

Scarcity, Shocks And The Search For Safety

BASELINE VIEW - PRECIOUS METALS: Precious metals retain a constructive baseline. Gold should remain supported by central-bank buying, fiscal concerns, geopolitical risk and any easing in real yields, although elevated prices leave it vulnerable to consolidation. Within PGMs, platinum is preferred to palladium because persistent deficits and depleted stocks offer stronger structural support.

BASELINE VIEW - INDUSTRIAL METALS: Base metals have a cautiously constructive outlook, but current strength partly reflects inventory distortions and regional supply dislocations. Copper retains the strongest long-term demand case, while aluminium and zinc remain supported by low usable stocks and refining constraints. Slower Chinese activity and improving supply should limit near-term upside.

Precious Metals

Spot Benchmark prices

	Latest	1m ago	6m ago	12m ago	12m avg
Gold	4493.89	4076.29	4992.09	3334.98	4340.5
Silver	66.9411	58.785	76.58	37.99	65.4914
Palladium	1335.81	1282	1724.32	1112	1445.78
Platinum	1816.07	1629	2041.22	1335.5	1827.24
Iridium	7840	7840	6640	4690	6242.39
Rhodium	8790	8190	10740	7515	8900.31

Gold and Silver

Gold remains the clearest macro hedge in the metals complex. Spot bullion reached a two-and-a-half-month high of \$4,595/oz late August. The catalyst was the US Treasury's decision to double liquidity-support buybacks of longer-dated debt, which pulled Treasury yields lower and weakened the dollar. That response reinforced gold's sensitivity not only to real yields, but also to concerns over US fiscal credibility and market functioning. The

counterweight is a less accommodative Fed. July FOMC minutes showed several policymakers were prepared to raise rates if inflation remained persistent, while markets assigned a 31% probability to a September hike. This leaves gold exposed to sharp two-way moves around inflation, employment and bond-market developments.

The underlying demand picture remains supportive. World Gold Council data show central banks bought a net 289 tonnes in Q2, a record for a second quarter, while 45% of surveyed reserve managers expect to increase their own holdings over the next year. Investment should remain the principal demand driver in the second half, although Q2 ETF outflows and weak jewellery volumes show that high prices are rationing some demand. The latest Reuters poll put the median 2026 average at \$4,509/oz and the 2027 average at \$4,610/oz. The near-term bias remains constructive if the \$4,400-\$4,500 area holds, but a renewed rise in real yields could force consolidation before fiscal, geopolitical and reserve-diversification demand reasserts itself.

ETM View: Gold's structural bid remains intact, supported by central-bank accumulation, fiscal unease and geopolitical hedging. Momentum is strong but stretched after the latest surge, so the preferred view is bullish on pullbacks while \$4,400 holds, with real yields the principal downside risk.

Platinum and Palladium

PGMs participated in the precious-metals rebound, but the medium-term outlook is increasingly differentiated. Spot platinum traded above \$1,800/oz and palladium near \$1,335/oz following the rally spurred on by the US Treasury's buyback plans. Platinum has benefited from the weaker dollar, renewed investor demand and a supply base that is slow to respond after years of restrained capital expenditure. Palladium remains more tightly linked to gasoline-vehicle production and therefore carries greater exposure to battery-electric vehicle penetration, substitution and a recovery in autocatalyst recycling.

Fundamentals favour platinum. The World Platinum Investment Council expects a fourth consecutive deficit in 2026, at 297,000 oz, reducing above-ground stocks to 1.747 million oz, just under three months of demand cover. Bar and coin investment is forecast to rise 27%, while constrained mine output limits the supply response. Johnson Matthey also expects platinum to remain in deficit, but sees palladium moving into a small surplus as demand falls 9% and high prices accelerate recycling. Palladium retains event risk because Russian output is expected to fall sharply and trade restrictions could disrupt flows, but its rallies are more likely to encounter producer and recycling supply. The preferred relative-value view is therefore platinum over palladium. Platinum should remain volatile around \$1,700-\$2,000/oz, while palladium appears more likely to consolidate around \$1,200-\$1,450 unless Russian supply is materially interrupted.

ETM View: Platinum has the stronger fundamental case, with a fourth annual deficit and rapidly declining above-ground stocks. Palladium can still rally on Russian supply or trade shocks, but weakening autocatalyst demand and recovering recycling should cap sustained upside. Platinum is favoured on a relative basis..

Industrial Metals

Industrial Metals 3m LME Benchmark prices

	Latest	1m ago	6m ago	12m ago	12m avg
Copper	14001	13645	12619.5	9720.5	12357.5
Tin	55705	53781	45931	33650	45966.6
Lead	1891.5	1887	1946.5	1981.5	1969.96
Zinc	3754.5	3592	3286.5	2787	3269.02
Aluminium	3200	3159.5	3035	2576.5	3121.65
Nickel	16905	17379	16861	15008	16745.3
Aluminium Alloy	3200	3200	2579	2509	2821.4
NA Aluminium Alloy	2750	2750	2400	2400	2494.49

Spot vs 3m difference

	Current	Δ Month	12m Min	12m max	12m avg
Copper	225	216.2	-113.47	436.48	-24.4184
Tin	-331	-144	-425	185	-123.952
Lead	-45.74	-11.37	-51.98	22.55	-34.4771
Zinc	94.36	44.66	-48.17	338.74	29.853
Aluminium	-10	-21.01	-47.69	104.56	7.89618
Nickel	-178.65	15.91	-234.4	-143.68	-197.165
Aluminium Alloy	0	0	0	0	0
NA Aluminium Alloy	0	0	0	0	0

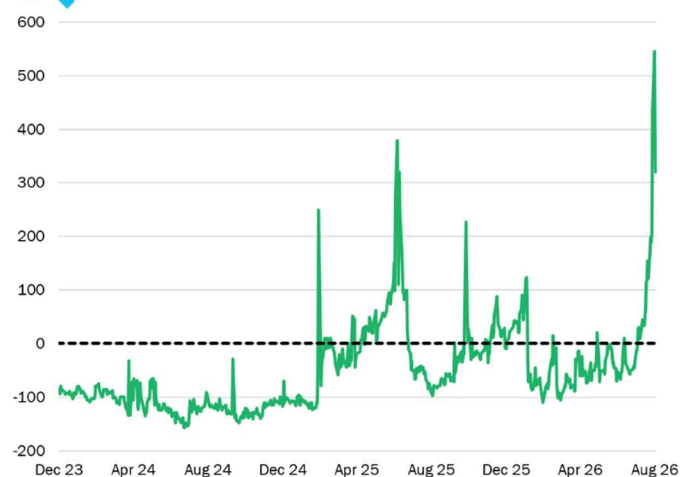
Stockpiles at LME Warehouses in tonnes

	Current	Δ Month	12m Min	12m max	12m avg
Copper	239925	-33050	133600	402625	242511
Tin	5430	-1280	1740	9025	5990.96
Lead	417100	-30700	202200	456575	278796
Zinc	94400	-9325	33825	124550	87579.5
Aluminium	246925	-24350	246925	558050	427657
Nickel	265248	852	209148	289506	264639
Aluminium Alloy	1500	0	1500	1500	1500
NA Aluminium Alloy	120	0	120	220	141.024

is therefore constructive but cautious: \$13,000-\$14,500/t is a reasonable high-volatility range, with further stock inflows likely to unwind some squeeze premium and mine disruptions or tariff escalation capable of quickly restoring it.

Spot copper premium remains hefty

LME cash-3m copper spread (\$/t)



Source: LSEG, ETM Analytics

stocks at end-July were Russian brands, much of which is inaccessible to US and European buyers or tied up in financing structures. The subdued cash-to-three-month backwardation therefore understates the scarcity of deliverable non-Russian metal.

Copper

Copper is trading at the intersection of structural scarcity and a short-term exchange squeeze. Benchmark three-month LME copper is holding above \$14,000/t while cash copper reached a record \$14,912/t earlier this week. The cash premium over three-month metal briefly widened to \$545/t as three large long positions exceeded readily available LME stocks, forcing shorts to deliver physical metal. Subsequent inflows lifted total LME stocks to 235,975 tonnes, 11% higher over a week, and compressed the backwardation to \$176/t. That has eased immediate stress but not the underlying regional dislocation. US tariff uncertainty continues to pull metal towards CME warehouses, leaving the rest of the system vulnerable to renewed tightness and making headline inventory less informative than location and warrant status.

The macro backdrop is less uniformly bullish. China's July industrial output slowed to 4.5% y/y, retail sales rose only 0.6% and fixed-asset investment fell 6.7% in the first seven months, limiting evidence of a broad cyclical demand acceleration. The International Copper Study Group nevertheless expects refined output to grow only 0.4% in 2026 against 1.6% growth in usage, although opening balances leave a modest projected 96,000-tonne surplus. Longer-term electrification, grid investment and data-centre construction remain powerful demand supports, but the current price is well above the January Reuters-poll median 2026 average of \$11,975/t. The near-term outlook

ETM View: Copper's long-run scarcity thesis remains persuasive, but the latest record prices contain a material squeeze and tariff premium. Near-term risk is asymmetric after the inventory rebound, favouring consolidation below recent cash highs, while mine disruption and US trade policy should keep the market structurally volatile.

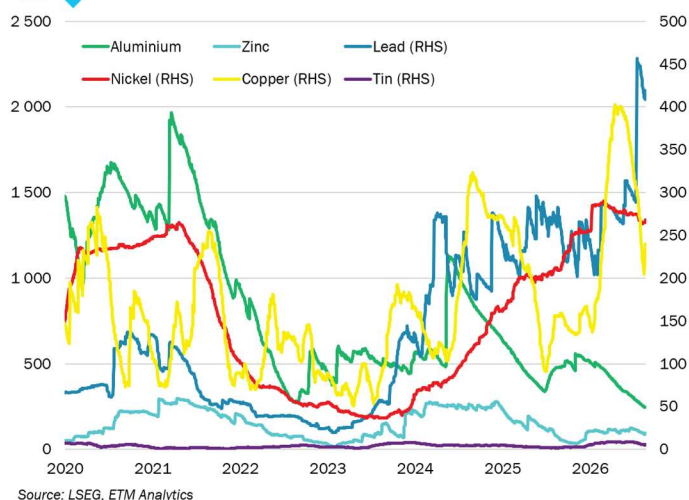
Aluminium

Aluminium has retreated from its August peak as supply expectations improve, but Western availability remains unusually fragile. Benchmark prices fell towards \$3,200/t, around 1% lower on the day but still roughly 1% higher over the month and 23% above a year earlier. Gulf production has fallen by about 2 million tonnes per year since the Iran conflict began, while registered LME stocks have halved since the start of 2026 to around 250,000 tonnes, their lowest level since 1990. Around 95% of available LME



Declining inventories supporting prices

LME warehouse stocks, metric tonnes, '000s



China is providing the principal relief valve. Primary output increased 2.2% in the first half and is operating near the mandated 45 million-tonne annual capacity cap, while alloy exports almost doubled to 238,500 tonnes and semi-manufactured exports rose 18% to 3.2 million tonnes. This supply response has coincided with flat Chinese demand and a 0.4% decline in Citi's end-use tracker, tempering the global shortage. Further downside could come from the planned restoration of the Al Taweelah smelter, a possible reduction in US tariffs on Canadian aluminium and continued Chinese exports. Against that, low usable LME stocks, Gulf shipping risk and limited spare Chinese smelting capacity provide a firm floor. A \$3,100-\$3,400/t trading range appears most likely over the next few months, with moves above it requiring renewed Gulf production losses and moves below it requiring faster restarts or a sharper global demand slowdown.

ETM View: Aluminium's risk premium has faded, but the physical cushion remains thin outside China. Chinese product exports and Gulf restart plans should restrain rallies, while exceptionally low usable LME stocks limit downside. The base case is range trading with a modest upside skew on renewed disruption.

Zinc

Zinc has been one of 2026's strongest base-metal performers, rising to about \$3,750/t, near 5.5% higher over the month and roughly 35% above a year earlier. The rally reflects a refined-metal bottleneck rather than a simple shortage of ore. Reduced operations at Kazinc in Kazakhstan and the suspension of Nexa's Cajamarquilla plant in Peru affected facilities with roughly 600,000 tonnes of combined annual capacity. More recently, flooding and maintenance in China, lower producer output and declining LME stocks have reinforced concerns about prompt availability. LME inventories are near their lowest since December, while cancelled warrants suggest that an even smaller share is readily deliverable. Current price and inventories Reuters supply analysis

The demand side is less compelling. More than half of zinc consumption is tied to galvanised steel, leaving it exposed to China's property downturn and softer fixed investment. Even so, the International Lead and Zinc Study Group expects a 19,000-tonne refined deficit in 2026, a sharp reversal from the sizeable surplus projected late last year, because Western smelter constraints are preventing higher mine supply from becoming refined metal. China is comparatively well supplied and could export more if the arbitrage opens, which is the main medium-term cap on prices. In the near term, low visible stocks and production disruptions should keep zinc supported in a broad \$3,500-\$3,900/t range, with a test of \$4,000 possible if LME availability tightens further. A sustained move below \$3,500 would probably require smelter restarts, stronger Chinese exports or a more pronounced deterioration in global manufacturing demand.

ETM View: Zinc remains fundamentally tighter than previously expected, with refinery disruptions and low deliverable stocks offsetting weak construction demand. The near-term bias stays firm, but the rally is vulnerable to Chinese exports and smelter recovery. Supply normalisation, rather than mine growth alone, is the key reversal signal.

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