

ICBCS Copper and Aluminium Market Outlook

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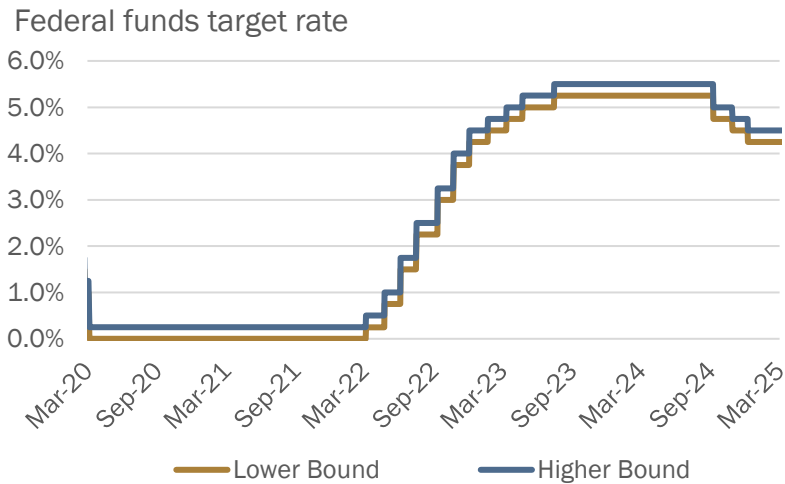


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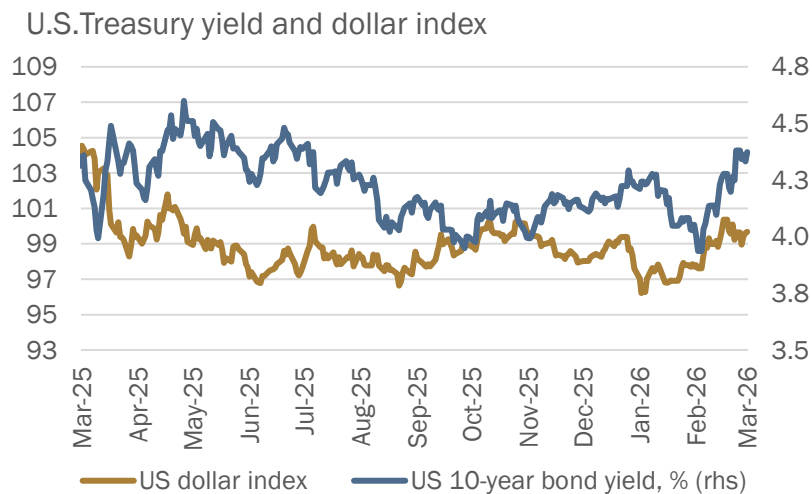


Global Economic Outlook

Energy Shock Reinforces Higher-for-Longer Rates, Supporting the Dollar



Source: Federal Reserve



Source: Bloomberg

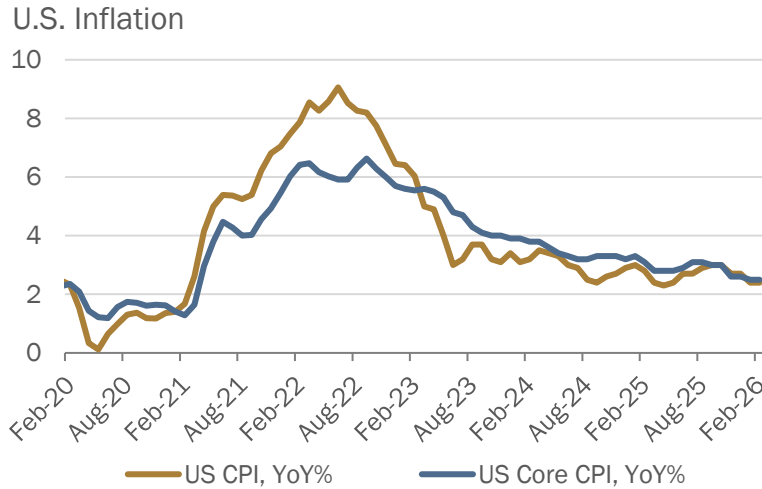
U.S. Interest Rate

- The Fed held interest rates steady at its March FOMC meeting. The US Central Bank said the economic implications of developments in the Middle East remain uncertain. At the same time, Chair Powell noted that the recent rise in near-term inflation expectations likely reflects higher oil prices caused by supply disruptions around the Strait of Hormuz.
- Despite the uncertainty, officials continue to signal limited easing ahead. The updated projections point to only one rate cut later this year, with another pencilled in for 2027. Meanwhile, the market is not pricing out any rate cuts for the foreseeable future; in fact, it has started pricing some chance of a rate hike this year, but this is mainly representative of tail risk rather than base case.

U.S. Treasury Yield and Dollar

- On 28 February, the U.S. and Israel launched a joint military operation against Iran, resulting in the death of Iran’s Supreme Leader, Ali Khamenei. In retaliation—and to increase pressure on the international community—Iran shut down the Strait of Hormuz, triggering a sharp surge in global energy prices. Brent and WTI crude both briefly spiked above \$120/bbl, while European natural gas prices more than doubled, significantly intensifying global inflationary pressures.
- The market reassesses the monetary-policy outlook, with consensus now shifting toward expectations that both the ECB and the Fed may keep high interest rates for a longer period. These shifting expectations have contributed to a near-term strengthening of the U.S. dollar.

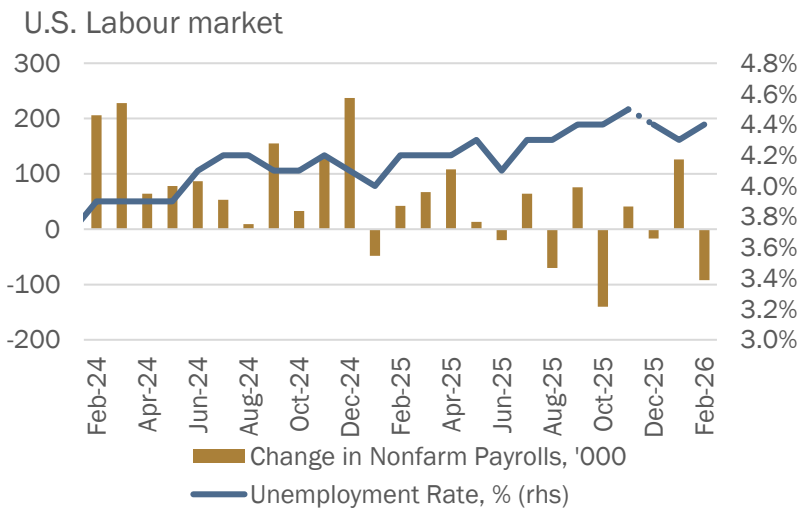
Inflation Mild, Strike-Driven Job Losses, Fed Is Cautious on Rate Decisions



Source: Bureau of Labour Statistics

U.S. CPI and Core CPI

- U.S. core inflation eased as expected in February; however, the Middle East conflict has pushed oil and gas prices higher in March. The near-term upward pressure from energy is almost certain to show up in the March inflation data.
- U.S. CPI rose 2.4% y/y in February, matching both expectations and the prior reading. On a monthly basis, CPI increased 0.3% m/m, in line with forecasts and slightly above January's 0.2%.
- Core CPI increased 2.5% y/y, unchanged from January and consistent with expectations. On a month-over-month basis, core CPI rose 0.2% m/m, easing from the 0.3% recorded previously.

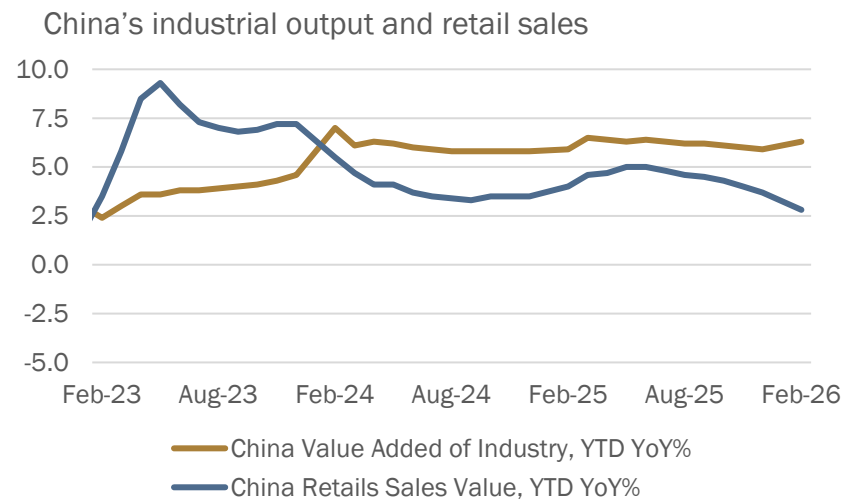


Source: Bureau of Labour Statistics

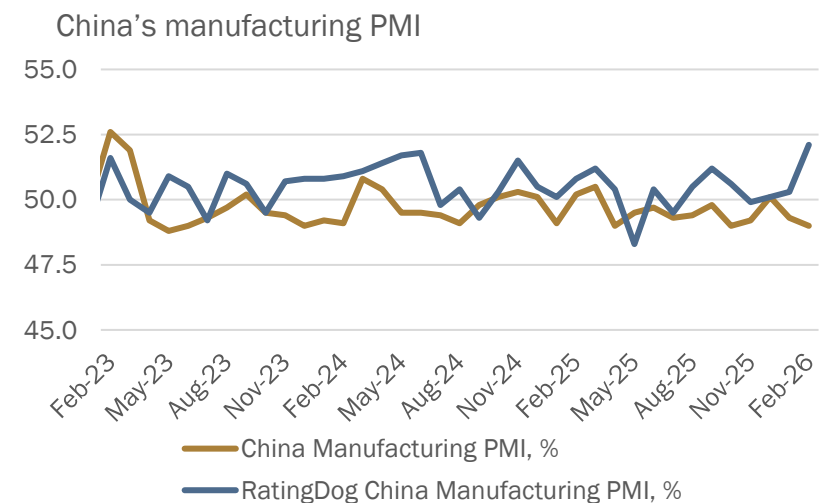
U.S. NFP and Unemployment Rate

- U.S. employment data weakened notably in February, with headline figures pointing to a clear loss of momentum in the labour market. The soft print added to concerns following already fragile readings in prior months.
- Nonfarm payrolls fell by 92,000 in February, far below expectations for a 55,000 gain, reflecting job losses in the healthcare sector due to strike activity. The unemployment rate rose to 4.4% from 4.3%, against expectations for no change, marking one of the weakest monthly outcomes since 2020.
- At the same time, the BLS revised historical employment figures lower, reinforcing signs of a broader and more persistent cooling in labour-market conditions.

China's Industrial Output Picks Up but Manufacturing Activity Contracts



Source: National Bureau of Statistics of China



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

China's Industrial Production and Retail Sales

- China's economy showed a firmer start to 2026 after the sharp slowdown seen at the end of last year, even as external and geopolitical uncertainties increased.
 - Industrial production rose 6.3% y-o-y in January–February, accelerating from 5.2% in December and beating market expectations of around 5.3%. Retail sales grew 2.8% y-o-y, marking the strongest pace since October, helped in part by the Lunar New Year holiday.
 - Fixed-asset investment expanded 1.8% y-o-y in the first two months. Meanwhile, investment in property development continued to fall amid a prolonged real-estate downturn.

China's Manufacturing PMI

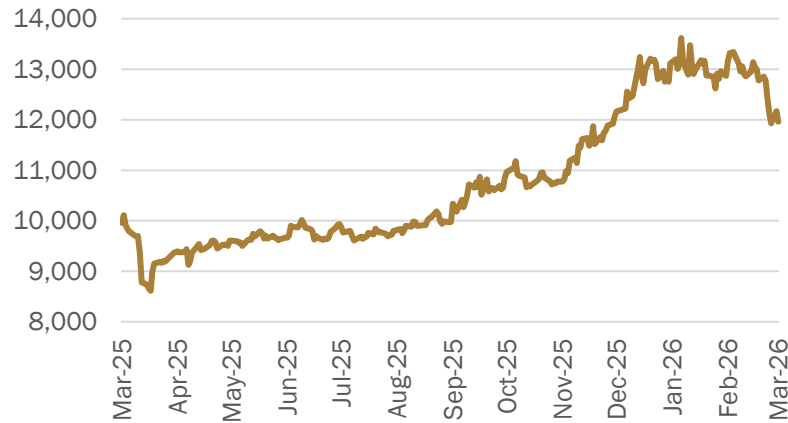
- China's manufacturing sector remained soft in the first two months of 2026, with overall activity still under pressure. Seasonal disruptions around the Lunar New Year and subdued domestic demand kept the recovery momentum weak.
 - The official manufacturing PMI fell to 49.3 in January and edged down to 49 in February, marking two straight months below the 50 threshold as production and new orders struggled to recover.
 - Private-sector indicators showed improvement. The RatingDog China General Manufacturing PMI rebounded sharply to 52.1 in February, the strongest reading since late 2020, driven by a notable pickup in new export orders as external demand strengthened.



Copper Market Analysis

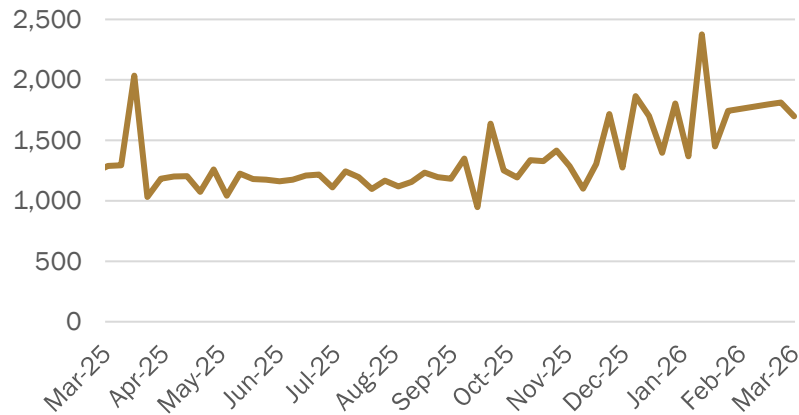
Higher Rate Expectations Weigh on LME Copper; SHFE Premium Rises

LME 3 - month copper prices
\$/t



Source: Bloomberg

SHFE - LME Copper premium
\$/t



Source: Bloomberg Intelligence

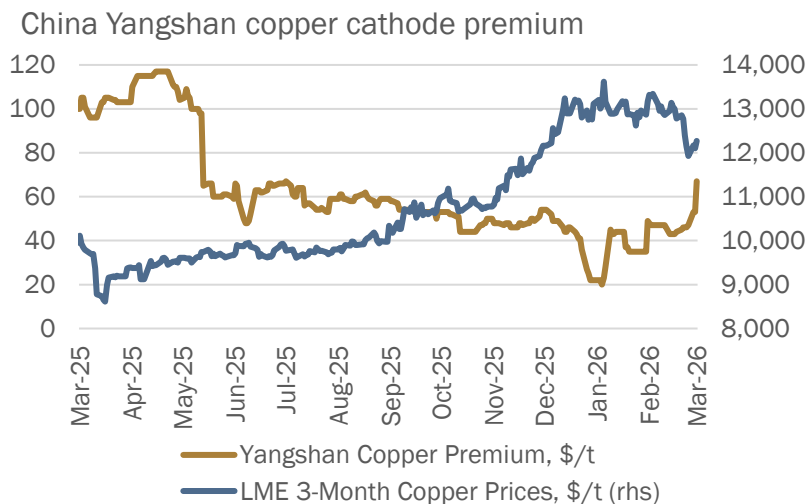
Higher Rate Expectation and Recession Fears Weigh on Copper Prices

- Copper prices surged by more than 40% last year, driven by optimism around the energy transition and AI-related data-center demand. Supply-side disruptions, including the accident at Indonesia’s Grasberg copper mine, further tightened the copper concentrate market and added upward pressure on prices.
- US and Israel’s military action against Iran in late February triggered a broader regional conflict, including attacks on energy infrastructure in the region and the blockade of the Strait of Hormuz, sharply lifting oil and gas prices. Rising inflationary pressure prompt central banks to maintain higher interest rates for longer, weighing on growth and industrial demand. The LME 3-month copper prices falling to a three-month low.

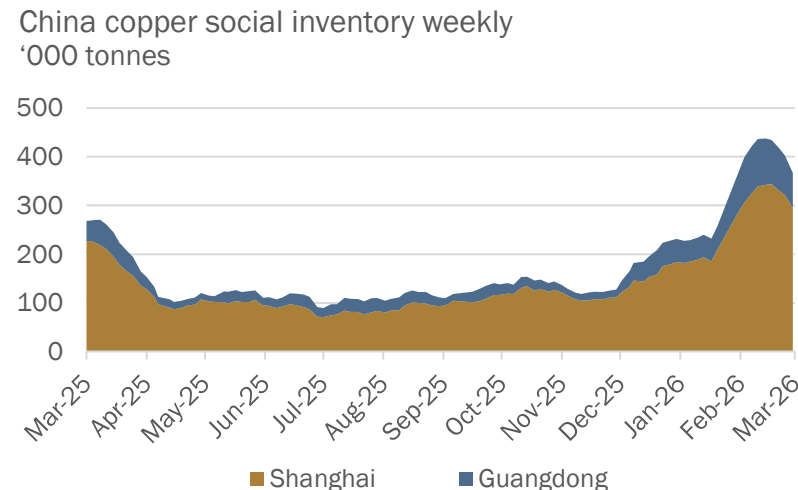
SHFE Copper Premium Confirms Resilient Domestic Demand

- The premium of SHFE copper over LME continues to signal resilient domestic demand. However, ample local supply and record inventories have dampened import appetite. Demand rebounded after the Lunar New Year, with weekly operating rates across copper downstream industries recovering.
- Another potential drag on LME copper prices is the expected improvement in copper concentrate availability, with Freeport Indonesia planning to restart production at the Grasberg mine within the next two to three weeks. That said, further declines in LME prices could open arbitrage opportunities, with Chinese demand providing some support and potentially triggering a price rebound.

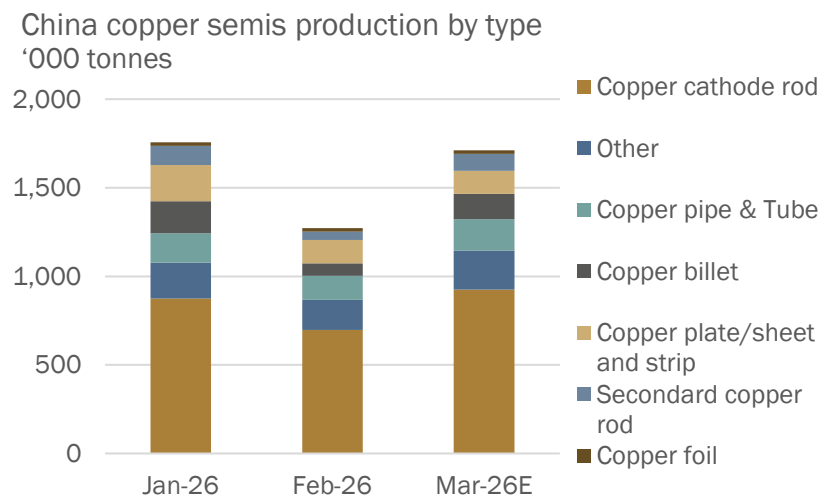
Lower Prices and Higher Downstream Demand Lift China's Copper Import



Source: Bloomberg



Source: Shanghai Metals Market

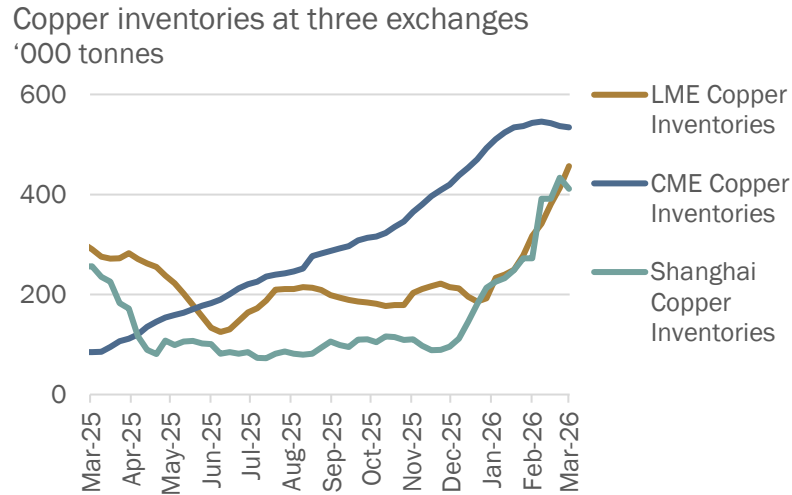


Source: Shanghai Metals Market

Yangchan Premium rebounds after LME copper prices fall

- Copper prices surged sharply last year and stabilised at elevated levels in early 2026. However, persistently high prices, together with strong growth in China's refined copper output, weighed on China's demand for imported copper, leading to a decline in the Yangshan copper premium.
- In March, the Middle East crisis and soaring energy prices intensified recession concerns and reinforced expectations for higher-for-longer interest rates, pressuring industrial metals. The subsequent decline in LME copper prices has improved China's appetite for imported copper, leading to a notable rebound in the Yangshan premium. A recent drawdown in China's copper social inventories and a recovery in copper semis production in March also indicated higher copper demand from downstream sectors.

U.S. Tariffs Drive Shifts in Exchange Inventories and Scrap Trade Patterns

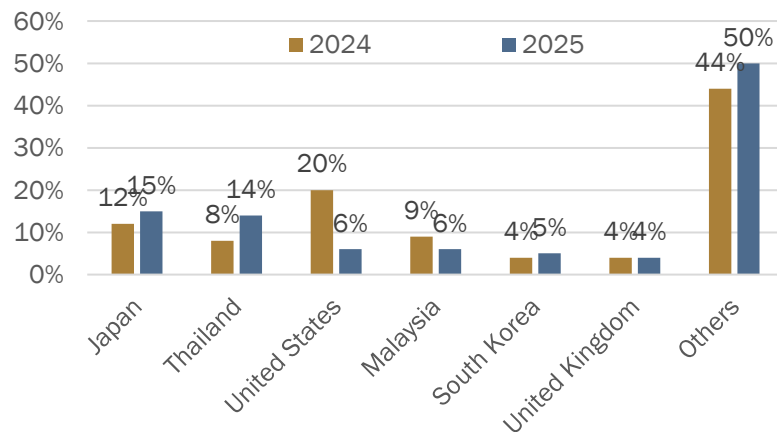


Source: Bloomberg

LME and SHFE Copper Inventories Continue to Rise Year-to-Date

- SHFE copper inventories have risen to a record around 400,000 tonnes, mainly reflecting strong domestic production rather than imports, as smelters restart from maintenance and output ramps up in March. High prices have weighed on imports, with China's unwrought copper imports in Jan-Feb down 16% year on year, creating a short-term domestic glut.
- LME copper inventories have increased amid high prices, rising risk aversion due to the Iran war, and higher-for-longer rate expectations. Although the CME premium over LME no longer existed, CME inventories remain the highest among three exchanges as copper continues to be stockpiled in the US amid tariff uncertainty.

China copper waste and scrap imports by country

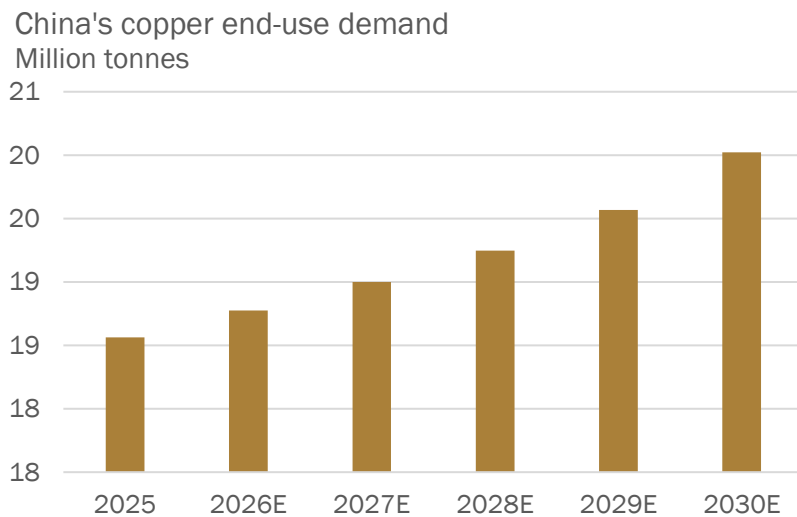


Source: : GACC; Bloomberg Intelligence

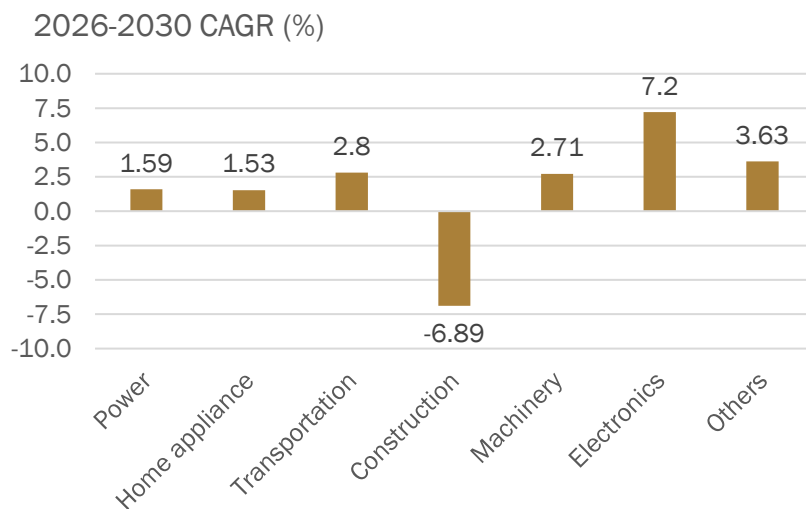
China Cuts US Copper Scrap Imports, Sourcing From Other Asian Suppliers

- Amid US tariff uncertainty and Defense Production Act constraints, China's copper scrap imports from the US plunged 68% last year, accounting for just 6% of China's total scrap imports in 2025. China instead increased sourcing from other Asian suppliers, with imports from Japan and Thailand rising to 29% of total scrap imports, up from 20% a year earlier.
- China's scrap copper output rose 4% last year to 4.3 million tonnes, supported by the government's "old-for-new" trade-in programme and high copper prices. Even so, domestic output meets only around 50% of scrap copper consumption, indicating continued reliance on imports.

China's Copper Demand to Rise Gradually, Led by Emerging Sectors



Source: Shanghai Metals Market



Source: Shanghai Metals Market

China Copper Demand to Increase Gradually Through 2030

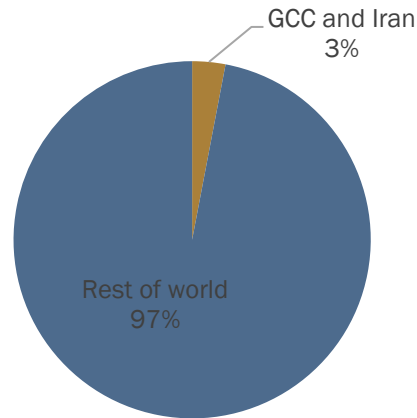
- China's copper demand is expected to see modest growth between 2025 and 2030 amid clear structural shifts. Total demand is projected at 18.56 million tonnes in 2025, constrained by continued weakness in real estate activity, soft infrastructure investment and tight funding conditions for property developers.
- 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.

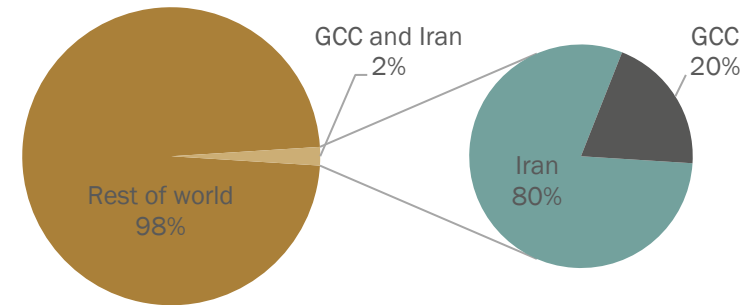
Iran War Likely to Have a Limited Impact on Global Copper Market

The Middle East's share of global refined copper supply

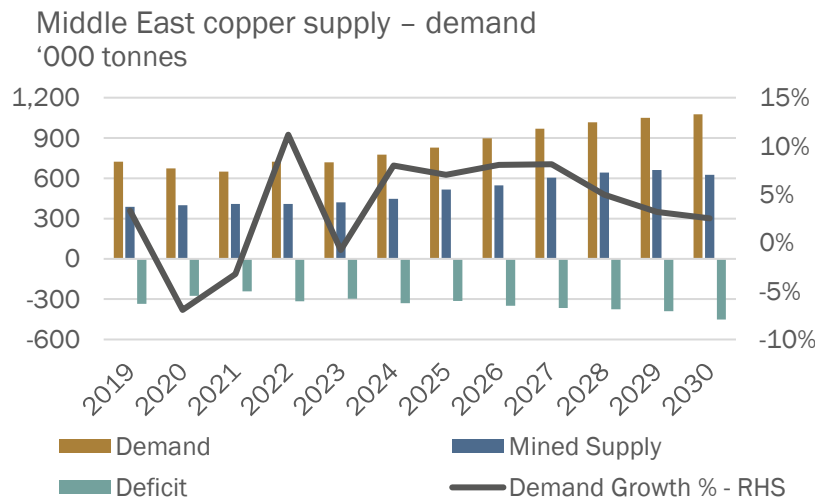


Source: Bloomberg Intelligence

The Middle East's share of global mined copper supply



Source: Bloomberg Intelligence



Source: Bloomberg Intelligence

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.



Copper Price Outlook

Copper price outlook

Copper price outlook – Short term

Bullish

- Following the Lunar New Year, China has entered its peak manufacturing and industrial season, with falling social inventories pointing to improving domestic demand.
- Recent weakness in LME copper prices has encouraged Chinese buying interest and increased demand for imported copper.

Bearish

- Soaring energy prices are adding to inflationary pressures, leading markets to expect that the Federal Reserve will not cut rates in the foreseeable future and may even consider a rate hike, weighing on industrial activity.
- “Higher-for-longer” interest rate expectations have recently strengthened the U.S. dollar, creating headwinds for dollar-denominated copper prices.
- Escalating Middle East tensions have lifted risk-off sentiment, while rising recession concerns continue to cloud the near-term demand outlook for copper.
- China’s economic data for the first two months of 2026 sent mixed signals, increasing uncertainty and further obscuring the short-term copper demand outlook.
- PT Freeport Indonesia said it plans to restart production at its Grasberg Block Cave mine within the next two to three weeks.

Copper price outlook – Medium to long term

Bullish

- The global energy transition, alongside 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 the long development cycle of new projects.
- Despite calls from CNMIA to cap capacity, China’s refined copper smelting capacity continues to expand, highlighting ongoing tightness in upstream raw material supply rather than refined output.

Bearish

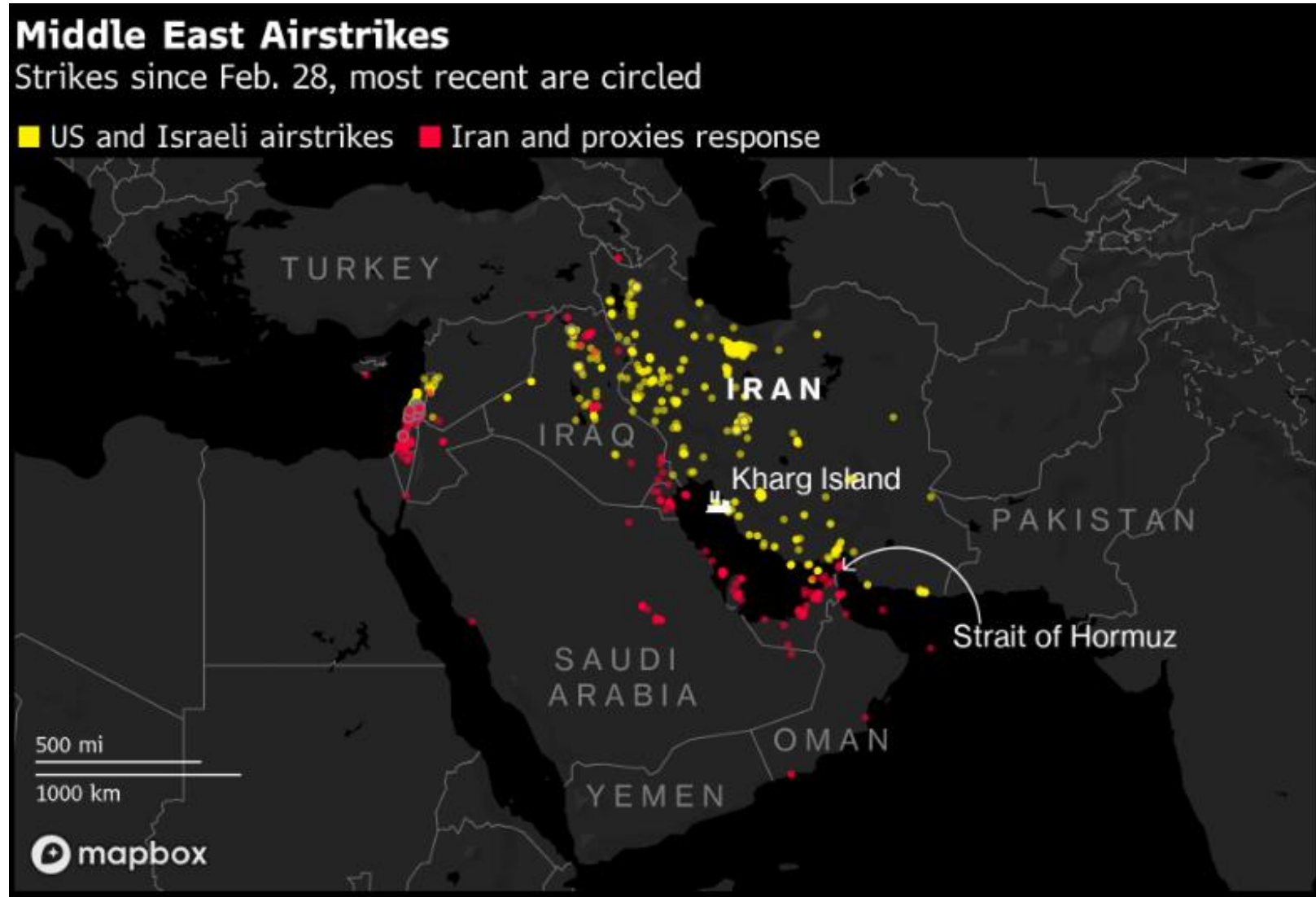
- China’s sluggish property market remains a structural drag on copper consumption and is likely to cap demand growth over the medium term.
- Elevated copper prices may prompt manufacturers to substitute copper with cheaper aluminium, even at the cost of reduced performance, limiting upside potential.



Aluminium Market Analysis

U.S.–Israel Joint Military Action Sparks a New Middle East Conflict

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Source: The Institute for the Study of War (ISW) and AEI's Critical Threats Project as of March 25 morning Middle East time.

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.

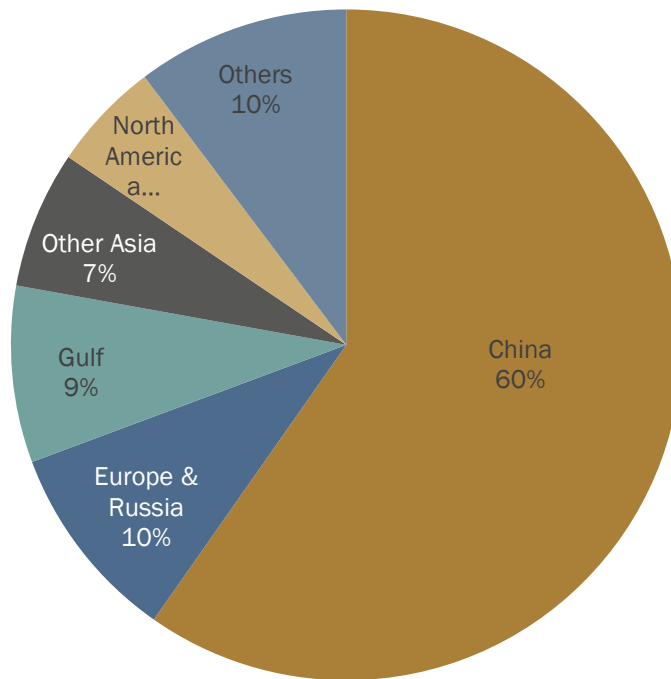
Iran's Strikes Damage Middle East Aluminium Facilities

- 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 highest levels since 2022 in mid-March. Physical premiums in Europe and Asia widened sharply as buyers priced in prolonged delivery risk.

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

2025 Aluminium production by country or region
% of total

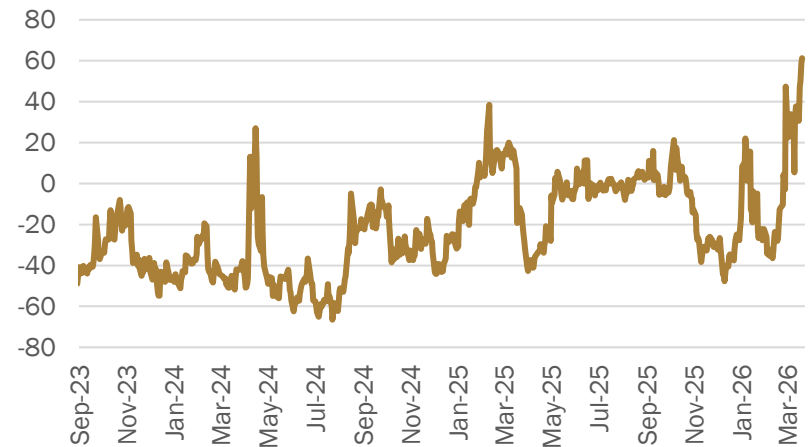


Source: International Aluminium Institute (IAI)

Company	Country	Capacity, '000 tpy	% of total
EGA	UAE	2,840	45.3%
Alba	Bahrain	1,623	25.9%
Ma'aden Aluminium	Saudi Arabia	780	12.4%
Qatalum	Qatar	636	10.1%
Sohar Aluminium	Oman	395	6.3%

Source: Estimated data based on various sources

LME Cash to three month spread



Source: Bloomberg

Hormuz Strait Disruptions Constraining Aluminium Feedstock Supply

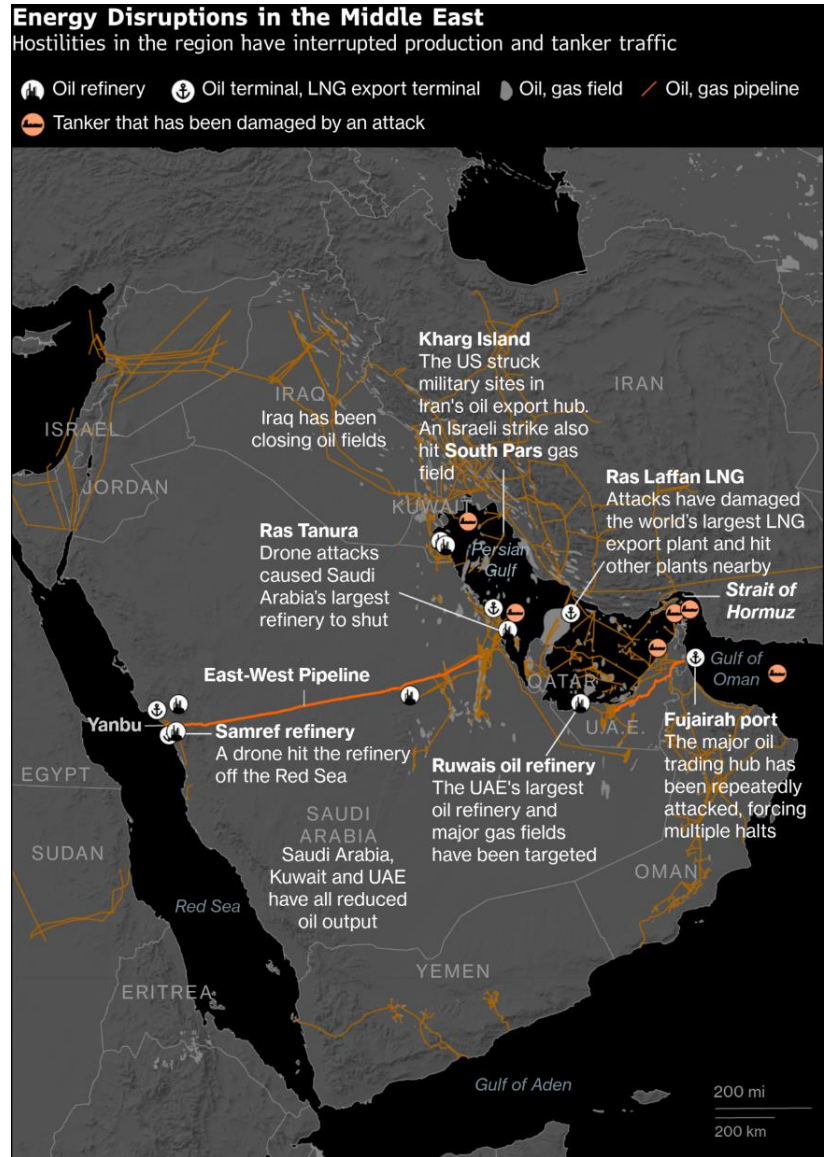


If the Strait of Hormuz remains shut for a prolonged period, more aluminium raw materials—especially alumina originally bound for the Middle East—are likely to be rerouted to China, which could further depress input costs for Chinese smelters and reinforce China’s role as the main absorber of displaced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

- =Aluminium smelter
- =Alumina refinery
- =Bauxite mine

Source: CRU International; ICBCS

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



- 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)

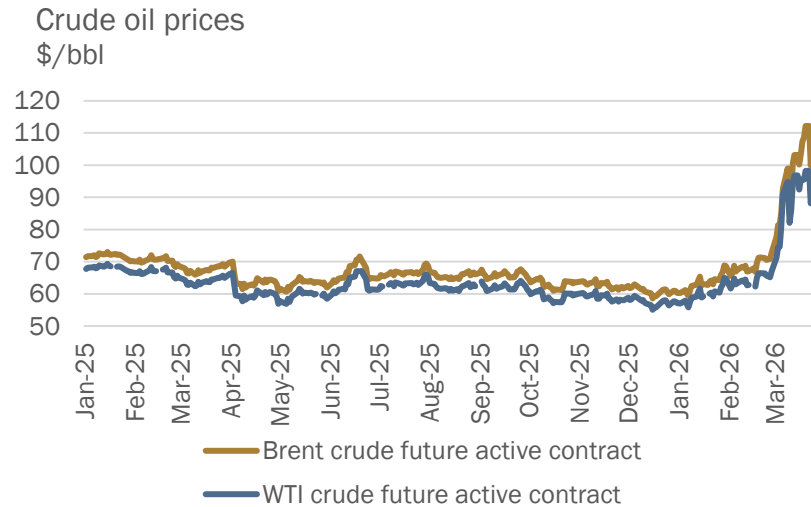
- Ports**
- Yanbu (Saudi Arabia)
 - Fujairah (UAE)
 - Jebel Ali (UAE)
 - Sohar (Oman)
 - Mina Al Fahal (Oman)
 - Salalah (Oman)
 - Khalifa Bin Salman (Bahrain)

- Nuclear Plants**
- Bushehr (Iran)

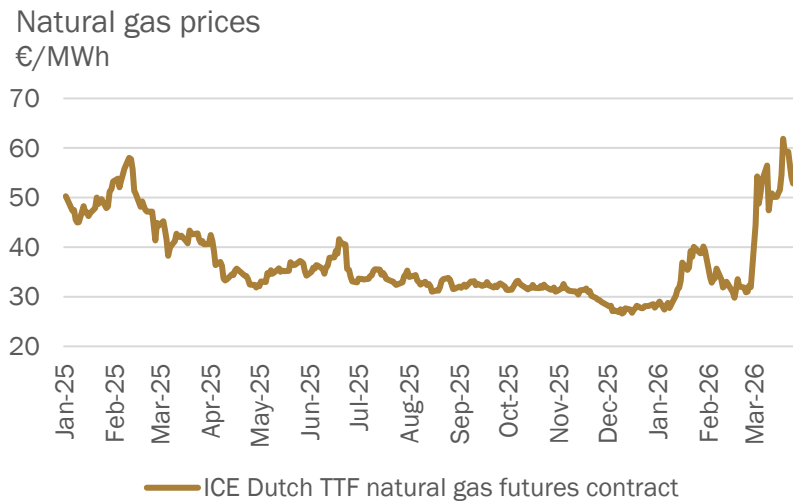
IEA Executive Director Fatih Birol warned that the impact of the current disruptions is comparable to the major oil crises of the 1970s and the 2022 natural gas crisis triggered by the Ukraine war.

Source: Various sources

Middle East Energy Disruptions Trigger a Surge in Oil and Gas Prices



Source: Bloomberg



Source: Bloomberg

Geopolitical Premium Keeps Crude Oil Prices Supported

- Since the Iran war erupted in late February, oil prices have been sharply repriced to reflect severe Middle East supply risks. With the Strait of Hormuz nearly closed, shipping and insurance constraints tightening, and regional energy facilities damaged or forced to curtail output. Brent prices surged by about 54% at the peak, while WTI rose by nearly 47%.
- Crude oil prices have since eased after the U.S. submitted a 15-point ceasefire proposal to Iran, but significant differences remain over ceasefire terms. Iran rejected the proposal and put forward its own conditions. As a result, crude prices continue to be strongly supported by elevated geopolitical risk premia.

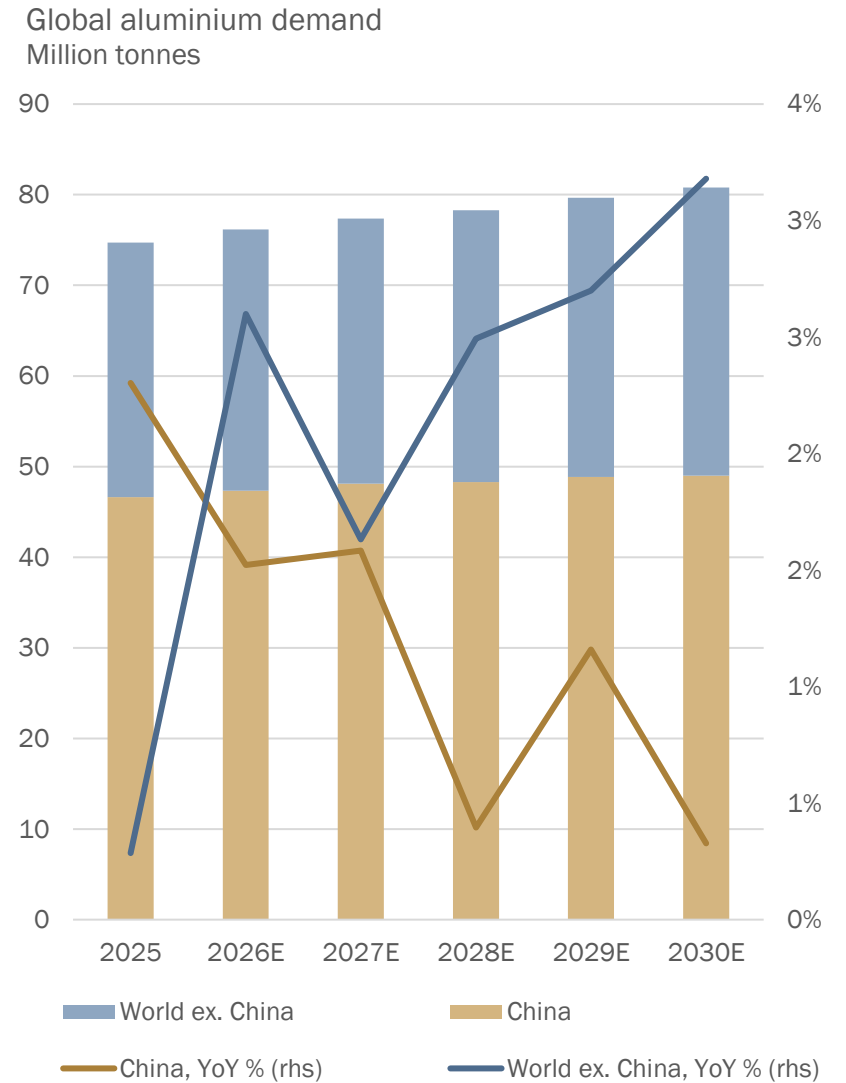
LNG Supply Shock Drives Natural Gas Prices Higher

- Natural gas prices have surged amid severe supply disruptions in the Middle East since the Iran war. Damage to key gas infrastructure, including Qatar’s Ras Laffan LNG complex and Iran’s South Pars field, has significantly reduced regional output and export capacity, pushing prices to more than double from late February to mid-March.
- Prices have since eased slightly as markets reacted to ceasefire discussions. However, with the near-complete shutdown of the Strait of Hormuz persisting and LNG exports still constrained, natural gas prices remain elevated. The LNG shortfall also raises the risk of output cuts or operation halts at energy-intensive metal smelters in some Asian countries.

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



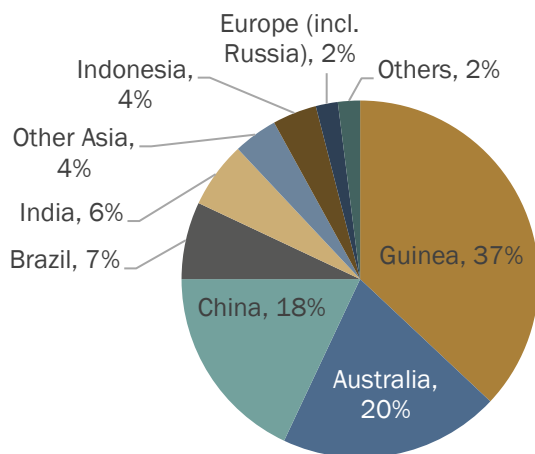
Source: Shanghai Metals Market



Source: Shanghai Metals Market

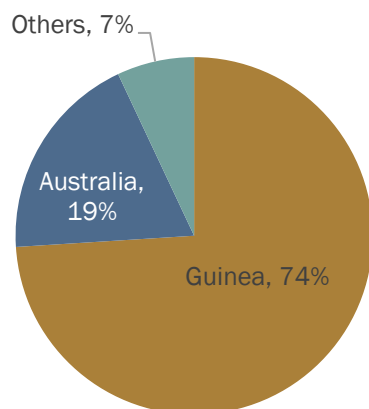
Guinea’s Bauxite Production Policies Impact Aluminium Price Prospect

Global bauxite production share



Source: SMM model – based processed data

China’s bauxite import sources



Source: China’s General Administration of Customs

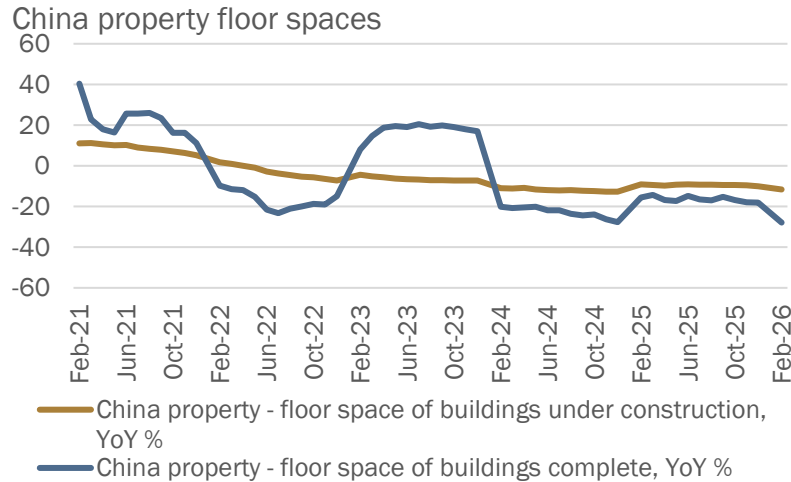
Global Bauxite Supply Highly Concentrated in Guinea, Australia and China

- 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.

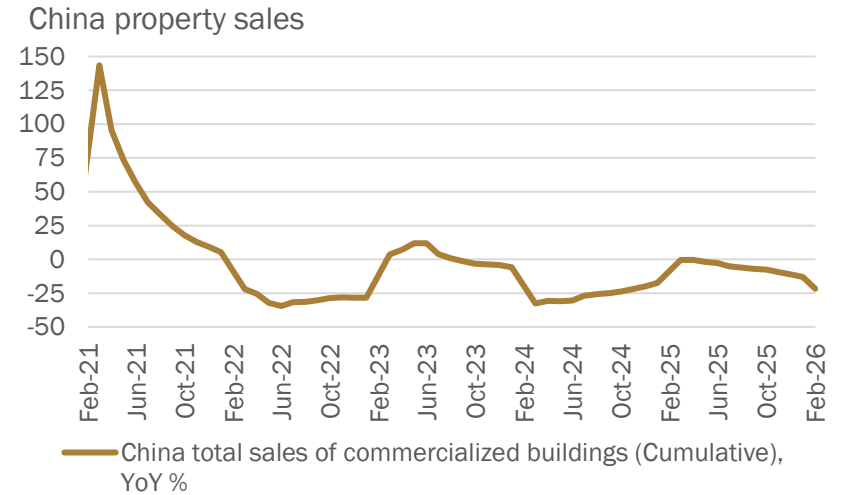
Guinea Supply Control Talks Lift Aluminium Prices Temporarily

- 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.

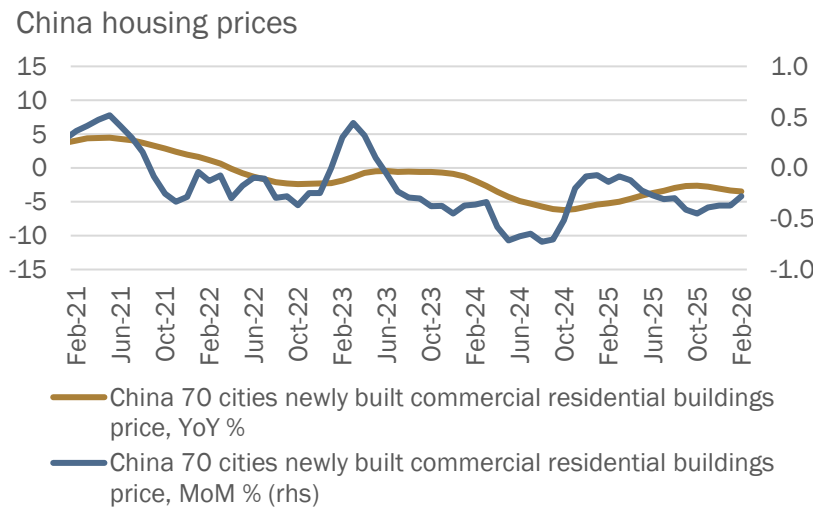
China's Weak Property Recovery Keeps Weighing on Aluminium Demand



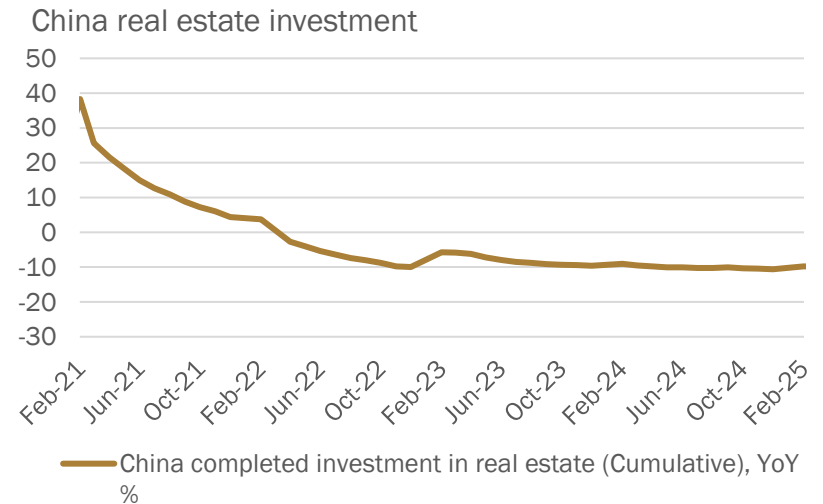
Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



Aluminium Price Outlook

Aluminium price outlook

Aluminium price outlook – Short term

Bullish

- Iran's missile strikes shut Qatar's gas export facilities, forcing local aluminium smelters to halt production due to energy shortages.
- Repairs at damaged EGA and Alba aluminium facilities are expected to be time-consuming and costly.
- The Middle East conflict has disrupted aluminium and raw material shipments through the Strait of Hormuz.
- Surging oil and gas prices have sharply raised production costs for this energy-intensive metal.
- Guinea is negotiating with miners to curb bauxite supply, increasing upside risks to aluminium prices.
- High copper prices may encourage manufacturers to substitute copper with cheaper aluminium.

Bearish

- Escalating Middle East tensions have lifted oil prices, weakened expectations for Fed rate cuts, and strengthened the U.S. dollar.
- China's economic data for the first two months showed mixed results, raising uncertainty over aluminium demand.
- China's weak property market has kept downstream aluminium operating rates at low levels.
- A pessimistic global economic outlook may dampen vehicle demand and slow electric vehicle sales growth.

Aluminium price outlook – Medium to long term

Bullish

- Persistently high energy prices could force global aluminium smelters to curtail output or shut down operations.
- China's aluminium capacity is expected to hit its ceiling this year, leaving little room for further output growth.
- Energy-transition-related industries are expected to be the main drivers of future aluminium demand growth.

Bearish

- The market is not pricing out any rate cuts for the foreseeable future amid higher inflationary pressure.
- Indonesia's planned 13 Mtpa aluminium projects will lift future output, though 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.
- Weak property activity and a lack of major infrastructure projects continue to weigh on China's aluminium demand from the traditional industry.
- Growth in secondary aluminium may reduce demand for primary aluminium and ease supply-side concerns.

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