Commodity Insights

Macroeconomic Overview

The current forecast suggests that China's official PMI for February will see a slight uptick compared to January, though the magnitude of the rebound is not expected to be particularly pronounced. Meanwhile, Goldman Sachs' high-frequency tracking data indicates that the seasonally adjusted emerging industry PMI experienced a robust surge in February. Sectors such as automotive, renewable energy, machinery, and batteries are likely to display strong momentum this month.

In the US, both the services PMI and the consumer confidence index have unexpectedly declined again, influenced by policy uncertainties from the federal government, including fiscal spending cuts, tariff adjustments, and geopolitical factors. Concerns about stagflation have increased, and the sustainability of the data will require close monitoring.

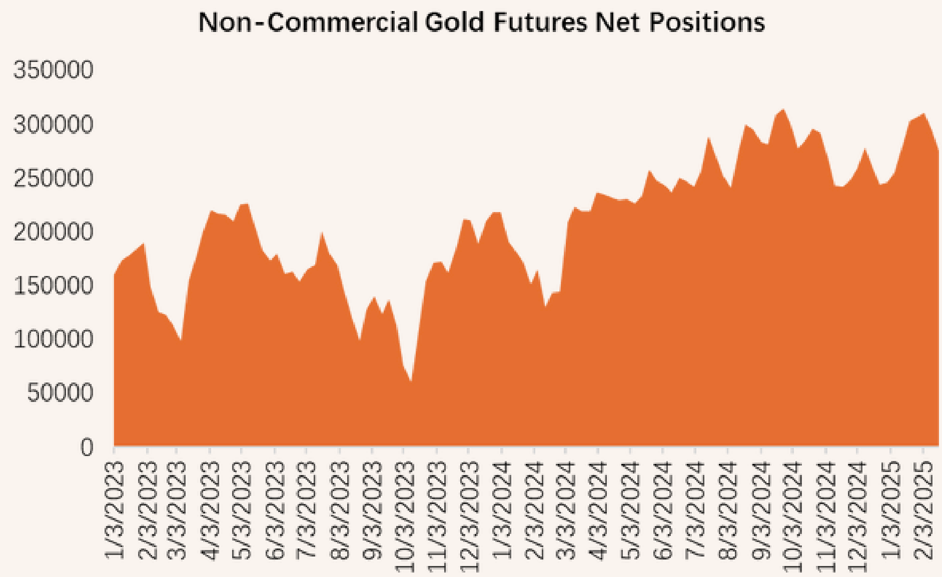
Gold

The recent market dynamics in the gold space suggest a complex interplay of factors driving the precious metal's trajectory.

On the investor sentiment front, we are seeing a mixed picture. While macro funds have liquidated some of their long gold positions amid the recent price surge, the ongoing CTA buying activity has helped offset these outflows.

Regional flows in gold ETFs paint an interesting mosaic. European funds experienced record monthly inflows in January, driven by increased investment in the UK and Germany, as weaker economic data and political uncertainty boosted gold's safe-haven appeal. In contrast, North American funds saw consecutive monthly declines, potentially as investors took profits amid the record gold prices and geopolitical developments.

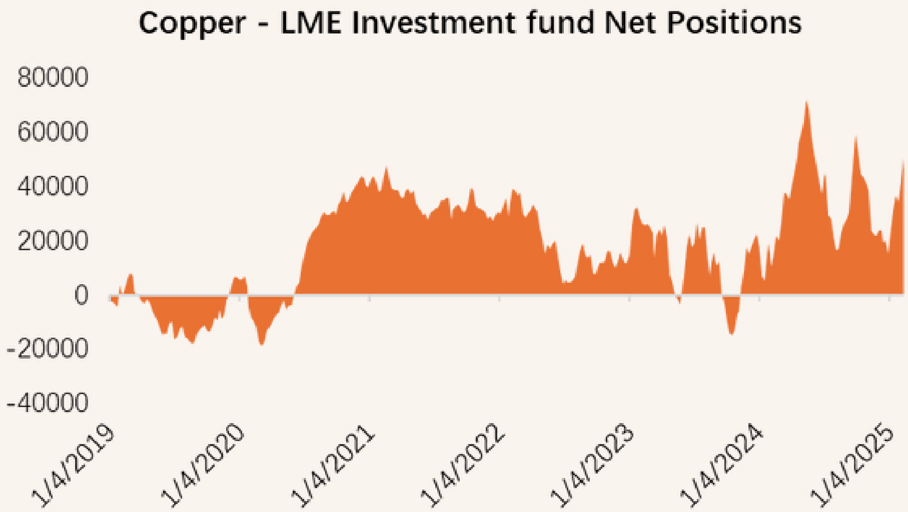
Looking ahead, the medium-to-long-term outlook for gold remains constructive. If the US economic data were to weaken significantly, leading to a more dovish pivot in monetary policy, it could spur a reallocation of capital into gold, supporting further price appreciation. Additionally, the continued physical buying by central banks, elevated trade policy uncertainty, and ongoing ETF inflows are expected to provide a tailwind for gold prices.



Data source : Bloomberg terminal

Copper

Focus remains on the uncertainty surrounding potential tariff policies from President Trump, as well as the outlook for Federal Reserve policies. These factors are contributing to volatility in copper prices. China tightens requirements for new copper smelters, limiting the number of players able to meet the conditions. Investor sentiment turning bullish, with fund managers increasing net long positions to 16-week highs. Post-Lunar New Year demand recovery slower than expected, leading to cautious market sentiment. From a fundamental perspective, the downstream demand provide support for Copper's prices.



Data source : Bloomberg terminal

Lithium

Policy changes in the U.S., such as the proposed elimination of electric vehicle tax credits, could impact near-term EV sales growth. Meanwhile, Lithium market continues to navigate supply and demand dynamics, with inventory build-up but potential for improved supply-demand equilibrium in the medium to long term.

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