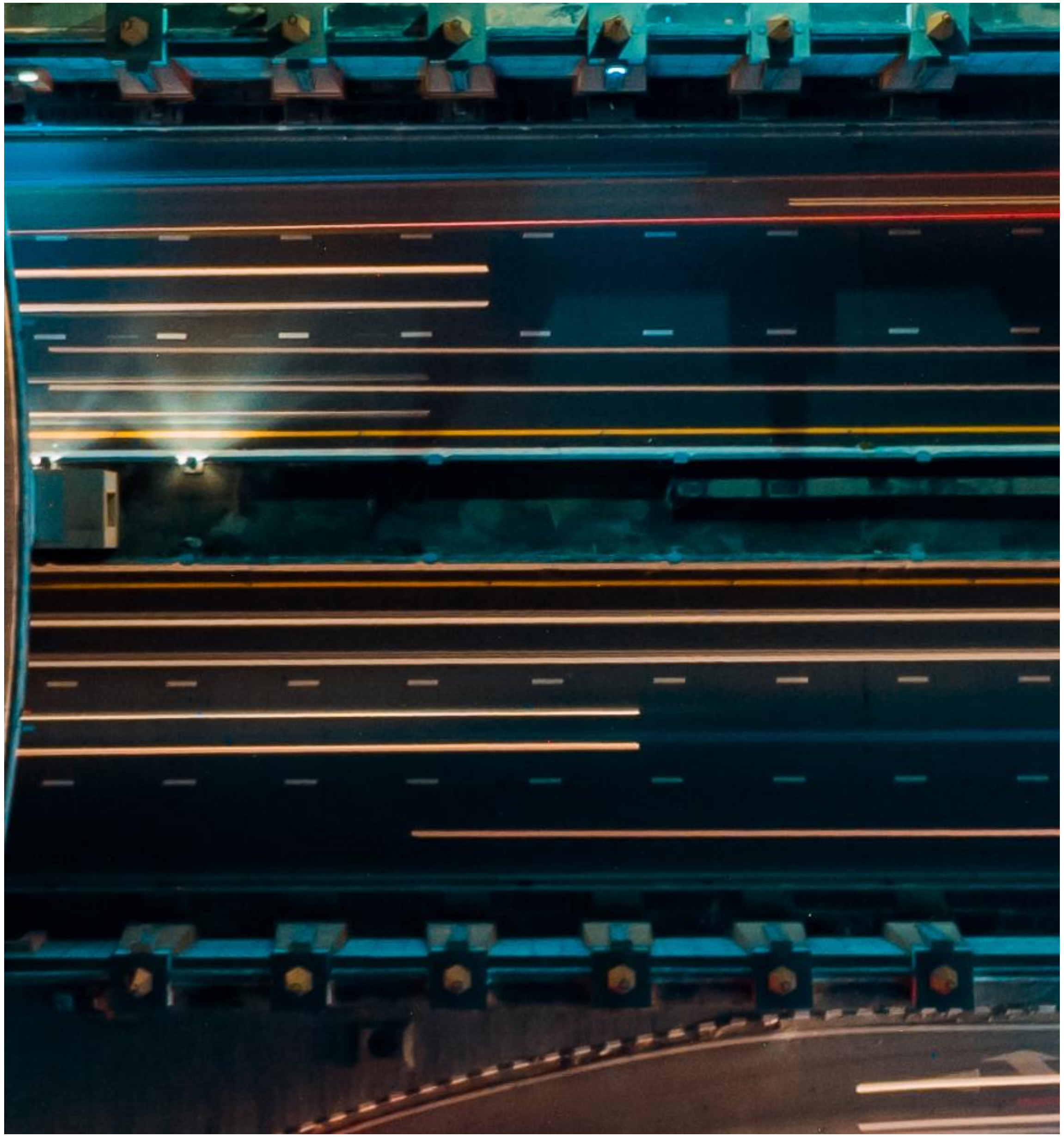
ICBCS LME Week Base Metal Market Outlook

Julia Du - Senior Commodities Strategist

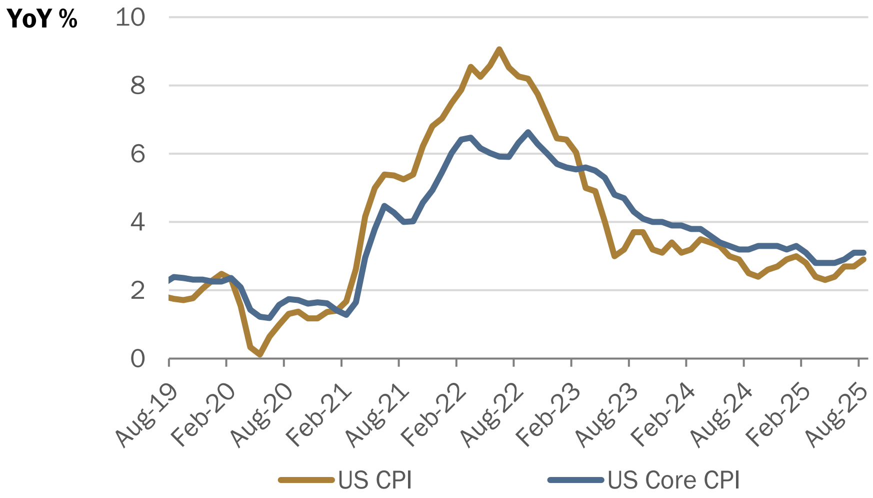
October 2025

PUBLIC



Global Economic Outlook
全球经济前景

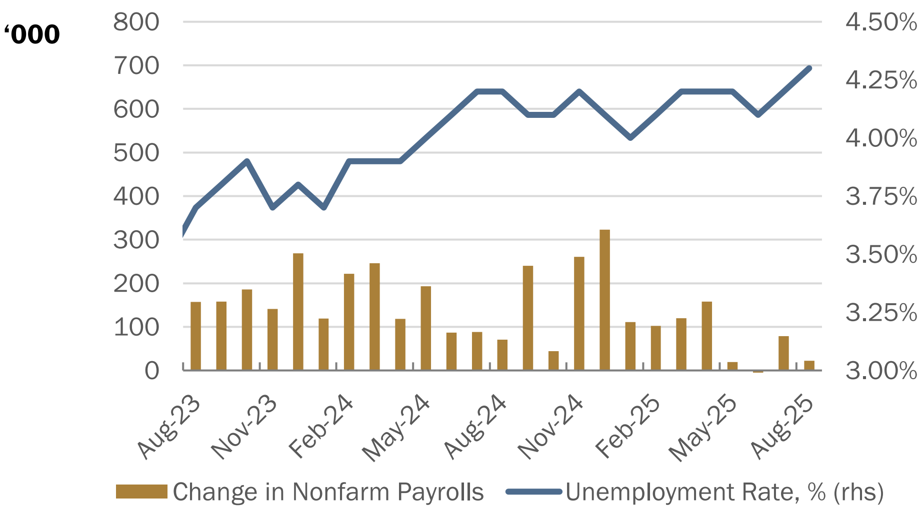
US August inflation showed a moderate increase; jobs data disappointed



Source: Bureau of Labour Statistics

US CPI

- The latest US CPI data showed a moderate increase in inflation for August. Along with the data, initial jobless claims surged to the highest level in nearly four years, intensifying concerns about the US economy. Following the data release, traders increased their bets for at least two more Fed rate cuts before the end of 2025.
  - The US CPI rose 2.9% y-o-y in August, in line with expectations and slightly up from July's 2.7%. On a m-o-m basis, CPI increased by 0.4%, slightly above the forecast of 0.3% and higher than the previous reading of 0.2%.
  - Core CPI rose 3.1% y-o-y and 0.3% m-o-m, both matching market expectations and unchanged from the prior month.



Source: Bureau of Labour Statistics

NFP and the unemployment rate

- The August US jobs report revealed a notably weak labour market, weighed down by Trump's tariff impacts. NFP fell sharply, and the unemployment rate rose, prompting the Fed to continue lowering interest rates for the remainder of the year. The release of the September NFP data was delayed due to the US government shutdown.
  - Nonfarm payrolls rose by just 22,000 in August, far below the 75,000 expected. June's figure was also revised down by 27,000 to -13,000, marking the first monthly job loss in years.
  - The unemployment rate climbed to 4.3%, the highest since late 2021. Wage growth slowed as average hourly earnings rose 3.7% y/y, below both July's 3.9% and the 3.8% forecast.

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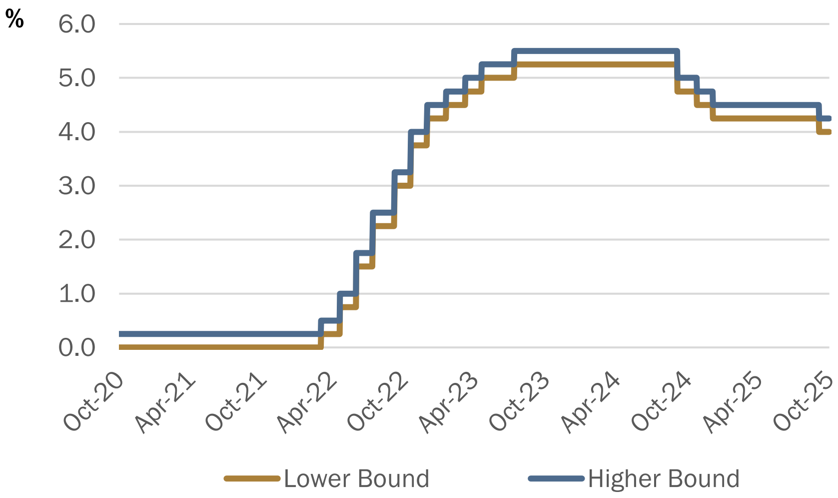
The Fed has started a new round of rate cuts, leading to a weaker dollar



Source: Federal Reserve

US Interest rate

- The Fed delivered a widely anticipated 25 basis point rate cut at the September FOMC meeting. However, Chair Powell's post-meeting remarks were perceived as less dovish than expected. He expressed concerns about US inflation pressures driven by Trump's tariffs and emphasised the Fed's cautious stance on additional easing.
- However, it is unlikely that Powell's remark to shift market expectations for a total of three rate cuts this year and one more cut in 2026. The pattern of cutting rates while signalling caution in post-meeting communications is familiar to investors. Markets continue to price in a more than 90% probability of another 25-basis point cut at the October FOMC meeting.

US Dollar Index

Source: Bloomberg

US Treasury yield and dollar

- Impacted by Trump's tariffs, the US Dollar Index has declined notably this year and has hovered near a three-year low over the past two months. Fed Chair Powell cautiously opened the door to rate cuts recently, reinforcing expectations for monetary easing. In addition, concerns over the Fed's independence and the longer-term economic and labour market effects of the tariffs are prompting investors to reduce exposure to US assets in favour of safe-haven alternatives.
- After briefly rising to 4.8% earlier this year, the 10-year US Treasury yield has since retreated and is currently hovering just above 4%. Growing expectations for a Fed rate cut in the near term have exerted fresh downward pressure on yields, with a notable decline observed since the beginning of September.

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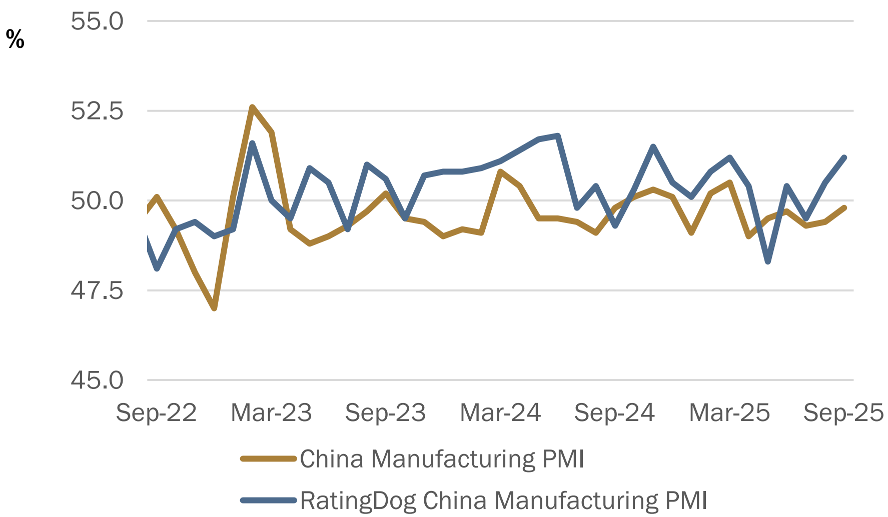
US tariffs hurt China's industrial activity, clouding the economic outlook

Source: National Bureau of Statistics of China



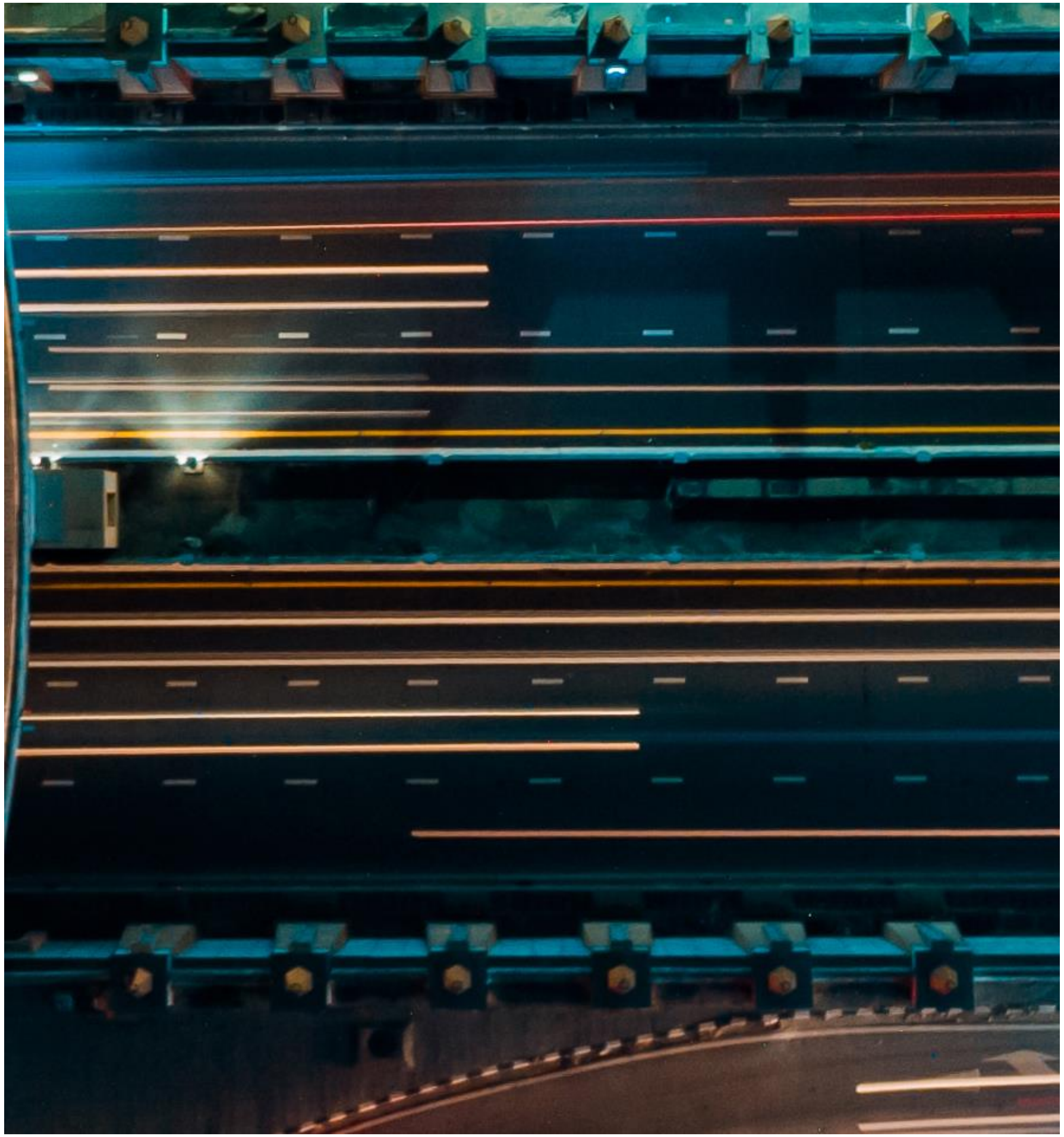
Source: China Federation of Logistics and Purchasing

China's industrial production and retail sales

- China's economy has shown signs of a general slowdown, with retail sales and industrial output reporting their weakest growth this year amid the strains from a trade war with the US and domestic weaknesses.
  - China's industrial production grew 5.2% year-over-year in August, the lowest reading since August 2024, and weaker than a 5.7% rise in July. Retail sales expanded 3.4% in August, the slowest pace since November 2024, and cooling from a 3.7% rise in the previous month.
  - Fixed asset investment also grew at a slower-than-expected 0.5% pace in the first eight months y-o-y, from 1.6% in January to July, marking its worst performance outside the pandemic.

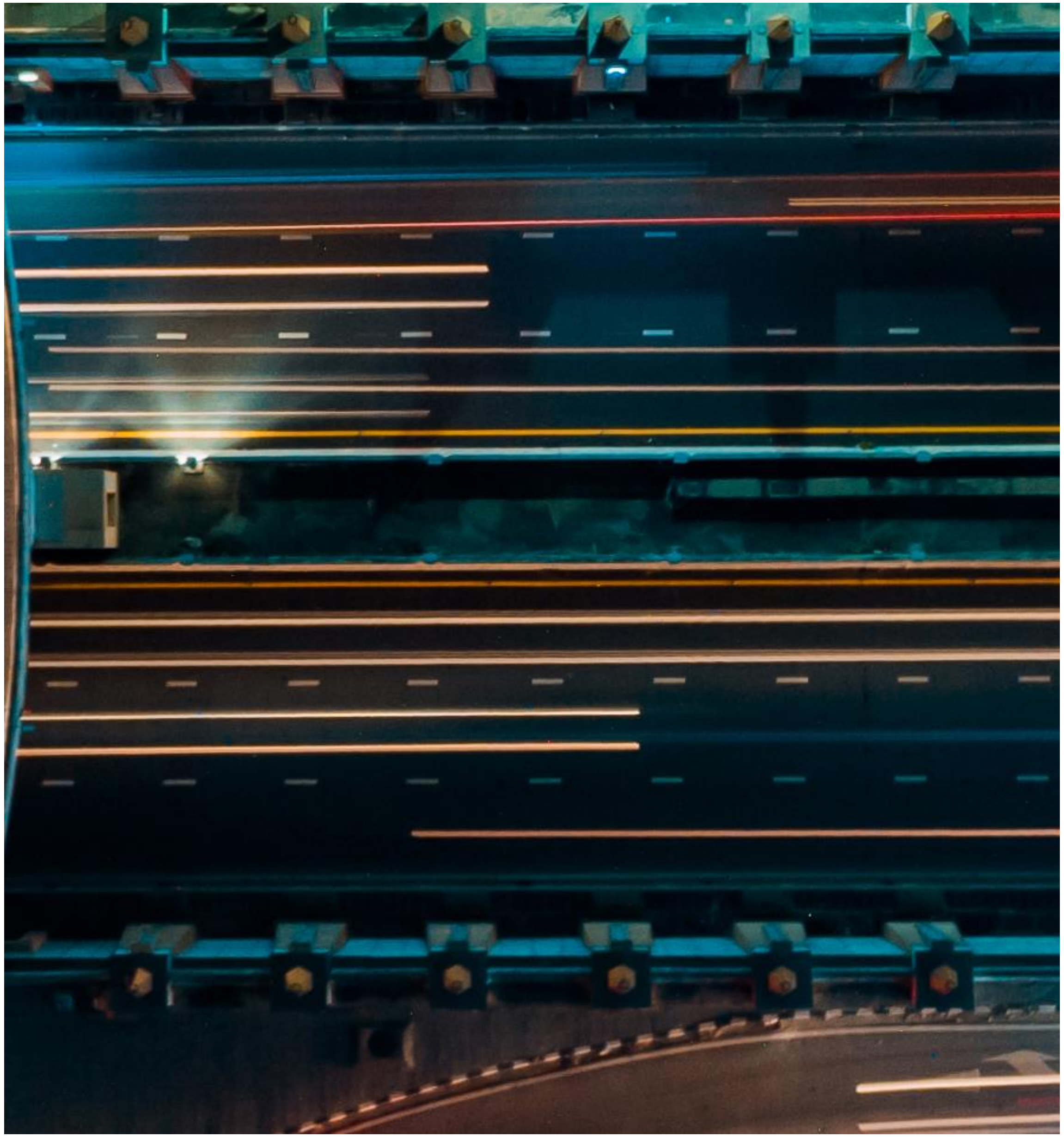
China's manufacturing PMI

- The National Bureau of Statistics (NBS) data showed China's manufacturing activity contracted for the sixth consecutive month in September, highlighting ongoing pressure from the trade tensions with the US and subdued domestic demand.
  - The official manufacturing PMI rose to 49.8 in September from 49.4 in August, beating market expectations of 49.6. However, it remained below the 50-point threshold that separates expansion from contraction.
  - Meanwhile, the RatingDog China Manufacturing PMI—which includes a larger proportion of export-oriented private enterprises—rose to 51.2 in September from 50.5 in August. The rebound reflects a seasonal recovery following summer disruptions, as well as increased government policy support.



Commodity Market Analysis and Price Outlook

大宗商品市场分析及价格前景



Copper Market Analysis
铜市场分析

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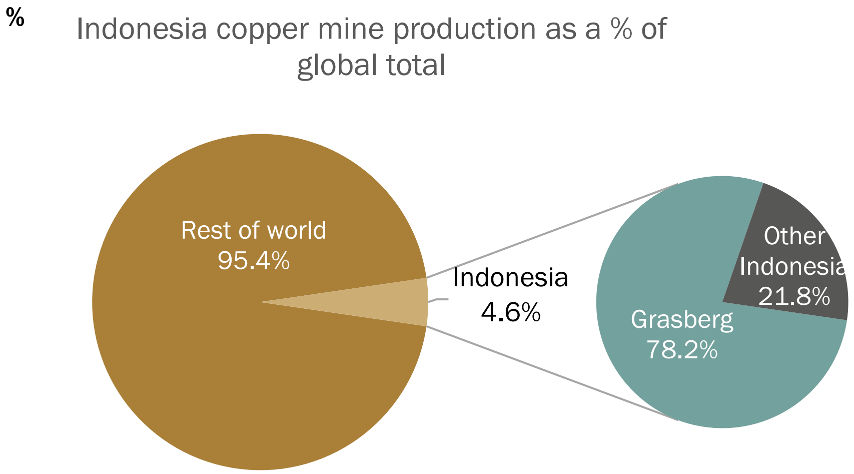
Copper prices surge as Indonesia mine accident sparks supply fears

Source: LME

PUBLIC

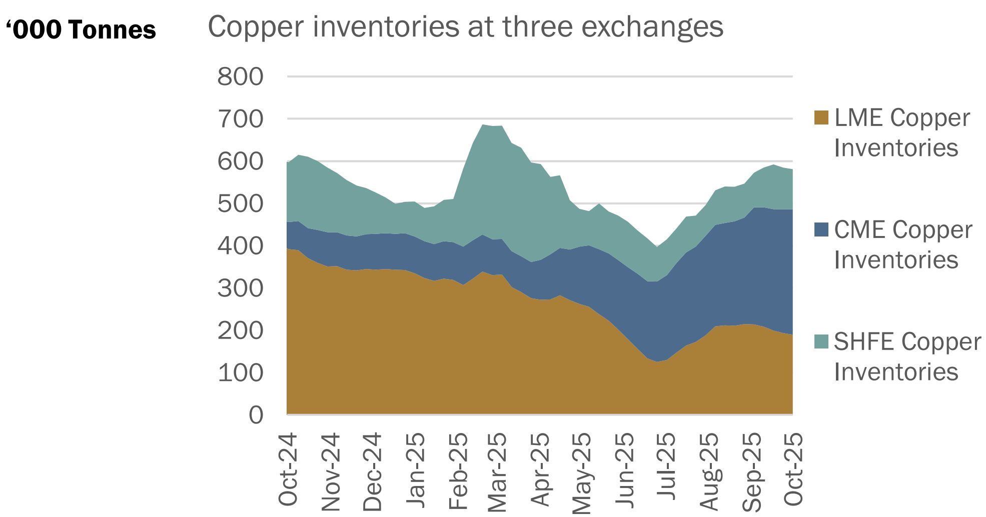
Freeport downgraded 2026 output forecast, boosting copper price outlook



Source: Various sources

Freeport halts Indonesia's Grasberg mining operations after incident

- Indonesia's Grasberg copper mine produced about 816,000 tonnes of copper last year, making it the world's No.2 copper mine after Chile's Escondida and accounting for roughly 3.6% of global output. Recently, a mud flow at Grasberg left several workers missing and forced the mine to halt operations.
- Freeport declared force majeure on contracted supplies from its Grasberg mine in Indonesia. Freeport Indonesia also downgraded its 2026 copper and gold production by 35% because the copper mine might not resume pre-accident production levels until 2027. Concerns over reduced output pushed LME 3-month copper above $10,000/t in September. The upward trajectory has continued in October.



Source: Bloomberg

COMEX copper inventories keep rising after Trump clarified the copper import tariff

- On July 30, Trump officially announced that imports of refined copper and copper scrap would be exempt from tariffs. The 50% tariff would only apply to semi-finished copper products, taking effect on August 1. However, data show that COMEX copper inventories continued to rise in both August and September.
- The surge in COMEX copper inventories was mainly driven by heavy front-loading of imports earlier in the year. The arbitrage window is closed now, but large copper volumes had already accumulated in US warehouses. As a result, COMEX inventories now exceed 300,000 tonnes—higher than LME stocks. It is expected to take 4-5 months for the US market to absorb these inventories.

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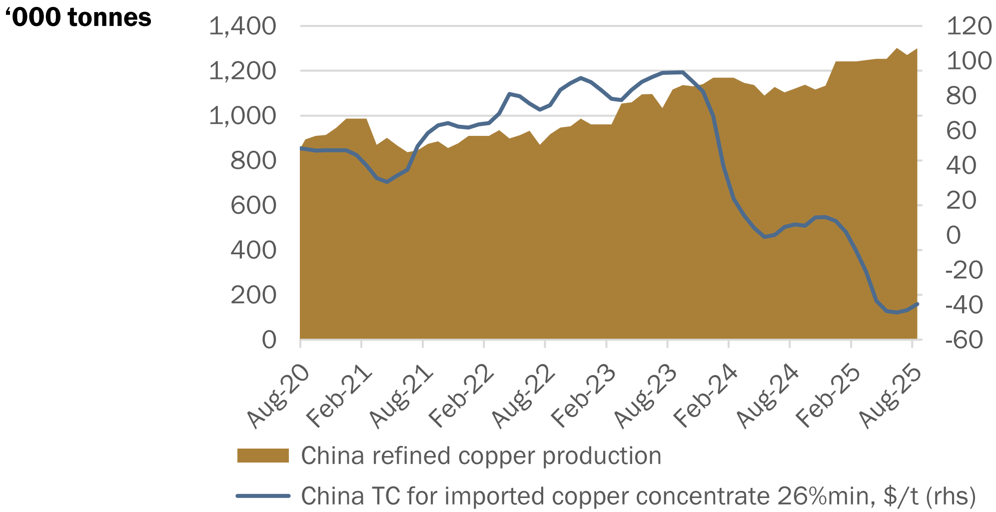
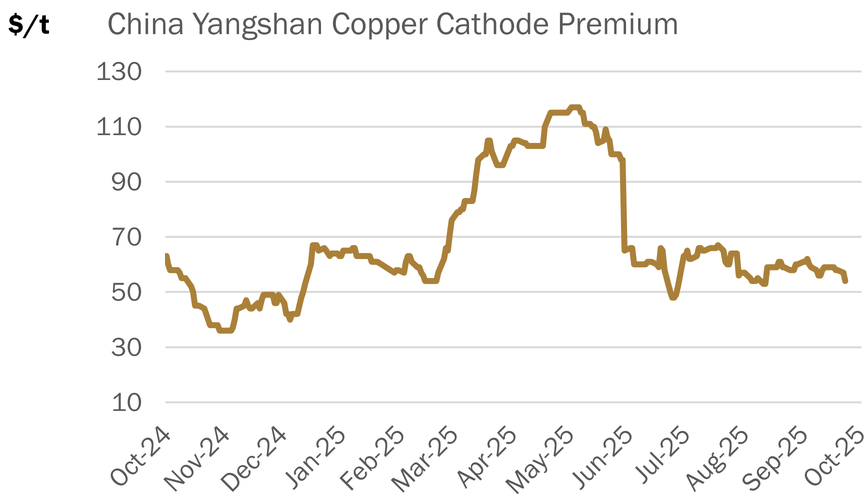
Record refined copper output in China limits import needs



Source: National Bureau of Statistics of China; SMM International



Source: Shanghai Metals Market

China's refined copper production rose 15% y/y in August

- China's refined copper production reached a record high of 1.302 million tonnes in June 2025. Output fell to 1.27 million tonnes in July, then rebounded in August, rising 15% y-o-y to 1.301 million tonnes. Despite persistent overcapacity in Chinese refined copper and a shortage of the global copper concentrate, spot treatment charges have remained around negative $40 per tonne.

- However, there has not been any large-scale production cut among Chinese smelters. On one hand, local governments are keen to keep smelters running to support GDP and maintain employment. On the other hand, strong gold and sulfuric acid prices—key by-products of copper mining—have helped offset losses for many smelters.

Yangshan copper premium has remained steady since July

- The Yangshan copper premium has hovered around $60 since July, showing little upward movement even as September marks the traditional peak season for industrial activity. The recent breakout of LME 3-month copper above $10,000/t has dampened buying interest, especially among small and medium-sized fabricators.

- Meanwhile, China's refined copper output remains elevated, keeping domestic supply ample and dampening demand for imports. Most transactions are via long-term contracts, limiting spot market activity. Although US tariffs have diverted some South American and African copper to the US, tightening supply in Asia, China's strong domestic output has largely offset the impact.

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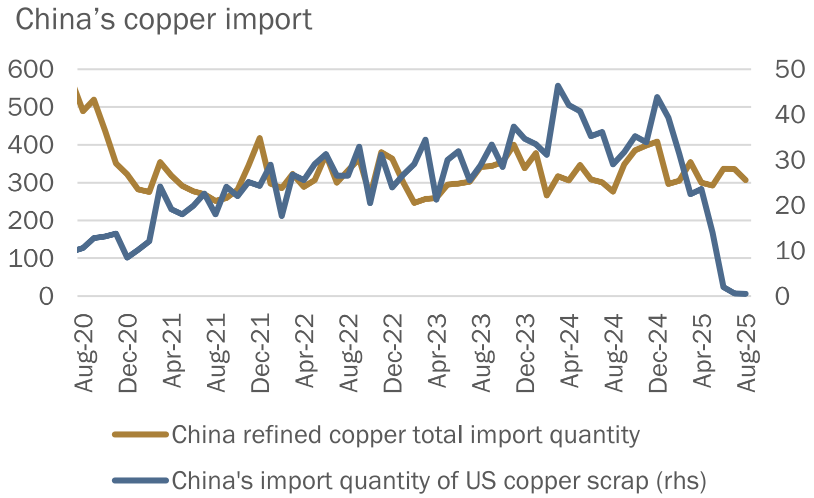
China copper trade flows shift amid tariff changes and regional arbitrage

'000 tonnes

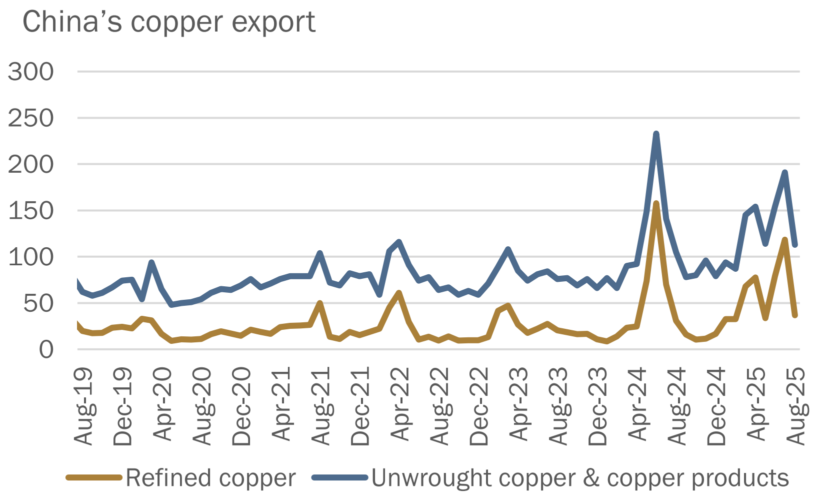


Source: Customs General Administration PRC

China's imports of US copper scrap is likely to rebound in the future

- Trump's proposed 50% tariff on copper imports earlier this year caused US copper scrap shipments to China to plunge below 1,000 tonnes—the lowest level in at least 21 years—compared to a monthly average of around 36,600 tonnes in 2024. The US has long been China's top supplier of copper scrap.
- Following Trump's official statement on July 30 that imports of refined copper and copper scrap would be exempt from tariffs, Chinese imports of US copper scrap are expected to rebound. Meanwhile, China's refined copper imports have remained relatively stable this year, fluctuating between 300,000 and 350,000 tonnes per month. Domestic overcapacity in smelting continues to weigh on import demand.

'000 tonnes



Source: Customs General Administration PRC

China's copper exports plunged in August amid a shift in arbitrage opportunities

- China's refined copper exports surged to a peak in July, driven by favourable arbitrage opportunities and strong overseas demand, particularly from the US and Southeast Asia. However, in August, exports plunged 69% m-o-m to 36,900 tonnes, while unwrought copper and copper products fell 41% to 112,920 tonnes.
- August exports were mainly directed to Taiwan and Southeast Asia, where PT Gresik's maintenance tightened long-term supply and lifted regional premiums. Traders responded by filling shortfalls in the region. While Singapore remained a destination, its share declined. Exports to the US have largely ceased, following the July 30 tariff exemption on refined copper—only long-term contracts and limited spot cargoes continue.

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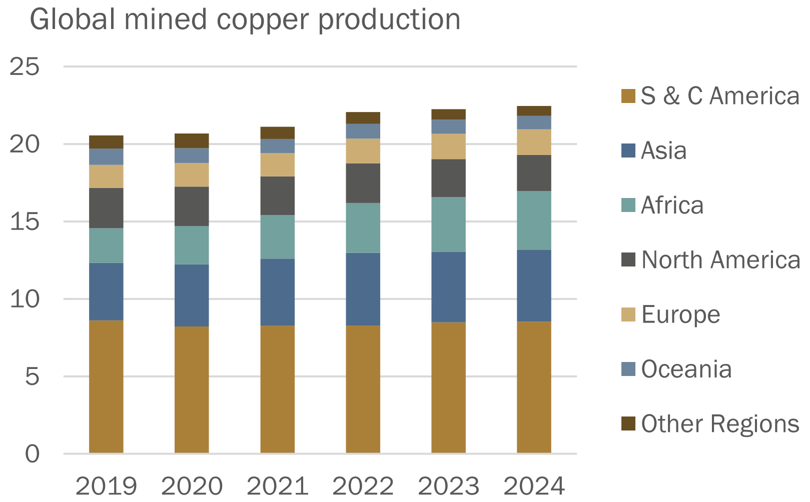
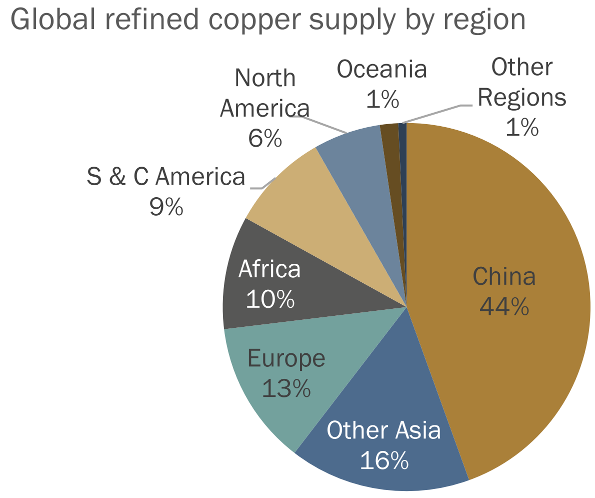
The global copper cathode market will remain in surplus in 2025

Million tonnes

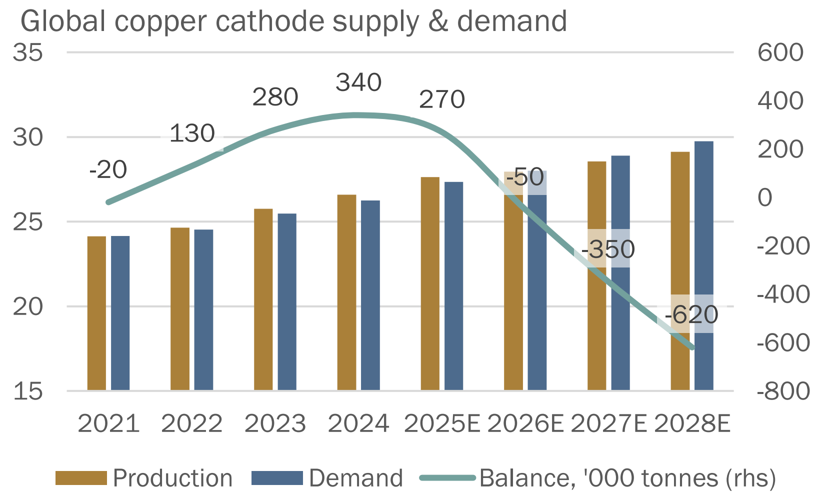


Source: Bloomberg Intelligence

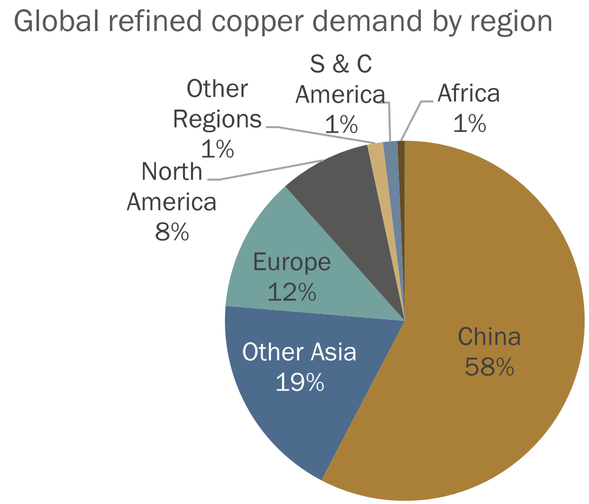


Source: Bloomberg Intelligence

Million tonnes



Source: SMM International



Source: Bloomberg Intelligence

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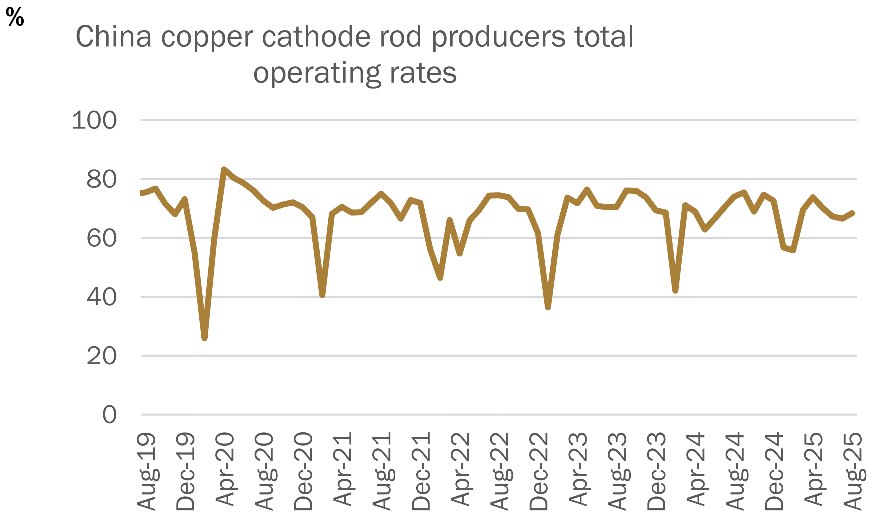
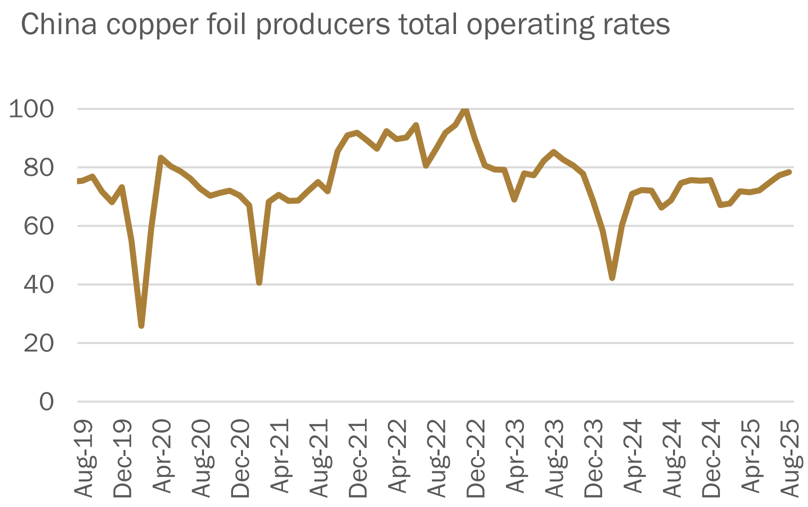
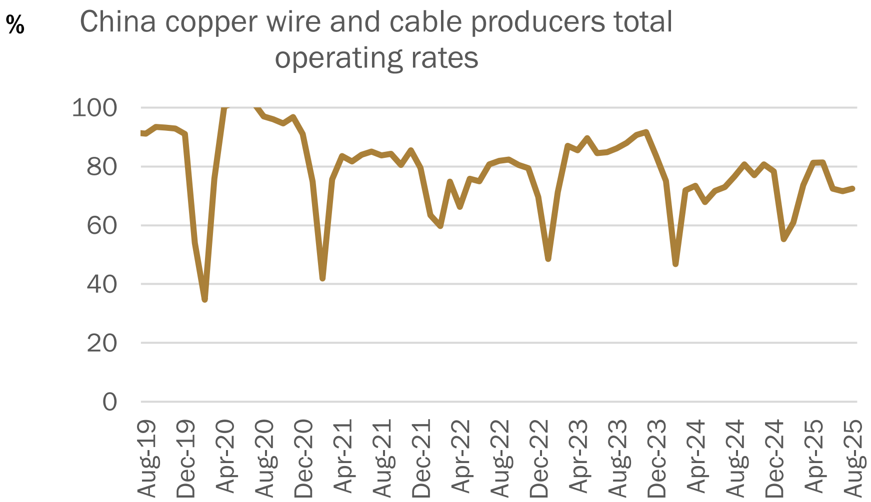
Operating rates in China's copper downstream sector rebound in August



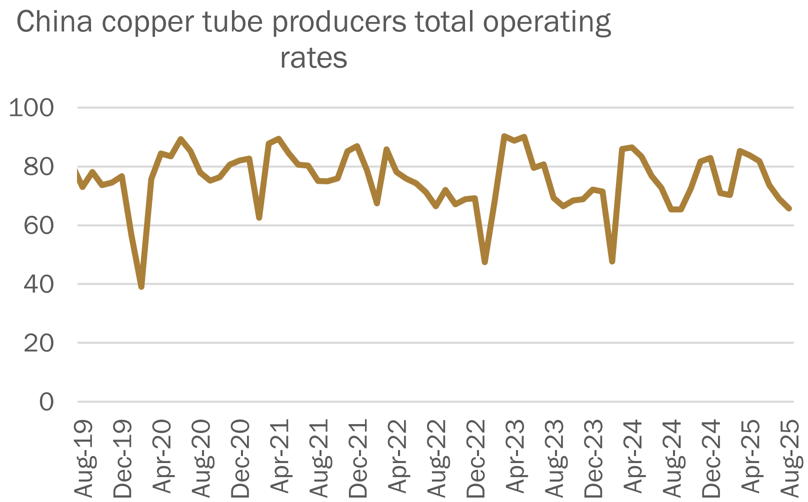
Source: SMM International



Source: SMM International



Source: SMM International



Source: SMM International

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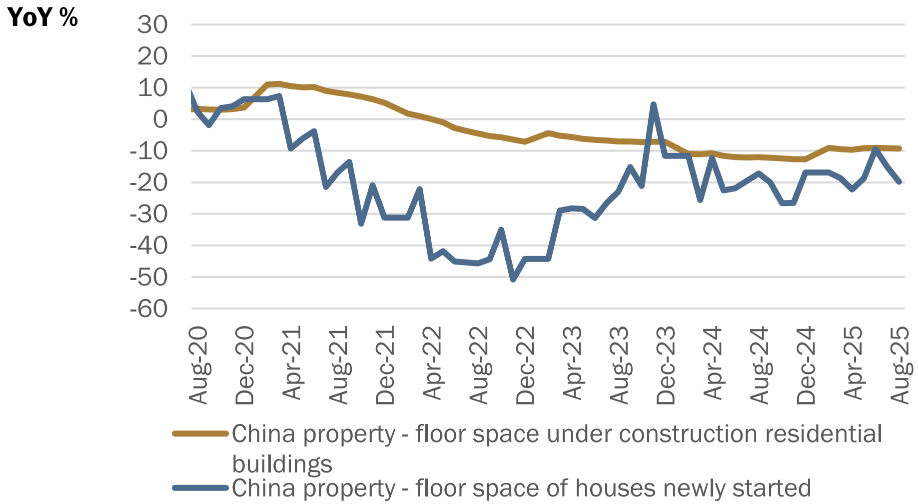
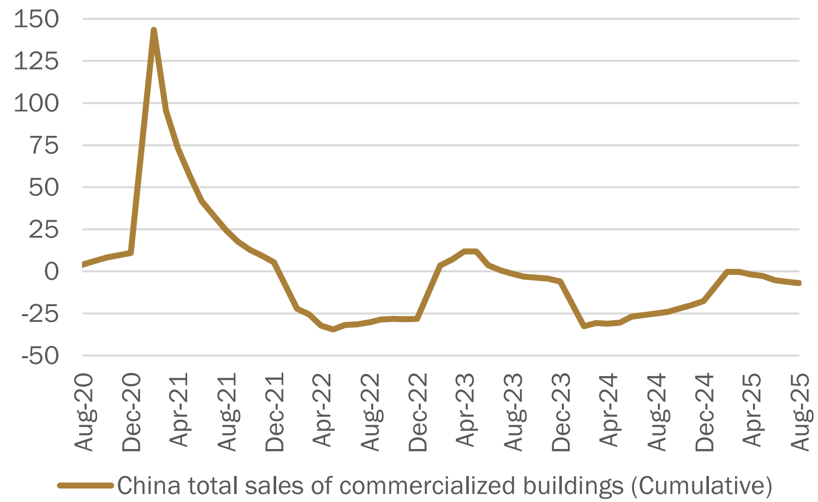
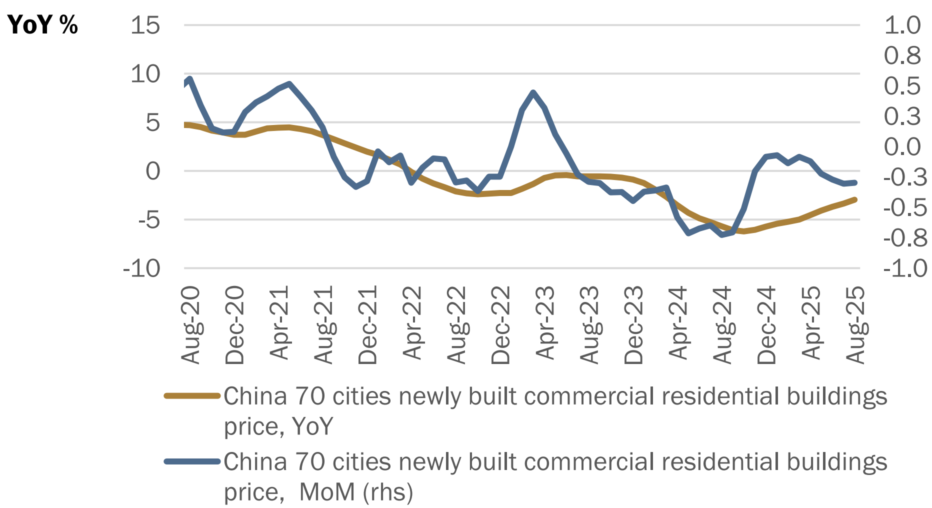
China's property sector remains sluggish despite stimulus efforts



Source: National Bureau of Statistics of China



Source: National Bureau of Statistics of China



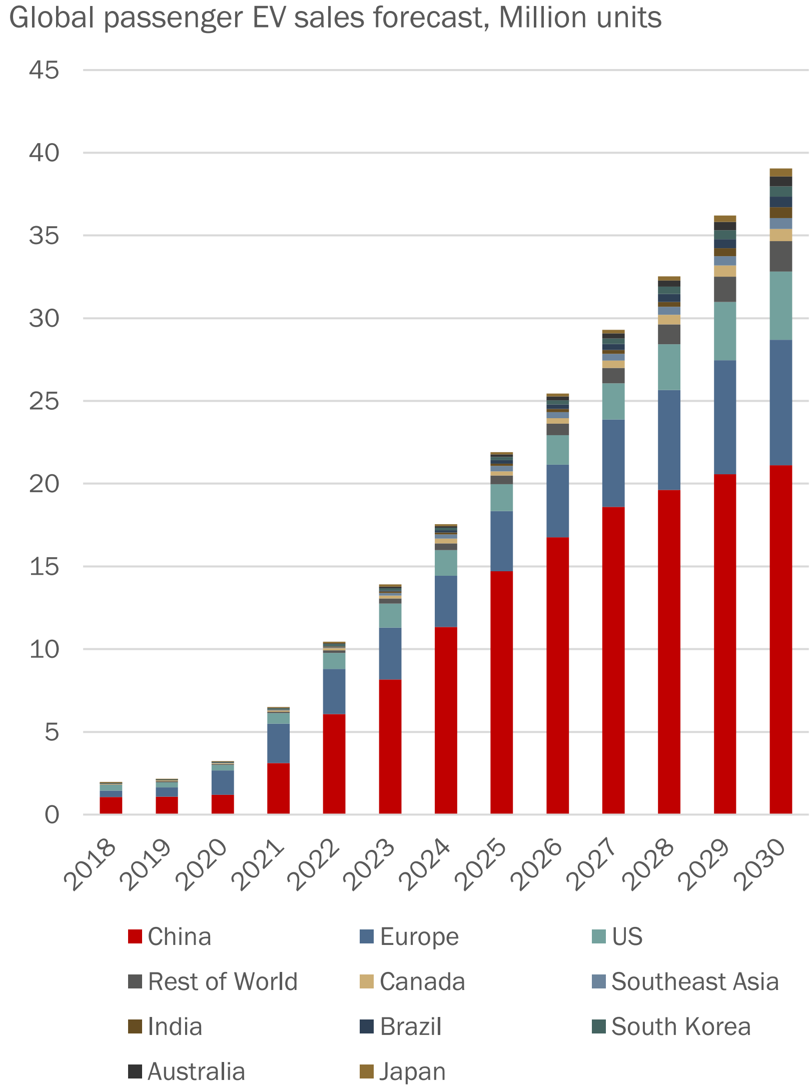
Source: National Bureau of Statistics of China

Source: National Bureau of Statistics of China

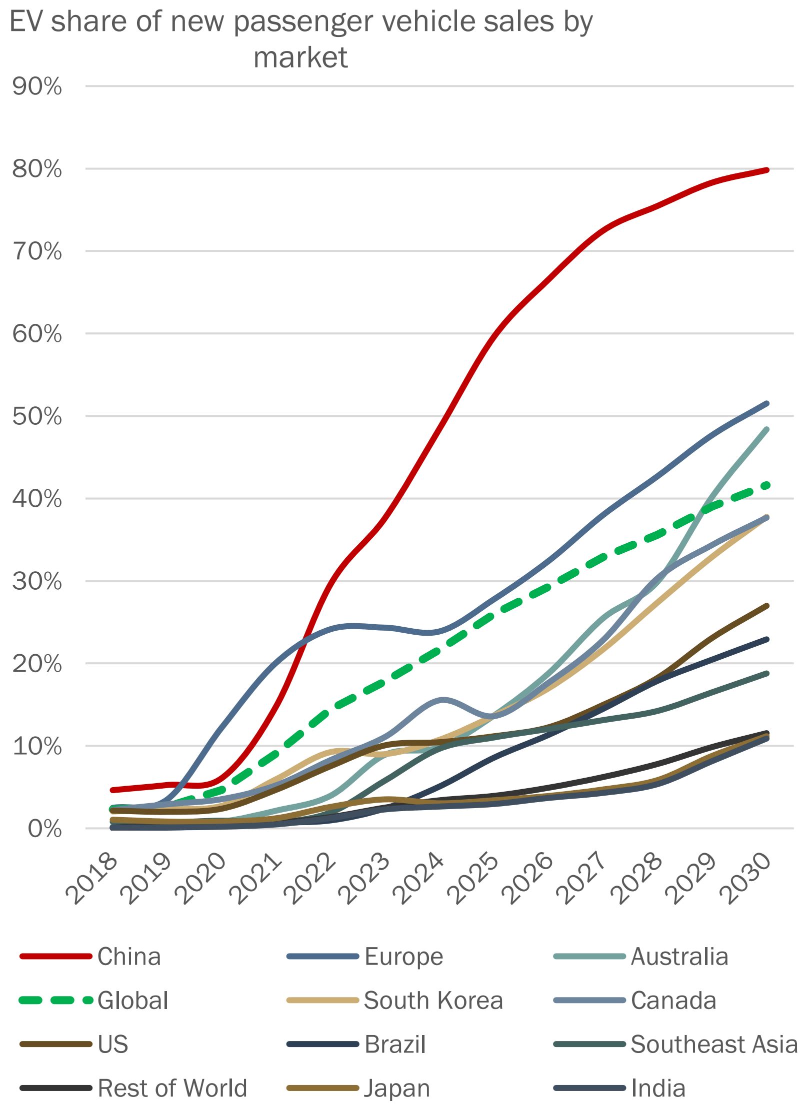
PUBLIC

Global EV sales are expected to increase by 25% in 2025, driven by China

Million units



Source: BloombergNEF



Source: BloombergNEF

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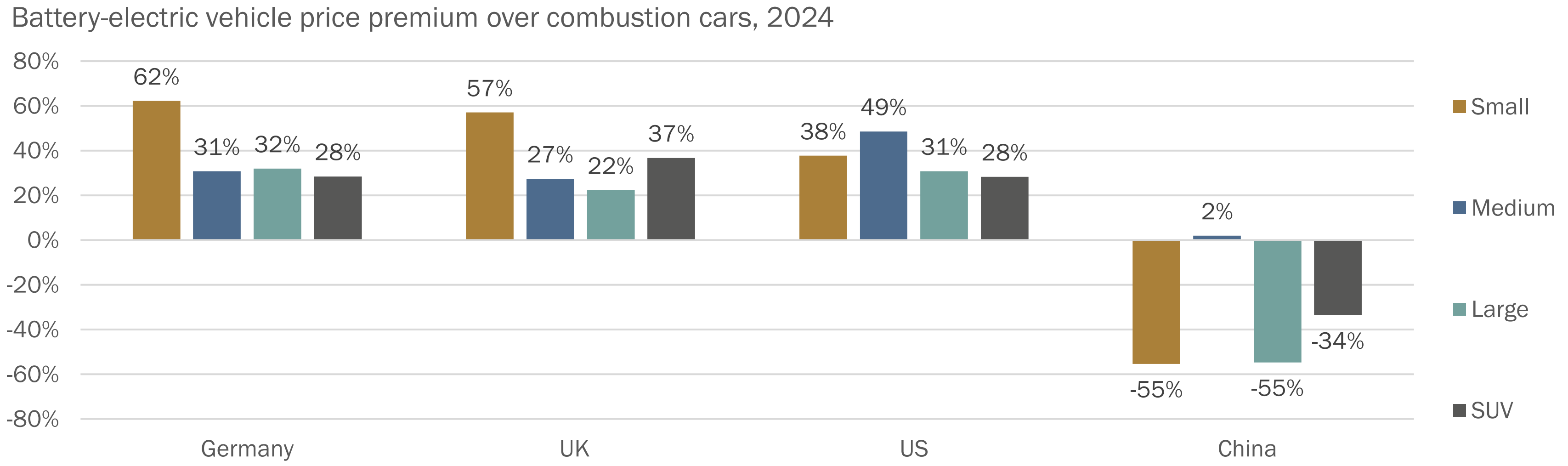
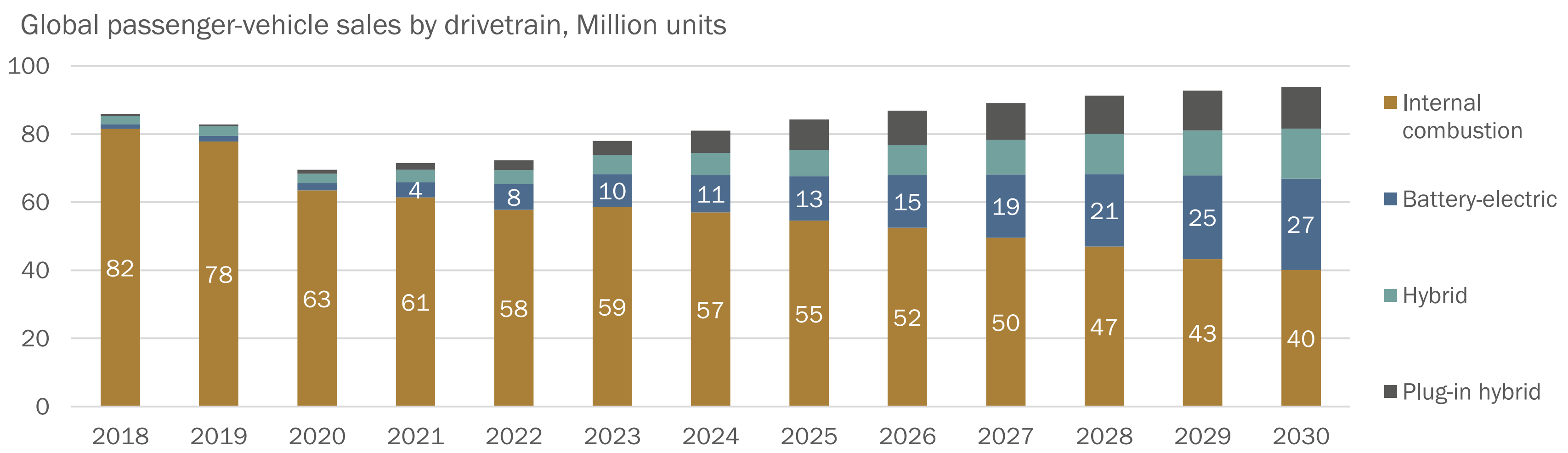
Sales of conventional vehicles have peaked; BEV sales keep growing

%



Source: BloombergNEF

% of total



Source: BloombergNEF

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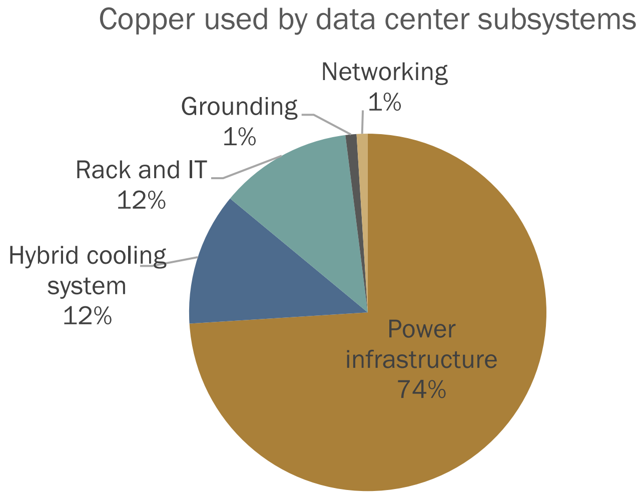
AI centers add new demand; energy transition remains the main driver

% of total

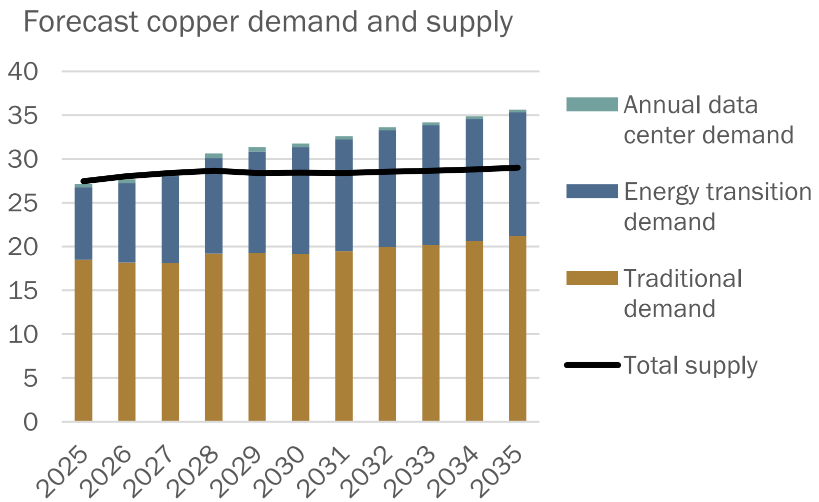


Source: Customs General Administration PRC

Copper plays a critical role in powering and cooling AI data centers

- The majority—74%—is used in power infrastructure, especially in thick low-voltage cables that deliver high-current loads from switchboards to server racks.
- Another 12% goes into cooling systems, where copper is found in liquid cooling manifolds at the rack level and in pumps and compressor motors for building-wide chillers.
- An additional 12% is used in rack and IT hardware, including internal wiring, power units, and cold plates that help dissipate heat from GPUs and CPUs.
- Networking and grounding contribute another 1% each.

Million tonnes



Source: BloombergNEF

AI data centers to consume over 4 million tonnes of copper by 2035

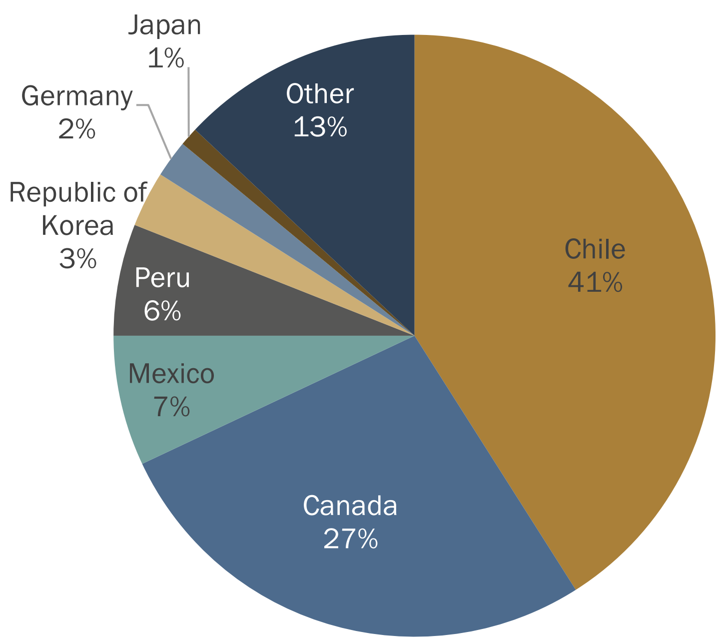
- BloombergNEF estimates that new data centers will require an average of 400,000 metric tons of copper annually over the next decade, peaking at 572,000 tons in 2028. Between 2025 and 2035, cumulative copper use in data centers is projected to exceed 4.3 million tons, nearly matching Chile's annual output.
- While North America remains the leading region, China, the UK, Germany, and France are also accelerating their buildouts. Still, AI data centers will only account for 1–2% of total copper demand each year, highlighting a potential supply shortfall—driven primarily by the energy transition, which remains the dominant source of new copper demand.

PUBLIC

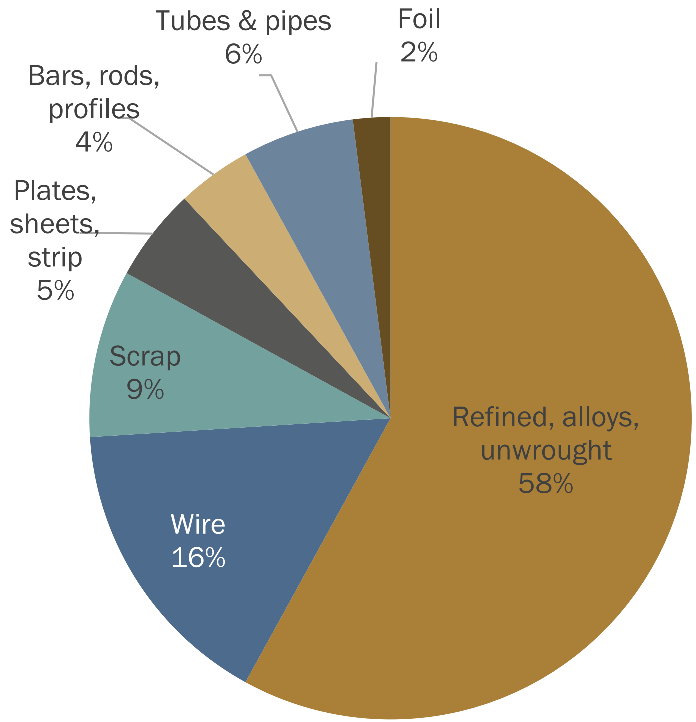
The US primarily imports refined copper, with Chile as the largest supplier

% of total

US Copper imports by country, 2024



US Copper imports by type, 2024



Effective August 1, 2025, the Trump administration imposed a 50% tariff on imported semi-finished copper products and copper-intensive derivatives, such as pipes, wires, and cables, to support domestic downstream manufacturing. The tariff excludes raw materials like copper ore and refined copper to avoid increasing costs for US manufacturers.

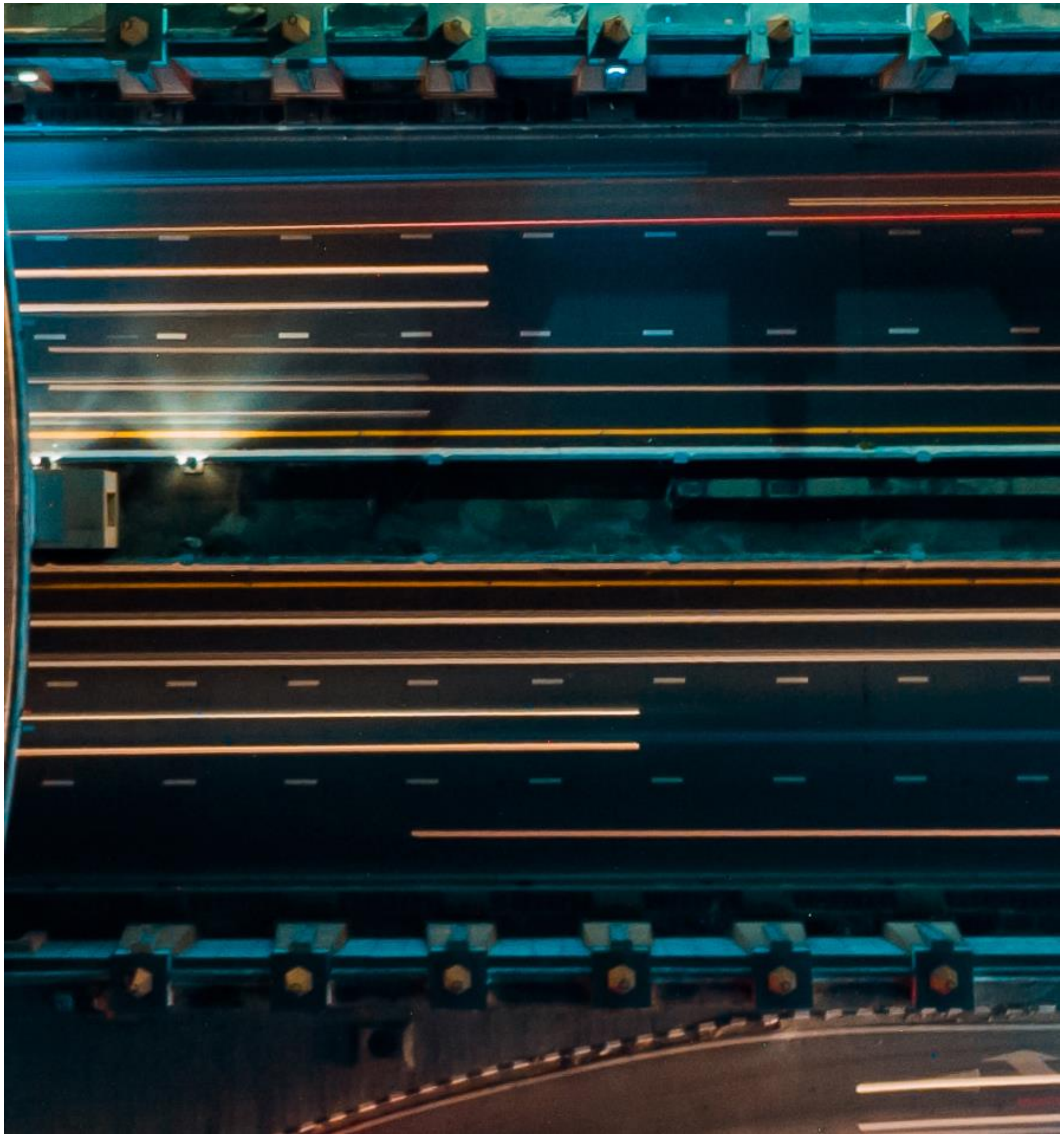
Source: TradeMap, ING Research

Source: TradeMap, ING Research

Technical analysis: Moving Averages, RSI

$/t

Source: Bloomberg

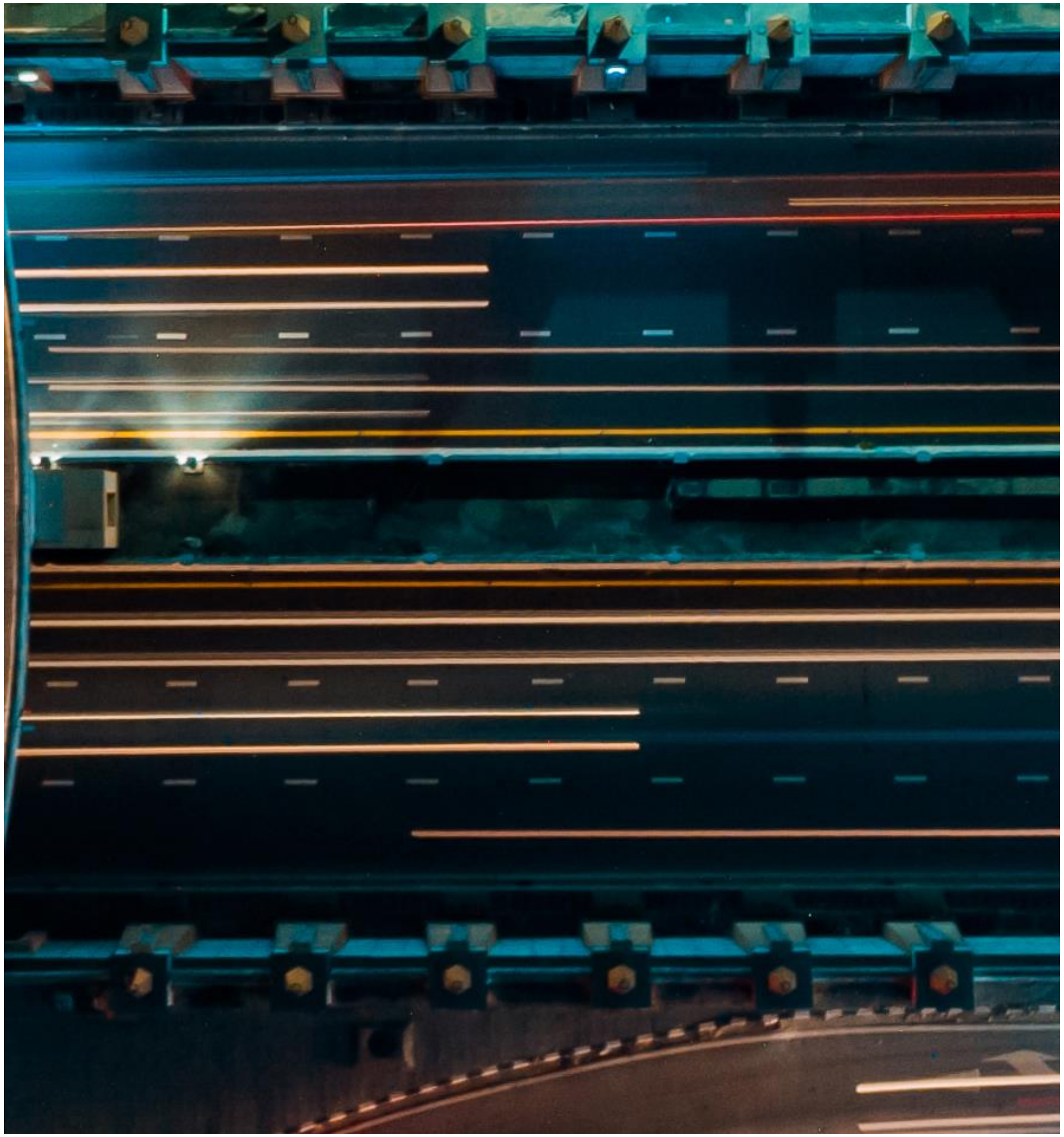


Copper Price Outlook
铜价格前景

Copper price outlook

Copper price outlook – Short term	
Bullish	• The market expects two more rate cuts by the Fed this year, each by 25 basis points. • The dollar continues to weaken due to tariffs and future rate cut bets, benefiting dollar-priced metals like copper. • Freeport has declared force majeure at the Grasberg copper mine and lowered its production forecast for next year, intensifying concerns over copper supply. • September and October mark the peak season for industrial activity; copper downstream processing plants are expected to increase operating rates.
Bearish	• US tariffs hit Chinese industrial and manufacturing activity, denting copper demand. • China’s refined copper production remains at historically high levels, with no clear signs of output cuts from domestic smelters. • The Yangshan copper premium indicates that Chinese demand for imported copper has not picked up even during the industrial peak season. • The US officially exempted refined copper imports from tariffs, likely leading to more copper flowing back from the US to other regional exchanges. • China’s GDP growth may miss the 5% target due to tariff pressures, weakening sentiment and industrial metals demand. • Technical indicators show that copper is in overbought territory, and profit-taking by some traders may lead to a price correction.
Copper price outlook – Medium to long term	
Bullish	• The Fed begins a new rate-cutting cycle, stimulating economic activity and supporting industrial metals demand. • Global copper concentrate deficits are expected to persist, fundamentally restricting copper supply. • China has begun construction of the Yarlung Tsangpo mega hydropower project, boosting future copper demand. • The energy transition-related sectors will become the main drivers of copper demand growth in the future.
Bearish	• Reciprocal tariffs from the US may have more lasting impacts on global economic and trade activity, casting a shadow over copper demand. • The sluggish recovery of China's property market has become a long-term drag on copper demand growth.

Source: ICBC Standard Bank



Aluminium Market Analysis

铝市场分析

PUBLIC

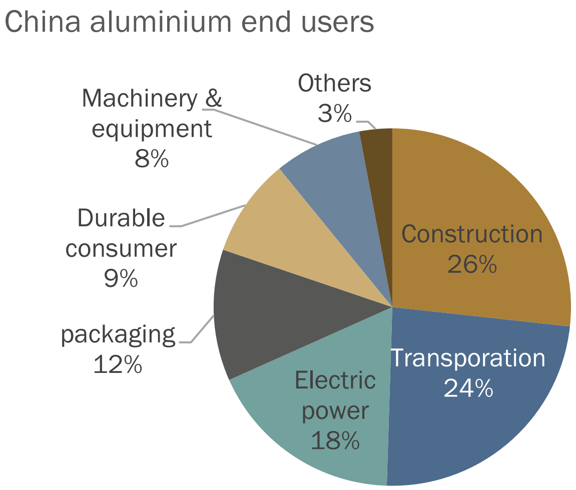
Aluminium prices range-bound amid balanced supply and demand

Source: LME

PUBLIC

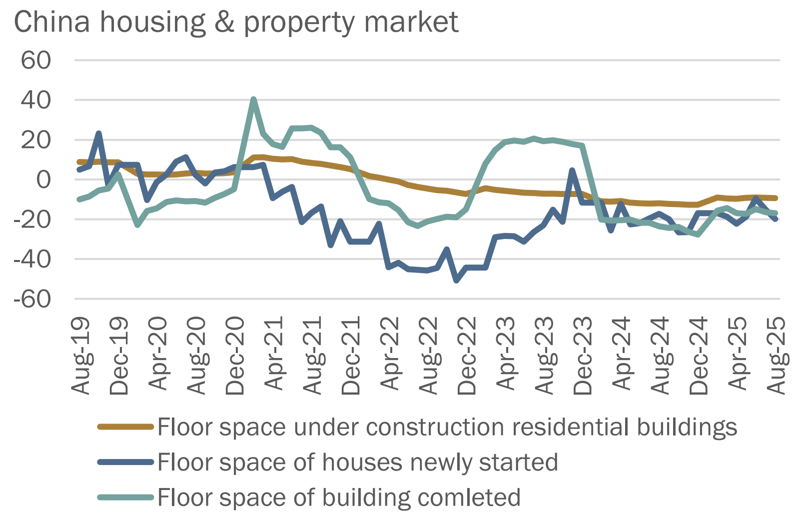
China's aluminium demand shifts toward new energy amid property slump

% of total



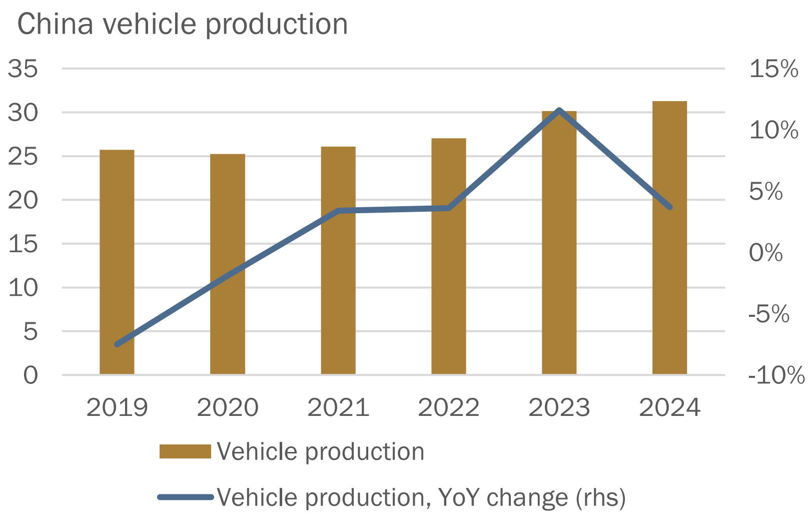
Source: Bloomberg Intelligence

YoY %



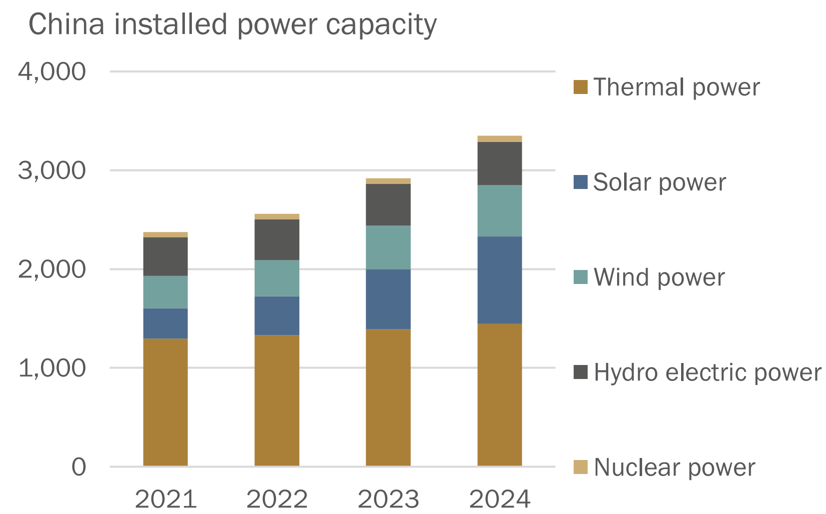
Source: National Bureau of Statistics of China

Million units



Source: China Automotive Tech and Research

MW



Source: China National Energy Administration

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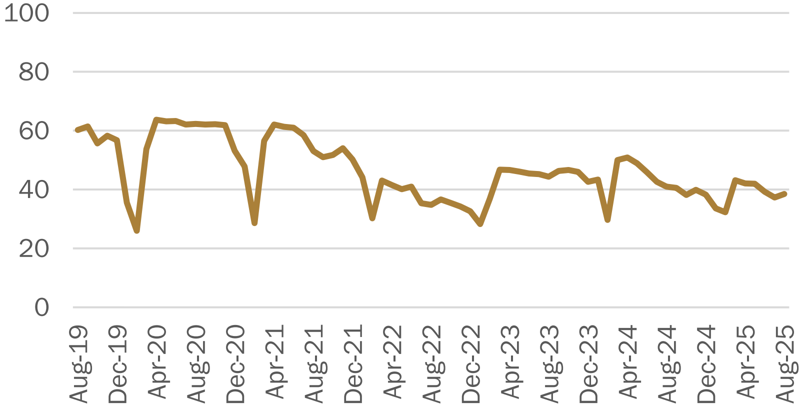
China's downstream aluminium industry operating rates are subdued

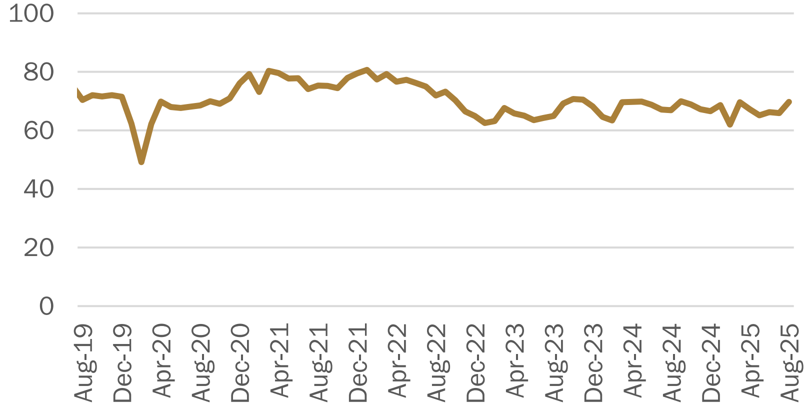
%

China aluminium construction aluminium extruders operating rates monthly



Source: SMM International

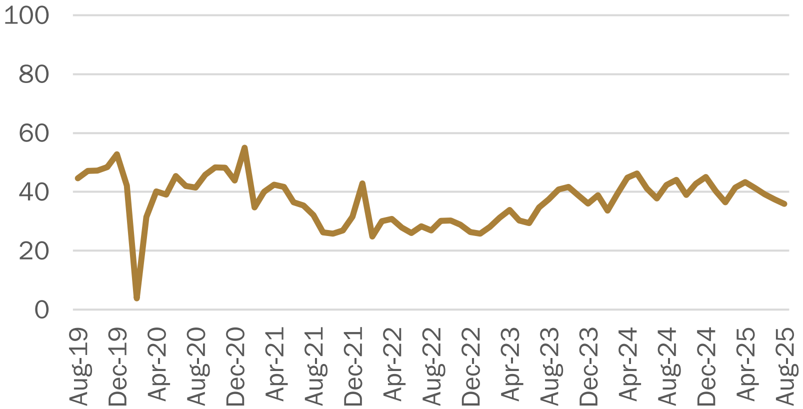
China aluminium plate sheets & strip operating rates monthly



Source: SMM International

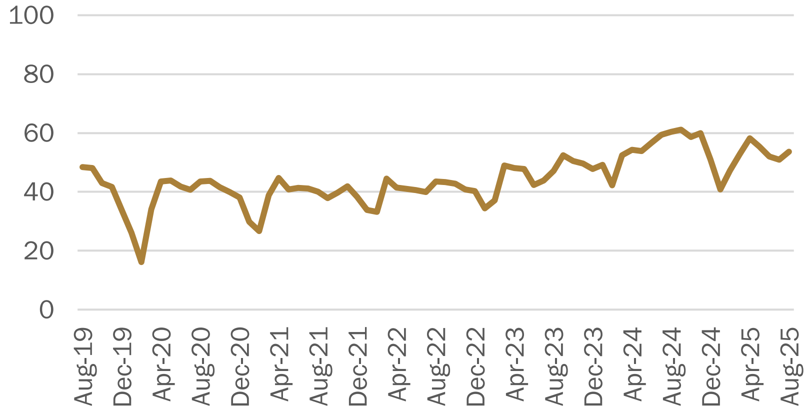
%

China primary aluminium alloy ingot operating rate monthly



Source: SMM International

China aluminium wire and cable producers operating rates monthly

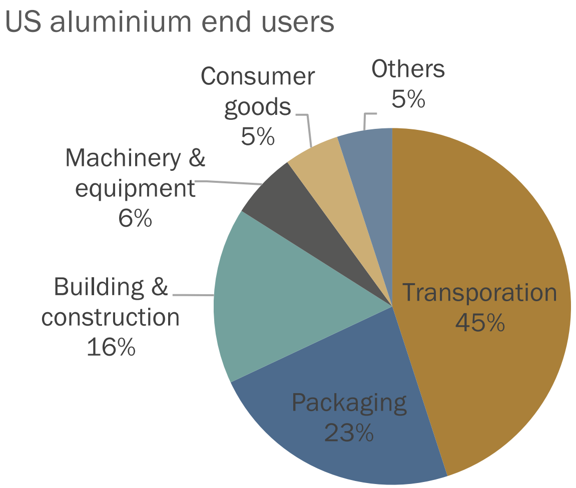


Source: SMM International

PUBLIC

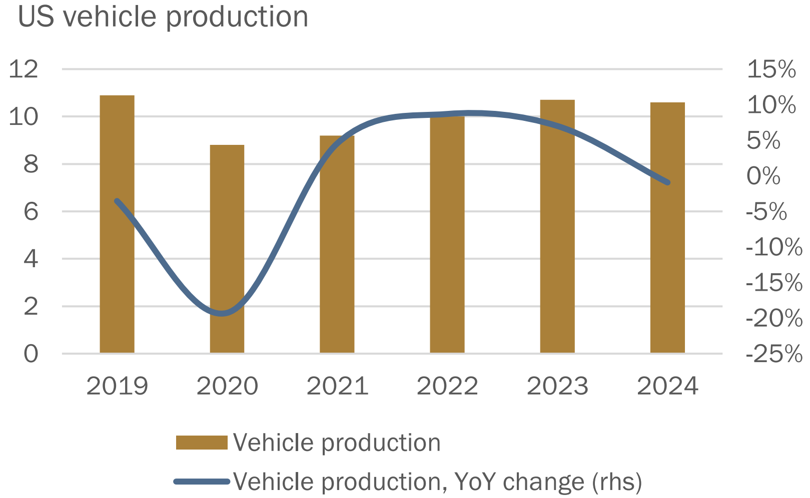
US aluminium demand remains resilient despite tariff headwinds

% of total



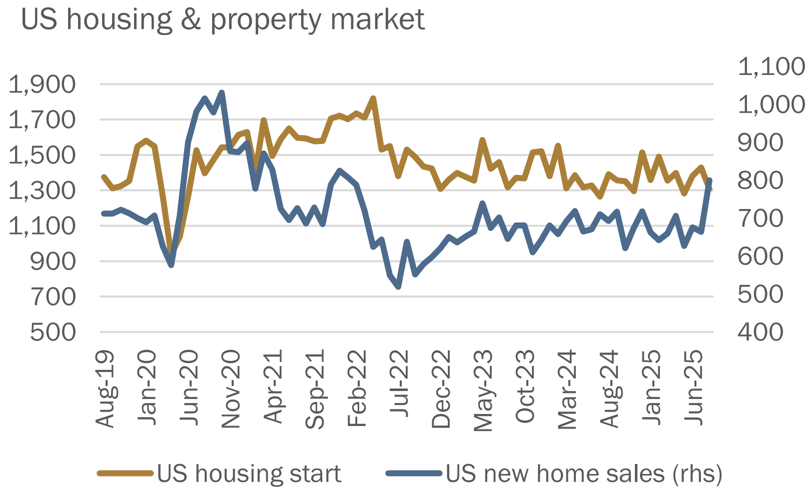
Source: Bloomberg Intelligence

Million units



Source: Federal Reserve

'000 units



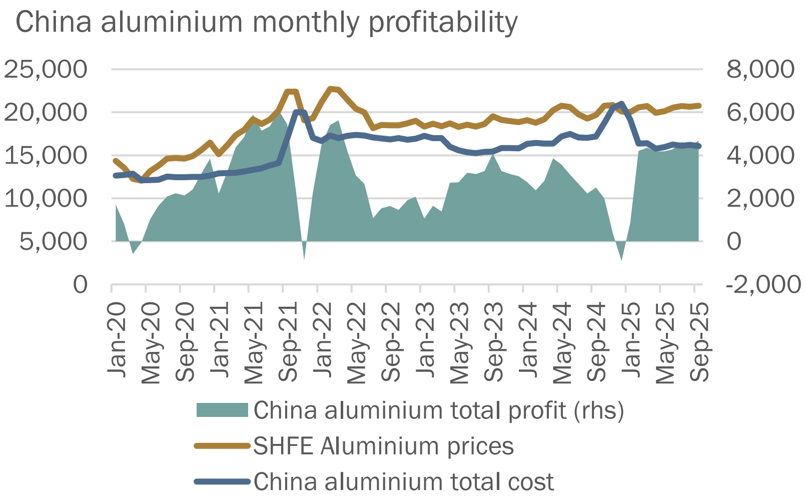
Source: : US Census Bureau

$M

Source: US Census Bureau

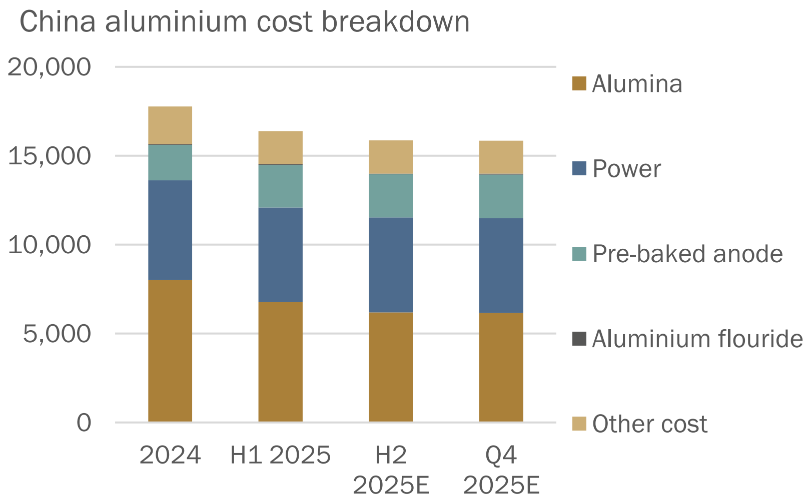
China's aluminium cost set to plunge due to lower alumina prices

Yuan/t



Source: SMM International; Bloomberg Intelligence

Yuan/t



Source: SMM International; Bloomberg Intelligence

China's aluminium margins to expand further amid lower costs

- Despite relatively flat SHFE aluminium prices this year, Chinese smelters have seen a notable improvement in profitability, driven by declining production costs. Average profit margins per tonne are expected to expand from 18% in the first half of 2025 to around 24% in the second half.

- The key driver behind the cost reduction is the sharp decline in alumina prices, a critical input for aluminium production. In September, domestic alumina prices fell to 3,197 yuan per tonne—down 44% from the November 2024 peak and 3.4% below the three-year average. The price drop reflects a surge in alumina output, which rose by 4.15 million tonnes in the first seven months of the year.

Alumina and power dominate aluminium production costs in China

- The total cost can be divided into five main components. The largest share comes from alumina, which serves as the key raw material. This is followed by power costs, pre-baked anodes, and a category of other expenses. Although aluminium fluoride is also required in the production process, its cost contribution is minimal and can be considered negligible.

- Looking ahead, China's aluminium smelters may benefit from stable or even declining power costs in H2, as more production shifts toward hydropower and renewables. Currently, 74% of China's aluminium capacity still relies on coal, suggesting significant potential for cleaner energy adoption. In contrast, 96% of smelters in South America and 93% in Europe already depend on hydropower.

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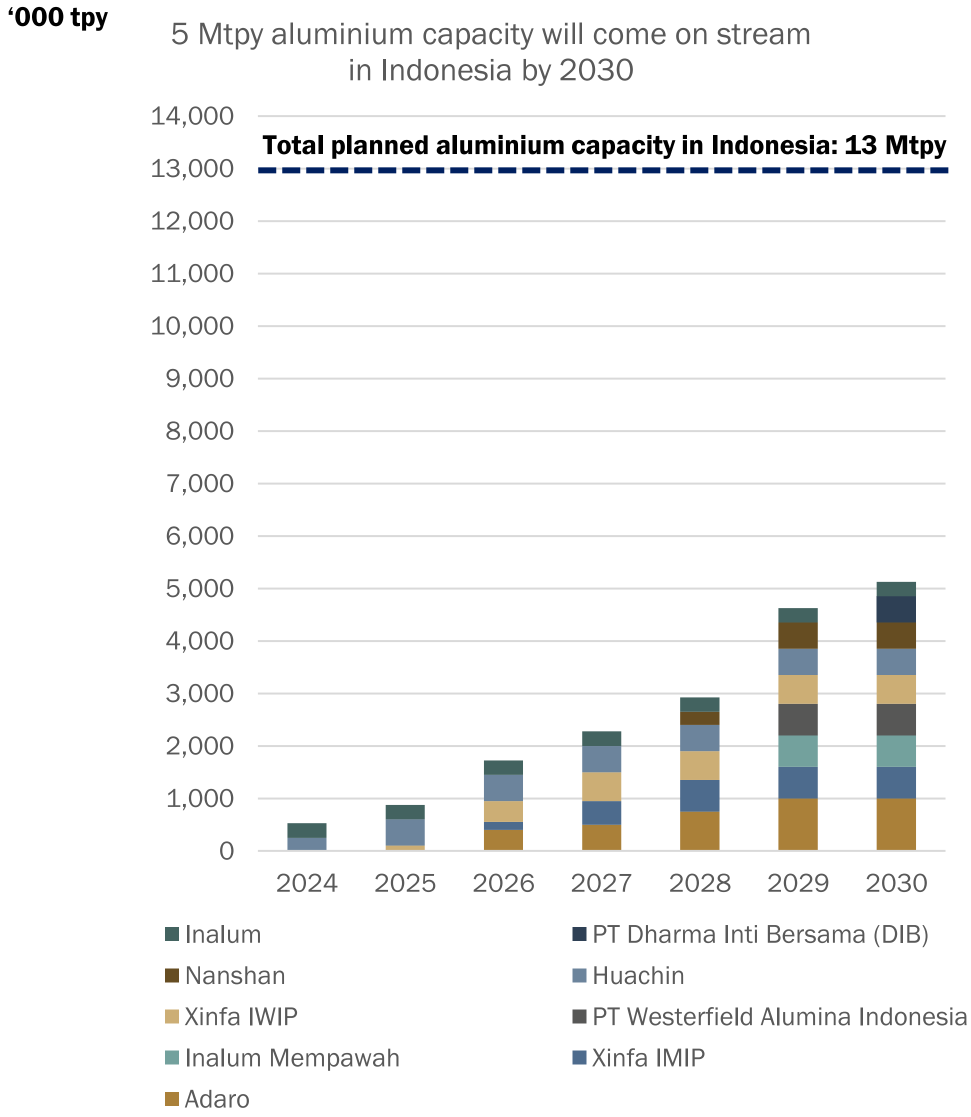
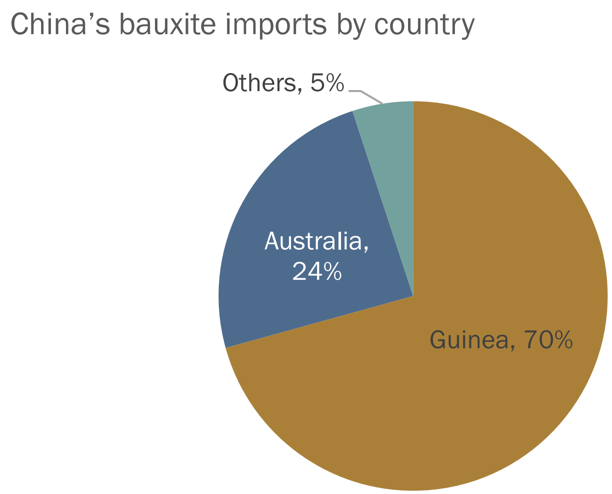
New aluminium projects in Indonesia are expected to progress slowly



Source: SMM International

China's strategic aluminium investments in Indonesia

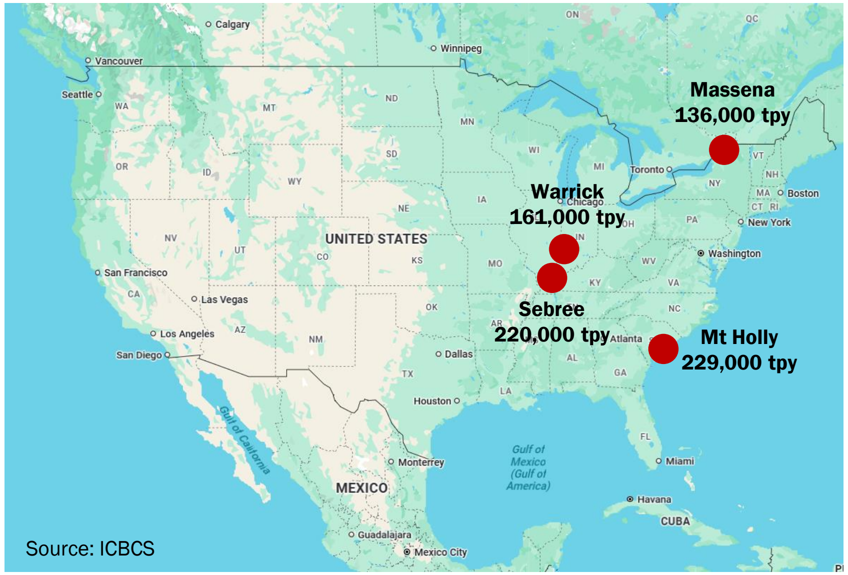
- Indonesia is planning to build a total of **13 Mtpy** of aluminium capacity, with the majority of investment coming from Chinese companies. Many of these are greenfield projects, and the development will be phased. Only around 1.7 Mtpy is expected to come online by 2026, with cumulative capacity reaching approximately 5 Mtpy by 2030.
- China's heavy investment in Indonesia's aluminium sector also reflected its motivation to secure access to bauxite. Currently, China relies heavily on bauxite imports from Guinea. By investing in aluminium smelters and alumina refineries in Indonesia, China is building an alternative solution in case there's ever a disruption in Guinea's bauxite supply.



Source: Customs General Administration PRC

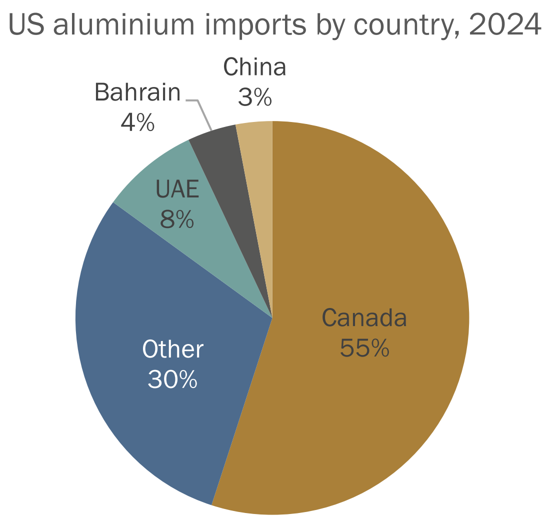
Note: Numbers don't add up to 100% due to rounding

The US imports more than half of its aluminium from Canada



Source: ICBCS

% of total

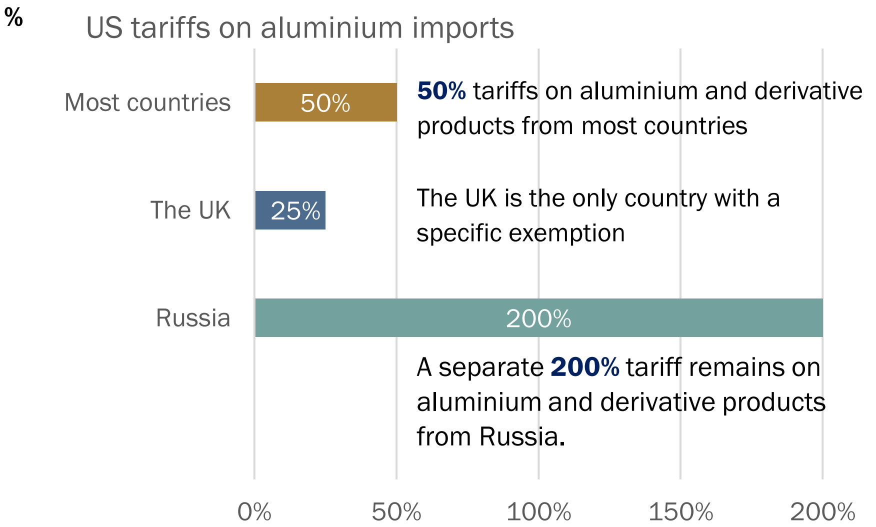


Source: Kpler calculations based on US Geological Survey 2024

The US relies heavily on imports of primary aluminium

- The US currently has four operating aluminium smelters, which together produced **680,000 tonnes** of the metal in 2024.
    - Massena Operations (Alcoa): Located in Massena, New York, the smelter is the world's oldest continuously operating smelter, powered by renewable energy.
    - Warrick Operations (Alcoa): Located in Evansville, Indiana, the smelter is running at a reduced capacity, operating only two of its three original production lines.
    - Mt Holly (Century Aluminium): Located in Mt. Holly, South Carolina, the facility has operated at a reduced capacity of 75% since 2021 due to high electricity costs.
    - Sebree (Century Aluminium): Located in Sebree, Kentucky, this is Century Aluminium's second operational smelter.
- However, the US consumed around **4.9 million tonnes** of aluminium in 2024. This means the US relies heavily on imported aluminium, with its smelting capacity accounting for only a small portion of the global total.
- In 2024, Canada was the largest supplier of aluminium to the United States, providing over half of the total imports. Other top importers include China, Mexico, and the United Arab Emirates.
- Canada was the main supplier of unwrought aluminium, wire, and scrap, while China led in pipe fittings and foil.
- Canada and Mexico were the largest suppliers of aluminium scrap.

Trump doubles US aluminium tariffs to 50% to bolster domestic industry



Source: The US Department of Commerce

Source: ICBCS

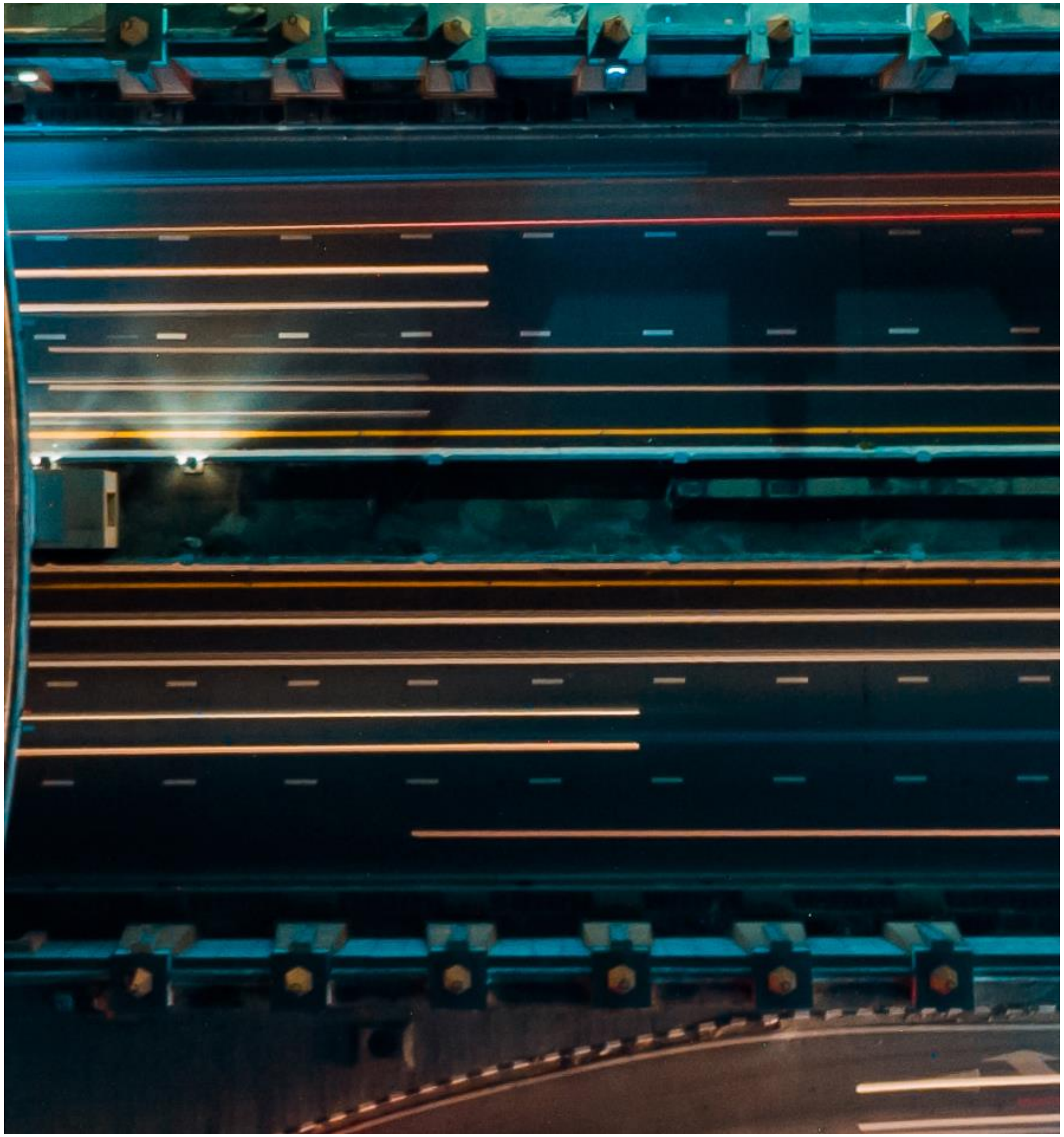
Building new aluminium smelters in the US faces hurdles

- The US aluminium industry has undergone a dramatic contraction over the past few decades.
  - While the country produced over 30% of the world's aluminium in the 1980s, its share has plummeted to just 1% today.
  - This decline is largely attributed to the soaring energy costs that have made US smelting operations uncompetitive.
- The US government has raised tariffs on imported aluminium to 50%, aiming to bolster domestic production and restore jobs. However, restarting idled smelters can take several months, while constructing a new smelter would take even longer.
- In May 2025, Emirates Global Aluminium (EGA) announced plans to invest $4 billion in a new aluminium smelter in the US. If realised, this project would be the first new primary aluminium smelter built in the country in over 40 years.
  - The plant is projected to have an annual capacity of **600,000 metric tonnes**, which would nearly double US primary aluminium output.
  - The proposed site for the new facility is at the Tulsa Port of Inola in Oklahoma.
  - Construction is anticipated to begin by late 2026, with completion and first production targeted for the end of the decade, around 2030.

Technical analysis: Moving Averages, RSI

$/t

Source: Bloomberg



Aluminium Price Outlook 铝价格前景

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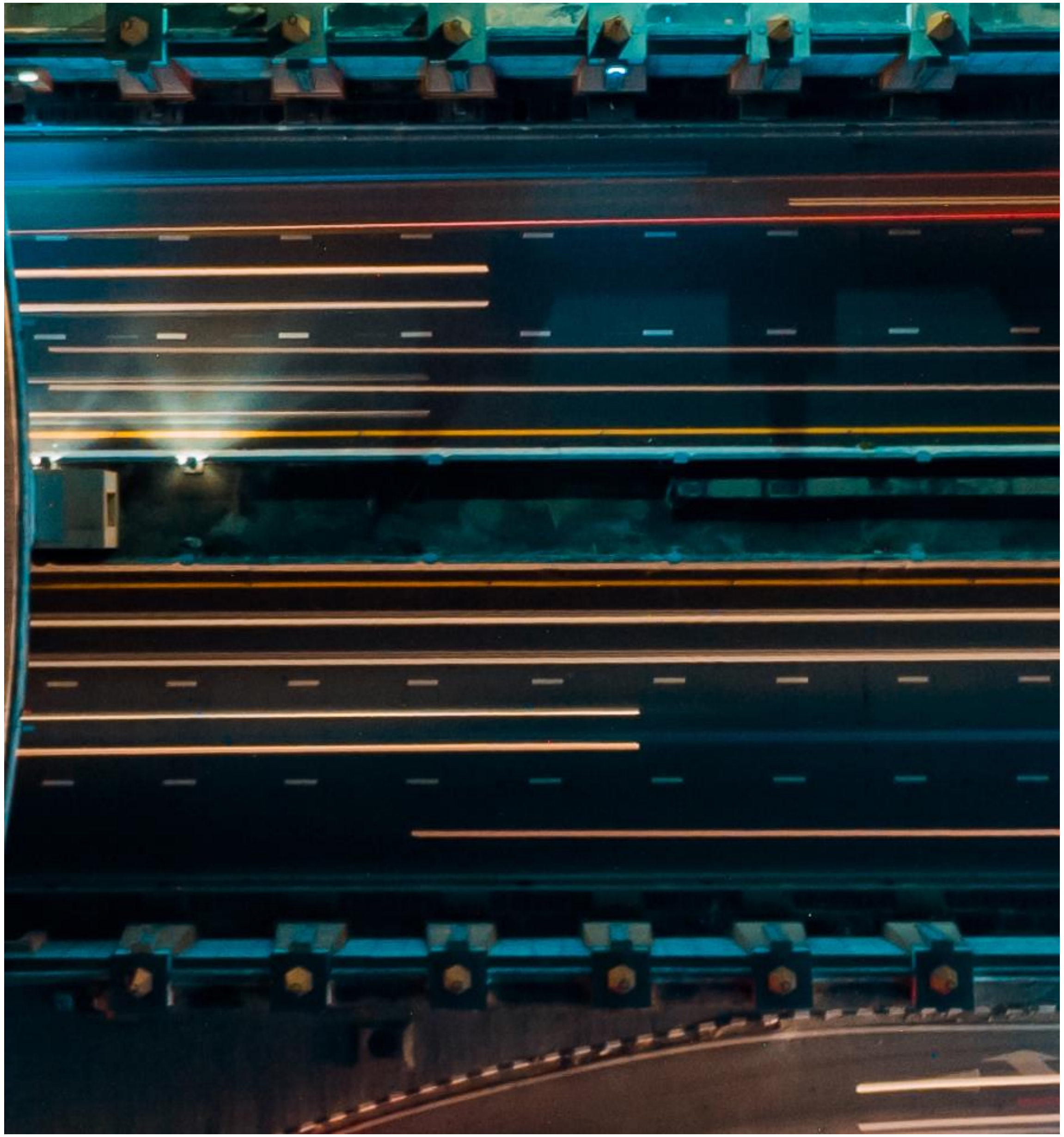
Aluminium price outlook

Aluminium price outlook – Short term	
Bullish	• Market anticipates two more Fed rate cuts this year, stimulating economic activity and benefiting industrial metals. • The dollar hovers near a three-year low, which is favourable for dollar-denominated aluminium prices. • Strong growth in new energy installed power capacity in China drives aluminium demand. • China's tightened aluminium production capacity cap restricts supply, supporting aluminium prices. • The uptick in US durable goods orders indicates robust aluminium demand. • Shifting trade flows due to tariffs and sanctions could create regional supply imbalances and price volatility, with potential for some regions to face deficits or higher premiums.
Bearish	• US tariffs impact Chinese industrial and manufacturing activity, denting aluminium demand. • China's GDP growth may fall short of the 5% target due to tariff pressures, weakening sentiment and industrial metals demand. • Weakness in China's real estate market keeps operating rates low for aluminium downstream industries. • A pessimistic global economic outlook may suppress consumer vehicle demand. • Technical indicators show that aluminium is in overbought territory, profit-taking may trigger price correction.
Aluminium price outlook – Medium to long term	
Bullish	• The Fed initiates a new rate-cutting cycle, stimulating economic activity and supporting industrial metals demand. • The US imposes a 50% tariff on imported aluminium, but significant hurdles to building new aluminium plants in the US make it difficult to increase domestic production in the short term. • Energy transition-related sectors will become the primary drivers of aluminium demand growth in the future.
Bearish	• Indonesia's planned 13 Mtpy aluminium projects will increase future output, though most are greenfield projects. • The EGA plans for new aluminium plant construction in the US, with projected production starting in 2030. • China's sluggish real estate industry will exert continuous downward pressure on aluminium demand; a lack of large infrastructure projects makes a significant boost in demand unlikely. • The growth of the recycling sector could impact primary aluminium demand and potentially alleviate some supply concerns.

Source: ICBC Standard Bank



Nickel Market Analysis
镍市场分析

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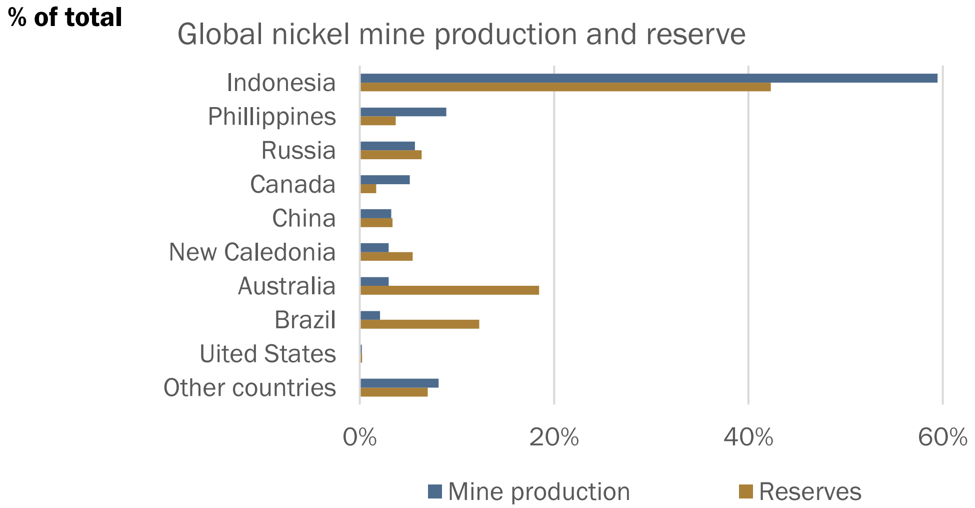
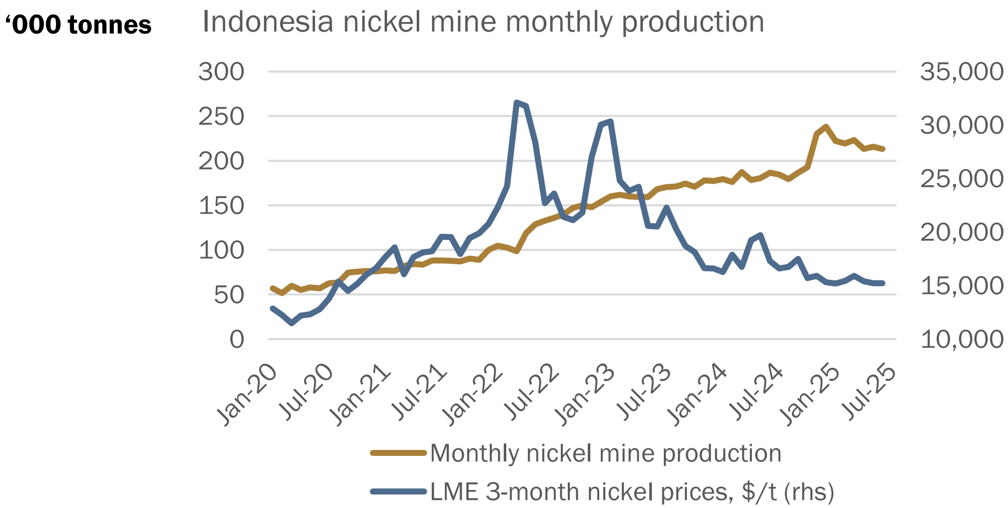
Nickel prices trade in a narrow range amid weak fundamentals

Source: LME

The surge in Indonesian nickel production weighs on LME nickel prices



Source: USGS



Source: Bloomberg

Global nickel supply is highly concentrated, with Indonesia leading production

- Global nickel reserves are heavily concentrated in a few key countries, with Indonesia holding approximately 55 million metric tons, followed by Australia, Brazil, Russia, and the Philippines. Total global reserves are estimated to exceed 130 million metric tons, distributed across both laterite and sulfide deposits.
- According to data from the USGS, Indonesia's nickel mine production reached 2.2 million metric tons in 2024, accounting for 59% of global output. Russia, the Philippines, Canada, and China also rank among the top nickel-producing nations. Indonesia's dominant position in both reserves and mine production plays a pivotal role in shaping the global nickel supply landscape.

Chinese investment in Indonesian nickel projects drives significant output growth

- In 2020, Indonesia implemented a bold export ban on unprocessed nickel ore to promote domestic value-added processing. This policy successfully attracted substantial foreign investment—especially from Chinese firms—spurring rapid development of large-scale refining infrastructure.
- Indonesia's surge in nickel mine production has led to global oversupply and a sharp drop in prices, challenging higher-cost producers elsewhere. In the future, long-term demand from EVs and energy storage may gradually absorb the surplus. However, the nickel supply becomes increasingly concentrated. Local disruptions—whether geopolitical, environmental, or natural—could trigger short-term shortages and heightened price volatility.

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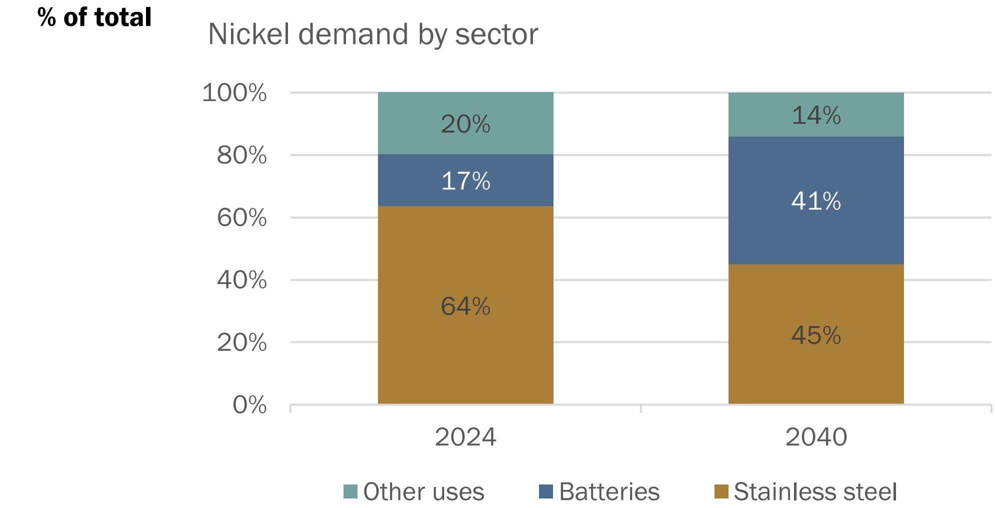
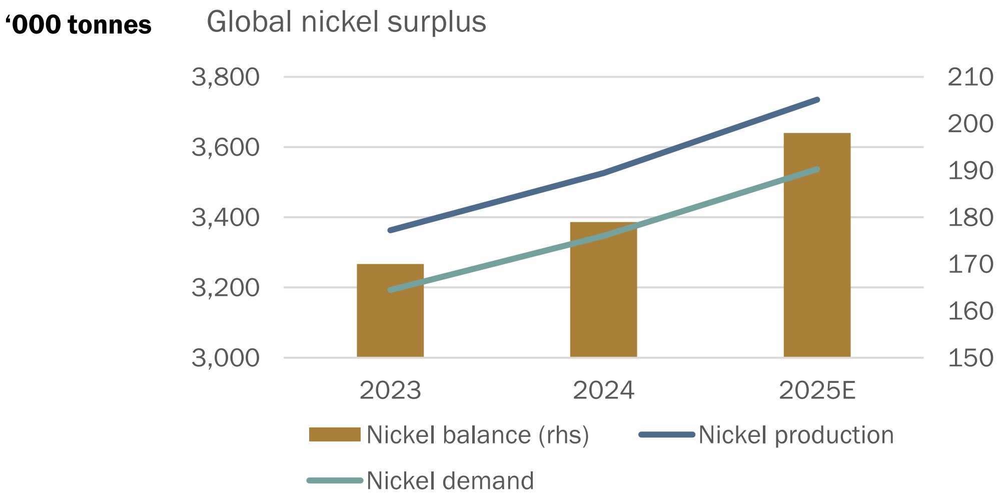
Global nickel surplus persists in 2025, battery sector fuels future demand



Source: Wood Mackenzie



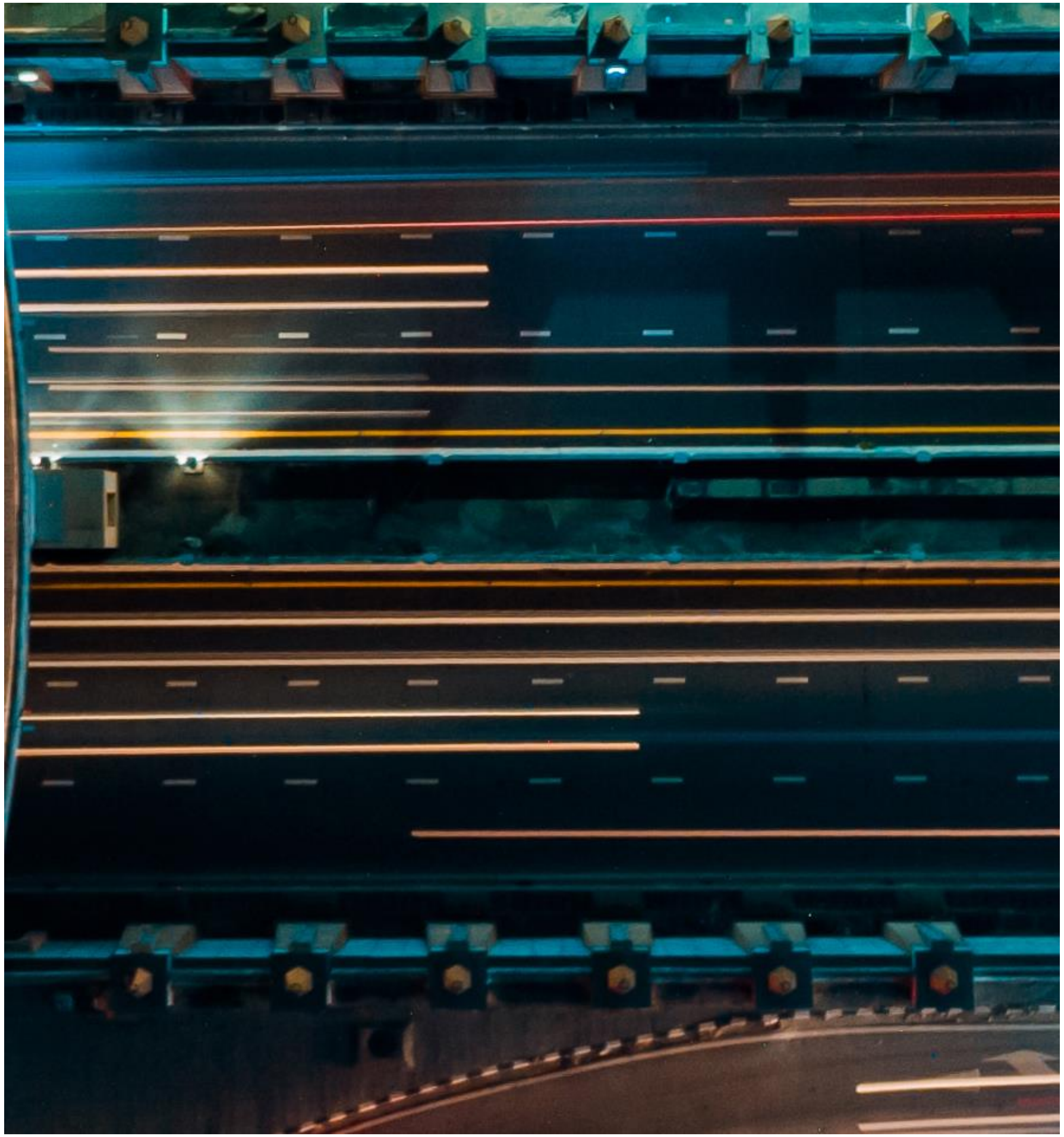
Source: INSG

Batteries to drive nickel consumption in the next 15 years

- In 2024, around 64% of global nickel demand comes from the stainless-steel industry, where nickel is essential for durability and corrosion resistance. While stainless steel will remain the largest end-use sector, the main driver of future demand growth will be batteries—especially those used in electric vehicles. Battery demand is also being boosted by the growing need for energy storage systems to support renewable energy integration.
- As a result, the share of nickel demand from the stainless-steel sector is projected to decline to 45% by 2040, while demand from the battery sector is expected to surge, reaching 41% of total nickel consumption, reflecting a major shift in the structure of global nickel consumption.

Global nickel market remains in surplus for the third consecutive year

- INSG forecasts the global nickel market to record a surplus of 198,000 metric tonnes in 2025. World primary nickel production is forecast to reach 3.735 million tonnes, while primary usage is projected at 3.537 million tonnes. This growing imbalance follows surpluses of 170,000 tonnes in 2023 and 179,000 tonnes in 2024, highlighting a trend of increasing excess supply amid weakening demand.
- Despite ore tightness in Indonesia due to delayed mining permits and regulatory uncertainty, global supply remains robust. In particular, China's nickel output is expected to rise, driven by additional production of nickel cathode and nickel sulfate, even as nickel pig iron output declines. The persistent supply-demand imbalance is likely to keep nickel prices under pressure in the near term.



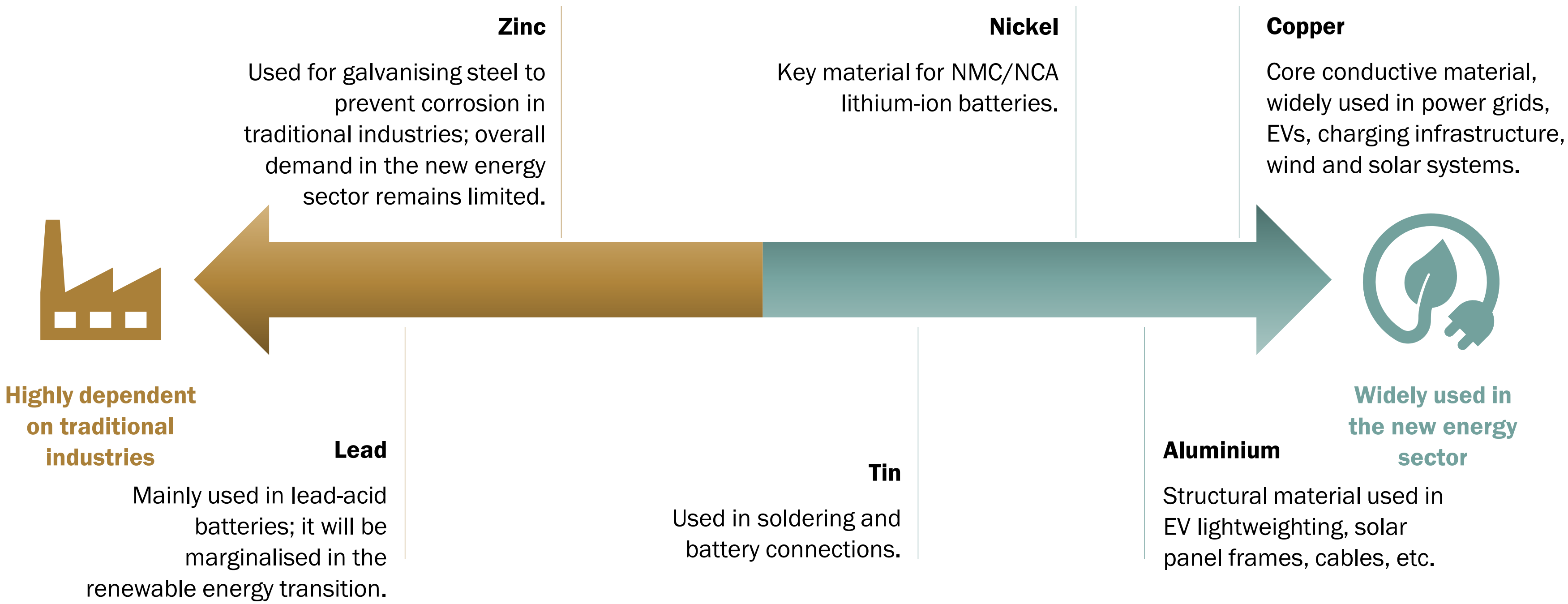
Nickel Price Outlook
镍价格前景

Nickel price outlook

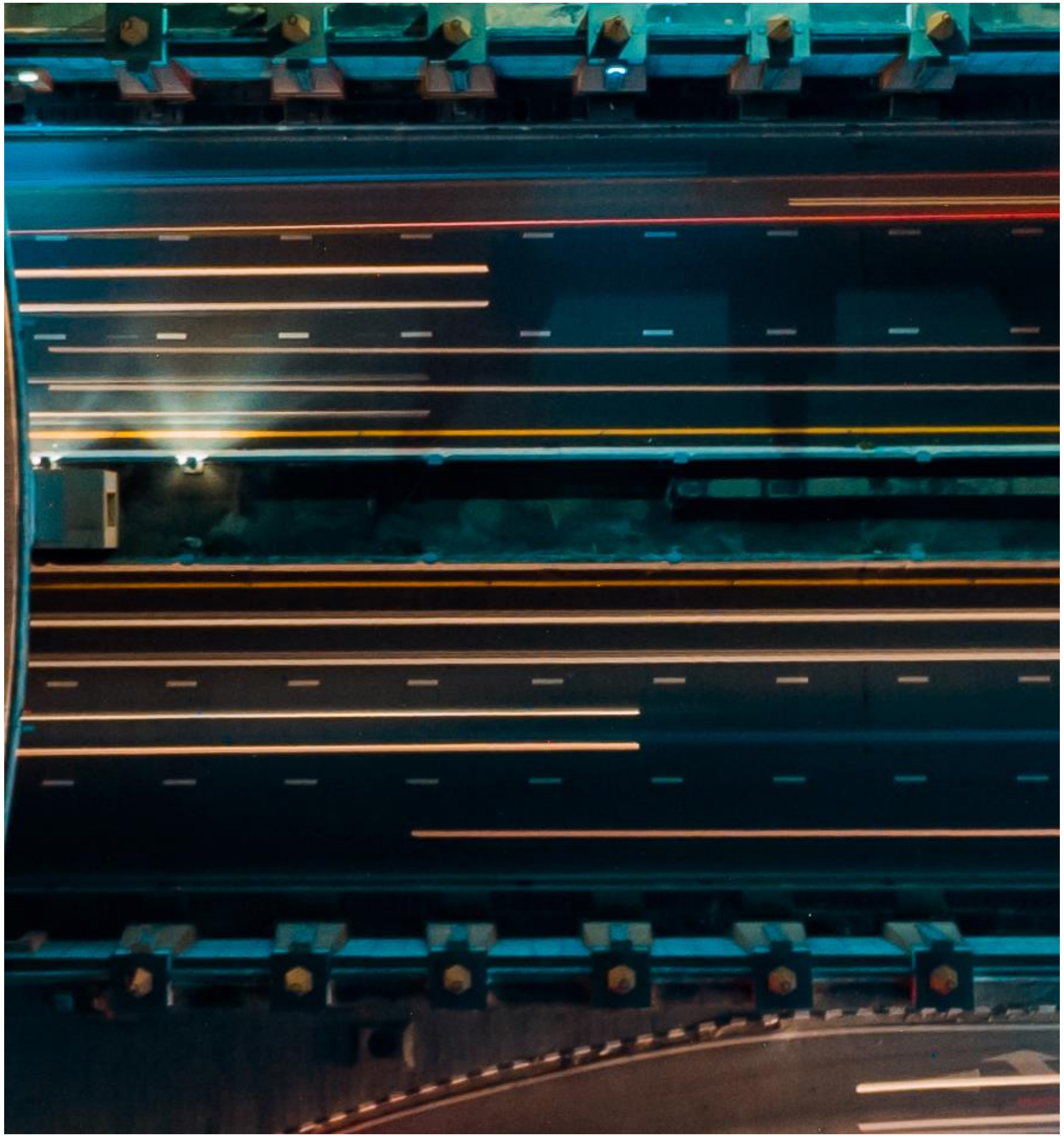
Nickel price outlook – Short term	
Bullish	• The market anticipates two additional Fed rate cuts this year, which could stimulate economic activity and support industrial metals. • The US dollar is hovering near a three-year low, providing a favorable backdrop for dollar-denominated aluminium prices.
Bearish	• Rapid expansion of nickel ore and intermediate product capacity in Indonesia has led to a global oversupply, putting downward pressure on nickel prices. • A decline in completed building spaces in China is weighing on stainless steel demand, thereby dampening nickel consumption. • Elevated nickel inventories held by traders and in the broader market are slowing destocking progress, limiting price recovery.
Nickel price outlook – Medium to long term	
Bullish	• Rising production and market expansion of battery electric vehicles (BEVs) will continue to support nickel demand. • Nickel is also used in energy storage systems and renewable energy infrastructure, and the long-term growth of these sectors will further drive demand. • Environmental concerns surrounding nickel mining—particularly in Indonesia—may lead to production constraints. • Local government and ESG pressures could prompt companies to reduce procurement from high-pollution sources. • Nickel resources are highly concentrated; frequent policy changes (e.g. export bans, processing requirements) may cause significant price volatility.
Bearish	• Unrestricted expansion of nickel production in Indonesia could exert long-term downward pressure on global nickel prices. • Lithium iron phosphate (LFP) batteries, which do not contain nickel are increasingly adopted by automakers. Widespread use of LFP could suppress demand for nickel-intensive ternary lithium batteries.

Source: ICBC Standard Bank

Metals critical to the energy transition have a stronger long-term outlook



Source: ICBC Standard Bank



Gold Market Analysis
黄金市场分析

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Gold prices soar to record highs on growing rate cut expectations

Source: Bloomberg

PUBLIC

Major events and factors impacting bullion prices since April 2025

Tensions between Trump and Fed

- (24 Jul) The Fed's costly renovation project has sparked controversy. Trump publicly pressured Powell to cut interest rates.
- (20 Aug) Trump attempted to dismiss Fed Governor Cook.

US reciprocal tariff development

- (07 Jul) Trump announced new tariff rates on 14 countries.
- (10 Jul) Trump added new tariff rates on 8 countries.
- (07 Aug) The US reciprocal tariff policy has now officially taken effect.

Big and Beautiful Act

- (03 Jul) The US House of Representatives narrowly passed the "Big and Beautiful Act".
- The act could add approximately $3 trillion to the US national debt over the next decade.

Geopolitical tensions escalate

- (06-19 May) Military conflict between India and Pakistan.
- (13-25 Jun) Military conflict between Israel and Iran.
- (24-28 Jul) Military conflict between Thailand and Cambodia.
- (15 Aug) Trump-Putin meeting fails to produce a Russia-Ukraine ceasefire agreement.

Fed interest rate decision

- (08 May) No rate change; dovish stance.
- (19 Jun) No rate change; hawkish stance; Fed signals rate cuts require clear evidence of falling inflation.
- (31 Jul) No rate change; internal divisions emerge.
- (17 Sep) Fed cut interest rates by 25 bp as widely expected.

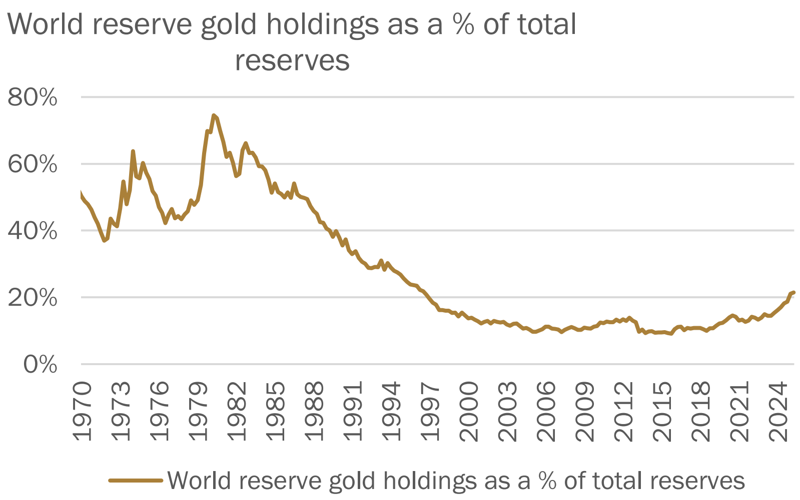
US government shutdown

- (30 Sep) The US government officially shut down as Congress failed to approve fresh federal funding.

Source: Various sources

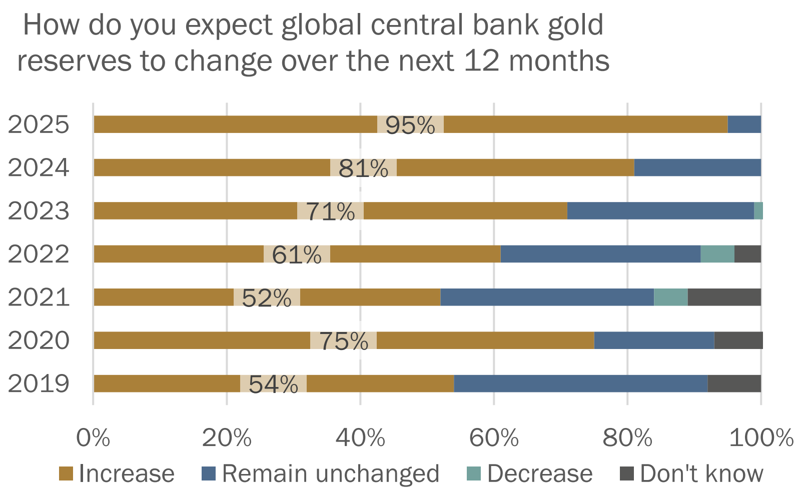
Central banks will keep increasing gold reserves despite elevated prices

% of total



Source: IMF

%



Source: World Gold Council

Central banks have increased their gold holdings since 2023

- IMF data shows that gold once made up 75% of central banks' total reserves in 1980, but the ratio fell below 10% over the following decades. Since 2023, rising geopolitical tensions have led to renewed gold buying. In 2025, uncertainty from Trump's tariffs has pushed central banks to diversify away from the dollar, lifting gold's share to around 22%.

- Emerging markets have driven recent growth in official gold reserves, while developed central banks already hold high ratios. WGC data shows the US holds the largest gold stockpile (78% of reserves), followed by Germany (77.5%). Despite high prices above $3,600, central bank gold demand remains far below 1980s levels, suggesting further upside potential.

WGC survey finds central banks hold strong confidence in gold

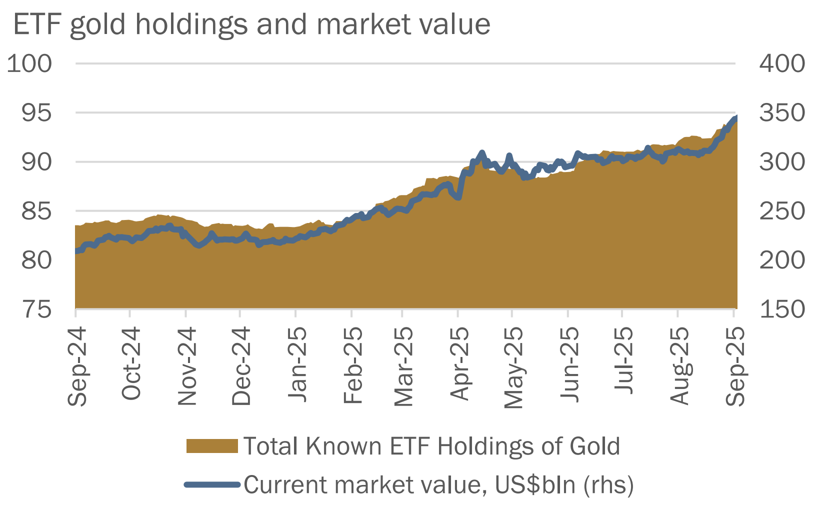
- The World Gold Council's 2025 Central Bank Gold Reserves (CBGR) survey, conducted from 25 February to 20 May, received 73 responses—the highest since its inception eight years ago—highlighting growing central bank engagement with gold.

- The survey shows that 95% of respondents expect global central bank gold reserves to increase over the next 12 months, with a record 43% planning to raise their own gold holdings; none anticipate a decline.

- Additionally, 73% foresee moderate or significant reductions in US dollar holdings within global reserves over the next five years, while expecting increases in the euro, renminbi, and gold allocations.

PUBLIC

Investors turn to gold as a safe haven; PBOC continues to boost reserves

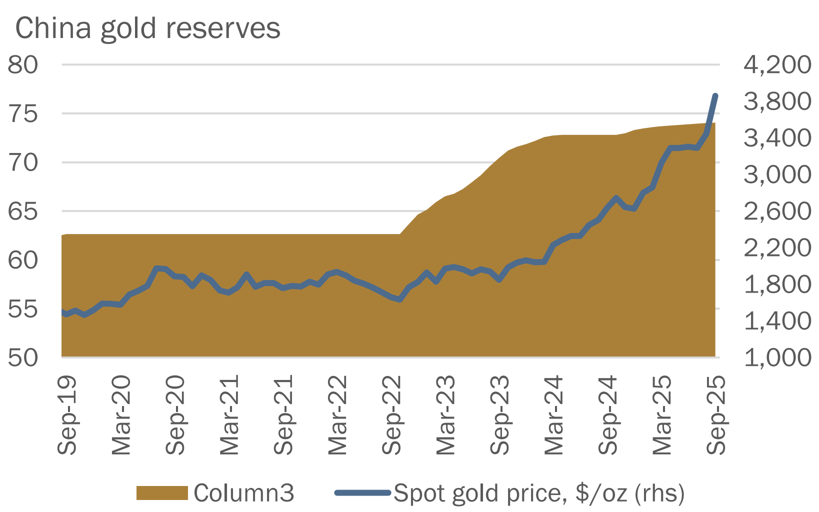


Source: Bloomberg

ETFs significantly increased their gold holdings in 2025 YTD

- Persistent geopolitical tensions and Trump tariff threats have injected significant uncertainty into the global economic outlook, driving a surge in investor demand for gold-backed ETFs. As of October 8, total gold held by ETFs rose 17% YTD to 97.4 million ounces – the highest level since September 2022. With gold prices soaring more than 50% YTD, the current market value of ETF-held gold has jumped by 76% to 373.92 billion dollars.

- September marked the fourth consecutive month of net inflows into gold ETFs. Monthly ETF inflows in September were the largest in three years, highlighting a growing shift toward risk-averse strategies as market participants brace for further volatility.



Source: Bloomberg, The People's Bank of China

China's PBOC added gold reserves for the 11th straight month

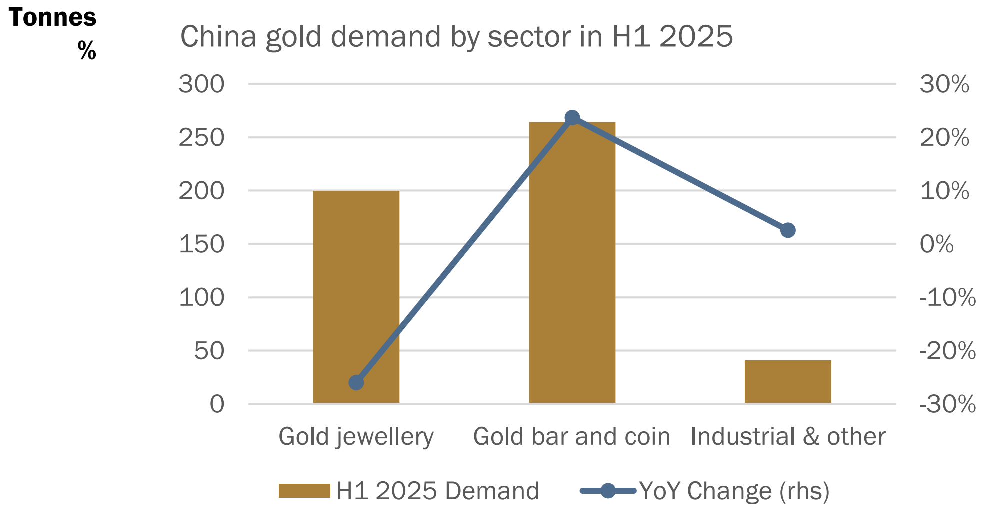
- The People's Bank of China added 40,000 troy ounces of gold to its reserves in August, bringing the total to 74.06 million troy ounces, as it continues to diversify away from the US dollar. This latest purchase is part of a buying streak that began in November 2024, during which China has accumulated 1.26 million troy ounces of gold.

- Gold prices surged to record highs in October, fuelled by increasing expectations of interest rate cuts and the US government shutdown. The precious metal has gained nearly 50% year-to-date, approaching the key level of $4,000 per ounce. Sources reported that China has recently encouraged friendly nations to consider storing gold in China's vaults.

PUBLIC

Surging gold prices drive sharp decline in China's gold jewellery demand

China gold demand by sector in H1 2025

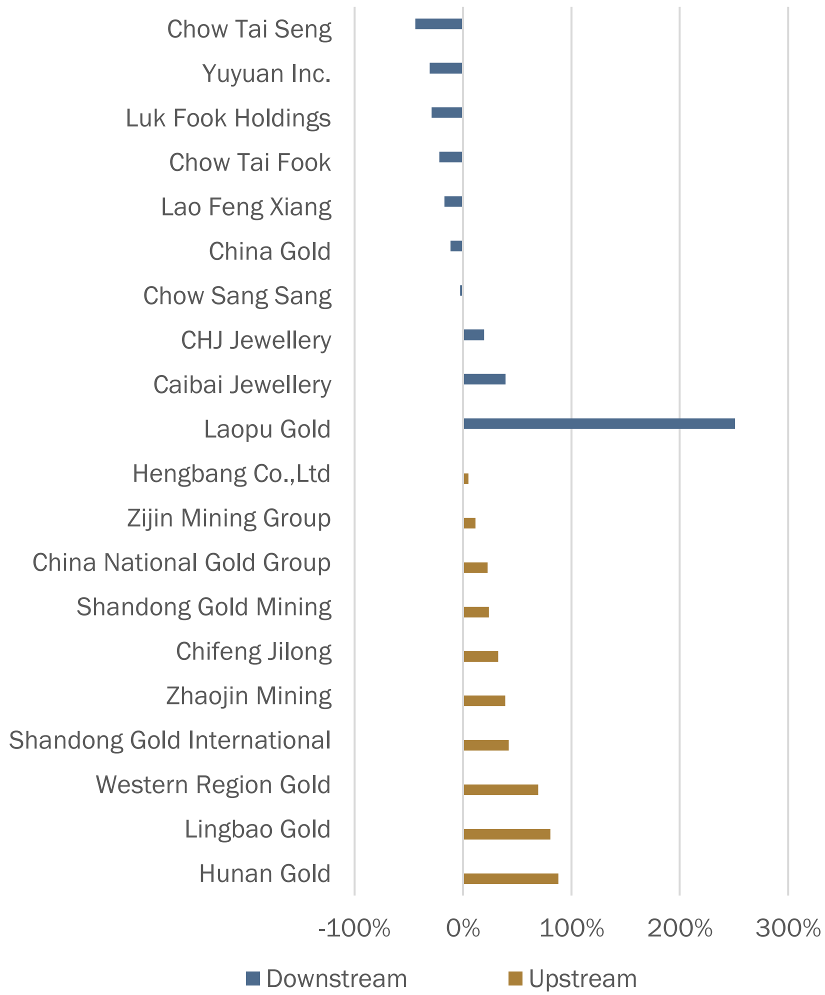


Source: China Gold Association

Downstream gold jewellery retailers suffer declines in both revenue and profit

- China's gold consumption totalled 505.205 tonnes, down 3.54% year-on-year. Within this, gold jewellery fell 26% to 199.826 tonnes, mainly due to high gold prices dampening demand. In contrast, gold bars and coins surged 23.69% to 264.242 tonnes, while industrial and other uses rose 2.59% to 41.137 tonnes.
- These trends highlight gold's safe-haven and value-preserving role amid rising economic uncertainty, which has stimulated private investment demand for bars and coins, while industrial demand also edged higher due to a recovery in gold salt usage. However, the surge in gold prices has significantly dampened consumer demand for gold jewellery, leading to a decline in both revenue and profit for downstream jewellery retailers.

YoY Change in H1 2025 Operating revenue of major gold industry companies



Source: Company financial reports; Wind

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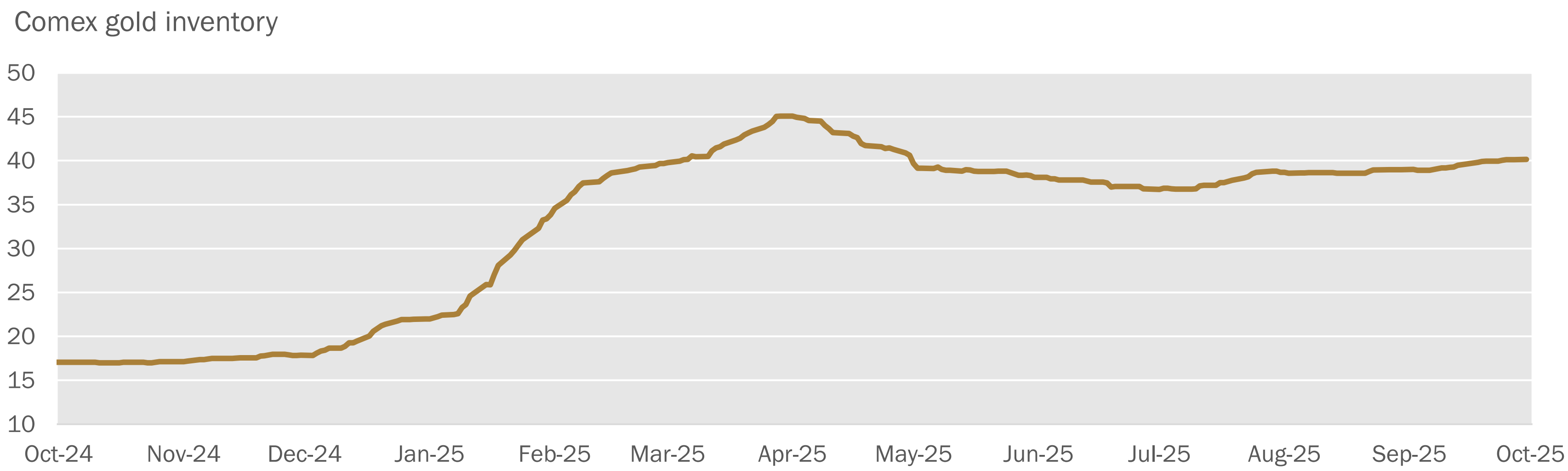
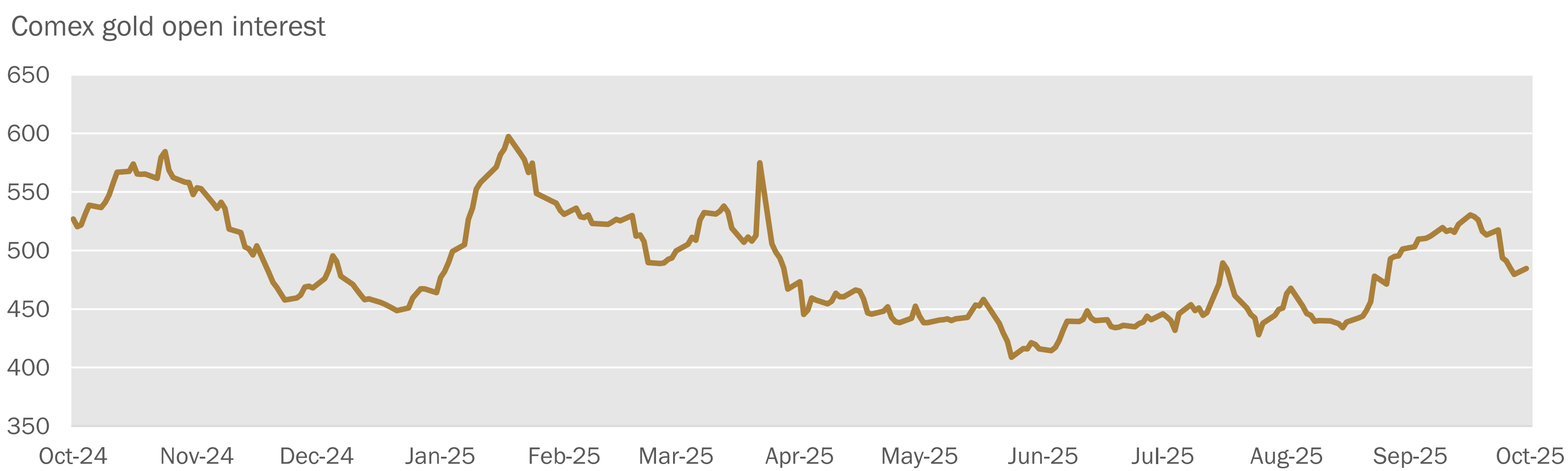
Gold open interest rose strongly in September before falling in October

Million troy ounce

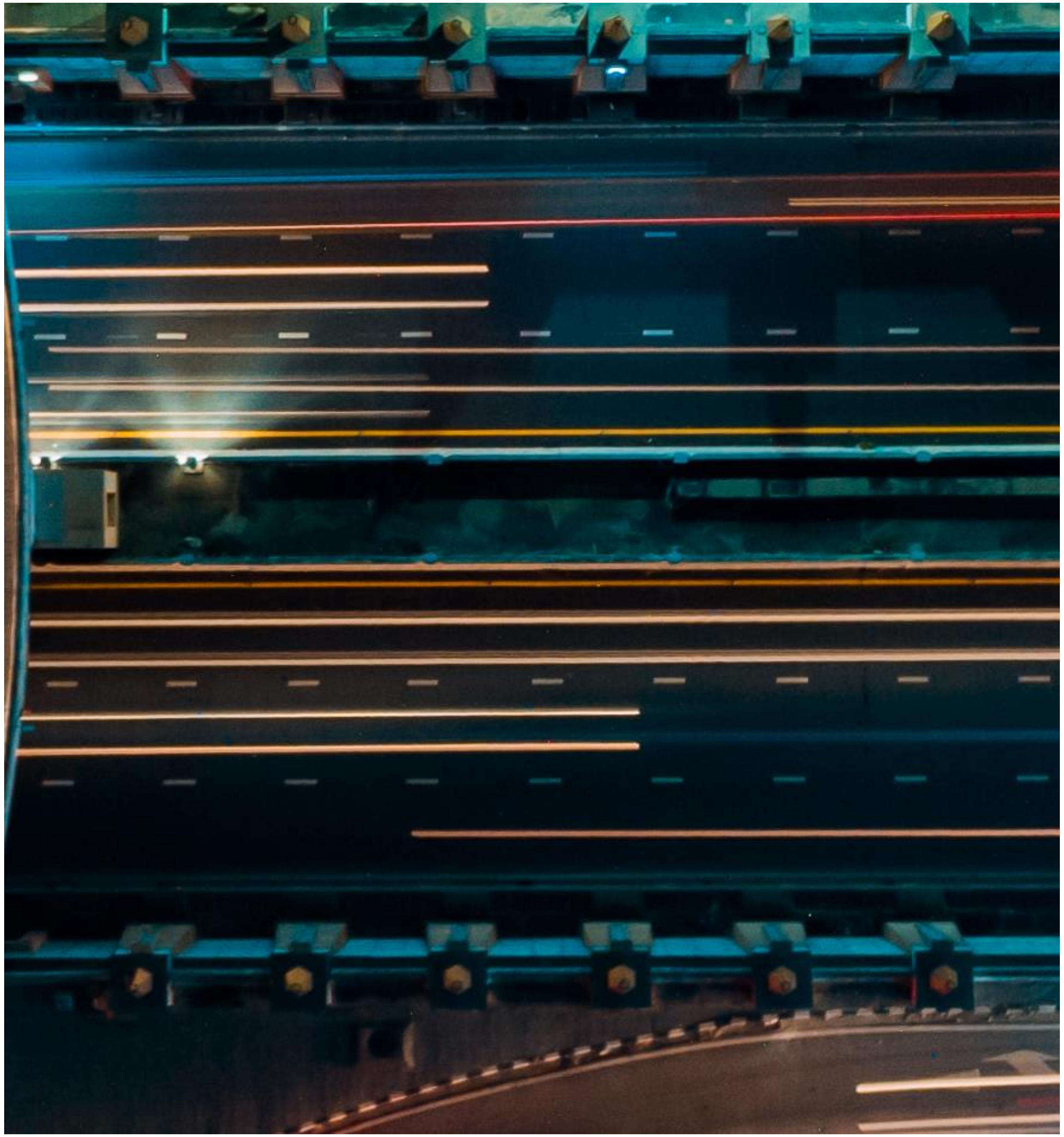


Source: COMEX

Number of contracts '000



Source: COMEX



Gold Price Outlook

黄金价格前景

Gold price outlook

Gold price outlook – Short term	
Bullish	• Weak US employment data has strengthened market expectations for more Fed rate cuts. • The US dollar is hovering near a three-year low, which supports dollar-denominated commodities like gold. • The US government shutdown has heightened risk aversion among investors. • Central banks continue to increase their gold reserves, and ETF demand for gold remains strong. • US tariffs are weighing on China's manufacturing activity, casting a shadow over China's economic outlook. • The US is actively pushing for a Russia-Ukraine ceasefire, but progress remains limited, and the conflict continues.
Bearish	• Rate cut expectations have fuelled continued strength in US equities, even during the weakest month of the year. • Gold is in overbought territory, and profit-taking could trigger a sudden price correction.
Gold price outlook – Medium to long term	
Bullish	• The WGC's 2025 survey shows that 95% of respondents expect global central banks to increase gold reserves over the next 12 months. • Trump's tariffs may hurt the US economy long term, with rising recession risks boosting safe-haven demand. • The Fed may cut rates two more times this year, further weakening the US dollar and supporting gold prices. • Persistent geopolitical tensions are boosting demand for gold as a safe-haven asset.
Bearish	• Surging gold prices have led to a decline in consumer demand for gold jewellery. • Gold is not subject to US tariffs; more gold may flow back from COMEX to other exchanges, easing regional supply tightness.

Source: ICBCS

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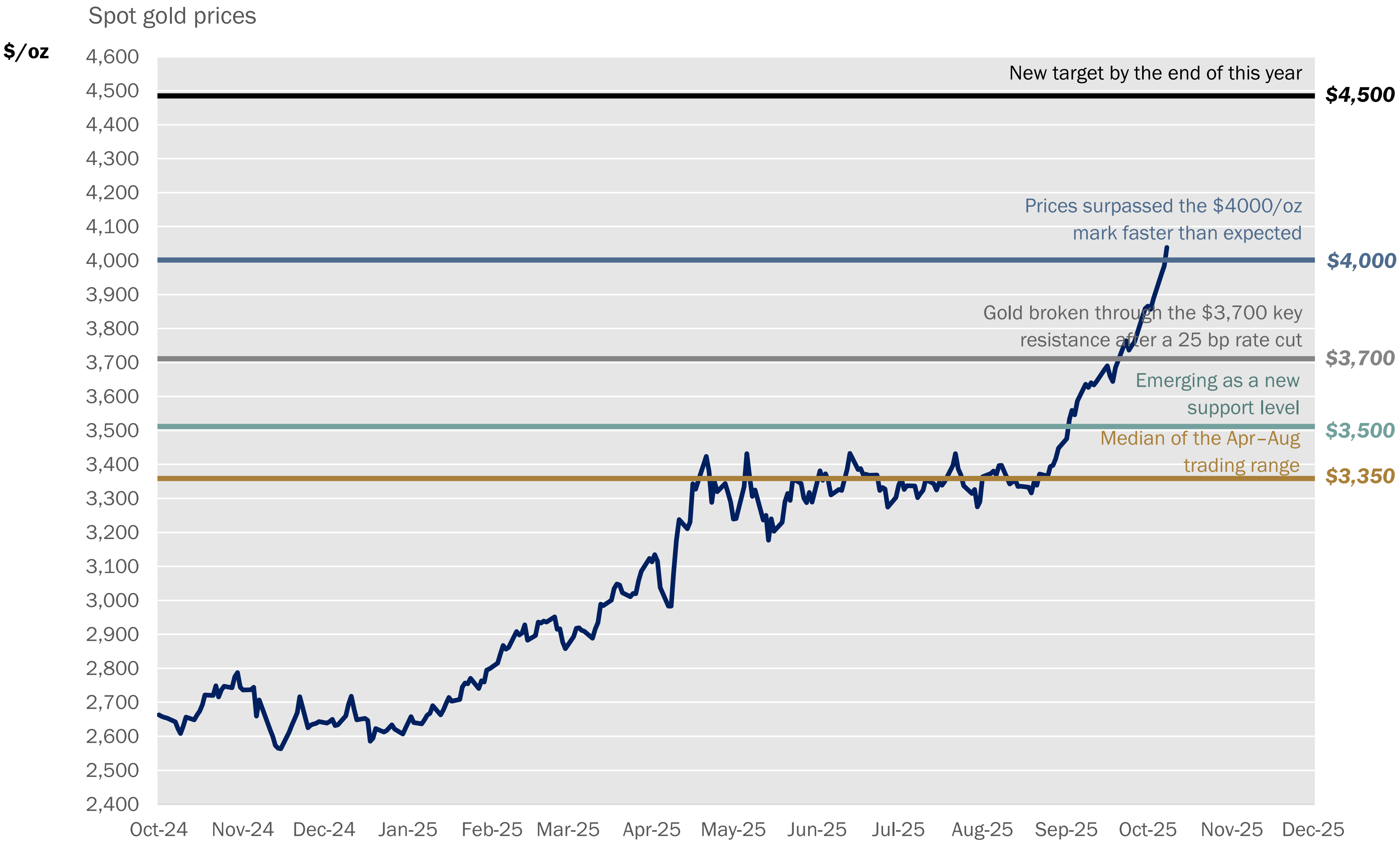
Gold prices outlook – key price levels



Source: Bloomberg; ICBCS

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