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Navigating Geopolitical Risks and Rising Supply Constraints

BASELINE VIEW - PRECIOUS METALS: Gold remains structurally strong as a safe haven amid Middle East tensions, despite short-term pressure from a stronger dollar and elevated oil prices. Platinum is supported by tight supply and steady industrial and automotive demand, while palladium faces higher volatility due to balanced supply and shifting automotive trends. Overall, precious metals may see short-term volatility but should remain structurally supported over the longer term.

BASELINE VIEW - INDUSTRIAL METALS: Copper and aluminium remain supported by structural demand and tight supply, though both are experiencing short-term volatility from macroeconomic pressures and geopolitical disruptions, particularly in the Middle East. As with most asset classes, base metals markets are to remain sensitive to evolving global geopolitical developments.

Precious Metals

Spot Benchmark prices

	Latest	1m ago	6m ago	12m ago	12m avg
Gold	4411.44	5103.49	3659.67	3047.18	3894.1
Silver	69.6697	84.57	41.655	33.805	51.8542
Palladium	1434.66	1748	1154.09	958.583	1317.25
Platinum	1882.23	2156.55	1363.48	993.043	1557.38
Iridium	7990	6640	4640	4240	4890.95
Rhodium	10890	10965	7090	5515	7573.11

Source: Bloomberg, ETM Analytics

Gold and Silver

Despite a recent strong pullback in prices, gold remains structurally strong on a longer-term basis amid escalating geopolitical tensions in the Middle East, which have disrupted energy markets and stoked inflation concerns.

Rising energy costs, slowing global growth, and tight labour markets are creating uncertainty that continues to reinforce gold's role as a safe haven. Investors and multi-asset funds are increasingly shifting allocations from bonds and equities into gold, as evidenced by the growth in gold ETF assets from 0.44% of combined equity and bond AUM in 2021 to 0.98% at the end of 2025. Over the long term, gold has outperformed US Treasuries on a like-for-like basis, driven by low real interest rates, inflation expectations, and safe-haven demand.

In the short term, gold has faced pressure from a stronger US dollar and elevated oil prices following the US and Israel attacks on Iran, and the subsequent retaliation. Following the Federal Reserve's policy update on 18 March, which maintained a hawkish stance and highlighted persistent inflation risks, gold prices dropped sharply, over 7%, to $4,612/oz. The sell-off has been broad-based across global markets, with panic-driven liquidation and margin calls potentially pushing gold further down toward $4,500/oz or lower in extreme scenarios.

ETM View: Despite near-term volatility and a sharp correction, gold's long-term fundamentals remain strong. Temporary price weakness may create attractive entry points for investors seeking diversification and protection amid global uncertainty.

Platinum and Palladium

Platinum prices rallied sharply in 2025 and into early 2026 amid ongoing supply constraints and inventory drawdowns. There has been a roughly 20% correction since the US-Iran war broke out, but prices remain supported by positive fundamentals that are expected to remain in place over the foreseeable future. Above-ground stocks had fallen materially after multiple years of deficits, underpinning higher prices even as broader precious metals markets rallied.

Supply has been constrained by underinvestment, mining disruptions (especially in South Africa), and the slow responsiveness of production to price signals, while demand has held up across key sectors, including automotive (particularly hybrids and stricter emissions controls), jewellery, and emerging industrial uses. The World Platinum Investment Council expects the platinum market to remain supported in 2026, though tighter balances relative to prior deficits may moderate some of the upside without renewed prompt shortages.

Palladium's fundamentals are less positive, which explains its near 25% drop from levels seen before the late-February start of the conflict between the US and Iran. While prices also strengthened through 2025, the market entered 2026 with heightened volatility and a less robust demand structure compared with platinum. Automotive catalytic converter demand, the bulk of palladium use, faces headwinds from continued EV penetration, even as hybrid vehicle demand partially cushions this shift.

Recent supply projections suggest modestly neutral to balanced dynamics, with primary output declines in Russia and North America partly offset by South African recovery and increased recycling, supporting balanced markets in 2026 rather than pronounced deficits. Palladium remains more sensitive to macro pressures and substitution risk than platinum.

ETM View: Platinum is structurally well supported by tight supply and diversified demand, whereas palladium's outlook is more nuanced. Balanced supply and evolving automotive demand suggest moderate upside but higher volatility relative to platinum. The outlook for both, however, will depend largely on how quickly the conflict in the Middle East de-escalates.

Industrial Metals

Industrial Metals	3m LME Benchmark prices				
	Latest	1m ago	6m ago	12m ago	12m avg
Copper	11995	13322.5	9972.5	9956	10783.4
Tin	43640	53698	34017	34354	38047.9
Lead	1889.5	1990.5	1998.5	2036.5	1990.62
Zinc	3065	3388.5	2894	2946	2947.04
Aluminium	3198.5	3170.5	2645	2615.5	2767.27
Nickel	16975	18085	15213	16013	15777.2
Aluminium Alloy	2824	2579	2509	2559	2527.27
NA Aluminium Alloy	2400	2400	2400	2400	2400

	Spot vs 3m difference				
	Current	Δ Month	12m Min	12m max	12m avg
Copper	-85.26	-8.74	-113.47	319.83	-13.7623
Tin	-266	-286	-323	264	-32.4703
Lead	-39.61	6.76	-51.98	5.95	-34.5822
Zinc	-20.79	8.85	-48.17	338.74	18.3189
Aluminium	30.63	51.03	-47.69	47.4	-9.42793
Nickel	-188.19	15.96	-233.1	-143.68	-197.592
Aluminium Alloy	0	0	0	28	0.84252
NA Aluminium Alloy	0	0	0	0	0

	Stockpiles at LME Warehouses in tonnes				
	Current	Δ Month	12m Min	12m max	12m avg
Copper	347475	93875	90625	347475	168206
Tin	8805	1230	1630	8965	3746.04
Lead	284075	-2225	202200	295825	253513
Zinc	117175	18775	33825	195350	96498.3
Aluminium	427675	-39875	336900	558050	463814
Nickel	282792	-6714	195222	289506	235872
Aluminium Alloy	1500	0	1500	1580	1515.98
NA Aluminium Alloy	120	0	120	220	181.575

Copper

Copper prices surged to historic levels in late 2025 and early 2026, driven by tight supply, robust demand from electrification and AI-related sectors, and broader structural interest in industrial metals. Prices have at times exceeded US $14,000 per tonne on the London Metal Exchange, reflecting continued strength in consumption from data centres, renewable energy infrastructure, and electric vehicle build-outs.

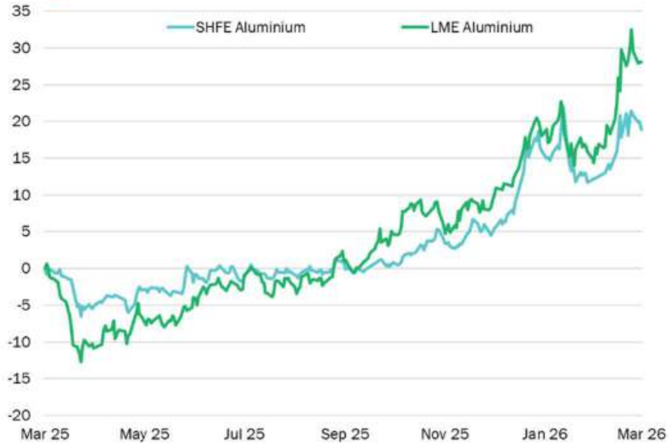
However, recent macroeconomic and geopolitical pressures have introduced volatility. Copper prices have corrected in March 2026 alongside broader metal sell-offs, driven by a stronger US dollar and concerns about global growth, which have weighed on mining equities and industrial commodity sentiment.

Structural forecasts still point to tightening beyond 2026, with projected deficits as supply struggles to keep pace with long-term consumption growth, but short-term pricing may oscillate with macro conditions. If aoring energy prices persist and have a longer-term detrimental impact on global economic dynamism, copper price forecasts will likely be revised lower. Supply constraints will remain, but demand will be pressured.

ETM View: Copper remains underpinned by strong structural demand and long-term supply constraints, supporting elevated price floors, but expect continued short-term volatility as macroeconomic and geopolitical factors influence market sentiment.

Chinese aluminium fails to keep up with LME surge

SHFE vs LME 1-month contracts, normalised to 18 March 2025 (%)



Source: Bloomberg, ETM Analytics

Aluminium

Recent developments in the aluminium market have been driven by a sharp escalation in geopolitical risk and its direct impact on supply chains. Prices surged to near four-year highs above $3,500/t in early March and have remained elevated as the Middle East conflict intensified concerns over disruptions, particularly through the Strait of Hormuz.

This has been reflected in market structure, with the LME cash-to-three-month spread flipping into a strong premium, signalling tightening prompt availability.

The Middle East has become a critical supplier, accounting for roughly 9% of global production, but its reliance on imported bauxite and alumina leaves it highly exposed to logistical disruptions. Early signs of strain are already visible, with falling raw material inflows, shipment halts, and smelter shutdowns across key producers.

The tightening physical market has been amplified by rising regional premiums, particularly in Europe, where supply was already constrained by structural factors such as reduced Russian flows, decarbonisation policies, and declining domestic capacity. Similar, albeit more moderate, trends are evident in the United States and Asia.

The current disruption adds to an already fragile supply backdrop that includes China's production caps, limited Western smelting capacity, and low inventory levels. As a result, aluminium is increasingly being driven by supply-side shocks rather than demand dynamics, with the market becoming more sensitive to geopolitical developments and trade frictions.

ETM View: Aluminium prices are likely to remain elevated with clear upside risk in the near term. Any prolonged disruption in the Middle East, particularly to raw material flows or smelting capacity, could push prices higher, reinforcing an already structurally tight market.

Zinc

The zinc market is experiencing a significant reset as the 2026 benchmark treatment charge (TC) was confirmed at $85 per dry metric tonne (dmt) between Teck Resources and Korea Zinc, slightly up from last year's record-low $80/dmt. While this marks a modest rebound, TCs remain historically depressed due to tight concentrate availability and strong smelter competition. Teck has also adjusted pricing for silver and germanium contained in concentrates, reflecting sharp increases in by-product prices. Smelters continue to face margin pressure, with low TCs compounded by high energy costs, prompting output cuts and temporary shutdowns in several countries.

Looking ahead, the zinc market is expected to shift into surplus in 2026. Refined production could rise this year, supported by rebounds in Australia, China, and other producing regions, while demand remains relatively soft, leading to a projected 75,000-tonne oversupply, according to LSEG. This oversupply, combined with continuing pressure on smelters' profitability, may result in further TC increases and ongoing downward pressure on spot zinc prices unless demand strengthens significantly. By-product pricing adjustments, particularly for silver and germanium, are likely to influence future concentrate agreements globally.

ETM View: Despite slightly higher TCs, zinc smelters remain under pressure, and the market faces a modest surplus in 2026. Long-term, miners benefit from higher by-product revenues, but smelters and spot prices could stay constrained unless demand picks up.

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