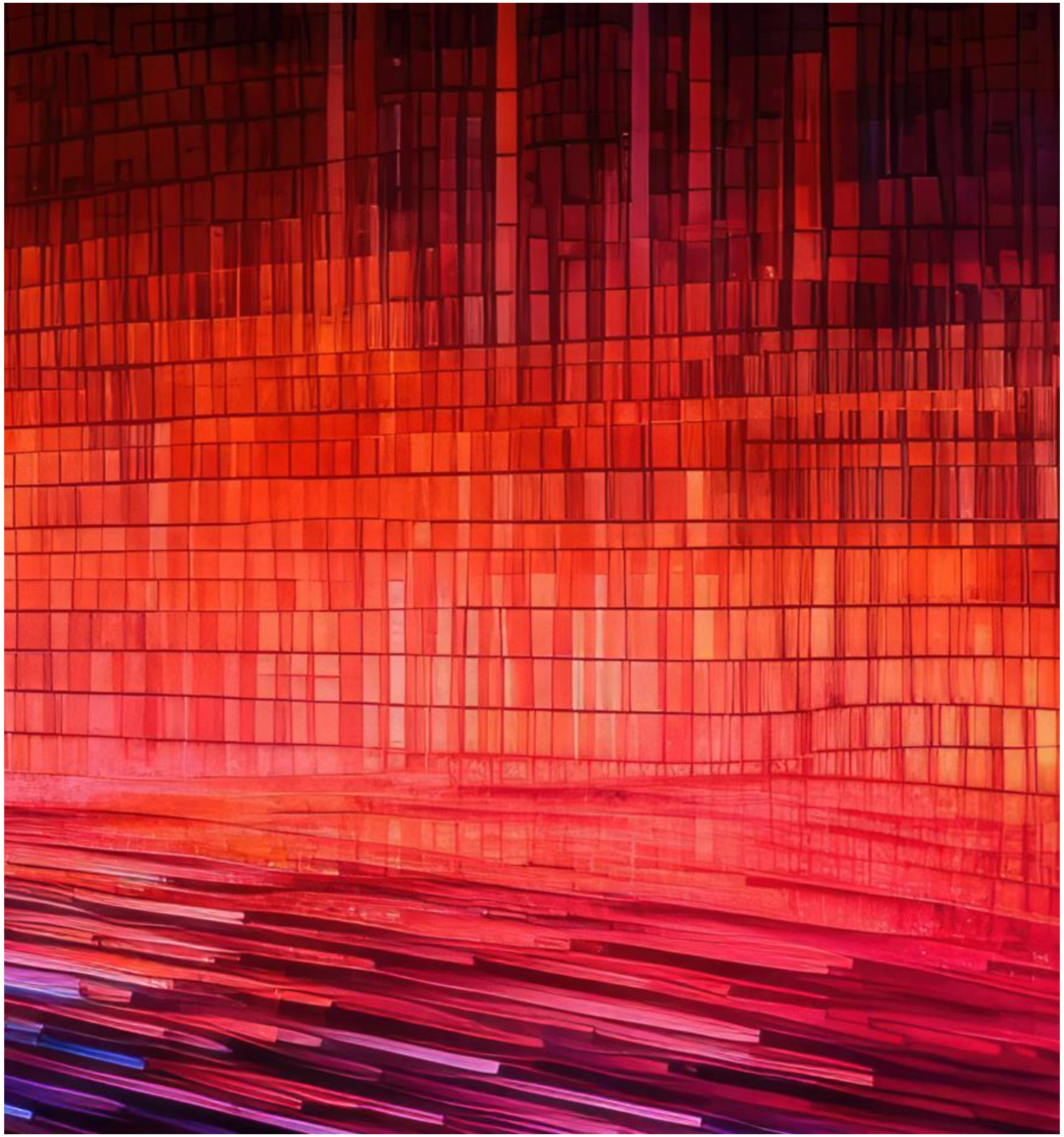
April 2026

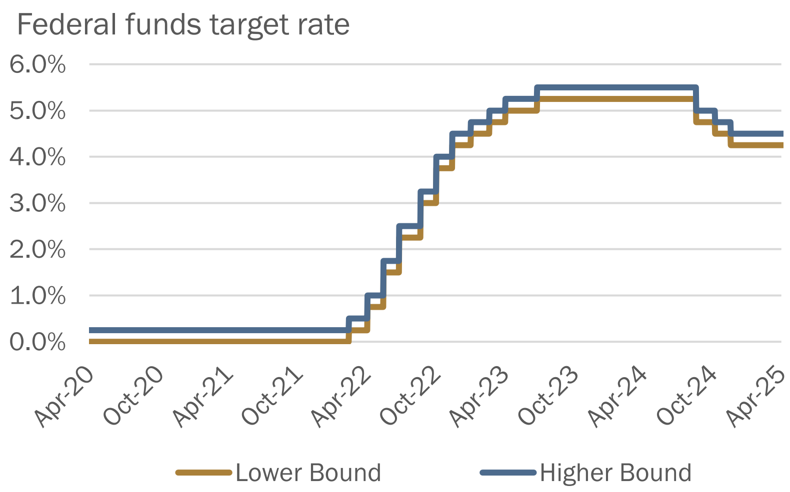




Global Economic Outlook

PUBLIC

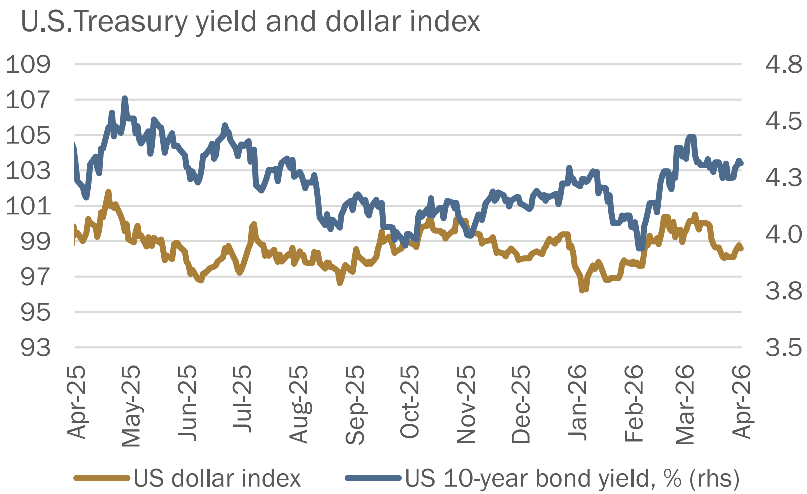
Stalled US–Iran Peace Talks Keep Rates Higher for Longer, Dollar Volatile



Source: Federal Reserve

U.S. Interest Rate

- The Fed announced that the FOMC has decided to keep the federal funds target range unchanged at 3.50%–3.75%. This marks the third consecutive policy meeting in 2026 at which the Fed has paused. While the decision was broadly in line with expectations, the voting outcome highlighted growing divisions over the Fed's future monetary policy path.
- Fed Chair Jerome Powell has indicated he will step down as Chair while remaining on the Board of Governors. Meanwhile, Kevin Warsh is reportedly being considered as the next Fed Chair in the coming weeks, and he has previously stated that he has made no commitments to cutting interest rates, reinforcing expectations of a potentially more restrictive policy stance ahead.

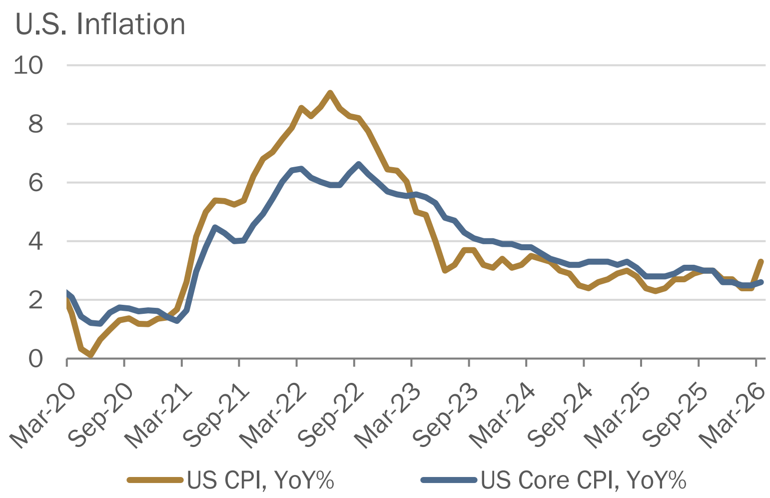


Source: Bloomberg

U.S. Treasury Yield and Dollar

- Entering April, oil prices retreated sharply following a temporary ceasefire between the U.S. and Iran, with Brent crude falling from around $110/bbl to $90/bbl, easing inflation pressures. However, as talks between Washington and Tehran stalled, lingering Middle East tensions revived upside risks to energy prices, reinforcing "higher for longer" rate expectations and lending renewed support to the US Dollar Index.
- In addition, comments from Fed Chair nominee Kevin Warsh also provided a tailwind for the dollar. Warsh struck a hawkish tone, stating that he had made no promises to US President Trump regarding interest rate cuts if confirmed, reinforcing the perception that monetary policy would remain restrictive and underpinning dollar strength

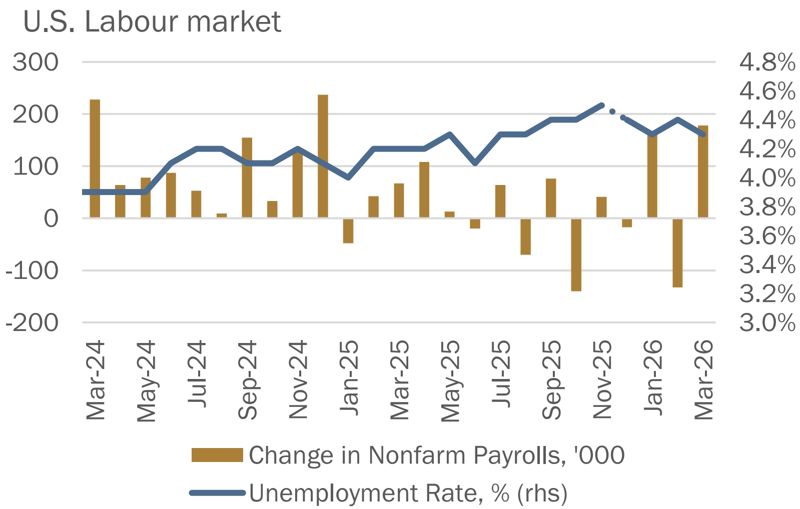
Raising Inflation and Improving Employment Keep the Fed on Hold



Source: Bureau of Labour Statistics

U.S. CPI and Core CPI

- U.S. inflation accelerated in March, driven mainly by a sharp rise in energy prices following renewed Middle East tensions. However, underlying price pressures remained relatively contained.
  - U.S. CPI rose 0.9% m/m in March, up sharply from 0.3% in February, but slightly below expectations of 1.0%. On a year-on-year basis, CPI increased to 3.3%, compared with 2.4% previously and just under the 3.4% forecast, with energy prices accounting for most of the gain.
  - Core CPI rose a more modest 0.2% m/m, unchanged from February, while the annual rate edged up to 2.6% y/y from 2.5%.



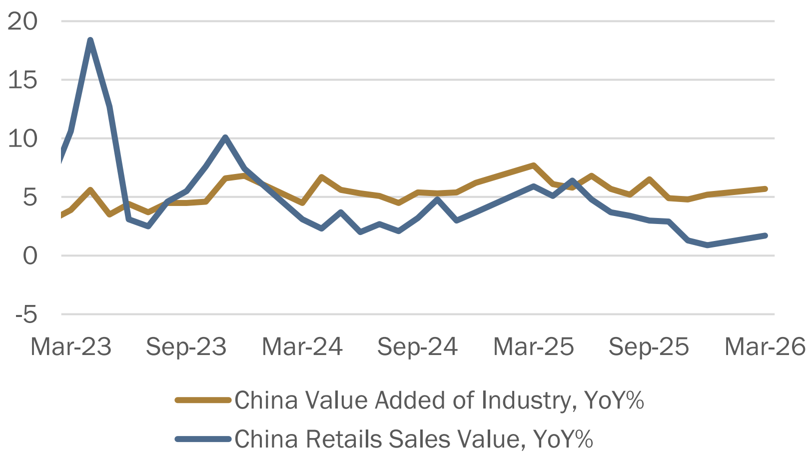
Source: Bureau of Labour Statistics

U.S. NFP and Unemployment Rate

- U.S. employment data showed signs of stabilisation in March after a notably weak February. The better-than-expected print helped to ease concerns about a sharp deterioration in labour-market conditions.
  - Nonfarm payrolls rose by 178,000 in March, well above market expectations of 65,000, following an exceptionally weak February that was revised down sharply to a 133,000 decline. The unemployment rate edged down to 4.3% from 4.4%, beating expectations for it to remain unchanged.
  - At the same time, wage pressures showed a slight downtick. Average hourly earnings rose 3.5% y-o-y, softer than expectations of 3.7% and slowing from 3.8% previously

China's Economy Improves in March, but Recovery Remains Uneven

China's industrial output and retail sales

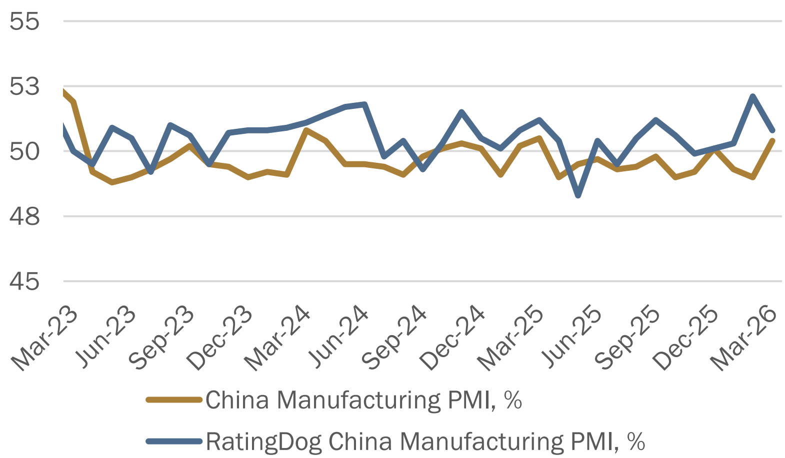


Source: National Bureau of Statistics of China

China's Industrial Production and Retail Sales

- China's economy showed a firmer start to 2026 with Q1 GDP growth rising to 5.0% y-o-y from 4.5% in Q4. Early momentum was supported by exports, although rising geopolitical tensions have increased external uncertainty.
  - Industrial production growth eased to 5.7% y-o-y in March from 6.3% in January–February, while retail sales slowed to 1.7% y-o-y, down from 2.8% in January-February.
  - Fixed-asset investment growth moderated slightly, with YTD growth at 1.7% y-o-y versus 1.8% in the first two months. Property investment continued to decline alongside falling home prices.

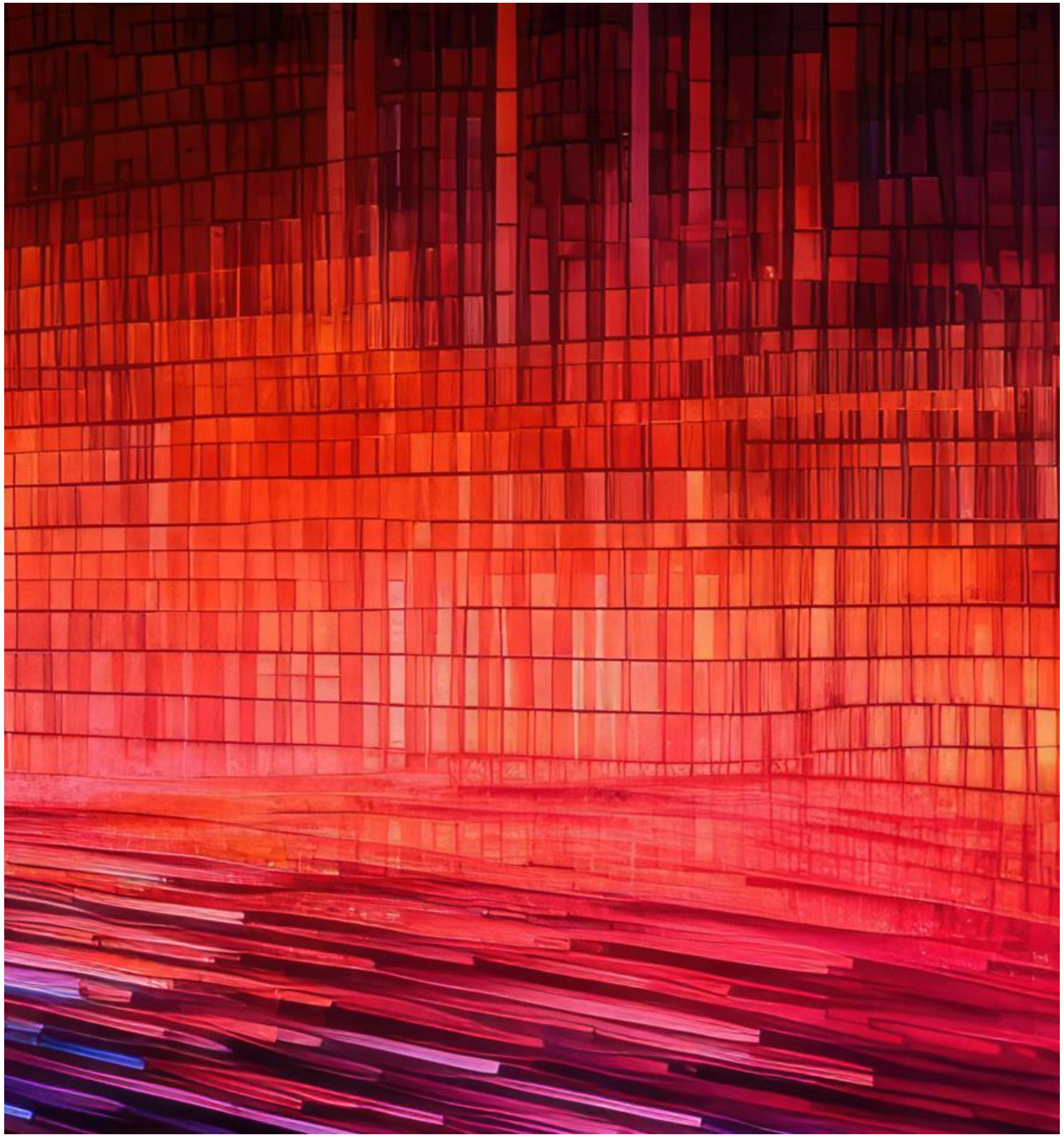
China's manufacturing PMI



Source: China Federation of Logistics and Purchasing; S&P Global

China's Manufacturing PMI

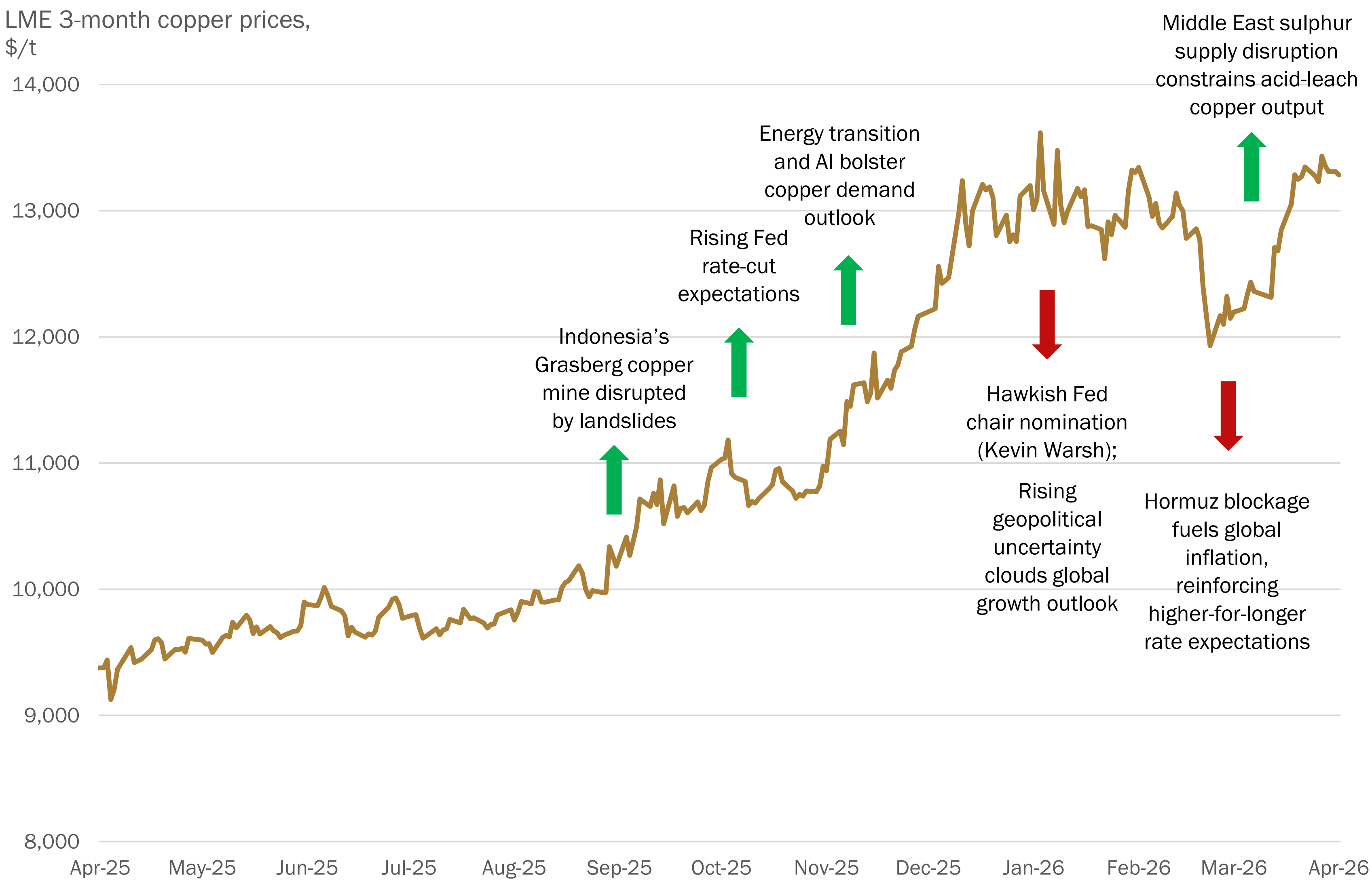
- China's manufacturing activity continued to expand in March, after remaining soft in the first two months of 2026. Activity picked up as factories resumed operations following the Lunar New Year.
  - The official manufacturing PMI rebounded to 50.4 in March, up from 49.3 in January and 49.0 in February, beating market expectations of 50.1 and marking a return to expansion for the first time this year.
  - The RatingDog China Manufacturing PMI slipped to 50.8 in March from 52.1 in February, below market expectations of 51.5, but remaining above the 50 threshold. New export business also rose, but the pace slowed from February. Input cost pressures intensified.



Copper Market Analysis

PUBLIC

Sulphur Shortages Hit Acid-Leach Copper Output, Driving Up Prices

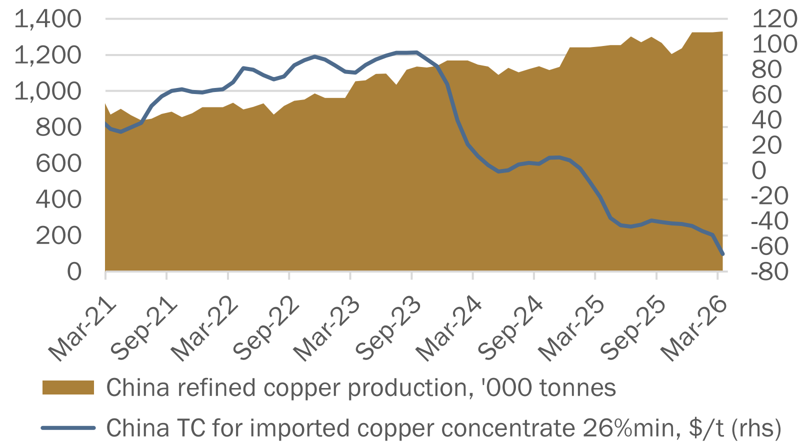


Source: Bloomberg

PUBLIC

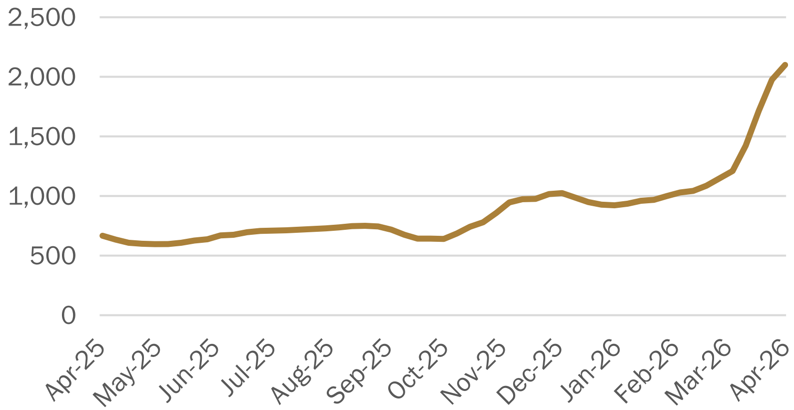
Record Chinese Copper Output Supported by Surging Sulfuric Acid Prices

China refined copper production and TC



Source: National Bureau of Statistics

China sulfuric acid factory posted sport price
RMB/t



Source: Bloomberg; Green Markets

China Refined Copper Output Hits Record High in March Despite Negative TC

- China's monthly refined copper output hit a record high in March 2025. Output has continued to prove resilient in recent quarters, even as processing fees fell to a record low, reflecting a shortage of copper concentrate that has weighed on smelter margins.
- In China, state-owned copper producers have been better positioned to withstand this pressure. They have been supported by their commitment to local government growth targets, alongside access to scrap as an alternative feedstock, which has helped sustain refined copper output despite weak treatment charges.

Surging Sulfuric Acid Prices Are Key Profit Source for Chinese Smelters

- The sharp surge in sulfuric acid prices over the past year has turned the byproduct into a key source of profit for smelters. Chinese sulfuric acid prices have hit record highs following the Iran war, which choked sulphur supply derived from oil and gas production.
- At current levels, for each ton of copper, Chinese smelters can earn more than RMB 5,000 from sulfuric acid, boosting their willingness and capability to operate. That said, China's refined copper production may ease from April, as smelters begin seasonal maintenance, with the impact expected to be seen mainly in May.

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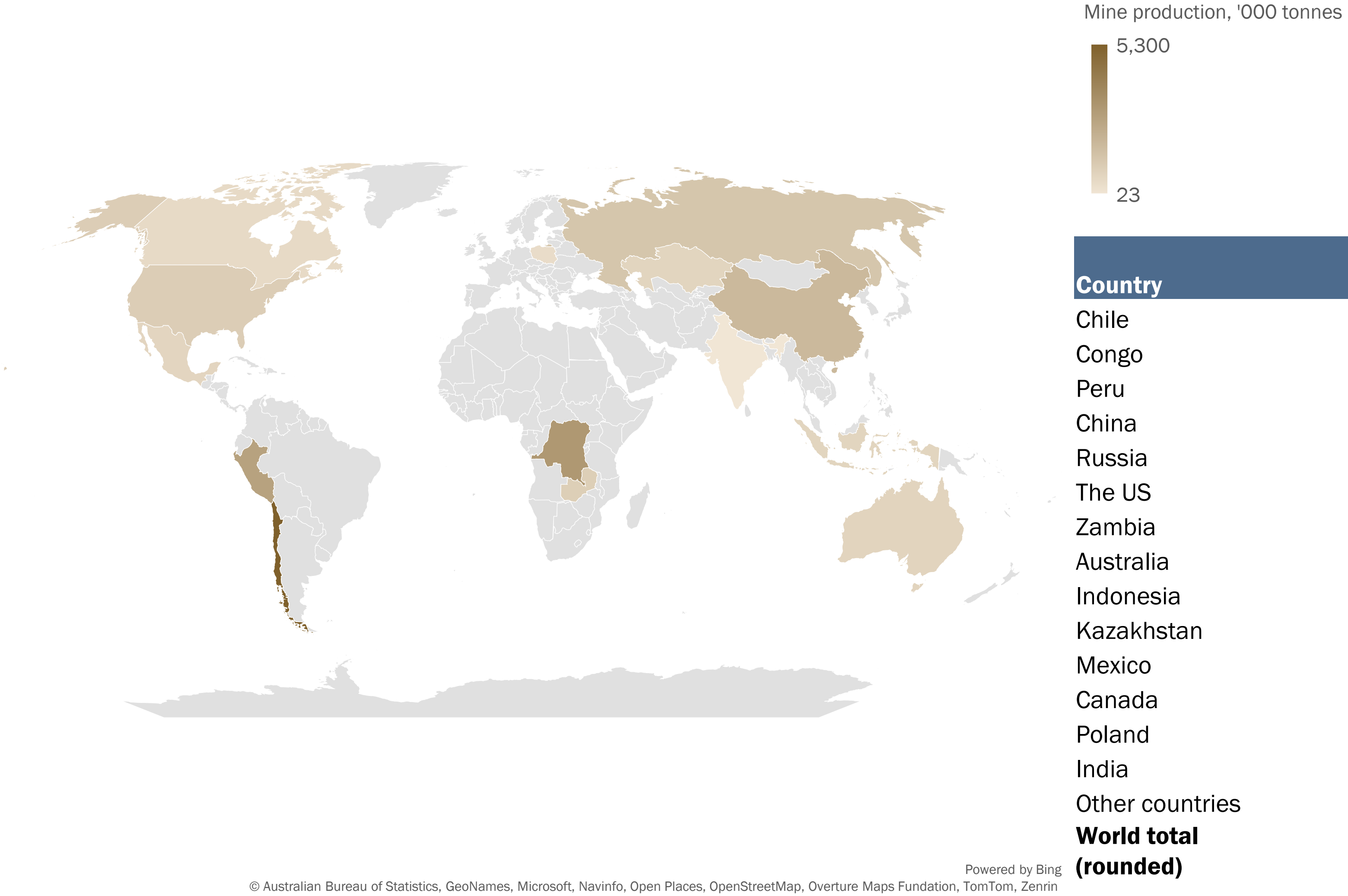
Global Copper Mine Production Is Highly Concentrated

USGS Estimates Global Copper Mine Output at 23 Million tonnes in 2025



Country	Mine production '000 tonnes
Chile	5,300
Congo	3,100
Peru	2,700
China	1,800
Russia	1,300
The US	1,000
Zambia	940
Australia	730
Indonesia	710
Kazakhstan	710
Mexico	690
Canada	500
Poland	410
India	23
Other countries	3,000
World total (rounded)	**23,000**

Source: USGS

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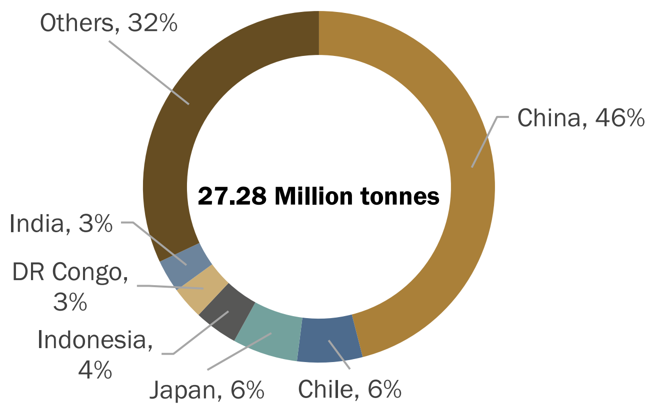
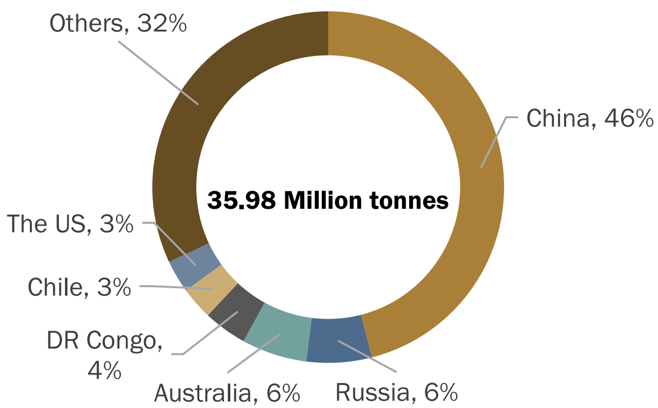
China Dominates 46% of Global Copper Smelting and Refinning Capacity

Global copper smelting capacity distribution, 2026



Source: Shanghai Metals Market model-based processed data; public sources

Global copper refining capacity distribution, 2026



Source: Shanghai Metals Market model-based processed data; public sources

China To Drive Global Smelting Capacity Growth in the Future

- China accounts for around 46% of global copper smelting capacity and will remain the largest engine driving growth in global smelting capacity in the coming years. China's copper smelting capacity is expected to increase from about 12.5 million tonnes in 2026 to 13.8 million tonnes by 2030.
- As China shifts its development focus toward a high-quality growth model, some previously planned copper smelting projects have been put on hold. The government has explicitly required the industry to avoid disorderly expansion and destructive competition, with the aim of promoting optimization, upgrading, and sustainable development of the industry chain.

Global Copper Refining Capacity Growth Still Concentrated in China and Africa

- Asia dominates global copper cathode capacity, with China accounting for over 45% of the total. Future incremental growth is also expected to be led by China as the country plans to add 1.175 million tonnes of refining capacity in 2026, but tight ore supply and commissioning constraints limit the actual production increase to about 272,000 mt. Outside Asia, Africa has become the largest copper cathode-producing region globally.
- Outside Asia and Africa, incremental copper cathode capacity growth in other regions remains extremely limited. This is mainly constrained by domestic ore availability and higher smelting costs, which is likely to cap further production growth globally.

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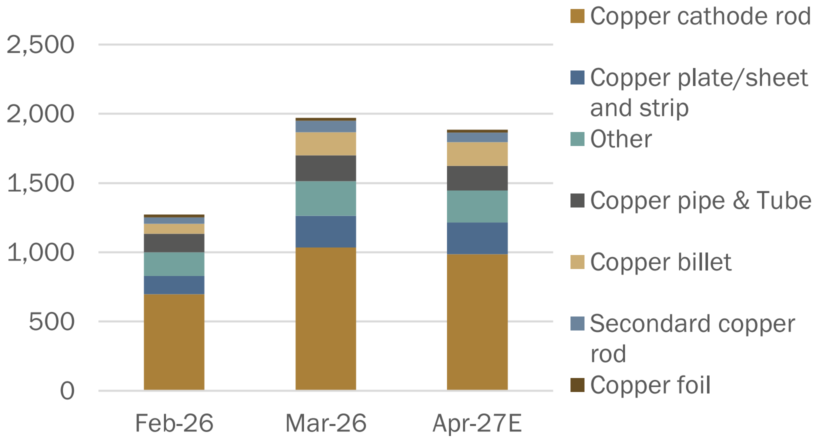
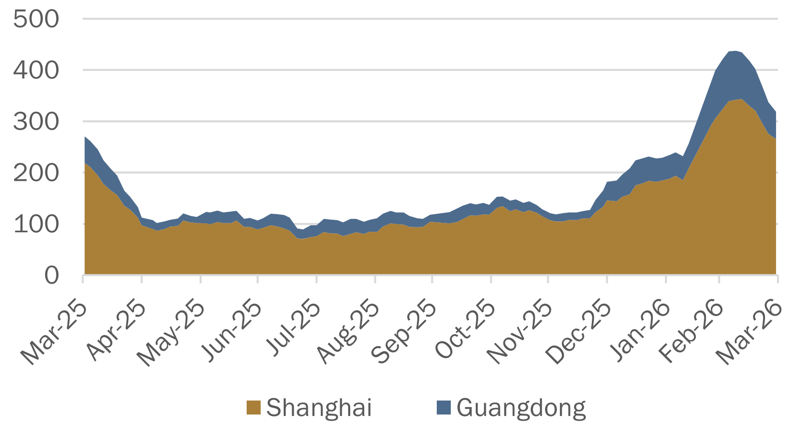
China Copper Demand Strengthens in March Amid Peak Industrial Season

China copper semis production by type
'000 tonnes



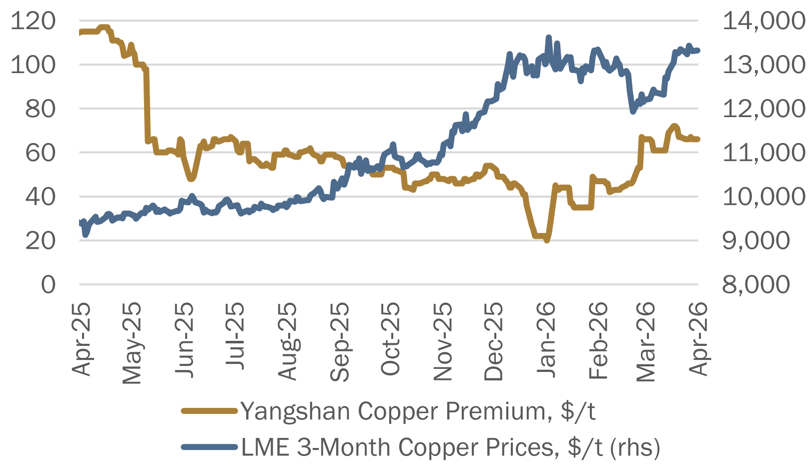
Source: Shanghai Metals Market

China copper social inventory
'000 tonnes



Source: Shanghai Metals Market

China Yangshan copper cathode premium



Source: Bloomberg

China's Demand for Imported Copper Softens After LME Copper Rebound in April

- After the Lunar New Year, China's downstream copper fabricators entered their peak season, with operating rates at copper semis producers rising sharply. Higher production led to continued declines in China's copper social inventories in March.
- The Middle East crisis has driven oil and gas prices higher, intensifying inflationary pressures and increasing the likelihood of delayed Fed rate cuts. A stronger US dollar under this backdrop remains unfavourable for copper prices. LME copper prices fell in March, causing stronger Chinese demand for imported copper. However, following the price rebound in April, Yangshan copper premiums have remained broadly stable, indicating that elevated copper prices have begun to cool China's demand for imported copper.

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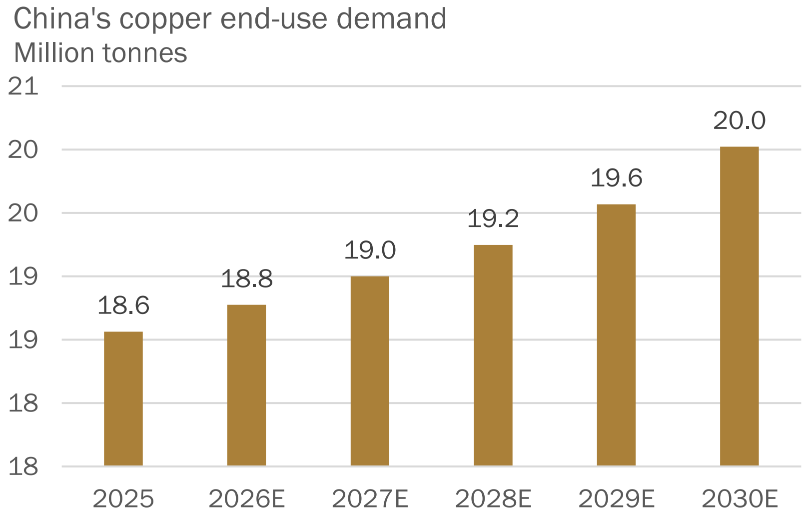
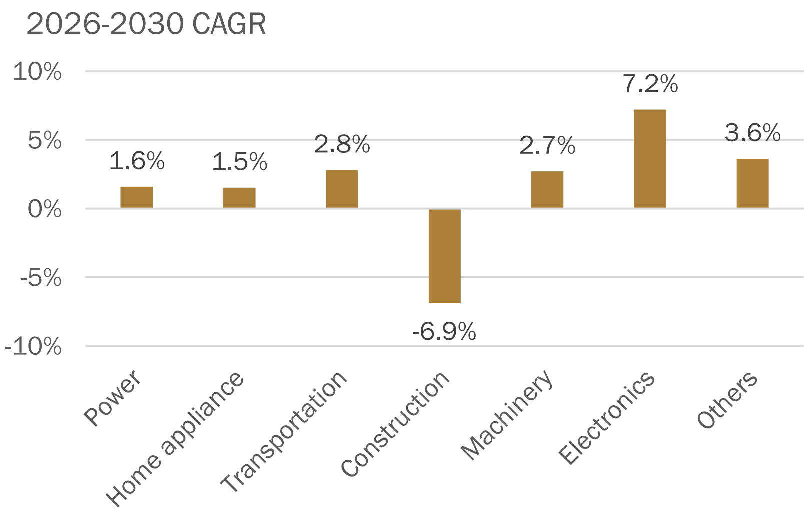
Emerging Sector Drives To Support Demand Growth in the Coming Years



Source: Shanghai Metals Market



Source: Shanghai Metals Market

China Copper Demand to Increase Gradually Through 2030

- China's copper demand is expected to see modest growth between 2025 and 2030 amid clear structural shifts. Total demand is projected at 18.56 million tonnes in 2025, constrained by continued weakness in real estate activity, soft infrastructure investment and tight funding conditions for property developers.
- Looking ahead, as property-related drag gradually eases and demand from emerging sectors strengthens, copper consumption will recover steadily. Supported by stronger power grid investment, rapid growth in AI data center, and continued electrification in transportation, China's copper demand is forecast to rise steadily to 20.02 million tonnes by 2030.

Property Remains a Drag While Electronics Drive Incremental Copper Demand

- The construction sector remains the main source of weakness, with copper demand falling to 1,954 kt in 2025 and still posting a five-year CAGR of -6.89%, despite a gradual narrowing in the pace of decline. The home appliance sector also recovers only slowly amid aluminium substitution.
- By contrast, growth is increasingly driven by non-property sectors. The power sector rebounds in the mid-to-late 15th Five-Year Plan period as grid investment, PV and energy storage recover, while the electronics sector becomes the fastest-growing segment, supported by AI and data centre expansion, achieving a CAGR of around 7.2%. The transportation sector continues to grow, albeit at a slower pace as NEV penetration matures.

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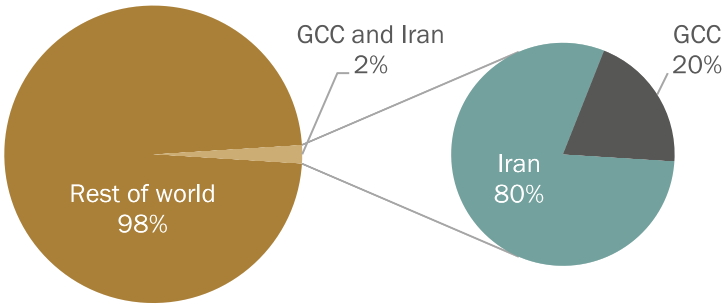
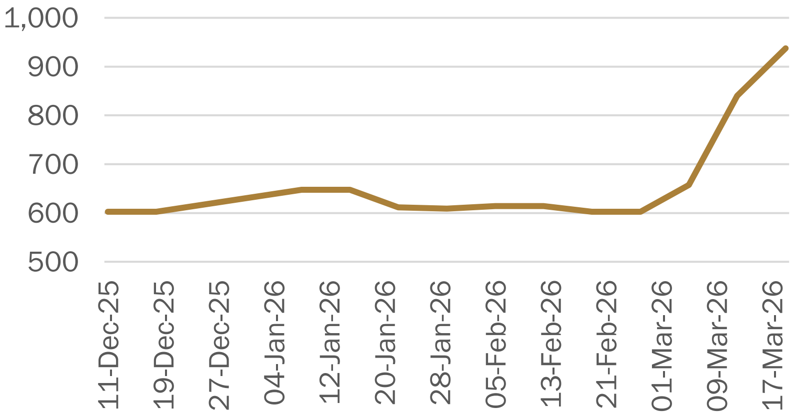
Iran War Lifts Sulphur Prices, Threatening Acid-Leach Copper Production

The Middle East's share of global mined copper supply



Source: Bloomberg Intelligence

African sulfur prices
$/t



Source: Argus Media

The Middle East Accounts for a Small Share of Global Copper Markets

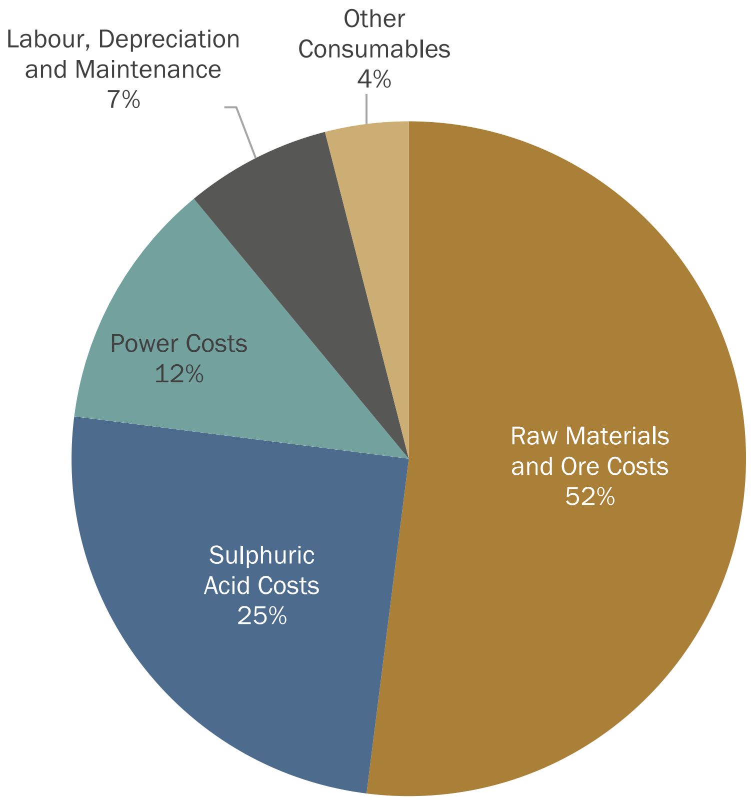
- The GCC states and Iran account for around 3% of the global refined copper market and only about 2% of global copper mine supply, with more than 80% of regional mine output coming from Iran itself. So far, these mining operations are well away from active conflict zones, limiting risks to production, shipping and logistics.
- The Middle East is one of the fastest-growing copper demand regions, with demand expected to grow at 7–8% over the next few years, while structurally remaining in deficit. However, if the war leads to demand stagnation, regional refined copper demand could contract by 130,000–150,000 tonnes over the next two years versus current expectations.

Surging Sulphur Prices May Disrupt Copper Mine Operations in Chile and the DRC

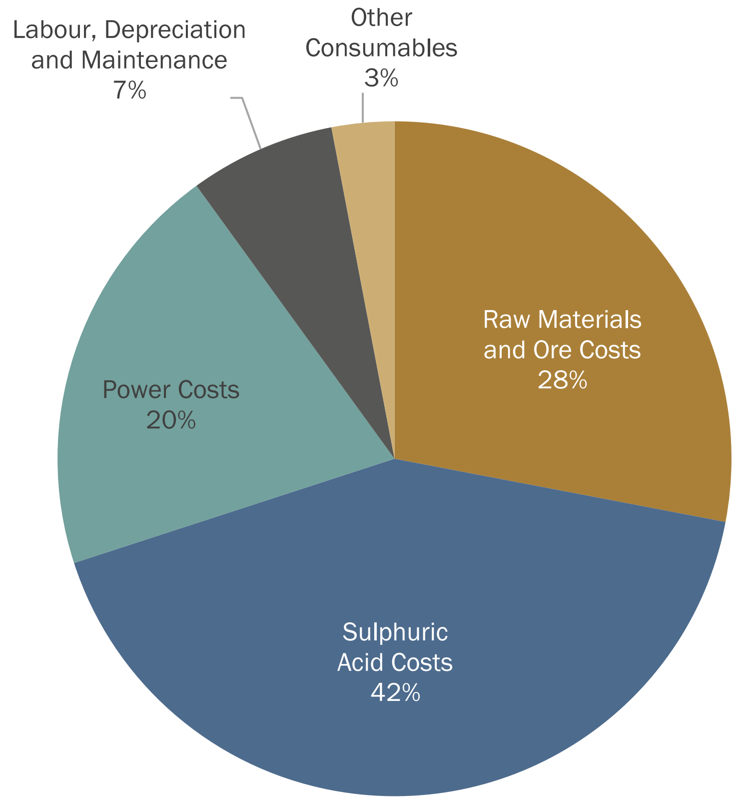
- The Iran war and the closure of the Strait of Hormuz have restricted sulphur supply, pushing sulphur prices to an 18-year high. As sulphur is typically processed into sulphuric acid, the disruption has quickly translated into tighter availability and sharply higher prices for sulphuric acid across global markets.
- This supply crunch is particularly impactful for copper-producing countries such as Chile and the DR Congo, where a significant share of copper output relies on acid-leaching (SX-EW) processes that require large volumes of sulphuric acid as a key input. Prolonged sulphur shortages could constrain copper mining operations in these regions, although copper output in the DR Congo has not yet seen large-scale production, supported by relatively adequate sulphur inventories at present.

Adequate Sulphur Stocks Buffer DR Congo Copper Production for Now

Cost Structure for SX-EW Copper Operations in the DRC - Purchased Ore Model

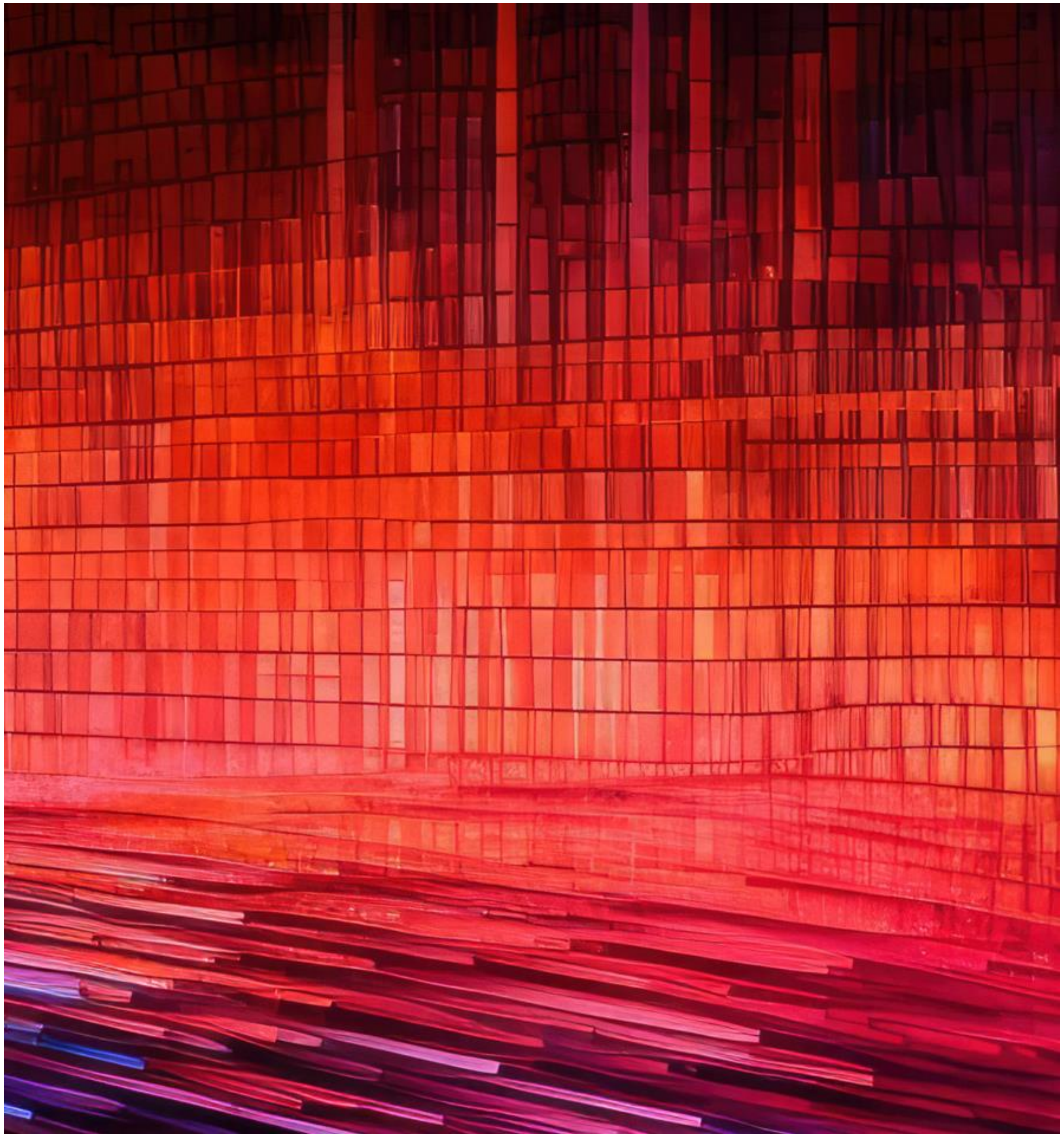


Cost Structure for SX-EW Copper Operations in the DRC - Owned Ore Model



Most smelters reported that sulphur inventories remain at relatively safe levels, generally above the three-week safety threshold, limiting the impact on continuous production in the near term. Early stockpiling and in-house sulphuric acid production capacity have helped offset short-term logistics disruptions, with current impacts mainly reflected in higher costs and compressed profit margins rather than material production losses.

Source: Shanghai Metals Market

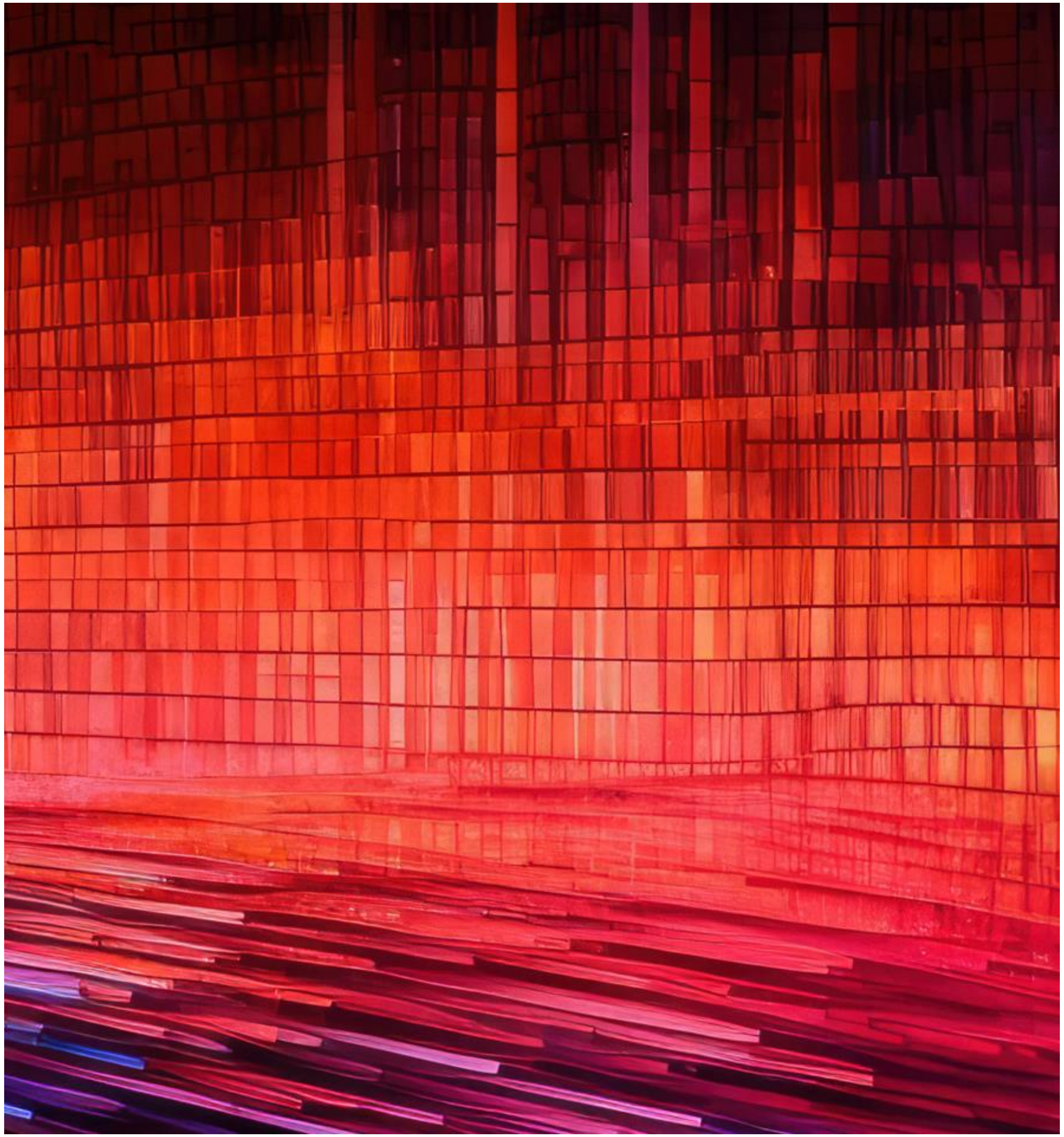


Copper Price Outlook

Copper price outlook

Copper price outlook – Short term	
Bullish	• The Iran war has disrupted sulphur supply and lifted prices, threatening acid-leach copper production in Chile and the Democratic Republic of Congo. • As China entered the seasonal peak for industrial activity, copper semis production rose in March and falling social inventories signalled strong domestic demand. • Improving industrial and manufacturing activity in China after the Lunar New Year has lifted market confidence, supporting the near-term copper price outlook. • Remediation work at Freeport's Grasberg underground copper mine is progressing as scheduled, but production will remain constrained over the next 12 months.
Bearish	• Surging sulphuric acid prices have significantly boosted profitability for Chinese smelters, pushing China's refined copper output to a record high in March. • LME copper prices rebounded in April, cooling China's appetite for imported copper after stronger buying interest in March. • Soaring energy prices are adding to inflationary pressures, forcing central banks to keep interest rates higher for longer, with the Fed unlikely to cut rates in the near term.
Copper price outlook – Medium to long term	
Bullish	• The global energy transition, together with structural demand from new industries such as AI data centres, continues to provide strong long-term support for copper demand. • Global copper concentrate deficits are expected to persist and worsen due to declining ore grades at existing mines and long development cycles for new projects.
Bearish	• If Middle East tensions persist, rising inflation and prolonged high interest rates could intensify recession risks, weighing on industrial metals demand, leading price corrections. • China's sluggish property market remains a structural drag on copper consumption from traditional end-use sectors. • Bullish long-term copper price prospects could prompt manufacturers to substitute copper with cheaper aluminium, even at the cost of reduced performance.

Source: ICBC Standard Bank



Aluminium Market Analysis

PUBLIC

Hormuz Closure Chokes 9% of Global Aluminium Supply, Supporting prices

Source: Bloomberg

PUBLIC

How the Middle East Conflict is Disrupting Aluminium Supply

Natural Gas Shortages Force Smelter Curtailments

- Aluminium smelting is highly energy-intensive, with power and gas accounting for ~35–40% of cash costs. The escalation of the Iran conflict has disrupted regional natural gas supply and power availability, directly impacting energy-intensive aluminium smelters.

Case: Qatalum initiated a controlled shutdown on 3 March due to gas supply suspension, declared force majeure, and later stabilised operations at around 60% of capacity. Hindalco notified customers of suspended sales of certain aluminium products after force majeure declarations by gas suppliers.

Strait of Hormuz Closure Becomes Binding Constraint

- Heightened security risks and effective closure of the Strait of Hormuz have prevented aluminium exports even where plants remain operational.

Case: ALBA declared force majeure on deliveries in early March and subsequently shut three smelting lines (~19% of total capacity) on 15 March, explicitly citing shipping bottlenecks rather than damage to facilities or power shortages. EGA has flagged shipment delays due to Hormuz-related disruptions and indicated it may rely on offshore inventories to meet customer commitments

Disrupted Alumina and Bauxite Imports Raise Production Risk

- Middle Eastern smelters rely heavily on seaborne alumina imports, leaving them vulnerable to prolonged logistics disruptions.

Case: Both Qatalum and ALBA highlighted difficulties securing alumina cargoes amid shipping standstills, with limited on-site inventories meaning that sustained disruption risks further curtailments even if energy supply partially recovers.

Iran's Strikes Damage Middle East Aluminium Facilities

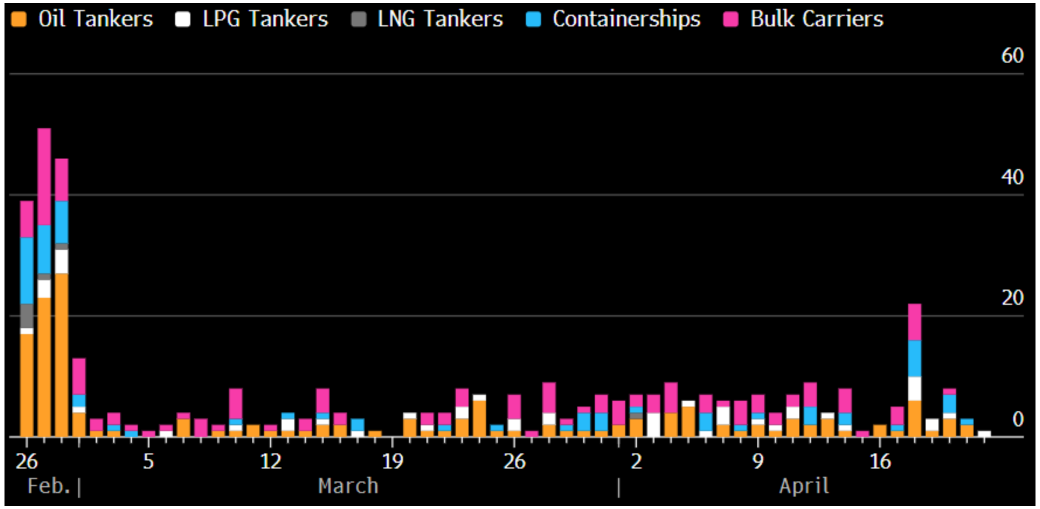
- Iranian missile and drone strikes on Middle East aluminium smelters were framed as retaliation for earlier US-Israeli attacks on Iranian steel and industrial facilities. Repairs at damaged smelters are expected to be time-consuming and costly, further tightening global supply.
- EGA's Al Taweelah smelter has ~1.5 mtpa capacity and produced 1.6 mt cast aluminium in 2025. The smelter had sustained significant damage. Alba's ~1.62 mtpa smelter was also affected by Iranian attacks, and damage assessments are underway.

LME aluminium prices surged to the record high levels in late-April. Physical premiums in Europe and Asia widened sharply as buyers priced in prolonged delivery risk.

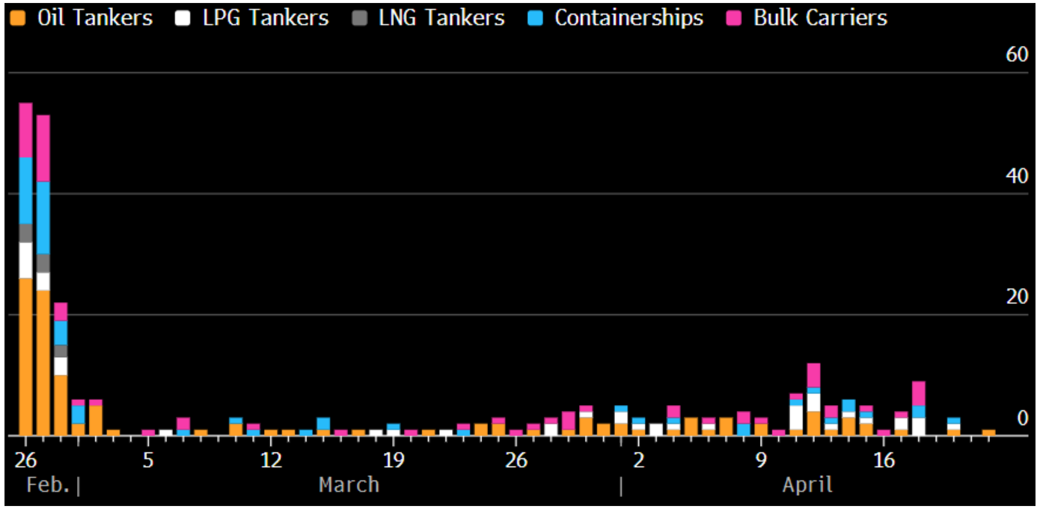
Source: ICBCS

Vessel-Tracking Data Shows Strait of Hormuz Remains Near-Fully Closed

Strait of Hormuz **inbound** transits



Strait of Hormuz **outbound** transits



Source: Vessel tracking data complied by Bloomberg

Hormuz Strait Disruption Tightens Commodity Supply and Fuels Inflation Risks

- Following joint military action by the US and Israel against Iran in late February, Tehran moved swiftly to blockade the Strait of Hormuz in retaliation and as a means of exerting pressure on the international community.
- Although a temporary ceasefire between the US and Iran has raised limited hopes for a potential reopening of the strait, vessel-tracking data show that the Strait of Hormuz remains largely closed.
- The prolonged disruption poses significant risks to global energy markets, as the Strait of Hormuz typically handles nearly 20% of global seaborne oil and LNG flows.
- Middle Eastern aluminium smelters—accounting for roughly 9% of global aluminium output—have been impacted by transport disruptions, tightening global aluminium supply and supporting prices.
- Broader inflationary pressures are likely to intensify, as around 20%–45% of global exports of key agricultural inputs depend on transportation routes through the Strait of Hormuz, raising the risk of higher food prices.

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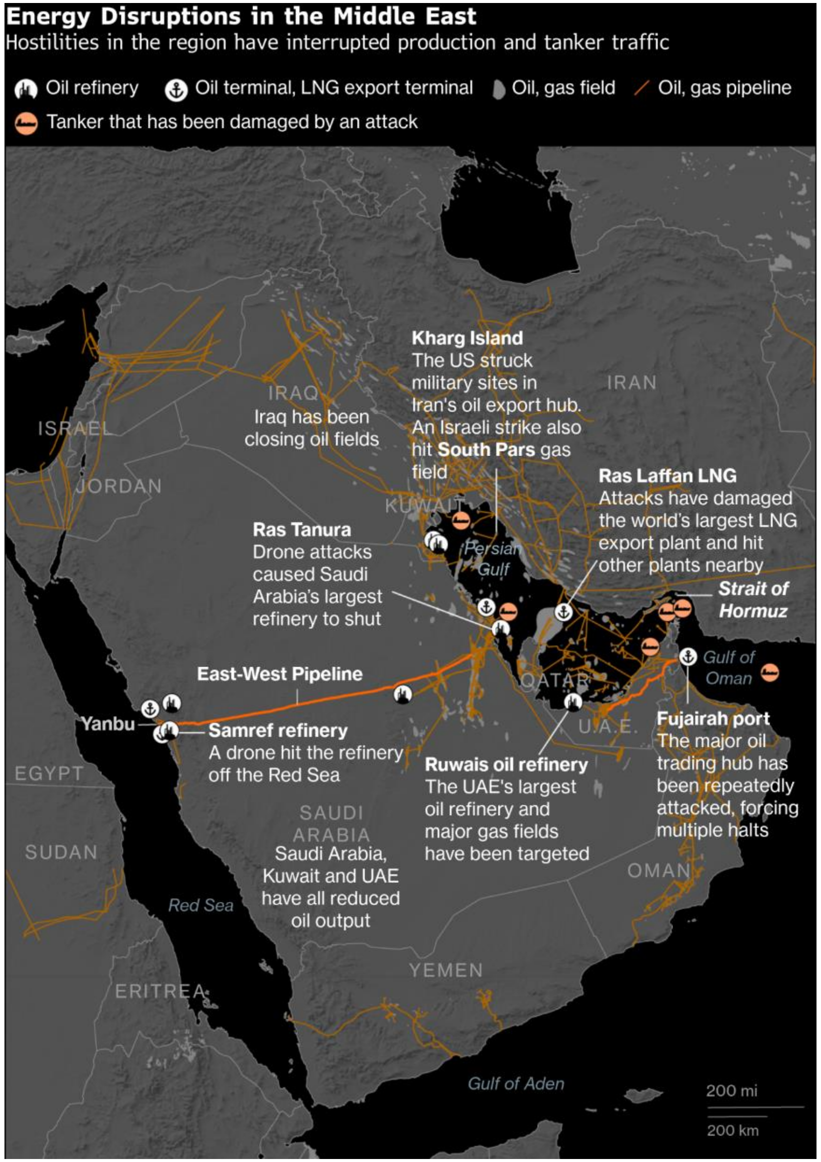
Iran Blocks the Strait of Hormuz; Middle East Energy Facilities Damaged



Source: Various sources

Oil Refineries
- Ruwais (UAE)
- Ras Tanura (Saudi Arabia)
- Samref (Saudi Arabia)
- Bapco Energies (Bahrain)
- Mina Al-Ahmadi (Kuwait)
- Mina Abdullah (Kuwait)
- Lanaz (Iraq)

Gas Facilities
- Ras Laffan (Qatar)
- Habshan (UAE)
- South Pars (Iran)
- Isfahan (Iran)
- Shah (UAE)
- Das Island LNG (UAE)

Oil Fields
- Majnoon (Iraq)
- Shaybah (Saudi Arabia)

Ports
- Yanbu (Saudi Arabia)
- Fujairah (UAE)
- Jebel Ali (UAE)
- Sohar (Oman)
- Mina Al Fahal (Oman)
- Salalah (Oman)
- Khalifa Bin Salman (Bahrain)

Nuclear Plants
- Bushehr (Iran)

IEA Executive Director Fatih Birol warned that the impact of the current disruptions is comparable to the major oil crises of the 1970s and the 2022 natural gas crisis triggered by the Ukraine war.

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Hormuz Strait Disruptions Constraining Aluminium Feedstock Supply

If the Strait of Hormuz remains shut for a prolonged period, more aluminium raw materials—especially alumina originally bound for the Middle East—are likely to be rerouted to China, which could further depress input costs for Chinese smelters and reinforce China's role as the main absorber of displaced global supply.

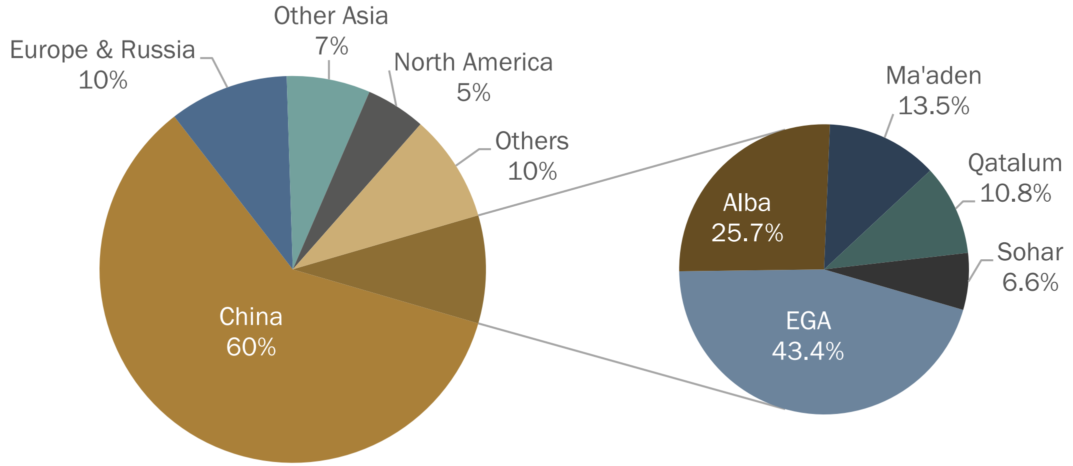
● =Aluminium smelter
● =Alumina refinery
● =Bauxite mine

Source: CRU International; ICBCS

PUBLIC

The Middle East Plays a Key Role in the Global Aluminium Industry

Global aluminium production by region



Source: International Aluminium Institute (IAI); Bloomberg Intelligence

Smelter	Country	Capacity	Power source	Raw material supply
EGA	UAE	2,615	Natural gas	Imported bauxite (Australia, Ghana, Brazil) Imported alumina (Australia, Indonesia, India, Vietnam)
Alba	Bahrain	1,550	Natural gas	Imported alumina (Australia, Brazil)
Ma’aden	Saudi Arabia	815	Domestic power (Gas based)	Domestic bauxite and alumina
Qatalum	Qatar	648	Natural gas	Imported alumina (Australia, Indonesia, India)
Sohar	Oman	396	Natural gas	Imported alumina (Australia, India, China, Indonesia)

Source: ICBCS; Shanghai Metals Market

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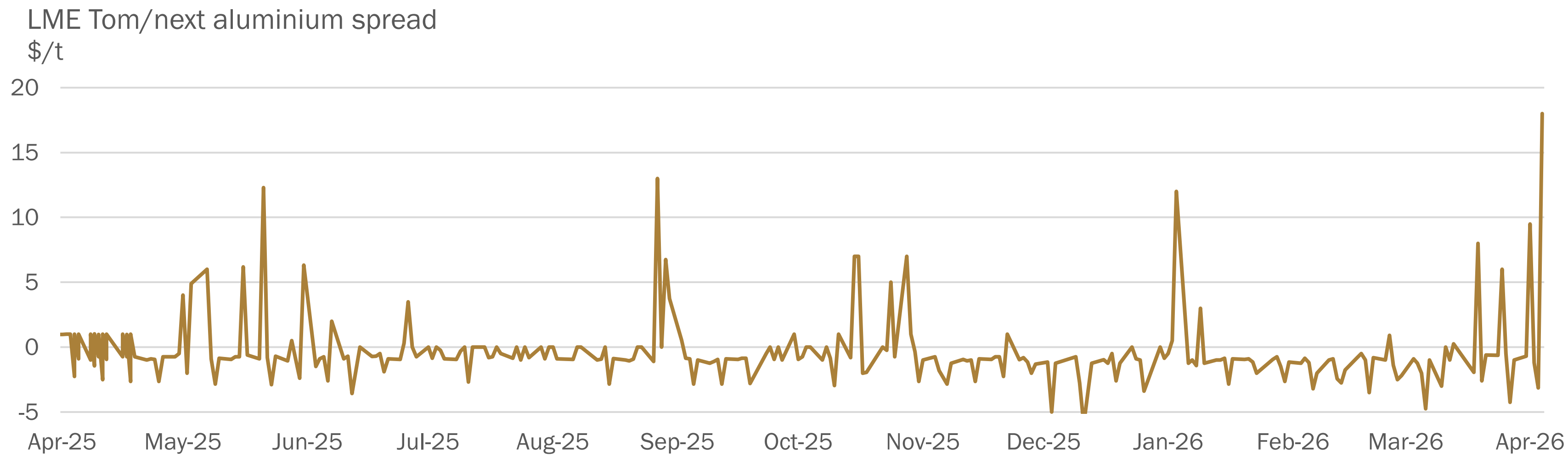
Aluminium Spreads Tighten as Iran War Squeezes Spot Market Supply



Source: LME

Source: LME

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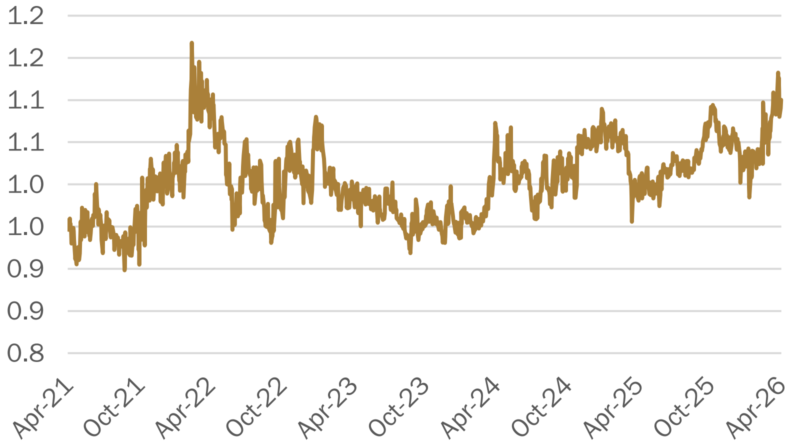
Rising Overseas Premiums From Iran War Open Export Window For China

LME/SHFE aluminium ratio

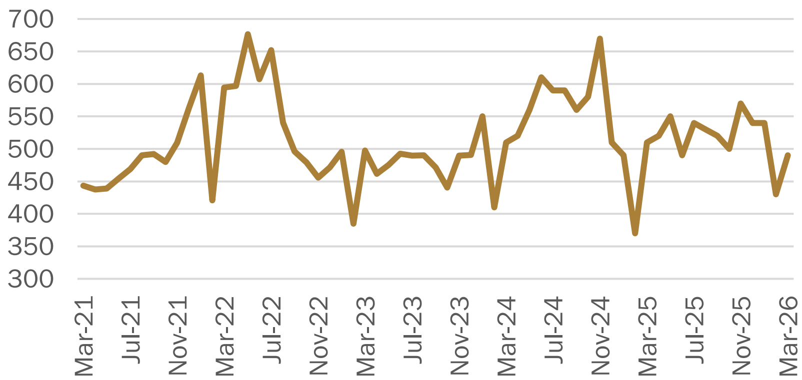


Source: LME; SHFE

Iran War Drives LME/SHFE Ratio Higher, Highlighting Growing Overseas Premiums

- The Iran war has triggered a sharp rise in the LME/SHFE aluminium price ratio, indicating that international prices are trading at their largest premium to the Chinese market since 2022.
- Supply disruptions in the Middle East have lifted global prices, while Chinese prices remain capped by ample domestic availability. This widening spread is creating an export window for Chinese smelters at a time when local aluminium inventories have climbed to a six-year high, improving the economics of shipping metal and semi-finished products overseas. Smelting profits in China is expected to stay near all-time highs.

China's export of unwrought aluminium & aluminium products
'000 tonnes



Source: Customs General Administration PRC

China Aluminium Exports Poised To Accelerate As War Spurs Overseas Demand

- China's aluminium exports are expected to surge in coming month. March exports of unwrought aluminium and aluminium products reached 485,000 tonnes, up 13% m/m, suggesting the Iran war is beginning to impact trade flows. Q1 exports totalled 1.46 million tonnes, running 6.5% ahead of last year's pace.
- Market participants expect overseas orders for aluminium products used in autos and packaging to rise further from April. Annual sales could match or exceed the record 6.7 million tonnes exported in 2024 due to extra demand rising from the war. CNIA forecasts China's aluminium product exports to reach record highs this year as war-driven premium differentials remain exceptionally elevated levels.

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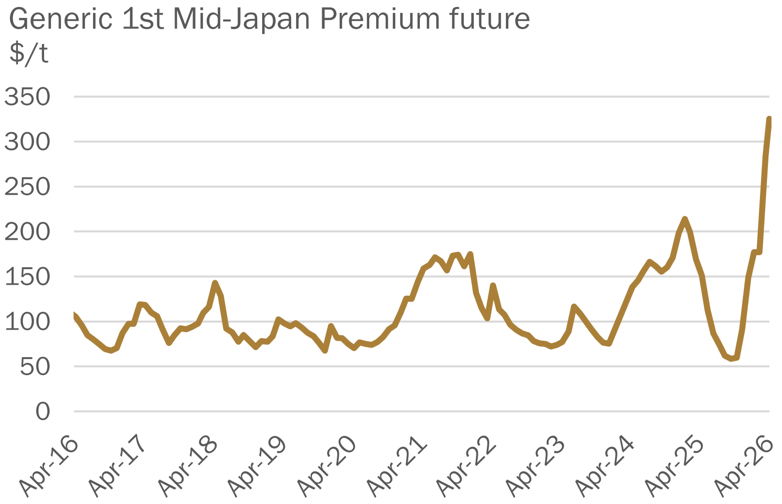
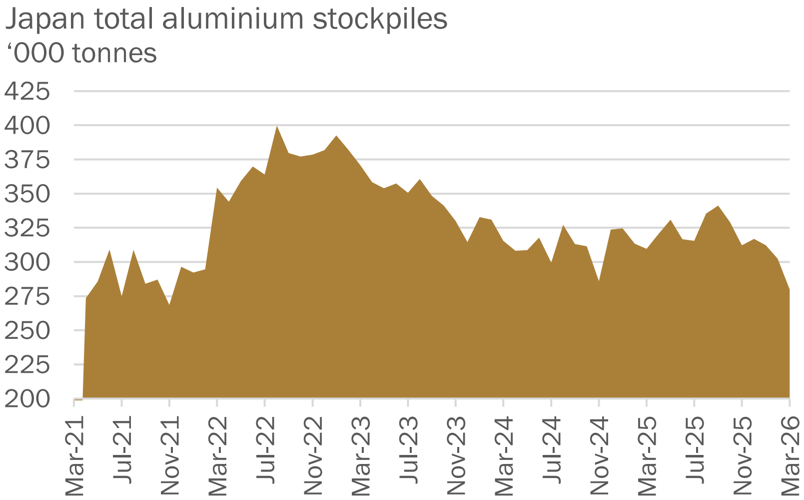
Middle East Conflict Triggers Supply Shock In Japan's Aluminium Market



Source: Bloomberg; Platts



Source: Bloomberg; Marubeni

Middle East Conflict Drives Supply Shortage, Pushing MJP To An 11-Year High

- Escalating Middle East tensions led Iran to close the Strait of Hormuz, severely disrupting aluminium shipments from the region. Smelters in the region, which accounts for 9% of global aluminium capacity, faced shutdowns, force majeure and shipping delays.

- Physical tightness intensified rapidly, lifting the Main Japanese Port (MJP) premium to $350–353/t for Q2, the highest since 2015, with spot deals reported even higher. Elevated premiums are also encouraging Russia's Rusal to divert aluminium shipments from China to Japan. Looking ahead, MJP will remain elevated as Japanese buyers prioritize supply security, potentially locking in high premiums for subsequent quarters.

Japan's Aluminium Inventories Fall Sharply Amid Supply Disruptions

- Japan has emerged as one of the most exposed economies in this episode due to its heavy dependence on Middle Eastern aluminium. Around 30% of Japan's aluminium imports originate from the region, while domestic automakers source close to 70% of their imported aluminium from the Middle East.

- Inventories have begun to fall sharply, with Japan's aluminium stockpiles declining 7.4% month on month in March to 279,800 tonnes. The supply shock is already feeding through to downstream industries. Buyers are attempting to source aluminium from New Zealand, Malaysia and India. Japan is entirely dependent on imports for unwrought aluminium, with the Middle East accounting for 30% of the country's total supply in 2025.

China Aluminium Smelter Profits Rise; Downstream Enters Peak Season

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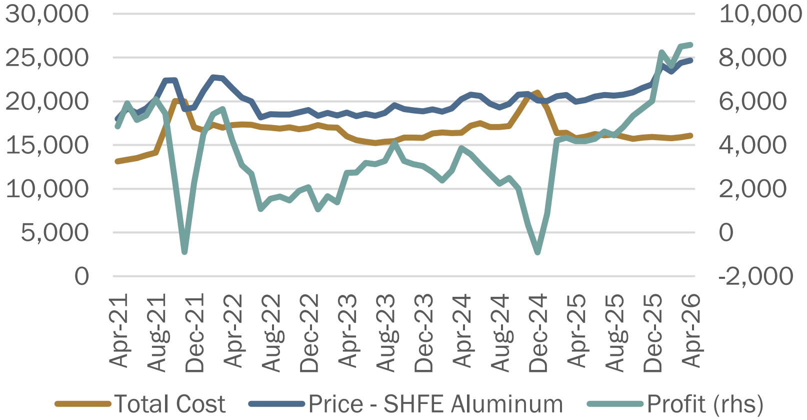
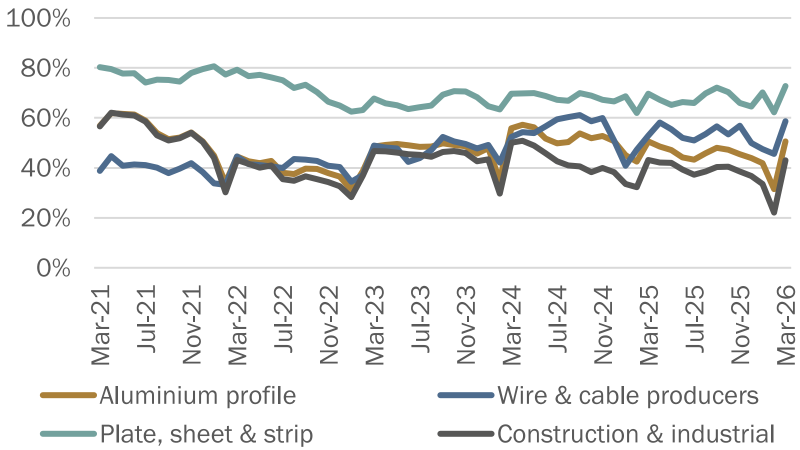
China aluminium cost
RMB/t



Source: Bloomberg Intelligence; Shanghai Metals Market

China's aluminium producers' operating rates



Source: Bloomberg Intelligence; Shanghai Metals Market

China's Aluminium Smelter Profits Benefit From Iran-Driven Price Surge

- Supply disruptions caused by the Iran war have driven aluminium prices sharply higher, significantly improving profit margins for Chinese aluminium smelters. While costs have risen — with prebaked anodes becoming more expensive due to higher oil prices and raw material freight rates increasing amid disruptions in the Strait of Hormuz — these pressures have been partially offset by declining alumina prices amid persistent oversupply and stable electricity tariffs. As a result, total smelting costs have increased only modestly.

- In contrast, the sharp rise in aluminium prices has more than compensated for higher inputs, allowing smelter profitability to expand and remain near cyclical highs.

China's Aluminium Demand Enters Post-Lunar New Year Peak Season

- China's aluminium demand has entered the post-Lunar New Year peak season, with downstream operating rates rising sharply across major segments in March. Producers of plate, sheet and strip led the recovery, posting an average operating rate of 72.8% in March, up 11% sequentially, driven by robust demand from packaging and energy-storage batteries, which more than offset softer auto demand following a decline in tax rebates.

- Looking ahead, operating rates in China's aluminium downstream industries could rise further, supported by rising overseas demand for Chinese aluminium products as the Iran conflict exacerbates regional supply tightness and lifts export orders.

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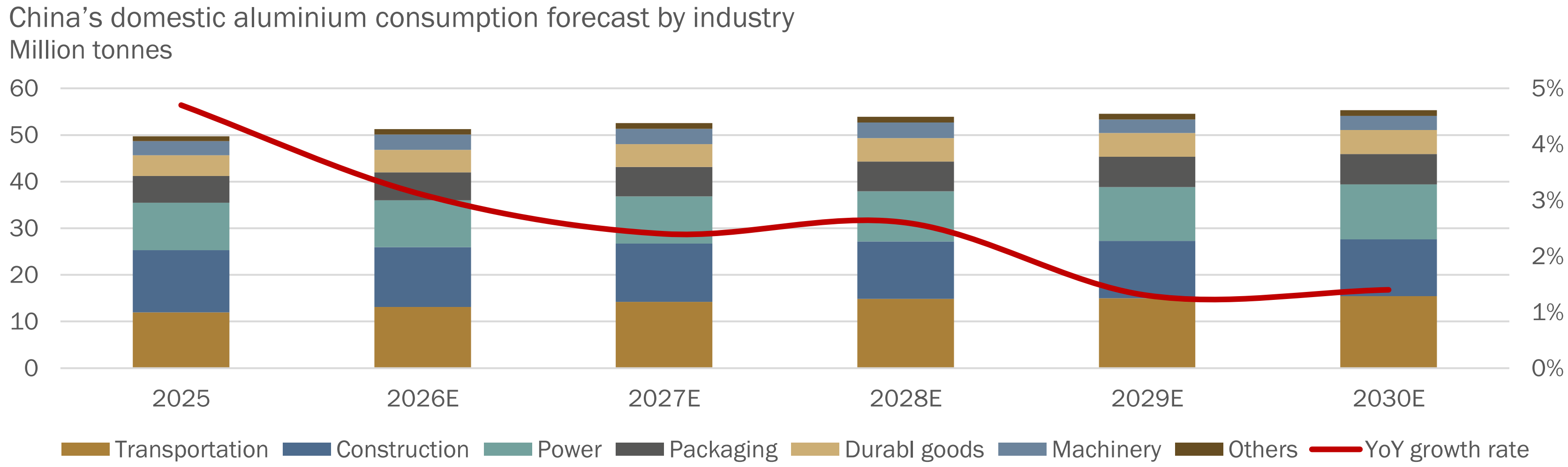
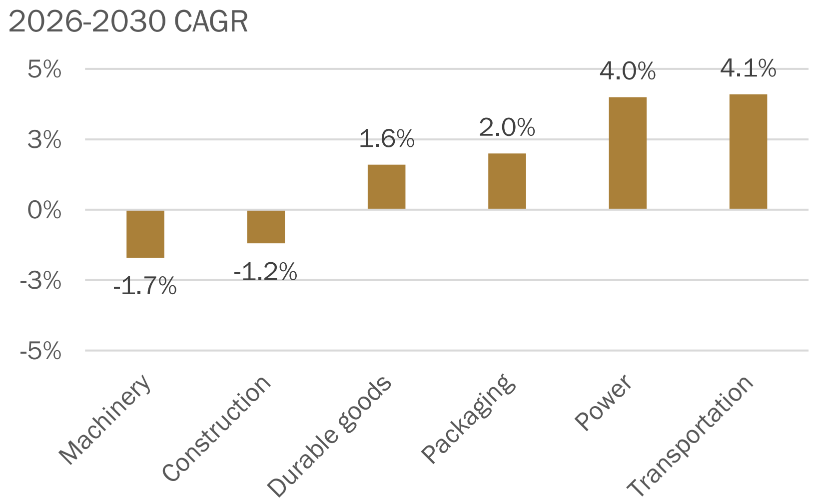
Transportation and Power to Drive China's Aluminium Demand Growth



Source: Shanghai Metals Market

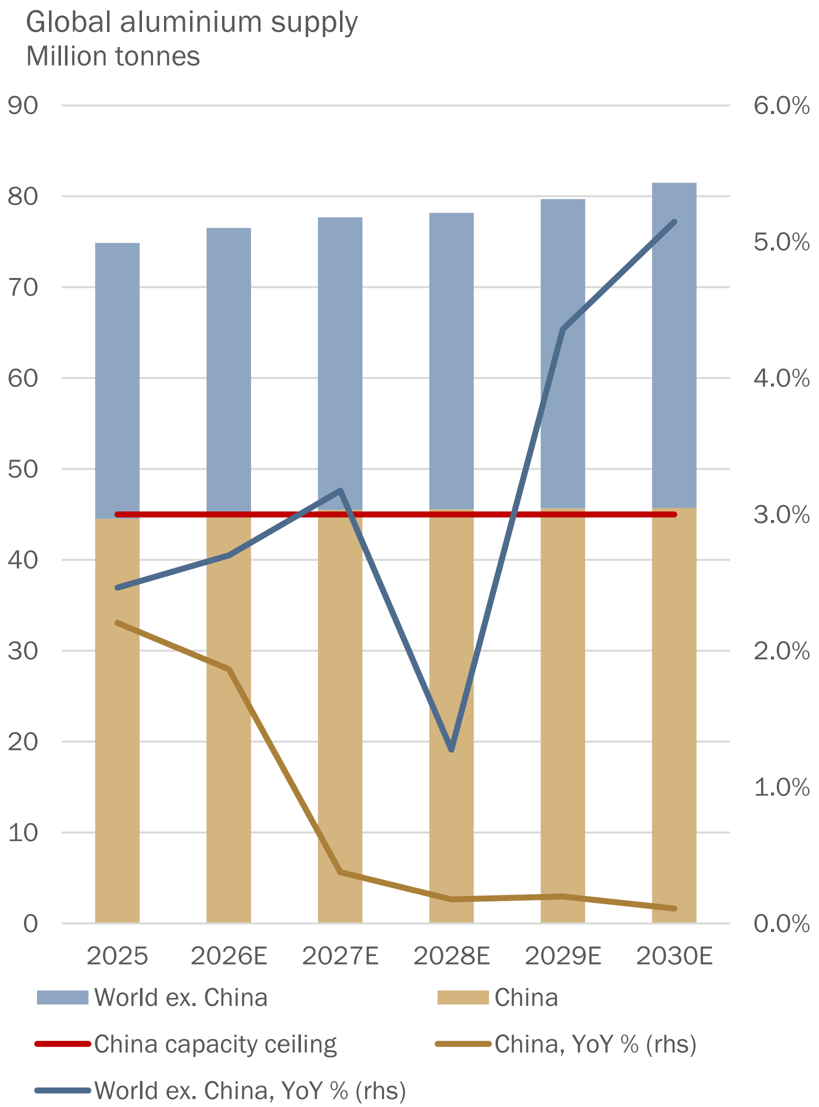


Source: Shanghai Metals Market

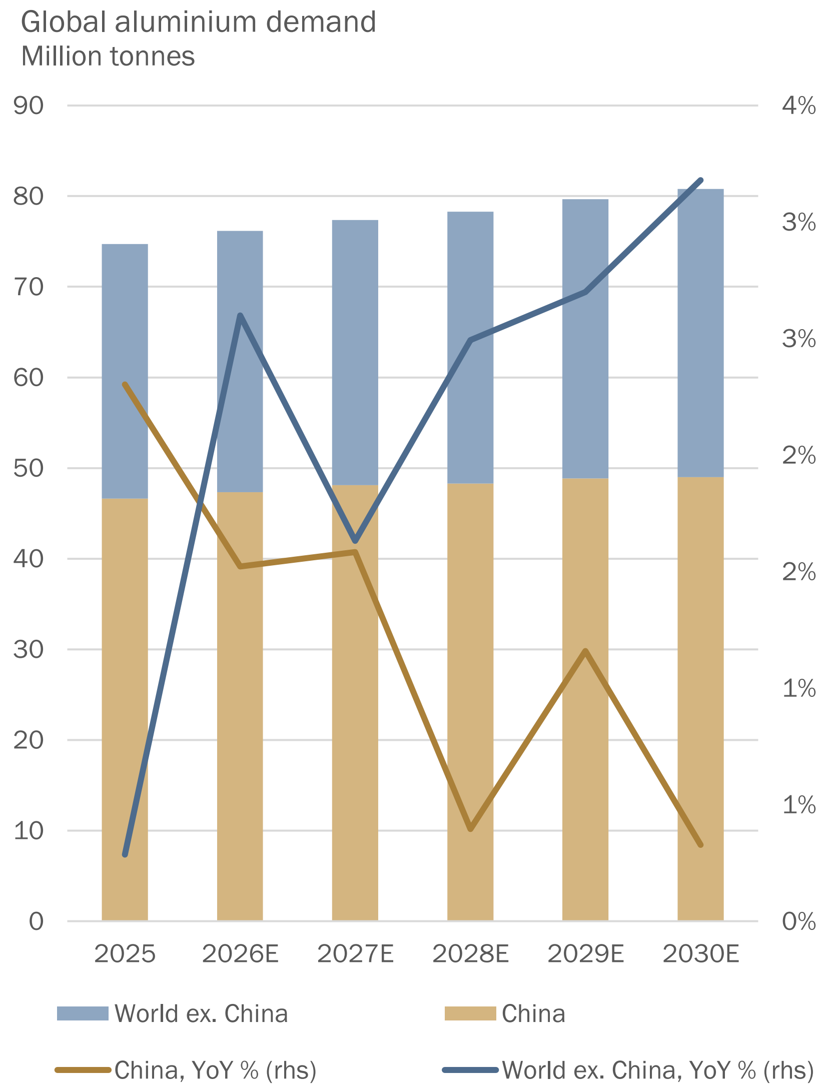
China's Ali Demand from Construction and Machinery Is Set to Decline

- Over 2026–2030, traditional sectors such as construction and machinery are expected to continue slowing, although the pace of decline in green and prefabricated construction may moderate. In contrast, growth will increasingly be driven by energy-transition-related sectors.
- Rising aluminium use per vehicle in NEVs, growing power demand from AI-driven computing, and continued investment in power transmission and clean energy will support aluminium consumption. Sub-sectors such as EVs, power, energy storage and AI will become the main drivers of demand growth, offsetting weakness in traditional industries.

China's Capacity Nears Its Ceiling; Overseas Projects Drive Supply Growth



Source: Shanghai Metals Market



Source: Shanghai Metals Market

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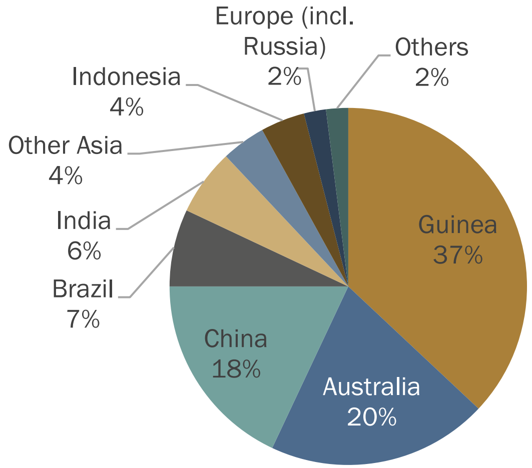
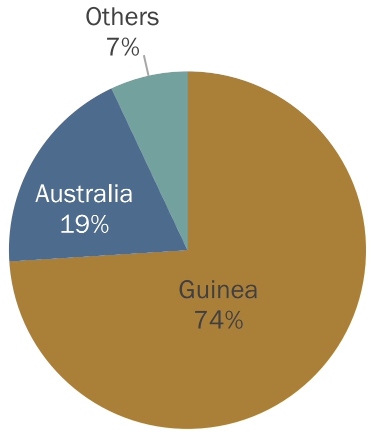
Guinea's Bauxite Production Policies Impact Aluminium Price Prospect

Global bauxite production share



Source: SMM model – based processed data

China's bauxite import sources



Source: China's General Administration of Customs

Global Bauxite Supply Highly Concentrated in Guinea, Australia and China

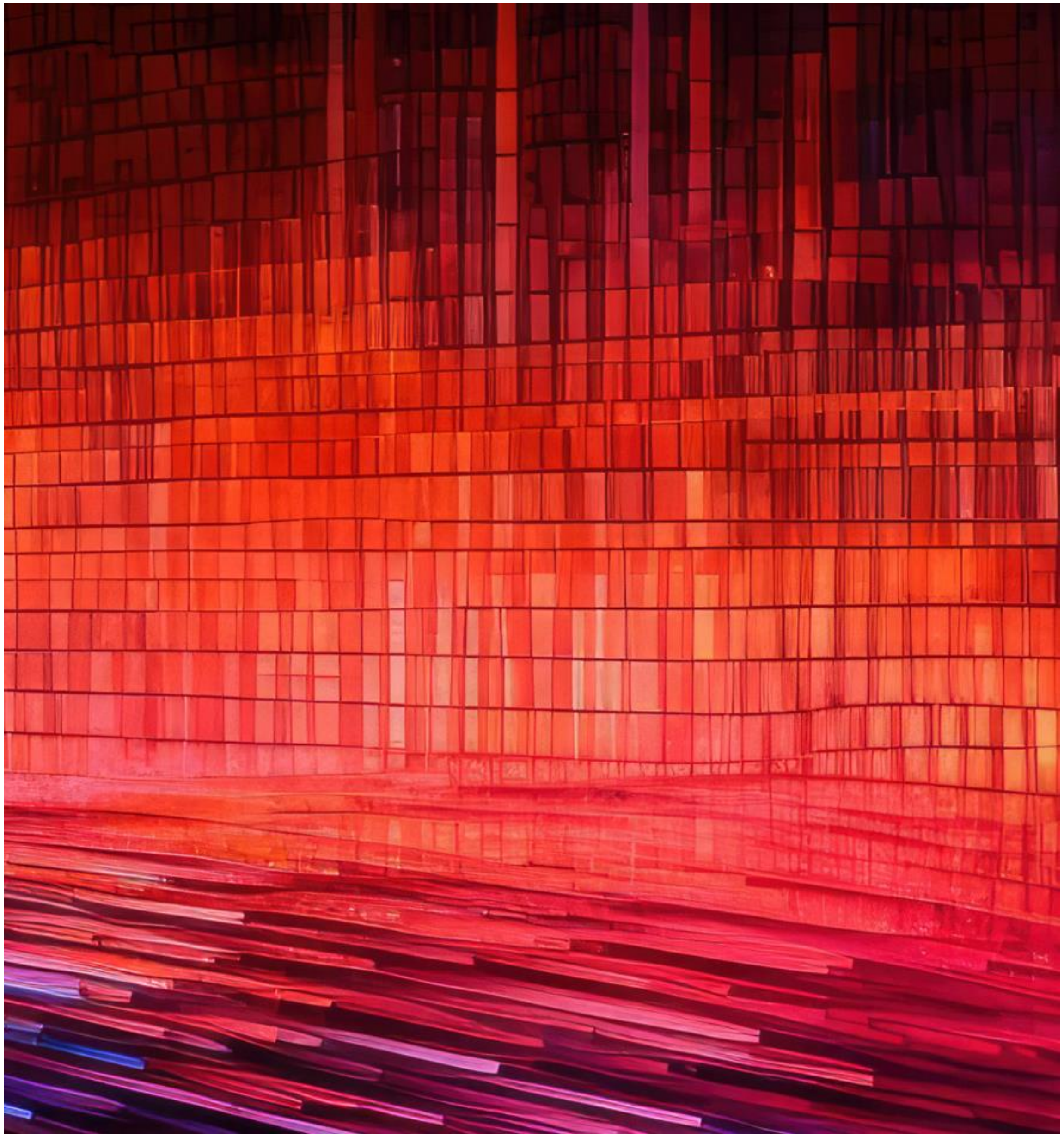
- Global bauxite production in the first quarter of 2026 is estimated at 111.78 million tonnes, with Guinea, Australia and China remaining the three largest producers, accounting for approximately 37%, 20% and 18% of total output, respectively.

- Production in Guinea has remained largely stable, although tighter shipping conditions amid higher oil prices could cause temporary delays if freight rates rise further. In Australia, easing weather conditions have yet to translate into a recovery in port capacity, keeping shipments subdued. Meanwhile, Ghana's plan to halt exports of unprocessed ore before 2030 is expected to have a limited near-term impact, as high prices have already dampened buyer interest.

Guinea Supply Control Talks Lift Aluminium Prices Temporarily

- China relies heavily on Guinea for its bauxite imports, with Guinean material accounting for around 74% of China's total bauxite import supply. Guinea is in discussions with miners about plans to control the volume of ore supplied to the market and protect the country against a slump in prices.

- The prospect of tighter supply management injected additional uncertainty into an aluminium market already facing disruptions from Middle East tensions, and prices initially strengthened following the announcement. However, the rally proved short-lived. Escalating Iranian war subsequently pushed up energy prices, reinforced higher-for-longer interest rate bets and intensified recession fears, which weighed on broader risk sentiment and industrial metals prices.



Aluminium Price Outlook

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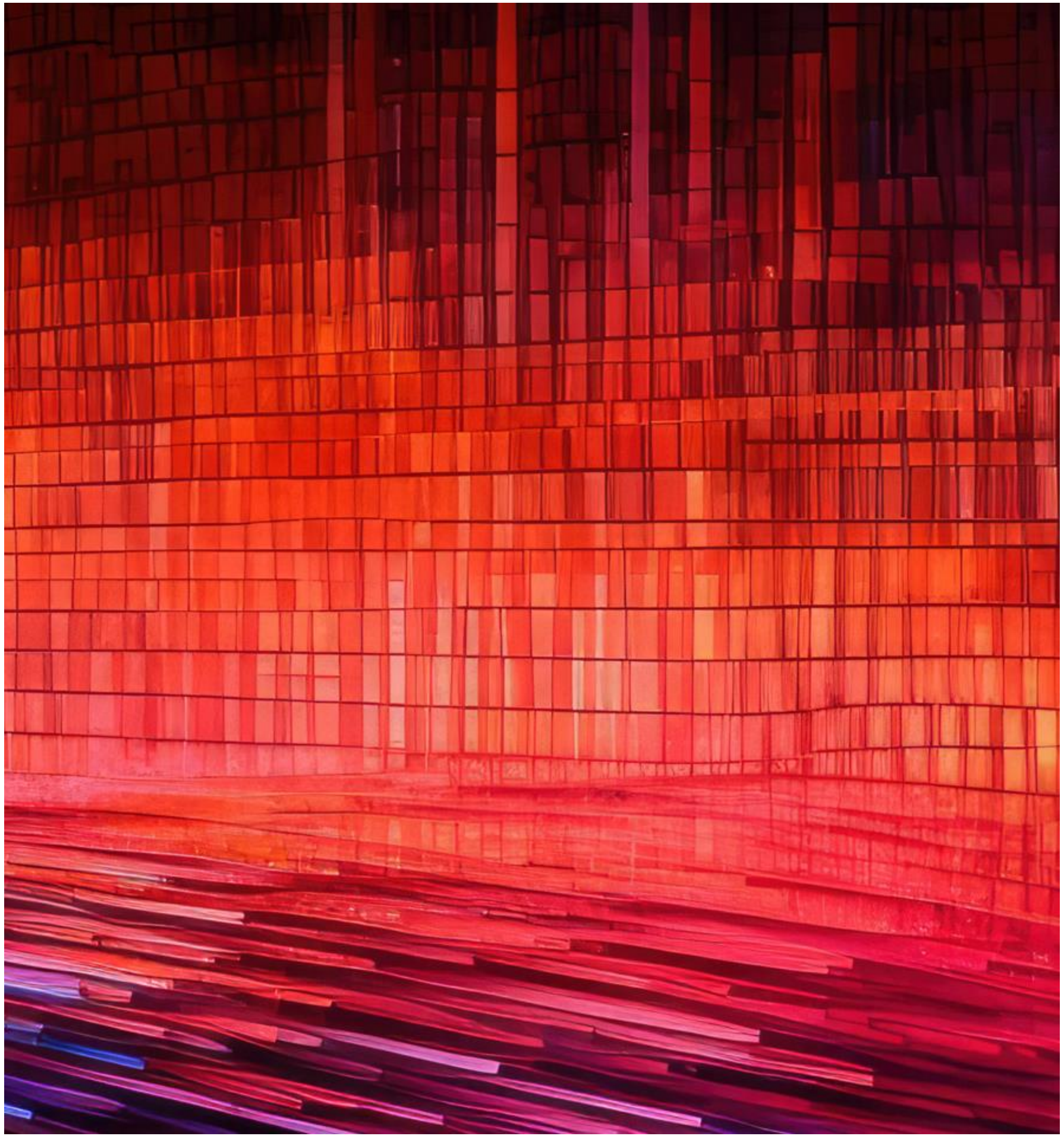
Aluminium price outlook

Aluminium price outlook – Short term	
Bullish	• The Iran conflict and the closure of the Strait of Hormuz have forced Aluminium smelter shutdowns and production cuts across the Middle East. • The prolonged blockade has also disrupted shipments of aluminium raw materials from Indonesia and Australia to Middle Eastern smelters. • Soaring oil and gas prices have sharply lifted smelting costs globally, increasing the risk of production curtailments outside the Middle East. • Guinea is negotiating with miners to curb bauxite supply, raising upside risks for global aluminium prices. • Improving industrial and manufacturing activity in China has lifted downstream operating rates, supporting domestic aluminium demand and investor sentiment. • Repairs at damaged EGA and Alba aluminium facilities are expected to be time-consuming and costly.
Bearish	• Escalating Middle East tensions have lifted oil prices, weakened expectations for Fed rate cuts, and strengthened the U.S. dollar. • Elevated aluminium prices have improved profit margins for Chinese smelters, encouraging higher exports to ease supply tightness caused by the Iran war.
Aluminium price outlook – Medium to long term	
Bullish	• Rising gasoline prices could boost EVs demand which typically require more aluminium than ICE vehicles. • China's aluminium capacity is expected to reach its ceiling this year, leaving limited room for further growth. • Energy-transition-related industries are expected to drive long-term aluminium demand growth.
Bearish	• If Middle East conflicts persist, a pessimistic global economic outlook could weaken vehicle demand. • Indonesia's planned 13 Mtpa aluminium projects are set to lift future output, although most remain greenfield developments. • EGA and Century Aluminium plan to build the first new U.S. primary aluminium smelter since 1980, targeting start-up by the end of the decade. • Sluggish real estate industry and a lack of major infrastructure projects continue to weigh on China's traditional aluminium demand.

Source: ICBC Standard Bank



Nickel Market Analysis

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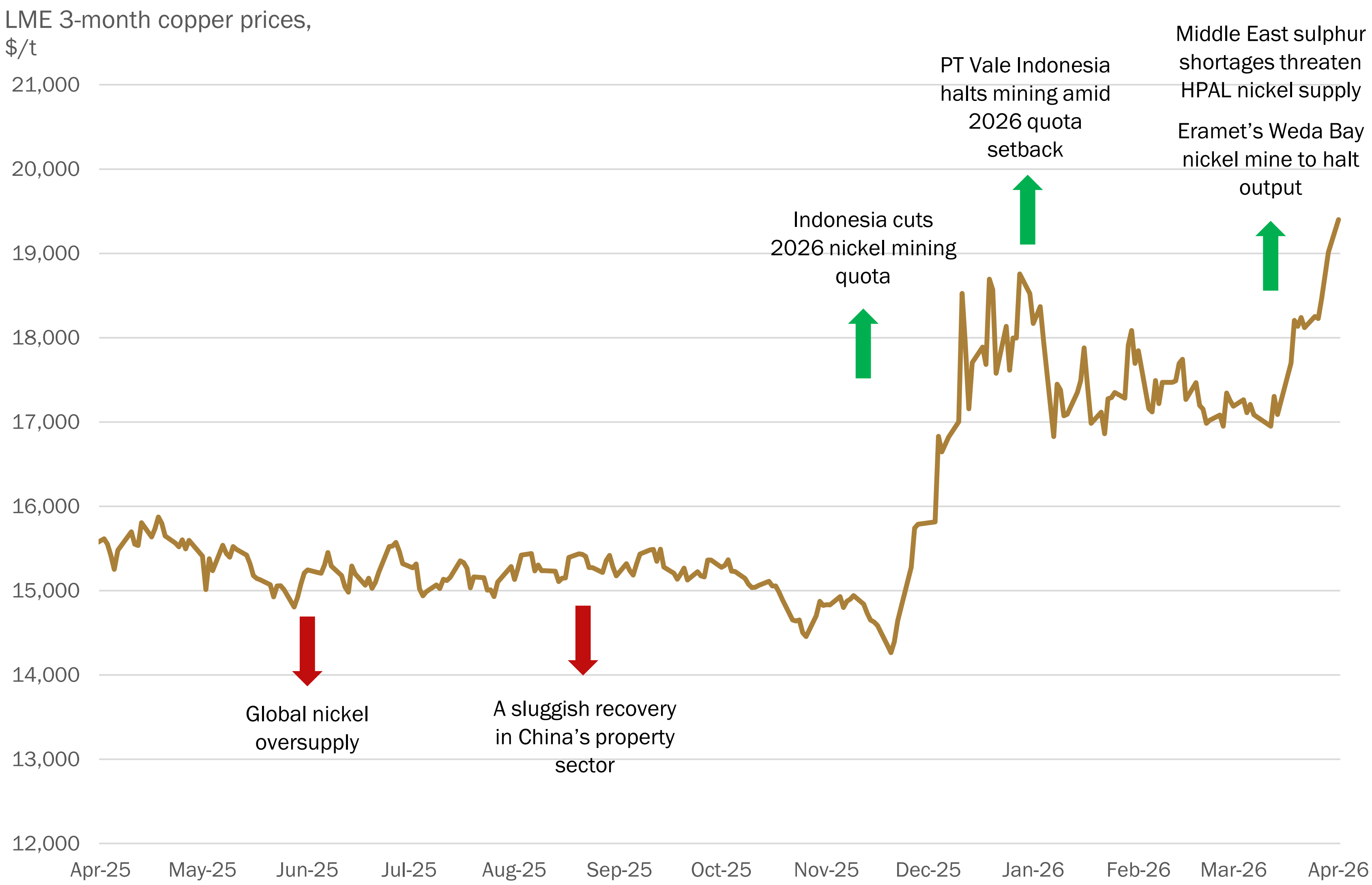
Nickel Prices Jump Amid Indonesia Quota Cuts and Sulphur Shortage



Source: Bloomberg

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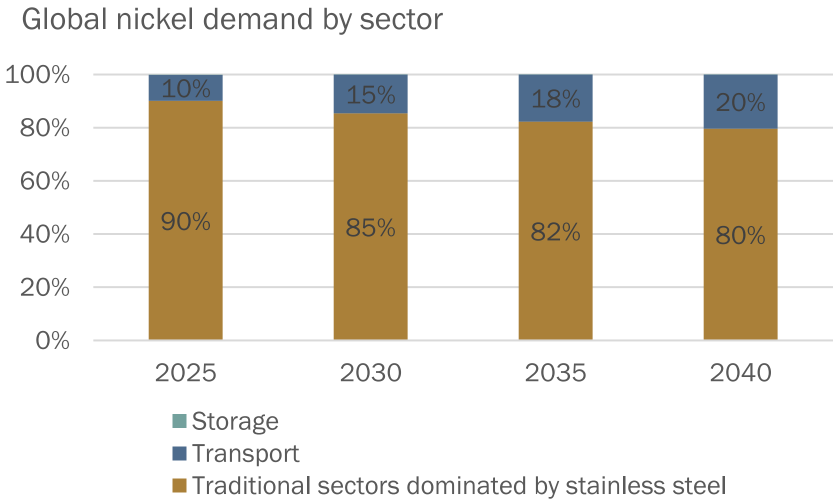
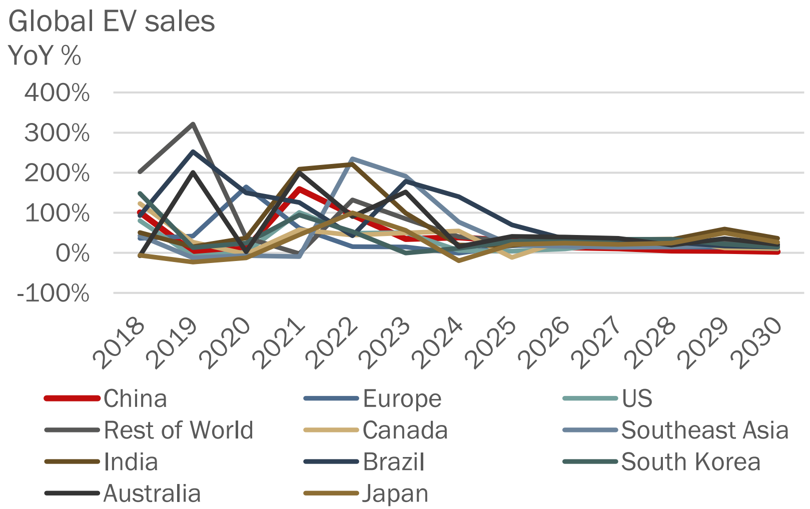
Nickel Demand Faces Dual Headwinds, Weighing on Prices Through 2025



Note: Transport includes demand from lithium-ion batteries in BEVs and hybrid vehicles.
Source: BloombergNEF



Source: BloombergNEF

Stainless Steel Demand Continues to Lead Global Nickel Consumption

- The traditional sector, dominated by stainless steel, will remain the primary driver of global nickel consumption in the years ahead. In contrast, the outlook for battery-grade nickel has weakened as nickel-based batteries continue to lose market share—even in fast-growing EV markets such as China—due to the cost-driven shift toward LFP batteries. EV sales have also slowed in markets with higher exposure to nickel-rich cathode chemistries, including the United States.

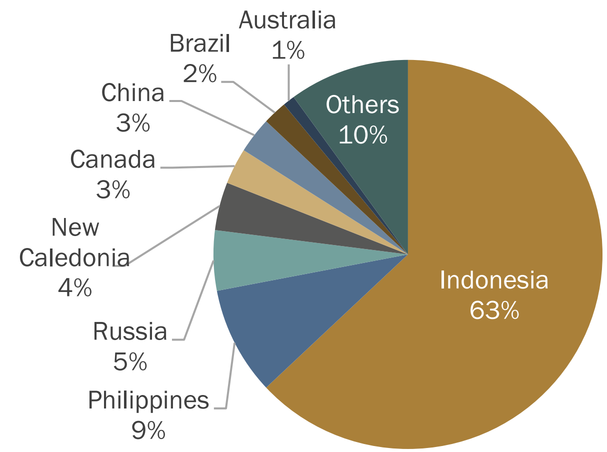
- Despite these challenges, energy-transition-related demand is still expected to grow strongly, more than doubling between 2025 and 2035 and surpassing 1 million tonnes annually by 2036.

Slower EV Sales and Rising LFP Adoption Wrigh on Nickel Demand

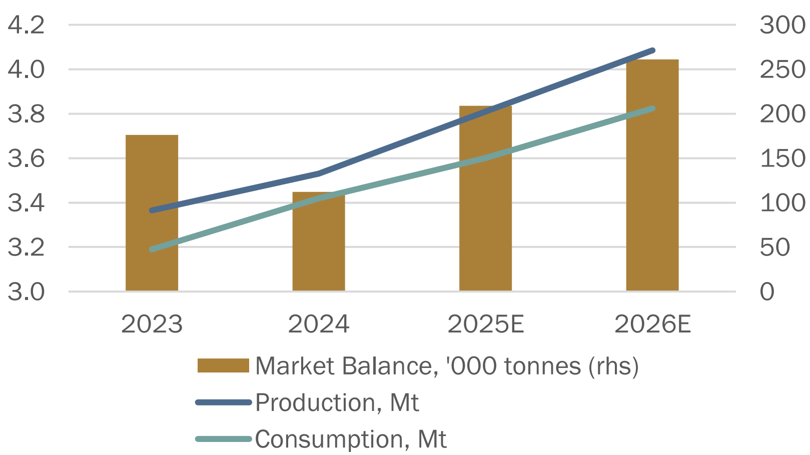
- Battery-related nickel demand growth may prove less optimistic than previously expected. BloombergNEF forecasts that global passenger EV sales will reach nearly 22 million units in 2025, representing 25% growth year-on-year. China remains the dominant market, accounting for almost two-thirds of global EV sales, followed by Europe and the US. EV sales in emerging markets are also accelerating.

- However, since 2025, the pace of EV sales growth has slowed markedly compared with the rapid expansion seen in earlier years, and this deceleration is expected to persist. At the same time, rising adoption of lithium iron phosphate (LFP) batteries — which do not require nickel — continues to weigh on the long-term outlook for nickel demand

Indonesia Mining Quota Cuts Lift Nickel Prices Sharply in Q1 2026



Source: Bloomberg Intelligence



Source: INSG

Indonesia Cuts 2026 Nickel Ore Mining Quota by Around One-Third

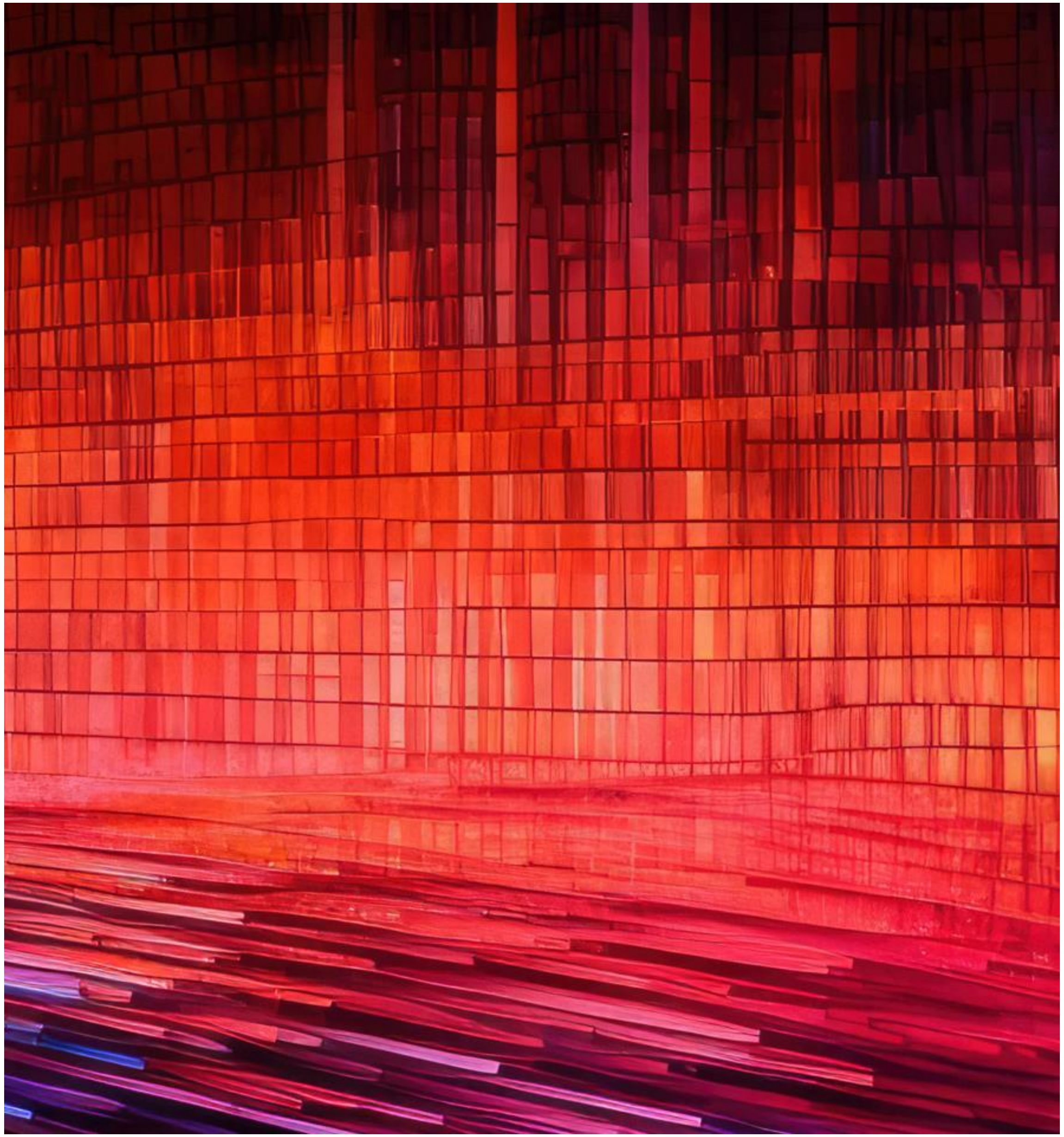
- Indonesia accounts for around 63% of global mined nickel supply in 2025. To curb persistent oversupply and support prices, the Ministry of Energy and Mineral Resources (ESDM) has cut the 2026 nickel ore RKAB quota to 250–260 million tonnes, down nearly 34% from 379 million tonnes in 2025. This policy shift has significantly tightened the supply outlook and driven a sharp rebound in nickel prices, with Eramet's Weda Bay nickel mine set to halt output in May due to the lower quota.

- Nickel prices have also been supported by sulphur shortages in the Middle East, which have constrained sulphuric acid availability. Given sulphuric acid's critical role in HPAL operations, tighter supply poses a growing risk to HPAL-based nickel output.

INSG Predicts Global Nickel Surplus to Persist Through 2026

- According to INSG forecasts, the global nickel market is expected to remain in surplus through 2026. This persistent surplus largely reflects continued strong growth in global primary nickel production, particularly from Indonesia, which is expected to more than offset demand growth. While stainless steel demand is forecast to expand steadily, growth in battery-related nickel consumption has been slower than previously anticipated, due to the rising penetration of non-nickel battery chemistries and a shift toward plug-in hybrid EVs.

- As a result, supply growth continues to outpace demand, helping to explain why nickel prices remained under sustained pressure for much of 2025 despite periodic supply-side policy headlines.



Nickel Price Outlook

PUBLIC

Nickel price outlook

Nickel price outlook – Short term	
Bullish	• Indonesia has significantly lowered its nickel ore mining quota for 2026, forcing Eramet's Weda Bay nickel mine to halt output, tightening near-term supply and supporting prices. • The continued blockage of the Strait of Hormuz has severely constrained one-third of global sulphur supply. As sulphur is essential for sulphuric acid production, this has created shortages that threaten HPAL-based nickel supply.
Bearish	• Rising inflationary pressure driven by Strait of Hormuz disruptions has strengthened expectations that central banks will keep interest rates higher for longer, reducing the likelihood of near-term Fed rate cuts. • LME nickel inventories have declined slightly in recent months but remain at elevated levels, while SHFE nickel inventories have continued to rise since the beginning of the year, limiting further upside potential.
Nickel price outlook – Medium to long term	
Bullish	• Nickel demand related to the energy transition is still expected to grow strongly over the long term, supported by electrification, decarbonisation, and clean-energy infrastructure investment.
Bearish	• The traditional nickel demand, dominated by stainless steel production, remains the primary driver of consumption, while China's sluggish property sector significantly suppressed stainless steel and nickel demand. • Battery-grade nickel demand has weakened as EV manufacturers continue to shift battery chemistries from NMC to LFP, while global EV sales growth has also slowed. • Accounting over half of global production, Indonesia's mining quota cuts may only provide temporary support, as the global nickel market still faces structural long-term oversupply. • Secondary nickel supply, mainly from stainless steel scrap and battery recycling, is expected to expand and fill supply gaps if primary nickel mine reserves become constrained. • Heightened global economic uncertainty has strengthened investors' risk-off sentiment, while rising long-term recession risks could eventually trigger demand destruction and lead to price corrections.

Source: ICBC Standard Bank

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