11st Feb 2025

金山资产管理有限公司
GOLD MOUNTAINS ASSET MANAGEMENT LTD.

Commodity Insights

Macroeconomic Overview

On 1st February, President Trump announced a 10% tariff increase on all Chinese goods, leading to counter-tariffs from China on 4th February. China's response appears measured, potentially signalling openness to negotiation. China seems to prefer new measures like export controls and entity listings over retaliatory tariffs and currency devaluation.

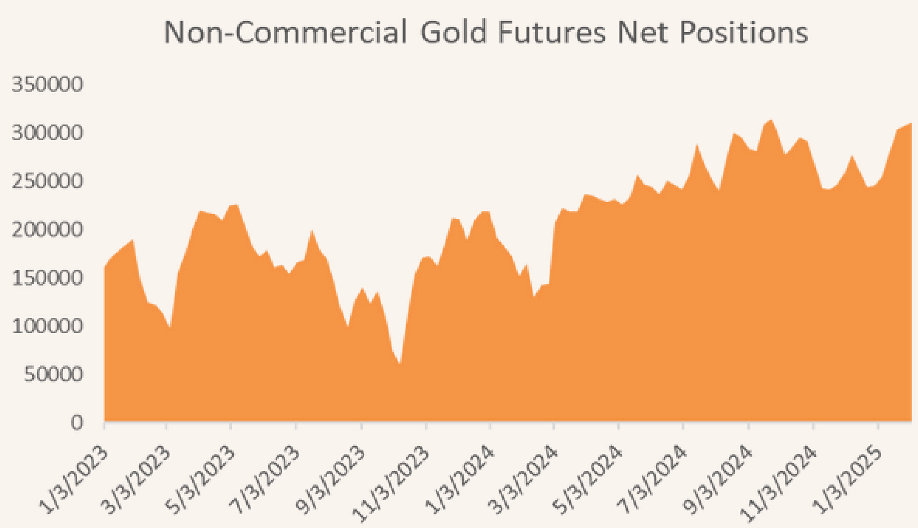
The U.S. job market remains strong, reinforcing the view that the Federal Reserve is likely to keep interest rates unchanged for a considerable period. Last week, the U.S. one-year inflation expectations unexpectedly rose sharply from 3.3% to 4.3% compared to the previous month, potentially reflecting tariff-driven price increases. Following the data release, markets anticipate that interest rates will remain unchanged in both March and June.

Gold

Uncertainty regarding tariff policies and concerns that the U.S. government will announce additional tariffs, potentially increasing the import costs of gold and silver. Traders are rushing to transfer London gold reserves to New York, creating liquidity tensions in the gold market.

Goldman Sachs highlighted that post-inauguration policy uncertainty reinforces the value of commodities, especially gold, in diversifying investment portfolios. They recommend long gold positions to hedge against tail risks like tariff escalations and debt concerns, driven by central bank and ETF purchases, maintaining a Q2 2026 price forecast of $3,000/ounce. Citigroup projected gold prices to hit a record $3,000/ounce within three months, fuelled by Trump-driven geopolitical tensions and trade wars boosting safe-haven demand.

Looking ahead, if U.S. economic data weakens considerably, an accelerated easing of monetary policy could spur further investment in gold, suggesting additional upside potential. Moreover, ongoing central bank purchases and trade policy uncertainties should continue to bolster gold prices.



Data source : Bloomberg terminal

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Copper

Tight supply of copper concentrate continues, TC (treatment and refining charges) is at a historical low, securities firms' research indicates high production schedules among domestic downstream industries, coupled with an unexpected rise in the U.S. manufacturing PMI.

JP Morgan released commodity views, stating that after Trump announced a 25% tariff on goods from Canada and Mexico, they believe copper prices may face strong bearish pressure in the short term due to concerns about economic growth/demand, macro risk aversion, and a strong dollar, potentially falling to a minimum of $8500/ton.

TD Securities' analysis suggests that rising copper prices might trigger some buying activity, but estimates that this buying activity can only remain moderate at best. Free traders' participation has also recently rebounded, suggesting that the latest price strength may be supported by additional buying activity from this group.

From a fundamental perspective, copper's downstream demand remains fairly robust, providing support for copper prices.

Data source : S&P Global Commodity Insights

Lithium

The downstream is primarily focused on destocking during the Lunar New Year period, leading to price fluctuations. Currently, the overall market remains oversupplied with weak demand, suggesting lithium prices may continue to fluctuate around the cost curve. On the other hand, overseas mining operations have begun production cuts and delaying expansion plans, which should help restore the supply-demand balance in the medium to long term.

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