Commodity Insights

Macroeconomic Overview

China's economic targets include ~5% GDP growth and a 4% fiscal deficit-to-GDP ratio (30-year high) in 2025. The government will also double its consumer subsidy program for automobiles/household goods to RMB 300B, prioritizing consumer spending. This continues a proactive policy approach, emphasizing moderately loose monetary policy and a bias for early policy implementation to offset external uncertainties. Accelerated policy rollout is expected.

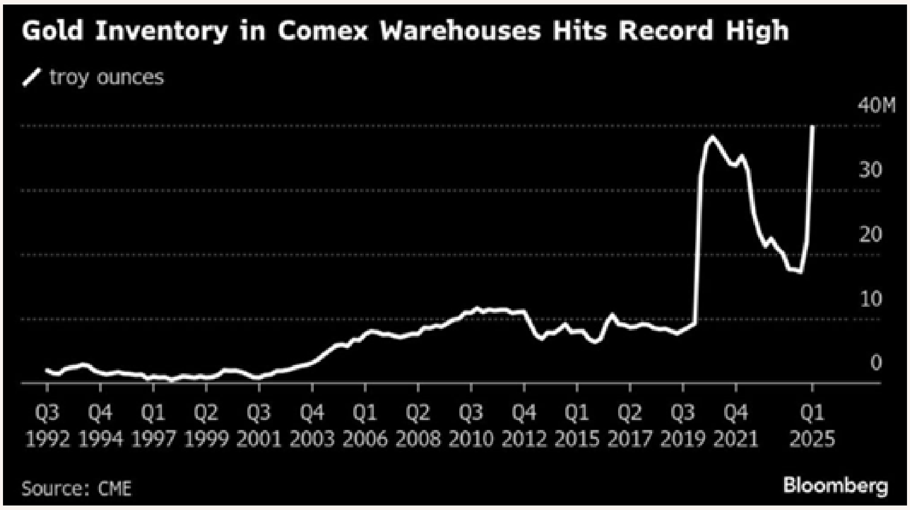
The recent moderation in U.S. data may be partly due to the impact of extreme weather and natural disasters, but the overall economy remains relatively stable. In the labor market, the DOGE layoffs data is expected to continue affecting employment figures in the coming months. Ongoing monitoring of the impact of trade policies and geopolitical developments on the economy is warranted.

Gold

TD Securities forecasts that gold prices are expected to exceed $3,000 per ounce by 2025, driven by factors such as trade policy uncertainty, Federal Reserve monetary policy, and strong physical gold purchases, and they suggest that a price consolidation around $2,800-$2,850 per ounce would present a buying opportunity.

Additionally, gold inventories at the New York Commodity Exchange reached a record high of 39.7 million ounces, the highest since 1992, fueled by rising prices and arbitrage opportunities, while China's official gold reserves increased for the fourth consecutive month in February, totaling 73.6 million ounces, and February saw the largest inflow into gold ETFs since March 2022, with a notable rise in North American demand, indicating strong bullish sentiment in the gold market.

In the medium to long term, if U.S. economic data shows significant weakness, it is expected that the monetary policy easing will gradually accelerate, which may lead to a reallocation of funds into gold. This suggests that gold prices still have upward potential. Ongoing physical purchases by central banks, trade policy uncertainties, and continued inflows into gold ETFs are likely to provide further support for gold prices.

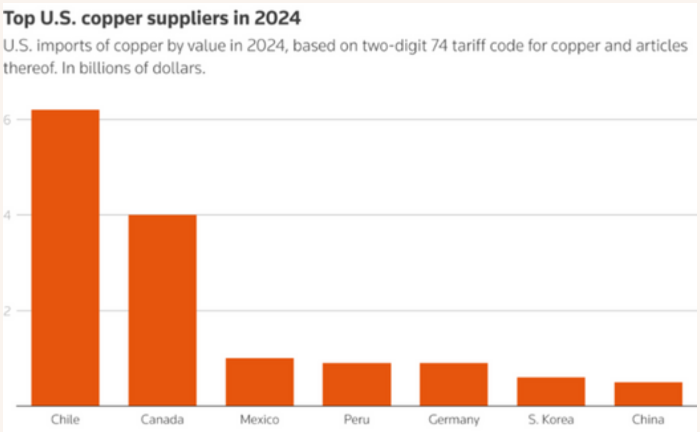


Data source : Bloomberg terminal

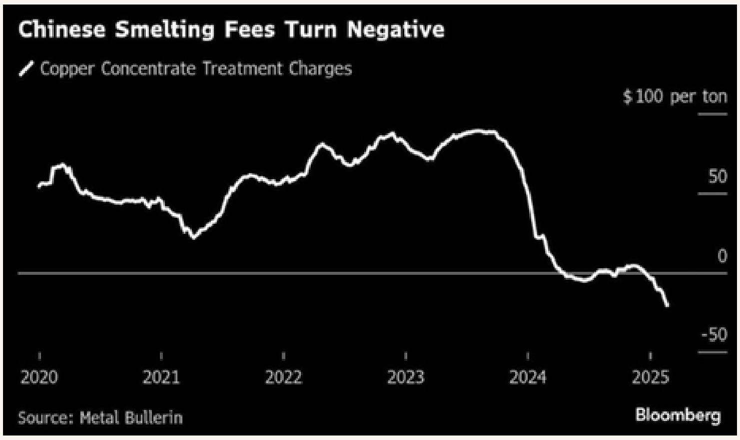
Copper

The market focus remains on the Trump administration's subsequent tariff policies, leading to volatile copper prices. JPMorgan expects China's copper demand growth to slow this year but remain around 2.5% YoY. Outside of China, the base forecast is for demand growth to further rebound from 1.7% YOY in 2024 to 3.4% in 2025, supported by more electrical grid and utility demand.

Goldman Sachs anticipates a 25% tariff rate, similar to those imposed on steel and aluminium, which would increase domestic U.S. copper prices but have a limited impact on global supply. The tariffs are expected to incentivize the restart of domestic smelters and increase scrap utilization, potentially reducing U.S. copper imports within 2-3 years. Supply increases from new mines exploration are not expected until around five years later



Data source : By David Lawder, ITC trade map calculations based on the US Census Bureau Data



Data source : Bloomberg terminal

Lithium

According to the Chinese Ministry of Industry and Information Technology, China's production of battery-grade lithium carbonate increased by 45% YoY in 2024. Additionally, research firm Rho Motion has released its latest quarterly outlook, forecasting EV sales to reach 21.6 million units globally in 2025, with growth rates exceeding 20% in both Europe and China. Also noted that despite the European Union's tariffs on Chinese vehicles, BYD's sales have continued to grow since the implementation of a 17% tariff in last October.

The prevailing market dynamics continue to be characterized by a supply-heavy, demand-constrained environment. Low-cost producers have maintained their capacity expansion efforts, suggesting persistent downside risks to pricing. From a longer-term perspective, the current cycle has resulted in the build-out of significant supply-side capacity, lead to price will predominantly fluctuate within a defined trading range.

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