



StoneX[®]

Base Metals Outlook 2025

StoneX Ltd

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— 100 years —

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Agenda

- **Where Are We With Base Metal Prices and Why?**
- **Key Drivers for Prices Next Year**
- **Price Outlook & Ranking Table**
- **A Growing Force Within the Aluminium Market**

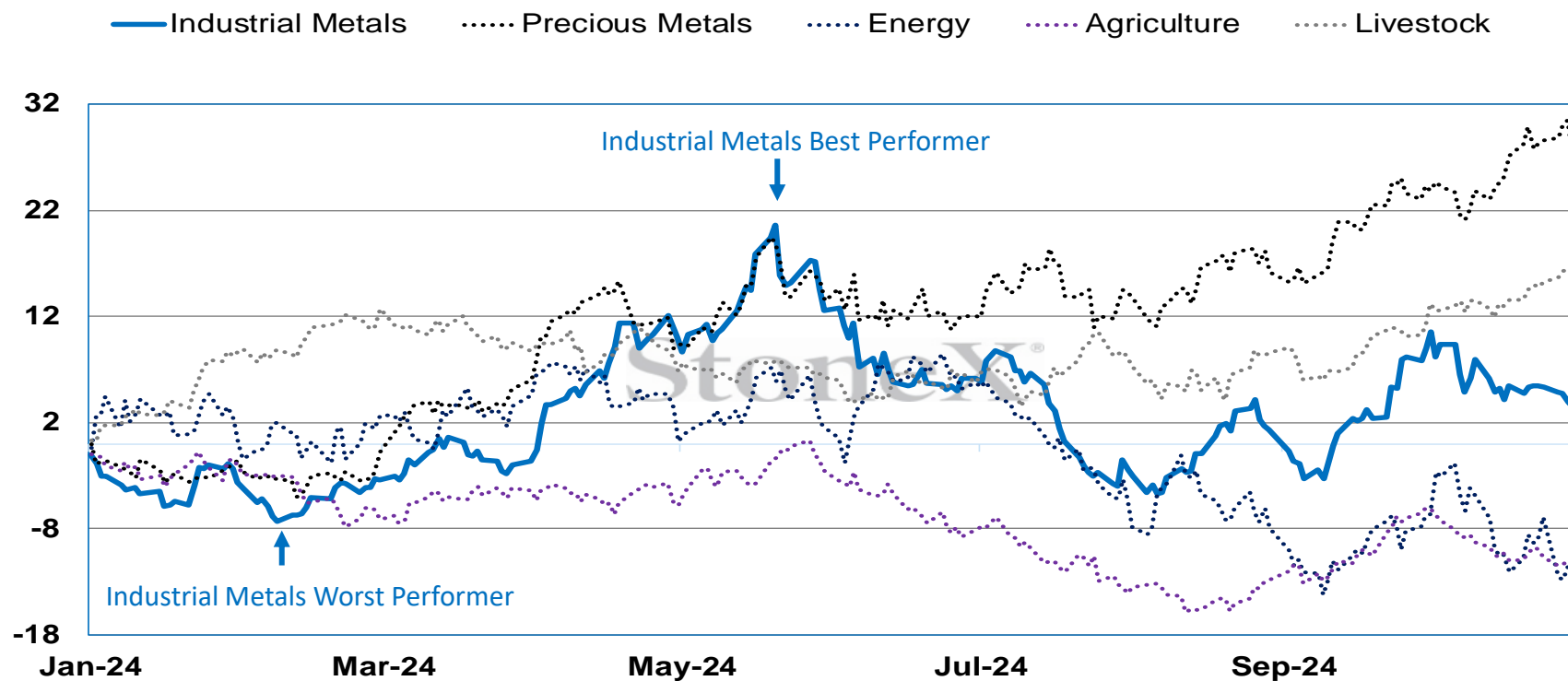
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**Where Are We With Base Metal
Prices and Why?**



Industrial Metals Are on Track to Post Gains in 2024 - The First Time in Two Years

YTD Price Performance of Bloomberg Commodities By Sector

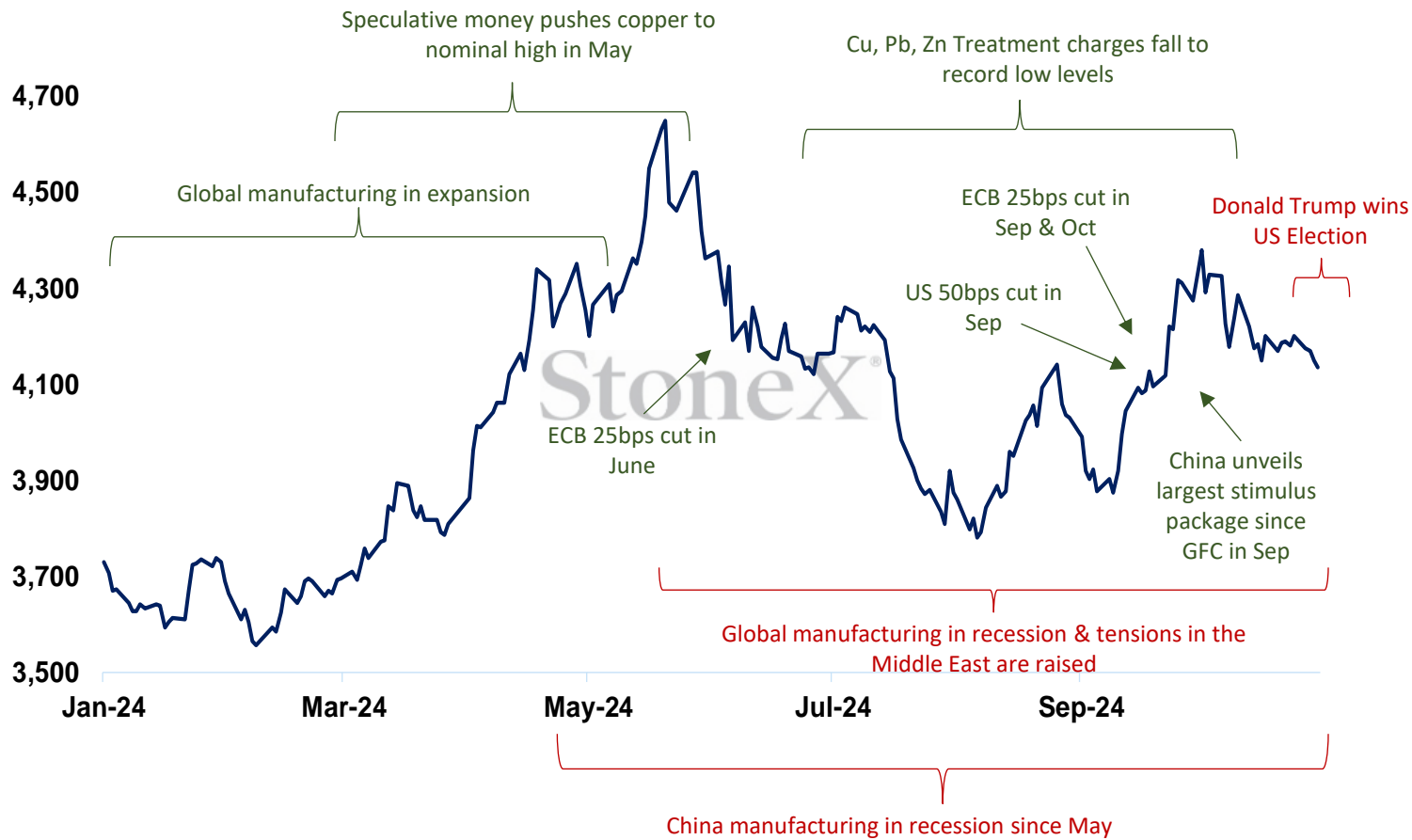


Note: Bloomberg Base Metals is Bloomberg Industrial Metals Subindex composed on futures contracts on aluminium, copper, nickel and zinc.
Source: Bloomberg, StoneX

The Bloomberg index for base metals is up 4.1% on a YTD basis, and is on track to be third best performing commodity sector in 2024, reversing two years of declines

Base Metals Experienced Heightened Volatility in 2024

LMEX Index Price Performance

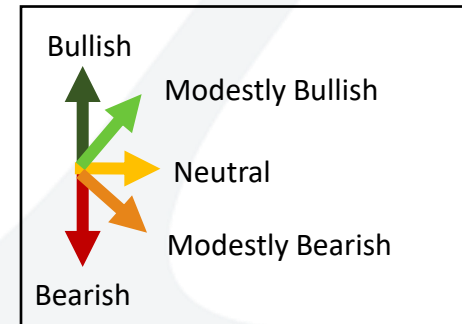


Source: Bloomberg, StoneX

Impact of Key Drivers on Base Metal Prices in 2024

	H1	H2
Macro	↓	↗
Fundamentals	→	↗
Investors	↑	↘

These charts include predictions/forecasts. Past performance may not be a reliable guide to future performance.
Source: Bloomberg, StoneX



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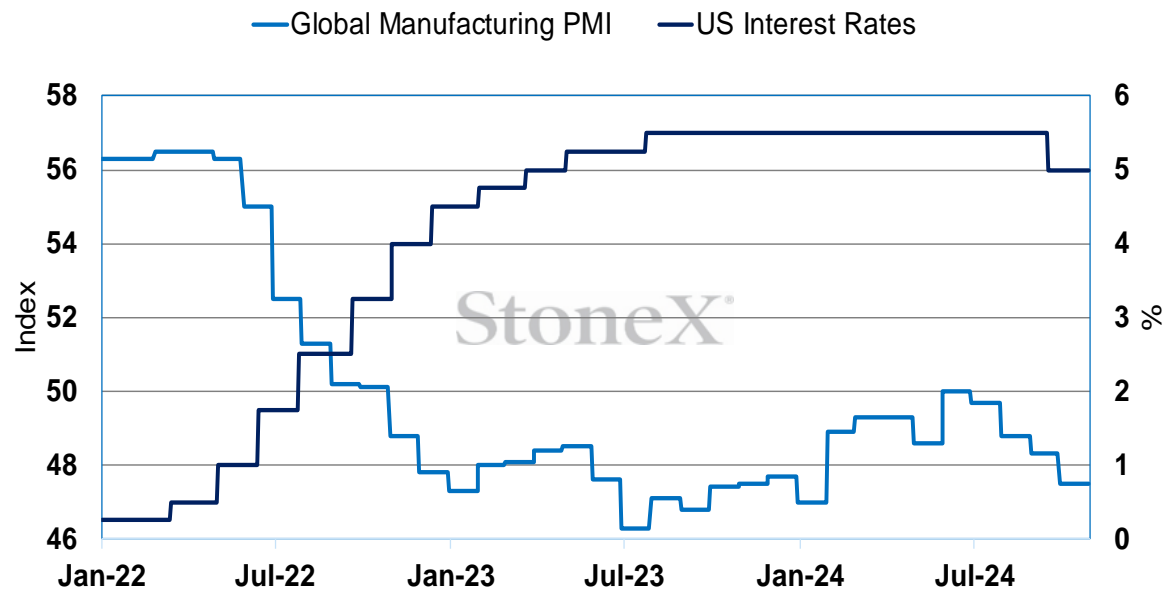
Key Drivers for Prices Next Year

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Macro Drivers: Central in Forecasting Future Price Performance

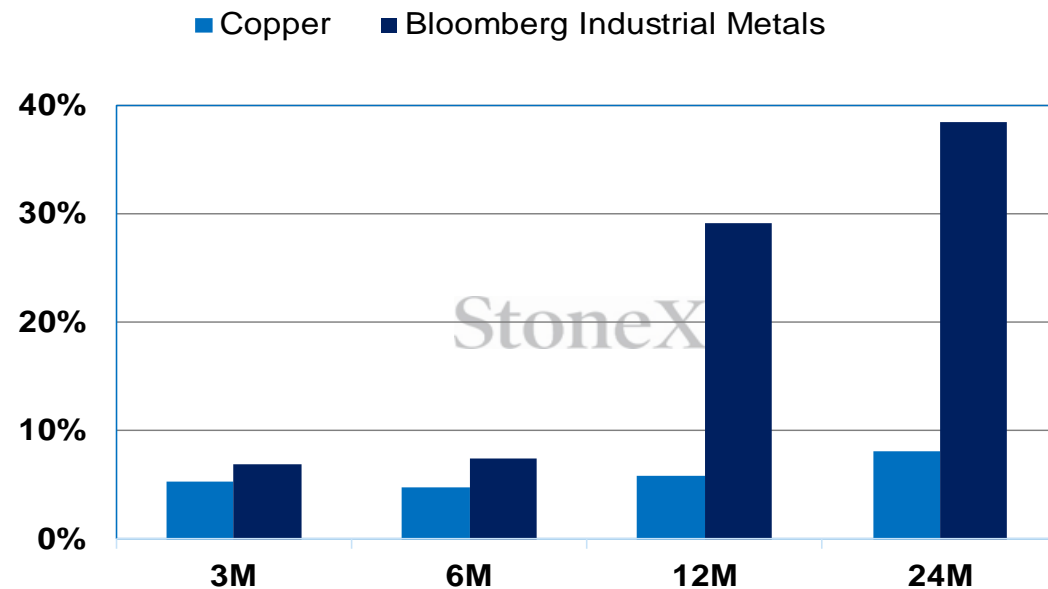
The Path & Pace of Monetary Policy

Advanced Economies PMI Manufacturing Versus U.S. Rates



Source: Bloomberg, StoneX

Base Metal Index & Copper Prices Post 100bps Decline in US 2Y Yields



Source: Bloomberg, StoneX

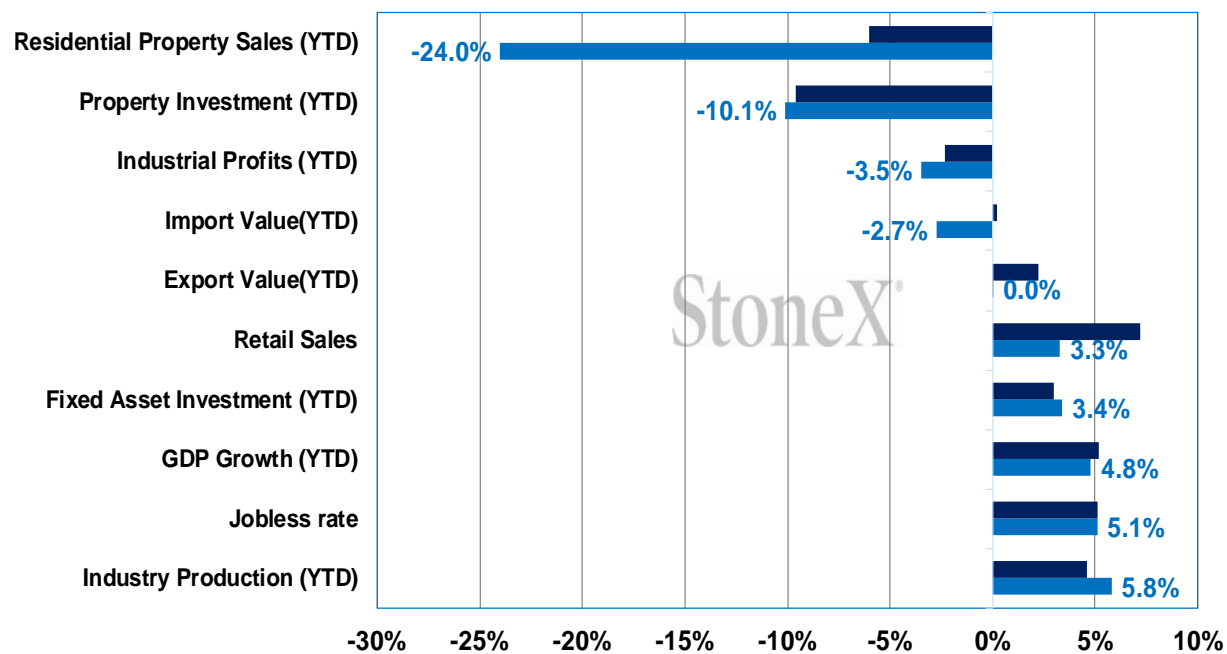
Our View: Synchronised advanced economy monetary easing should stimulate recovery in the global industrial cycle

Macro Drivers: Central in Forecasting Future Price Performance

The Health of China's Economy, the Heart of Base Metal Demand

Hard Economic Data YTD

■ End-2023 ■ September



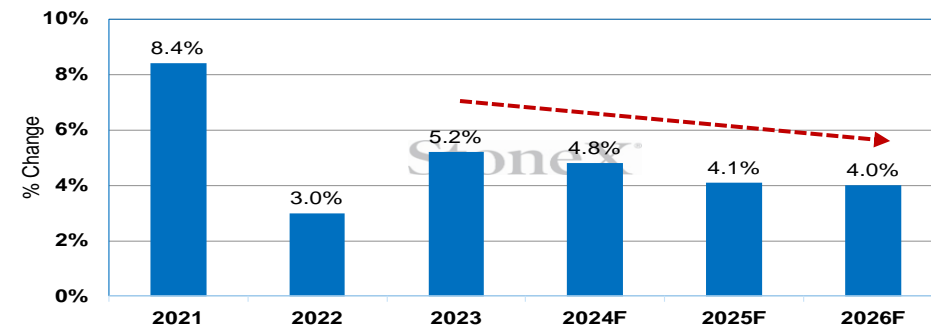
Source: Bloomberg, StoneX

Chinese Business Confidence



Source: Bloomberg, StoneX

World Bank GDP Forecast for China



These charts include predictions/forecasts. Past performance may not be a reliable guide to future performance.

Source: Bloomberg, StoneX

Our View: Chinese economic growth will continue to be challenged in the years ahead, despite stimulus efforts

Macro Drivers: Ongoing and/or Unknown Geopolitical Risks

A Net Negative for Base Metal Prices in the Longer-Term

Copper : Gold Ratio



Source: Bloomberg, StoneX

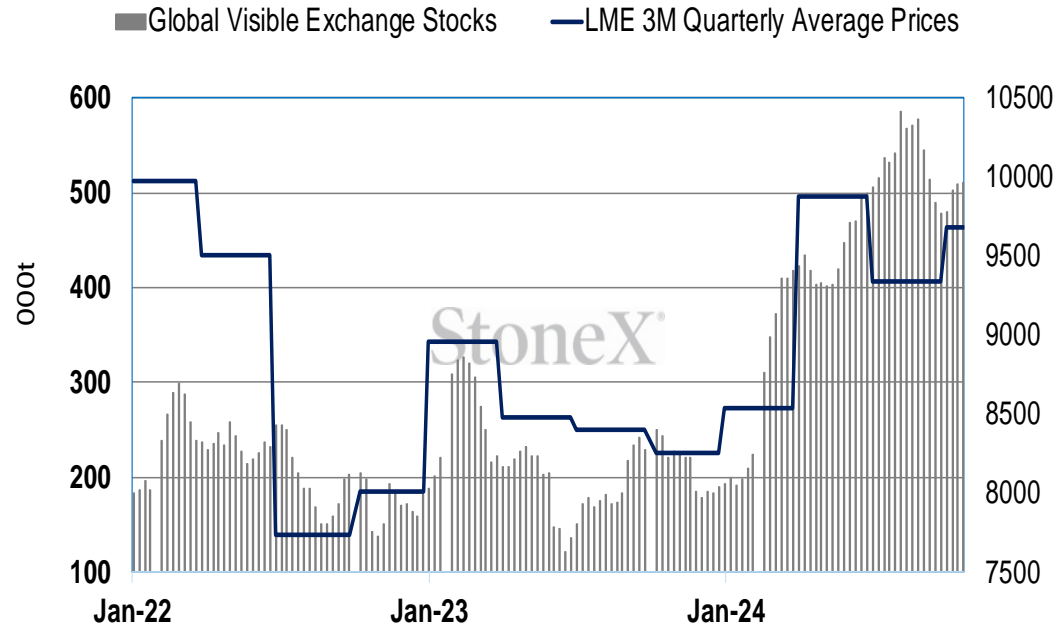
Geopolitical tensions can impact a commodity market in two ways:

- **A risk channel:** Financial markets overestimate the impact on supply resulting in higher prices
- **An economic activity channel:** Shocks to economic growth, creating uncertainty in investment and demand, leading to lower prices

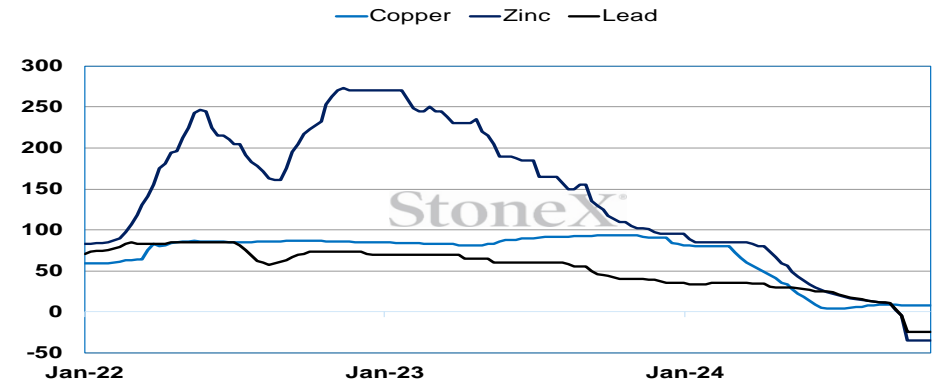
Our View: We forecast (on average) the economic activity channel as having a longer lasting impact on base metals

Fundamentals: Forecast to Play a Larger Role in Price Direction in 2024/2025

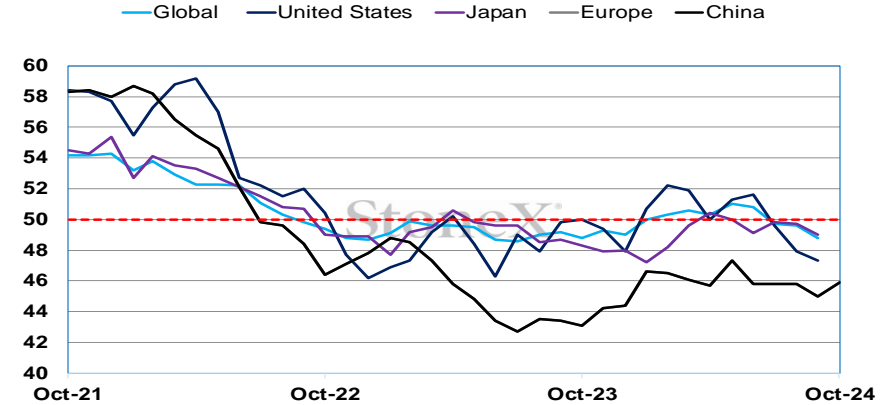
Visible Global Copper Exchange Stocks Versus LME 3M Copper Price



Copper, Lead and Zinc Treatment Charges



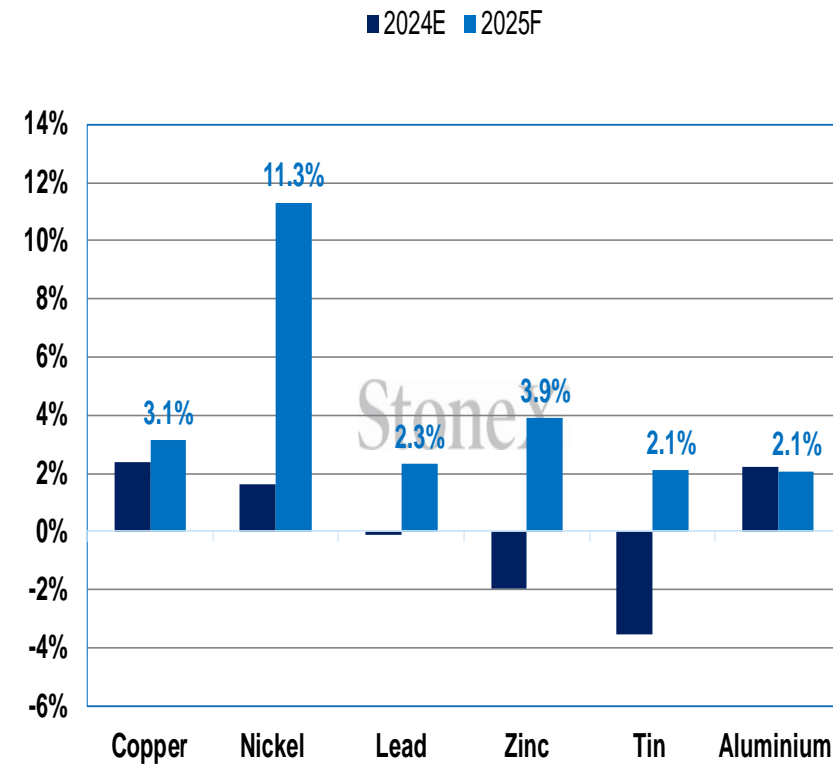
PMI Readings



Our View: Market participants will focus on demand signals in 2025, while supply risks remain elevated

Fundamentals: Supply Growth to Outpace 2024 Levels, But Risks Remain Elevated

Base Metal Supply Forecast (Y/Y % Change)



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.

Source: Bloomberg; SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

Opportunities

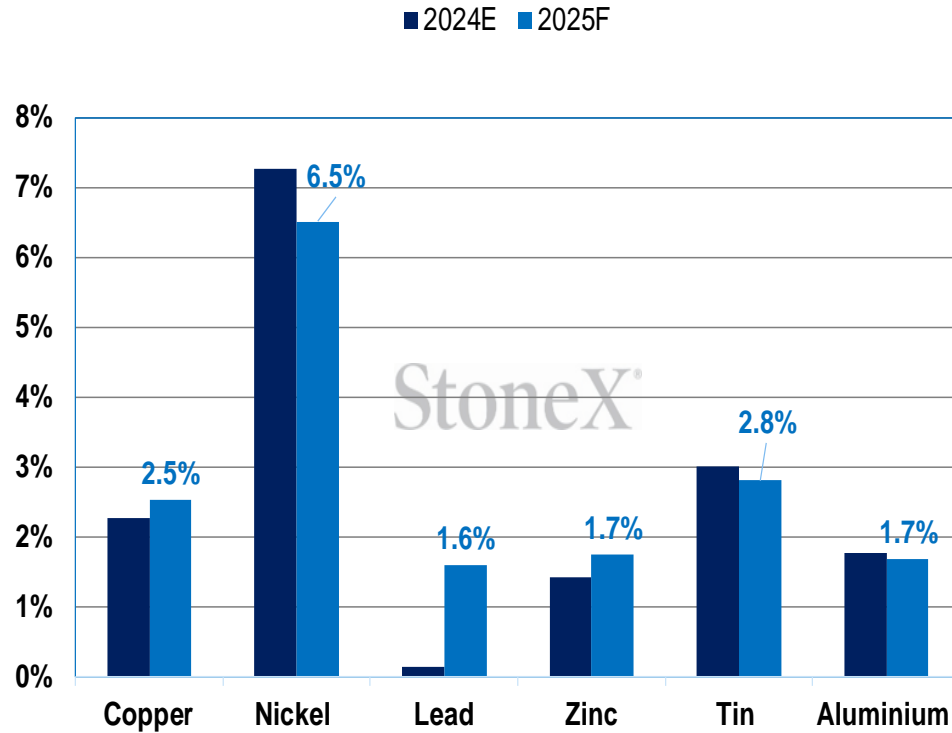
- Accelerated trade between 'new' routes (e.g. China & Russia, China & Indonesia)
- Mine production margins are below current LME prices (exception nickel)
- Reduced natural gas prices in Europe allowing restarts of idled zinc and aluminium capacity
- A refocusing on recycling (especially in the US and China)
- Global visible exchange stocks have risen from historical lows to record unseasonably high levels, particularly within China, providing a cushion to tight ore supply

Risks

- Chinese producers (both upstream and downstream) post YTD decline in profits on squeezed margins, with TC/RCs falling to historic lows (copper, lead, zinc)
- Supply chains have come under pressure from conflicts in the Red Sea. Any additional escalation in geopolitics tensions could result in further disruptions ([e.g. 15th January US union port strikes to resume](#))
- Trade routes have been altered on Russian sanctions
- Rise of fraudulent metal deliveries
- Rise of natural resource protectionism
- Structural declines and underinvestment in major mining projects
- Political & social unrest
- Power prices and power availability (Europe still importing from Russia and geopolitical tensions in the Middle East are rising)
- Speed of technological changes and influence of ESG pressures

Fundamentals: Demand Growth Forecasts to be Mixed (by sector and geography)

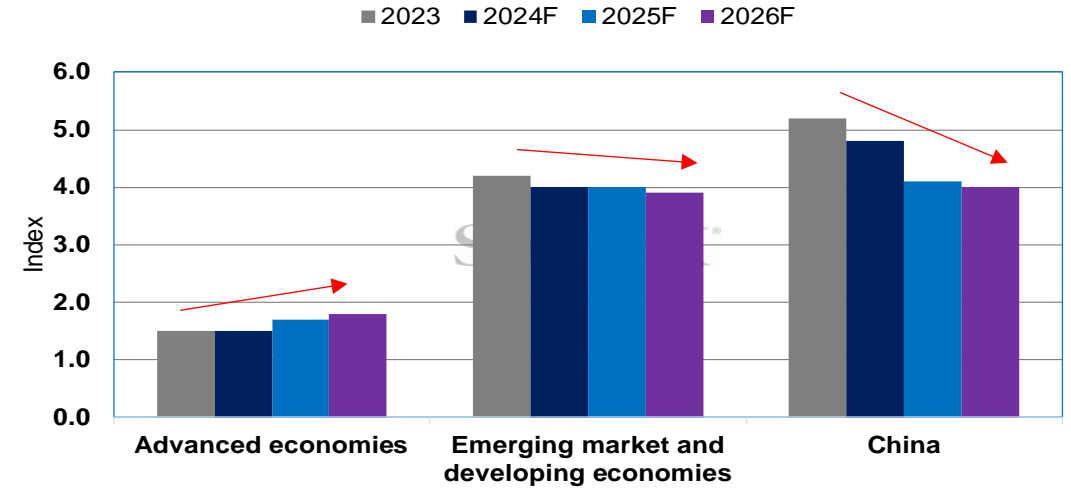
Base Metal Demand Forecast (Y/Y % Change)



These charts include predictions/forecasts. Past performance may not be a reliable guide to future performance.
Source: Bloomberg; SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

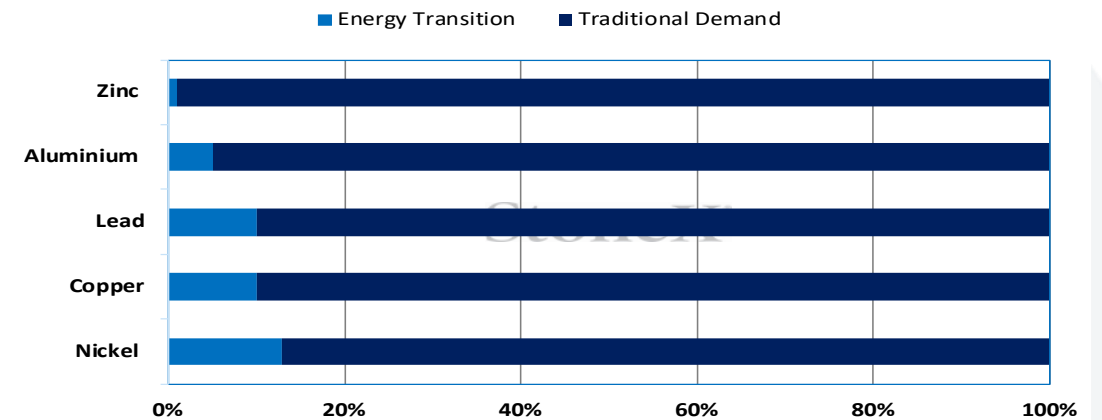
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World Bank GDP Forecasts



These charts include predictions/forecasts. Past performance may not be a reliable guide to future performance.
Source: World Bank, StoneX

End-Use Market Share of Demand by Metal



These charts include predictions/forecasts. Past performance may not be a reliable guide to future performance.
Source: Bloomberg; SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

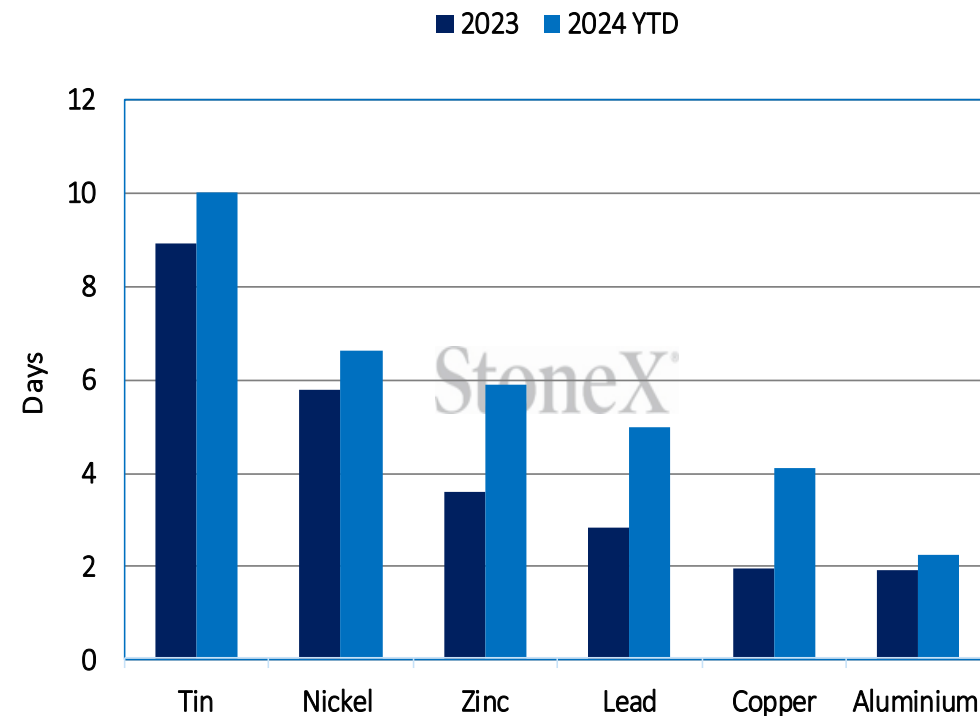
Fundamentals: StoneX Base Metal Market Balances

Market Balance: Supply - Demand

Strengthening Fundamental Position ↑

000t	2023	2024E	2025F
Tin	9	-15	-18
Copper	-101	-71	87
Lead	108	72	167
Zinc	314	-155	136
Aluminium	444	768	1,052
Nickel	263	84	261

Market Balance: Consumption Ratio



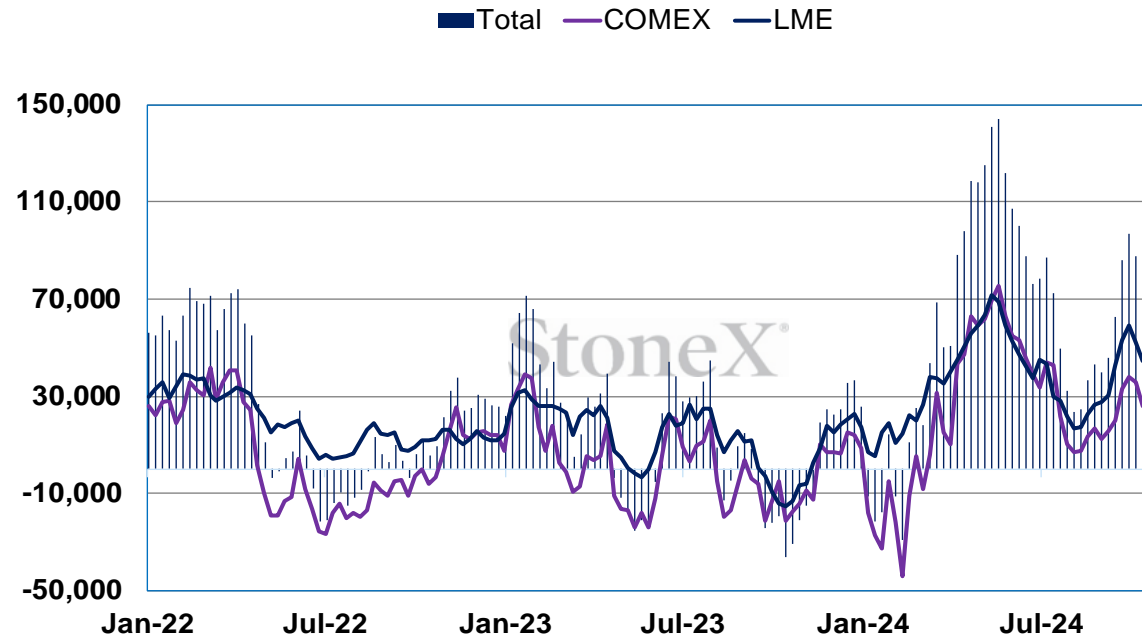
Current level of global visible exchange stock / daily demand = consumption ratio (days)

These tables includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source: Bloomberg; SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

This chart includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source: Bloomberg NEF, StoneX

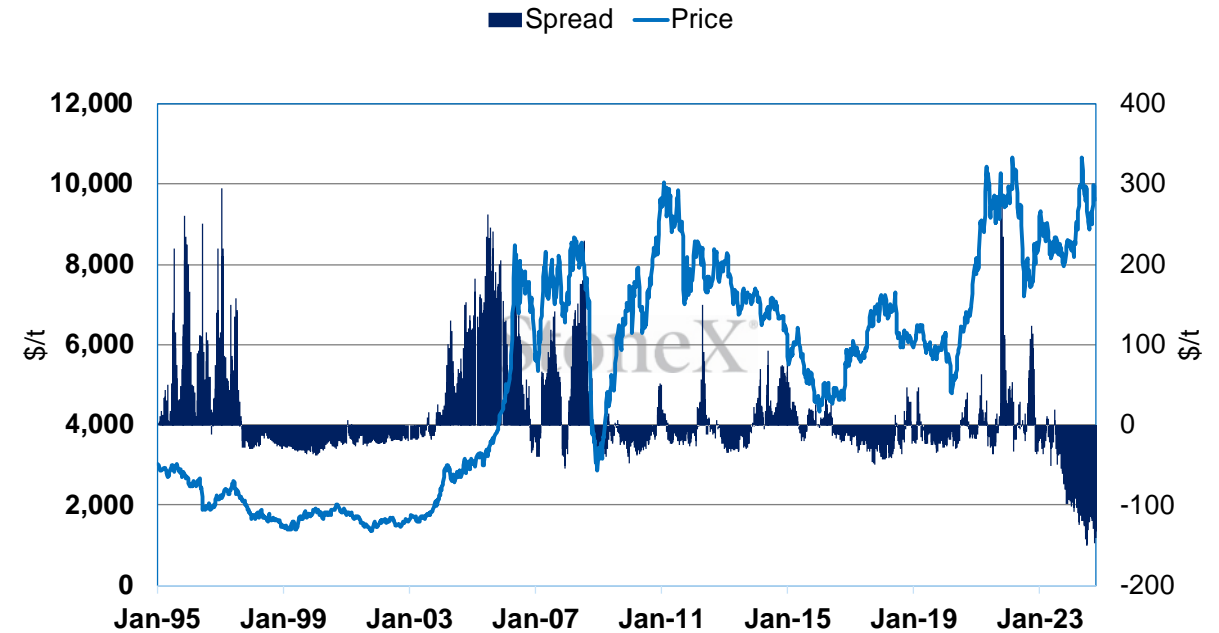
Investors: The Role of Speculators Not to be Overlooked

LME & COMEX Investment Firm Net Positions on Copper



Source: Bloomberg, StoneX

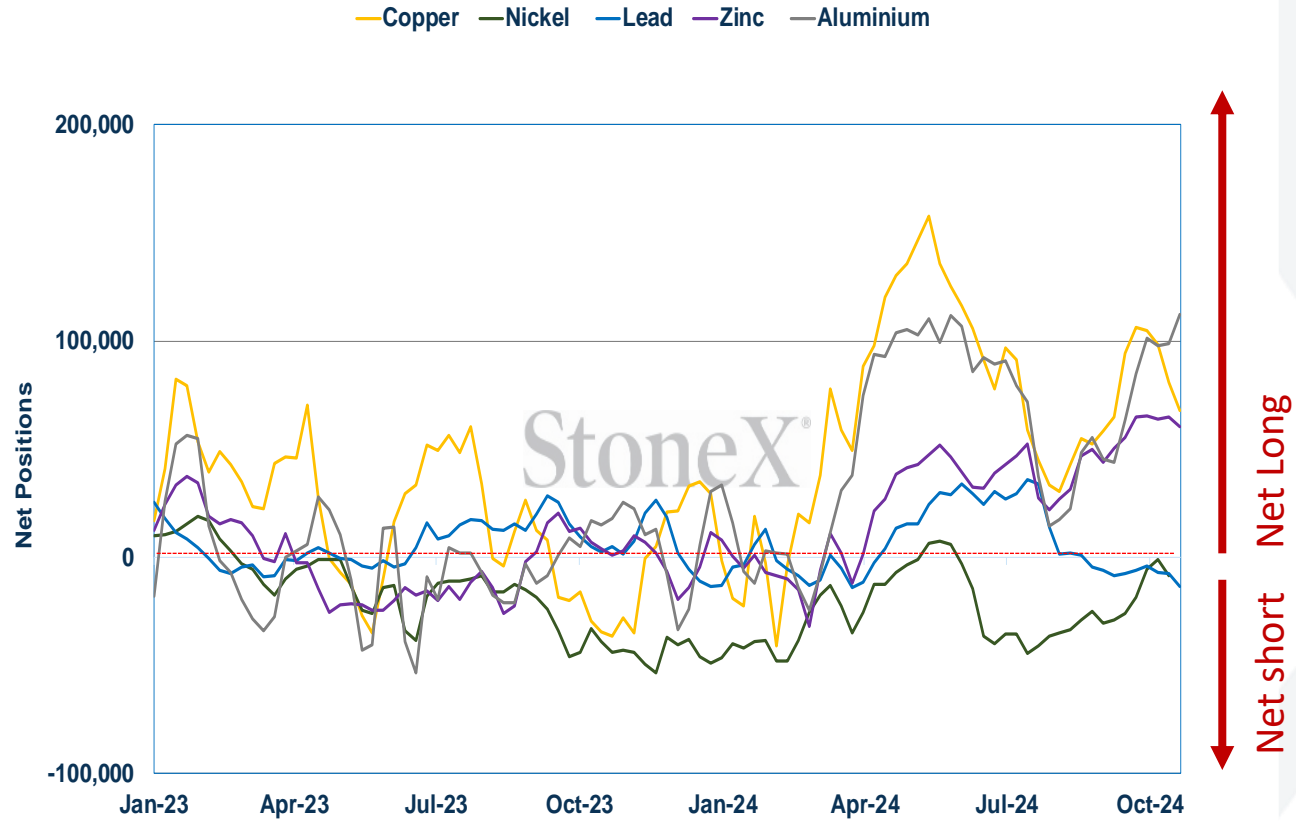
LME 3M Cash-3M Copper Spread Versus LME 3M Price



Source: Bloomberg, StoneX

Our View: Speculative involvement in the base metal market is likely to increase in the years ahead, resulting in heightened volatility

LME, COMEX, SHFE Net Positions Combined



Source: Bloomberg, StoneX

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Price Outlook & Ranking Table

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Base Metals Opportunities Set to Rise in 2025, Alongside Risks

What to Watch in 2025

Macro

- Pace & path of monetary policy
- The health of China's economy and the impact of stimulus
- Geopolitical tensions (de/escalation)
- New political leadership

Fundamentals

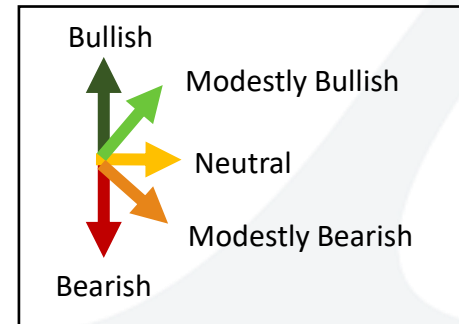
- Supply set to grow in 2025, but risks to remain elevated
- A recovery in demand is required for higher prices
- Regional market imbalances forecast to persist or get worse

Investors

- Role of speculators not to be overlooked
- Volatility is to be expected

Impact of Key Drivers on Base Metal Prices in 2025

	2024	2025
Macro		
Fundamentals		
Investors'		



Price Outlook & Ranking Table

StoneX Base Metal Annual Average Price Outlook

	\$/t			% Change Y/Y	
	2023	2024	2025	24/23	25/24
Copper	8,523	9,299	9,446	9.1%	1.6%
Nickel	21,688	17,256	16,823	-20.4%	-2.5%
Lead	2,128	2,111	2,163	-0.8%	2.5%
Zinc	2,651	2,804	2,860	5.8%	2.0%
Tin	25,912	30,405	32,600	17.3%	7.2%
Aluminium	2,288	2,455	2,549	7.3%	3.8%

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Source: Bloomberg; SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

StoneX Base Metal Ranking for 2025

Base Metal	Outlook
Tin	Best fundamentals of the suite, with demand supported by the green transition, versus only a handful of leading raw material supply countries, increasing natural resource protectionism risks. Stocks have been declining over 2024, tightening the refined outlook.
Copper	Medium-term outlook on copper's supply versus use in the green transition will support prices (despite a surplus market), with influx of speculative money on the horizon.
Zinc	Forecast improvement in steel demand in 2025 should underpin price gains for zinc, given the weak performance in 2024. Tight ore supply will similarly contribute to higher prices, with smelter output in Europe at risk of coming offline, while smelter's profits in China remain unfavourable.
Aluminium	Global consumption recovery (especially in construction and alongside green demand), will benefit aluminium's demand scenario, while increasing trade tariffs are likely to underpin regional premiums. In addition, supply is likely to become more fragmented, with China remaining a net importer, leaving Europe and the US to battle for alternative non-Russian aluminium.
Lead	Likely to remain in the middle-to-lower end of suite range in 2025, with weak investor appeal and long-term decline in demand (on the expansion of lithium-ion batteries), not to mention cushioned supply from secondary sources. Will Lead remain in the BCOM?
Nickel	Oversupplied market (despite mine closures on low prices ex-Indonesia and robust demand from lithium-ion batteries in years ahead). Note, inclusion of Indonesian and Chinese brands by LME will further add to negative price pressures. Indonesia plans to hold nickel in \$18,000t-\$16,000t range.

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Source: Bloomberg; SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

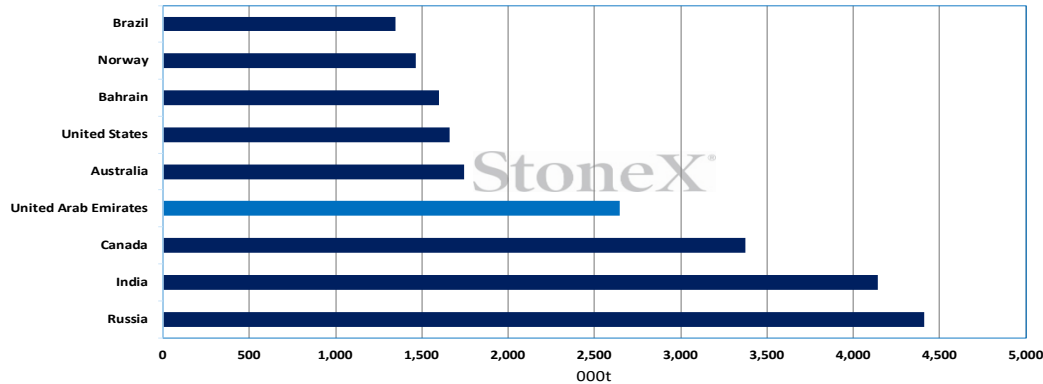
Most Preferred

Least Preferred

UAE – A Growing Force Within the Aluminium Market

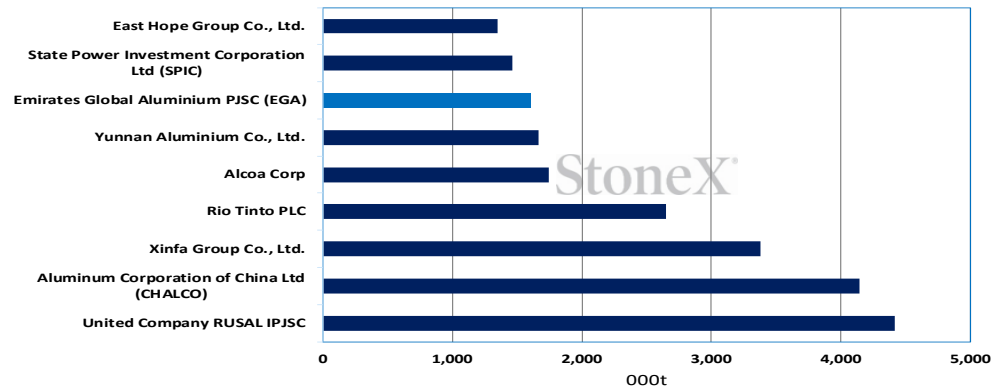
UAE Has Established Itself as a Major Player in the Aluminium Market

UAE is the Fifth Largest Aluminium Producing Country



Source: Bloomberg NEF; Design: StoneX

EAG is the Eight Largest Aluminium Producing Company



Source: Bloomberg NEF; Design: StoneX

The UAE has established itself as a major contender in the aluminium market, but recent moves have solidified its place in the longer-term:

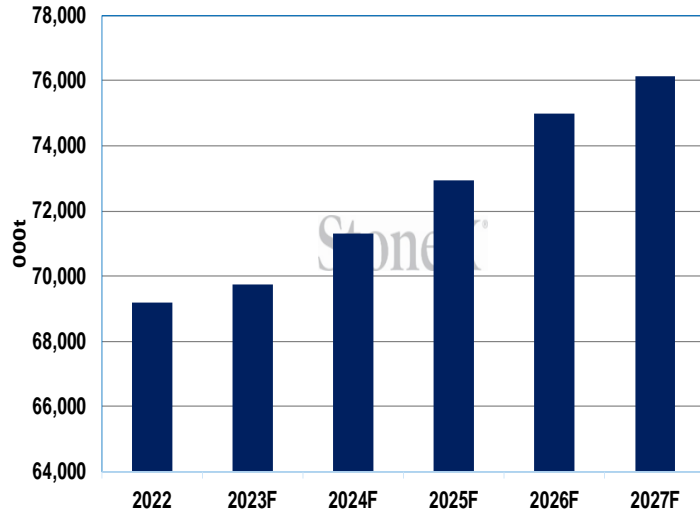
- October 2024: Acquisition of majority stake in American aluminium recycler, Spectro Alloys Corporation
- July 2024: First company in the world to digitally connect to LME Passport
- May 2024: Acquisition of Europe's speciality foundry of aluminium, Leichtmetall Aluminium Giesserei Hannover GmbH
- 2023: EGA Signs Deal With Alcoa Corporation

“Most of our alumina needs into the next decade are now secured by our own production and long-term supplier in Alcoa that is aligned with our sustainability goals” – EGA CEO

- EAG set to launch IPO

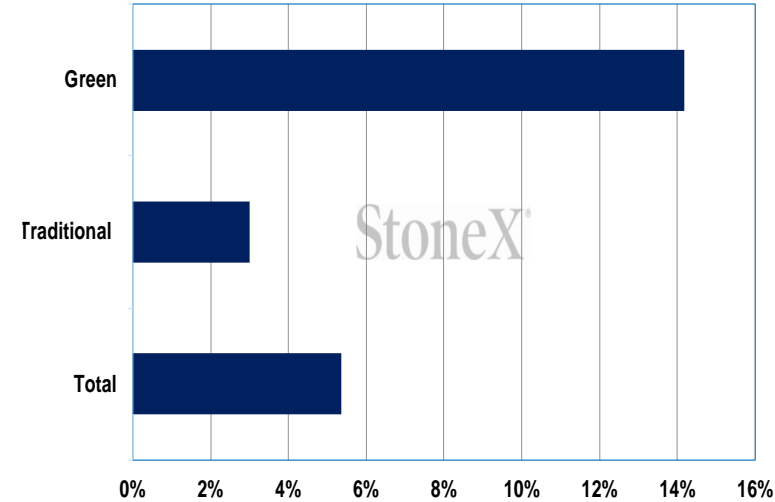
This is Important Given the Outlook for Demand

Aluminium Demand Will Jump by 10% 2022-2027



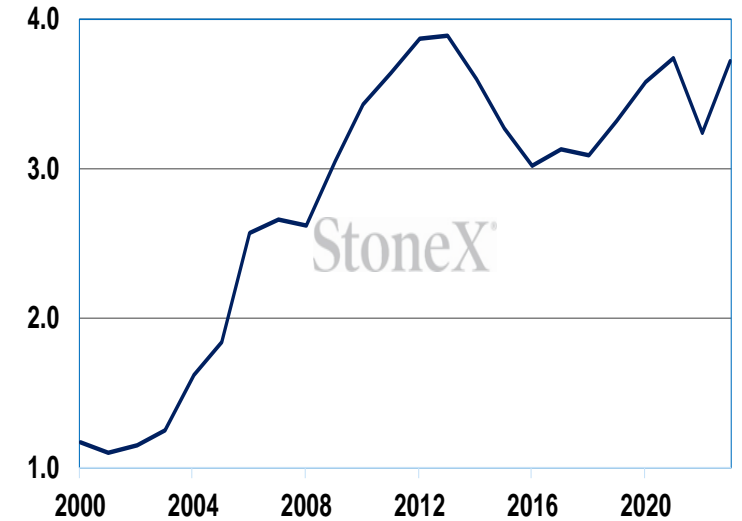
*This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.
Source: Bloomberg NEF, StoneX*

Aluminium CAGR Demand 2022-2027



*This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.
Source: Bloomberg NEF, StoneX*

Price Gap of LME 3M Copper Versus Aluminium

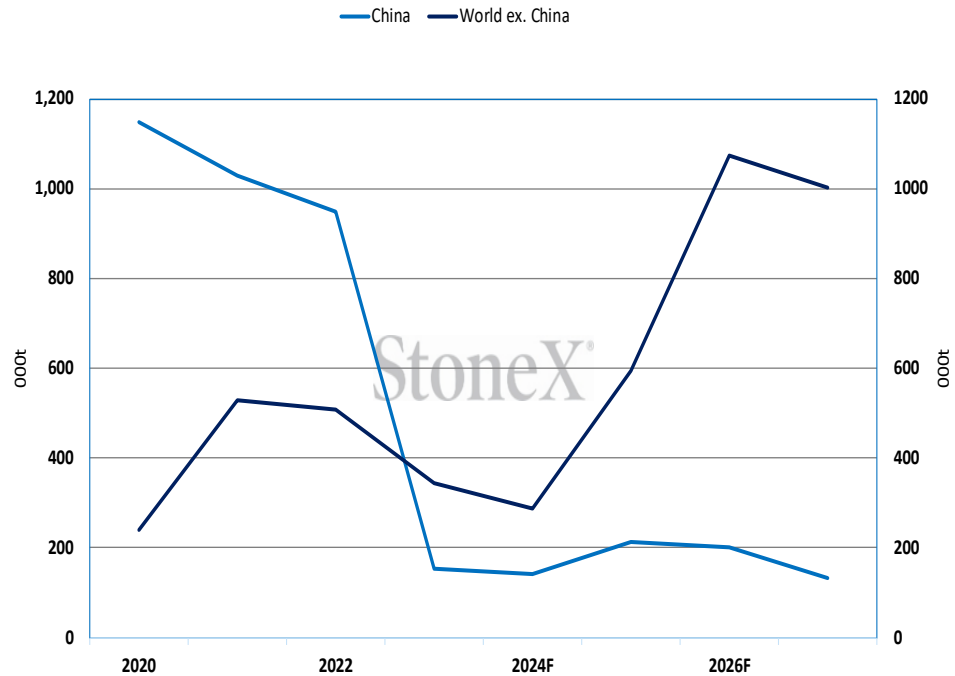


Source: Bloomberg, StoneX

Our View: Aluminium will undergo the largest increase (in volume terms) of any base metal, driven by its application in the green transition.

And in Particular, Growing Risks to Aluminium Supply

Forecast Aluminium Capacity Additions



*This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.
Source: Bloomberg NEF, StoneX*

While near-term aluminium supply is forecast to be ample for demand, longer-term outlooks face significant risks:

- China will cap capacity at 45Mt/y (2023 output < 41Mt/y)
- The rise of natural resource protectionism may result in reduced global trade and availability of raw materials
- Escalations in geopolitical tensions have altered historic supply chains has the potential to dampen global trade

A large, stylized 'X' graphic composed of four rounded, triangular shapes meeting at the center. The 'X' is rendered in a dark blue color against a black background.

Thank you



99+

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140+

Currencies

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180+

Countries

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