ICICI Direct
Research

Yearly Commodity Outlook 2025

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Global volatility to keep precious metal in limelight

Gold to rise towards ₹ 85,000 on strong central bank buying and trade war concerns

Silver to rally towards ₹ 1,10,000 on market deficit and industrial demand

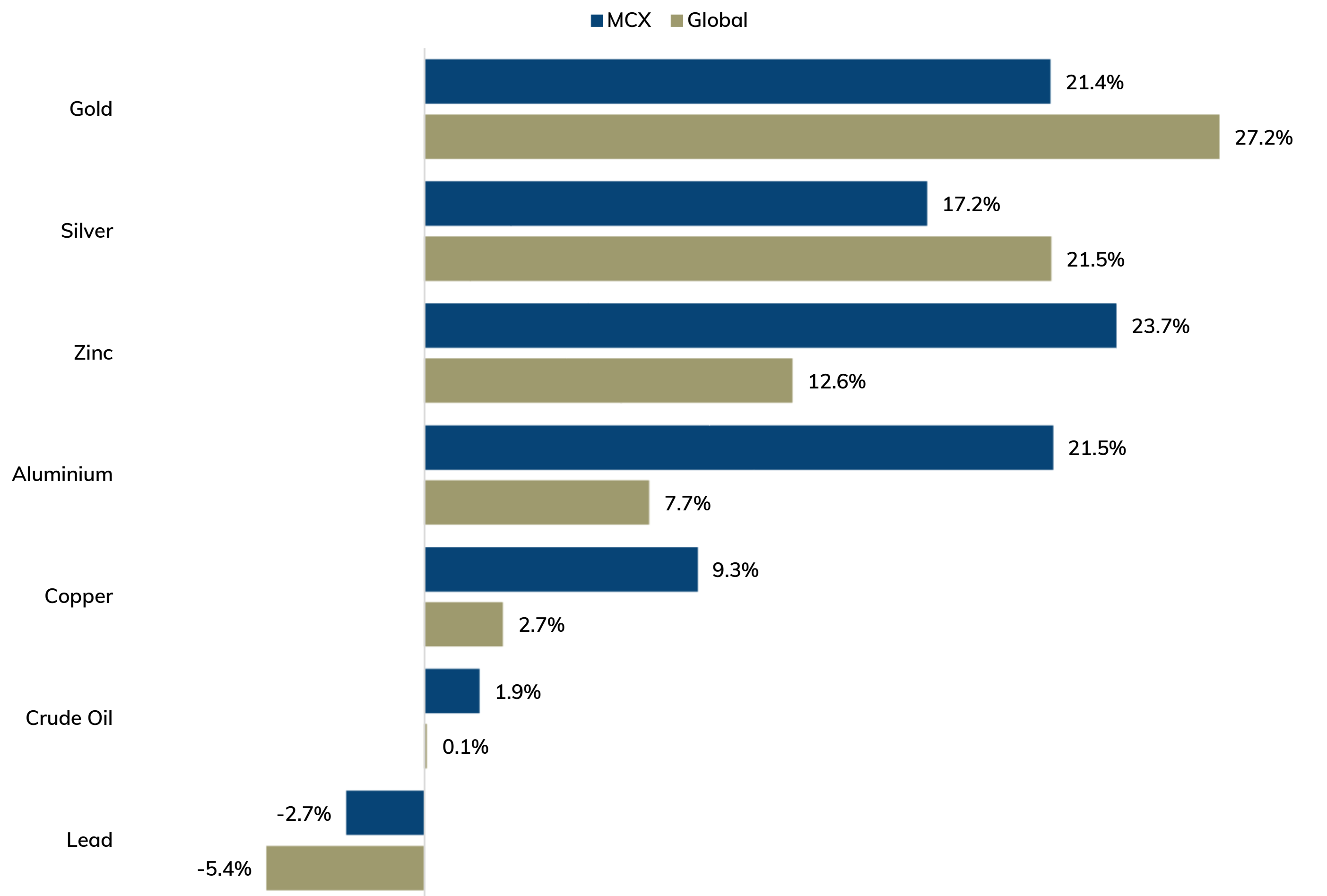
Crude prices may move south on market surplus

Copper likely to slip towards ₹ 690 on demand concerns

Aluminium prices may rise towards ₹ 280 on Market deficit

Commodities Synopsis : 2025

Yearly returns of major commodities



Base Metal Prices: LME Cash Settlement

Source: Bloomberg, ICICI Direct Research

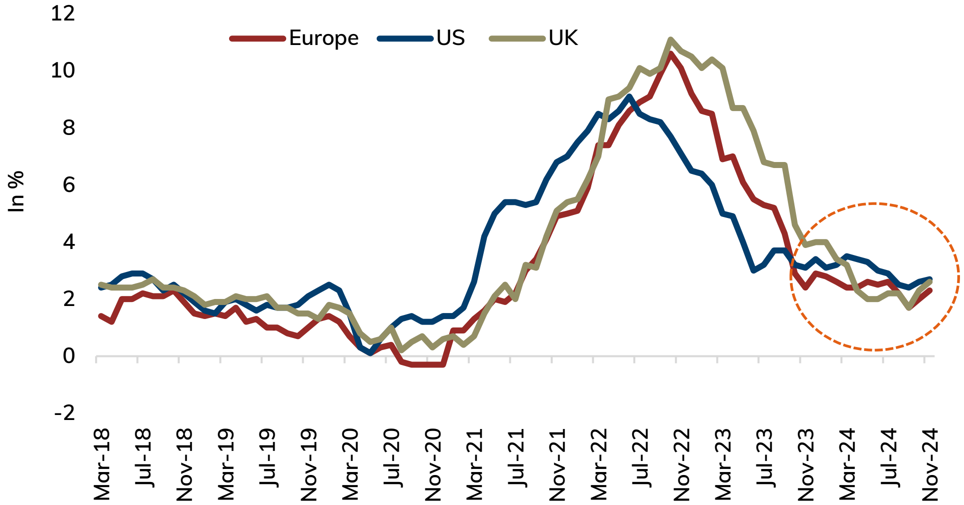
- Gold prices rallied sharply in 2024 and hit all time high of $2790 as US Federal Reserve reduced rates by 100bps. Additionally, prices remained firm due to central bank buying, uncertainty surrounding US Presidential election and escalating geopolitical tensions

- Internationally Base Metal prices ended on positive note as China unveiled slew of stimulus packages to revive economic growth. Further, monetary easing across major economies supported prices. On domestic front Rupee depreciation helped prices to gain further

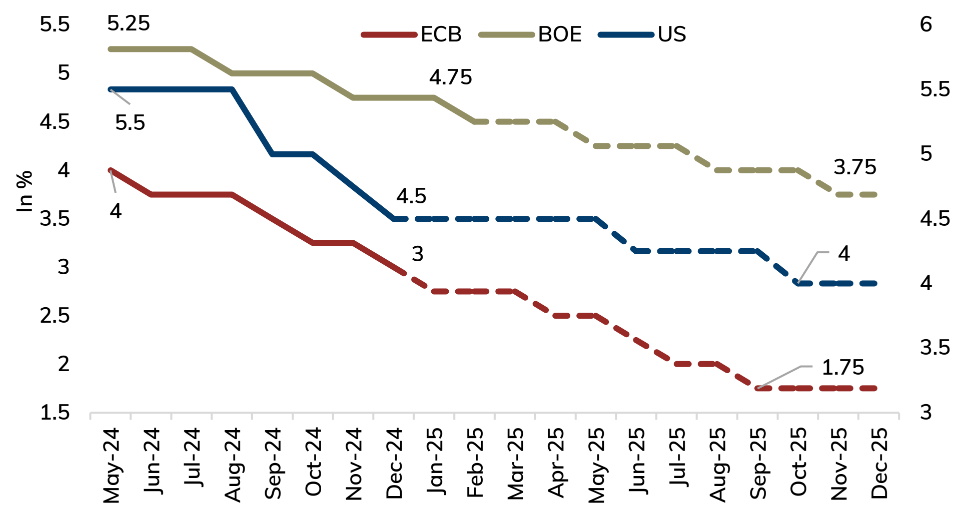
- For Crude oil it was an eventful year. Oil prices ended year on positive note on geopolitical tension in Middle East and Eastern Europe. Further, OPEC delayed its planned output hike to 2025. While, demand concerns from China capped sharp upside in prices.

Factors to determine commodity moves in CY25

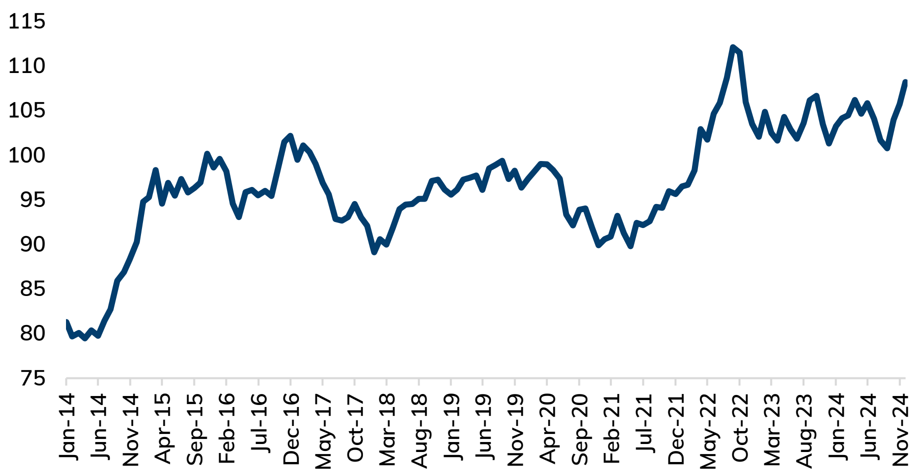
Easing inflation across major countries



Rut cut expectations across major economies



Strength in Dollar Index



Source: Bloomberg, ICICI Direct Research

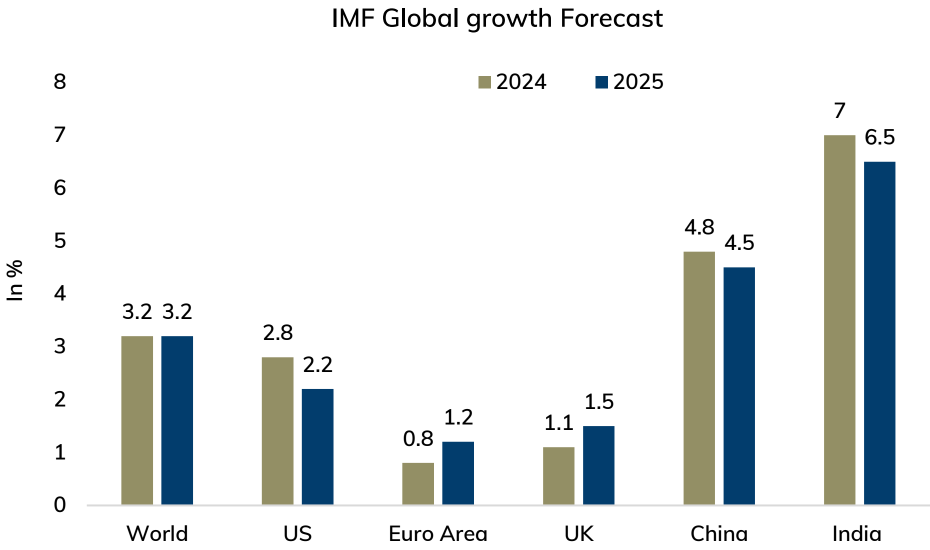
- In the coming year, we expect US core-inflation to remain above Fed's 2% target due to strong growth and inflationary effects from new immigration and trade policies. While in Europe inflation is likely to move below central bank target

- Major central banks across globe are expected to continue with its monetary easing. US Fed is likely to adopt cautious stance and reduce the pace of rate cut. While, ECB is forecasted to continue easing with same pace and cut rates below 2%

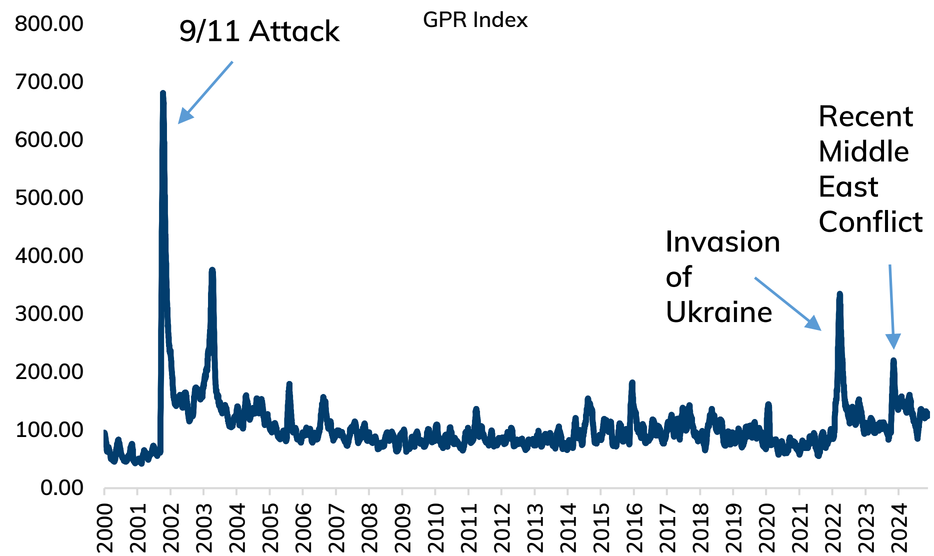
- Donald Trump presidency will herald period of strong dollar as his policies on immigration, trade and tax would spur inflation. Moreover, major US Trading partners faces risk of higher tariffs hurting economic growth and widening their interest rate differentials with US, supportive for Dollar

Factors to determine commodity moves in CY25

Chinese Economy faces risk of trade war



Geopolitical tension



- Global economy is expected to grow with steady pace of 3.2% in 2025 amid low inflation, steady employment growth and continuous monetary easing. While, significant downside risk to the outlook would be elevated geopolitical tension in Eastern Europe & Middle East.
- Further, if Donald Trump applies import tariffs then it would spark trade war. During the campaign Trump said he would impose tariffs of 10% on imports from all countries and 60% or more on goods from China
- Economic growth in China is likely to witness slowdown underpinned by resumption of trade war and prolonged housing downturn. In 2024 exports have worked as main source of growth for Chinese economy and increased tariffs will damage that recovery

Source: Bloomberg, World Bank, IMF, ICICI Direct Research

Bullion Outlook

Gold prices to make new high of ₹ 85,000…

Trade war concerns may stir up demand for safe haven

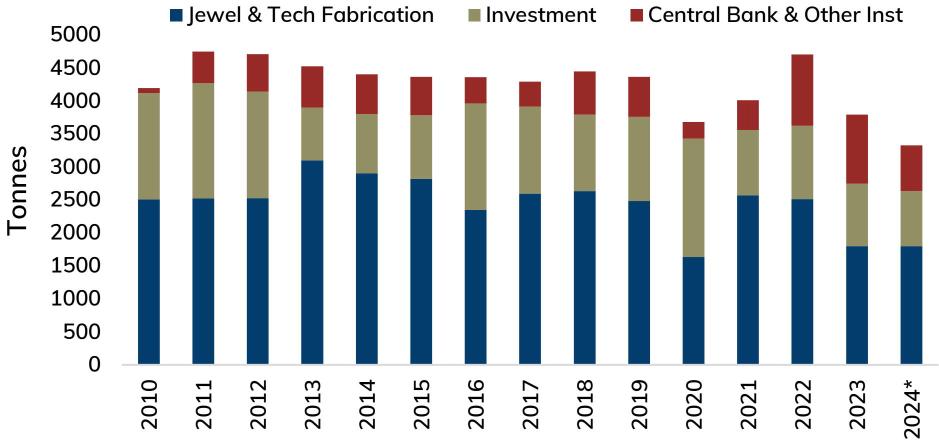
Source: Bloomberg, ICICI Direct Research

Outlook

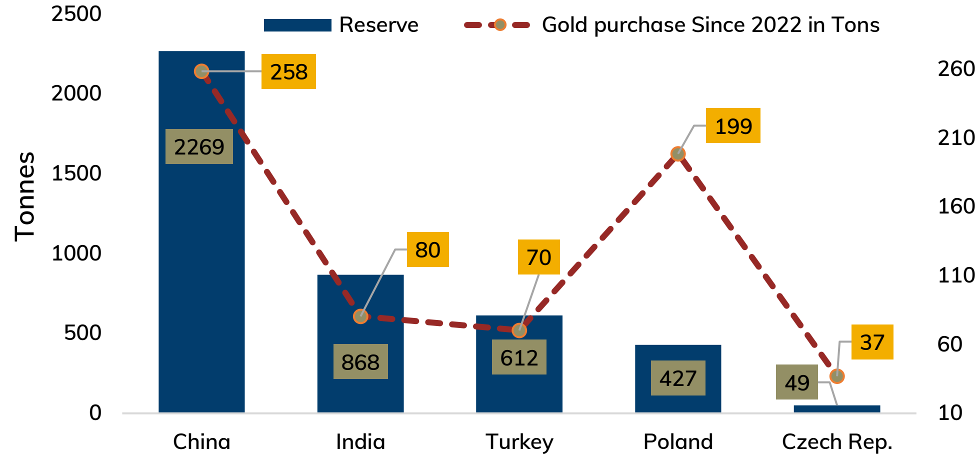
- Gold prices are likely to continue with its upward trend supported by safe haven demand amid heightened geopolitical tensions and fear over potential trade war hurting economic growth.
- Moreover, major central banks will continue to ease monetary policy as inflations touching near central banks targets
- Geopolitical tensions in Middle East and Eastern Europe may continue to make gold valuable as hedge against uncertainties.
- Additionally, central banks are likely to continue with their buying spree, diversifying their reserves
- A strong dollar and rise in US treasury yields may provide some headwinds to gold prices. Trump's proposed policies are inflationary in nature which would limit Fed form cutting rates
- Spot Gold is likely to rise further towards $2900-$3000 in coming months

Central bank buying and Geopolitical tensions : support gold prices

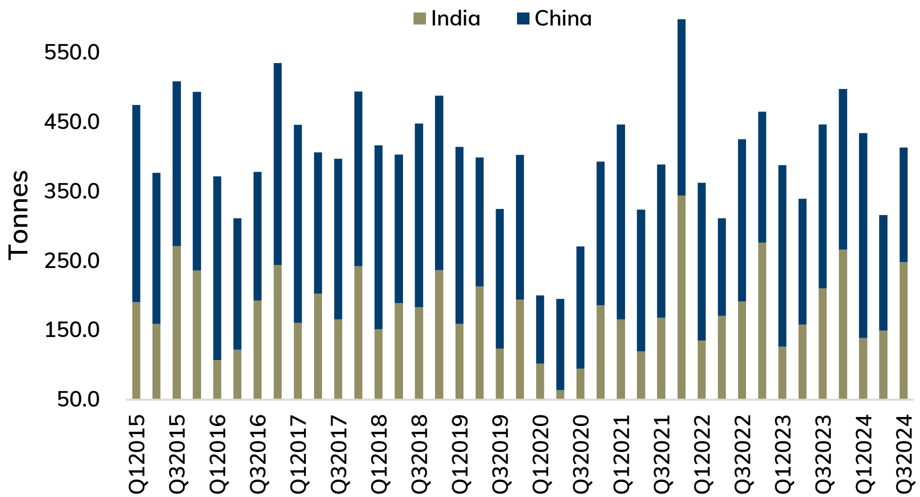
Demand from central banks on move



Top central banks gold purchase



Consumer demand to pick up pace



*Till Q3 CY24

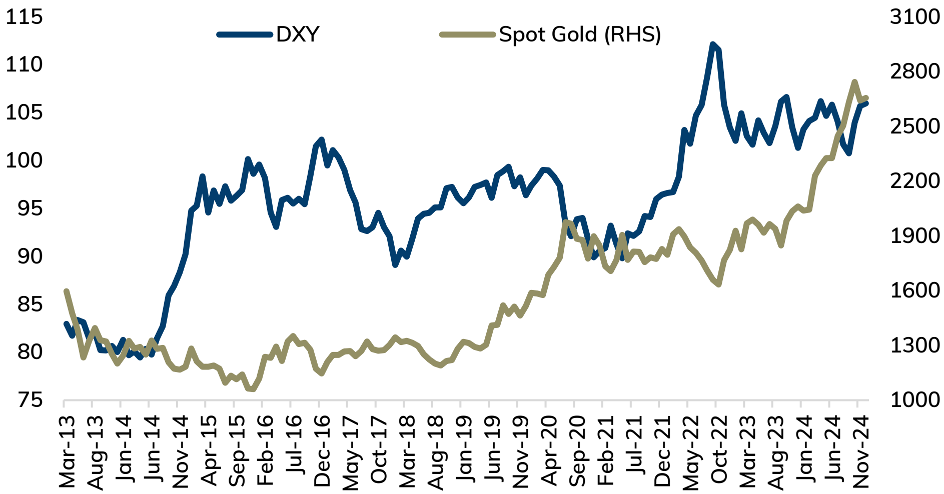
Source: Bloomberg, World Gold Council, SPDR Gold Shares, ICICI Direct Research

- Global central banks purchased ~186tonnes of gold in Q3CY24 which is lesser then compared to same quarter last year, but still looked healthy. Moreover, central banks have purchased 694tonnes of gold this year so far which is in line with same period of 2022. Looking at the current situation, the central bank will continue to add gold to diversify their reserves for financial or strategic reasons

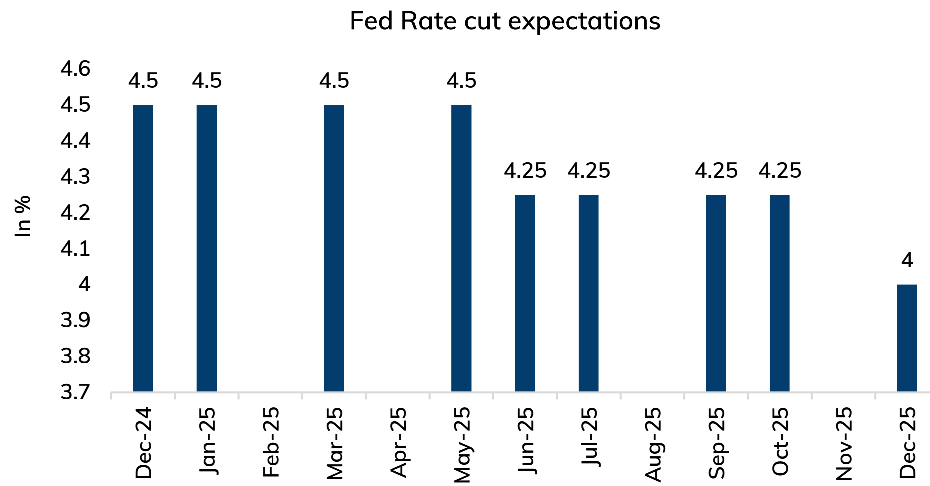
- China's central bank broke the silence and re-entered the market after 6 month pause and purchased 5tonnes of gold in November taking reserves to 2269tonnes. China remained one of the top gold buyer of 2024 with 34tonnes. Looking at the current scenario PBOC is likely to continue to add gold to its reserves as it has low amount relative to other FX assets

Fresh Investment demand to kick in 2025

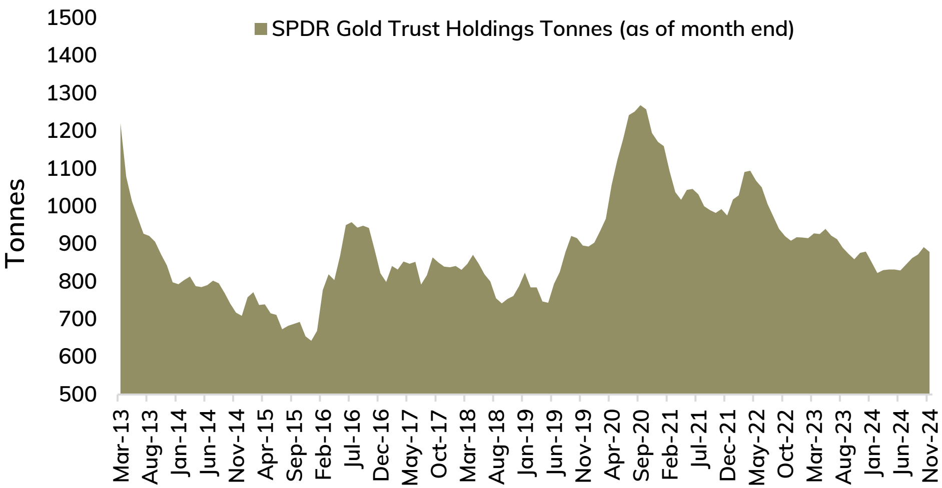
Dollar Index gaining strength



Reduce pace of rate cut



Inflows likely to continue in Gold ETFs



- In 2024, we saw inflows in ETF for 6 consecutive month till October turning holdings positive as investors flocked to safe haven assets amid geopolitical tensions and market uncertainties. However, outflows were witnessed in November amid strong dollar and rise in US treasury yields. We believe fresh investment demand may kick in 2025 as investors will buy gold as store value amid concerns over trade war

- Dollar Index has already started gaining steam and is likely to rise further as Trump policies on trade and immigration could spur inflation in US crumpling Fed's ability to cut rates with higher magnitude. Moreover, as trade war commences uncertainty about growth could hurt market sentiments, supportive for dollar.

Source: Bloomberg, CME FedWatch tool, SPDR Gold Shares, ICICI Direct Research

Silver may rally further towards ₹ 1,10,000 levels…

Silver to remain supported amid rising industrial demand

Source: Bloomberg, ICICI Direct Research

Outlook

- Silver prices are likely to move higher as market is likely to remain in deficit for fourth consecutive year.
- Demand in the industrial sector is likely to grow amid green economy applications particularly photovoltaics, electrification of vehicles, investments in infrastructure, such as charging stations, power grids and rapid adoption of AI technologies
- Moreover, investment demand may surge amid rate cut across major economies, hopes for more stimulus packages from China and elevated geopolitical tensions
- Spot Silver is likely to rise further towards $37-$38 level in coming months

Market balance to remain in deficit

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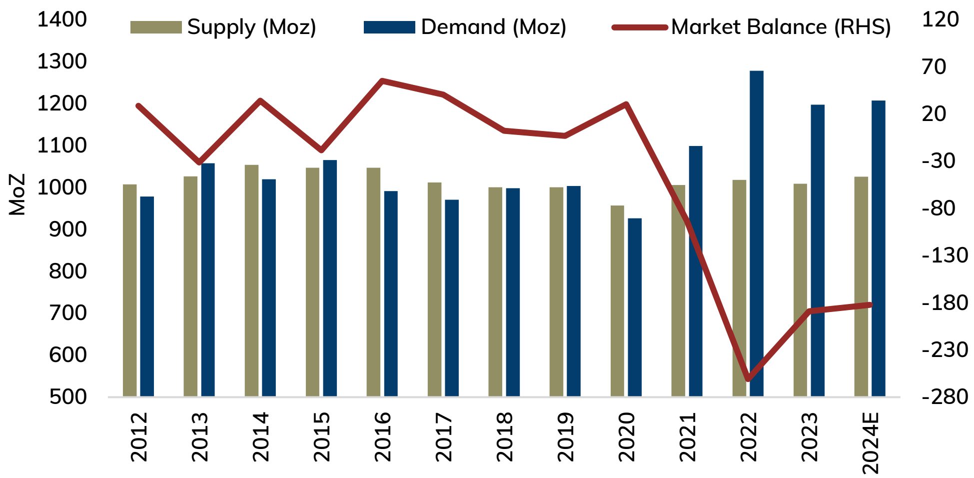
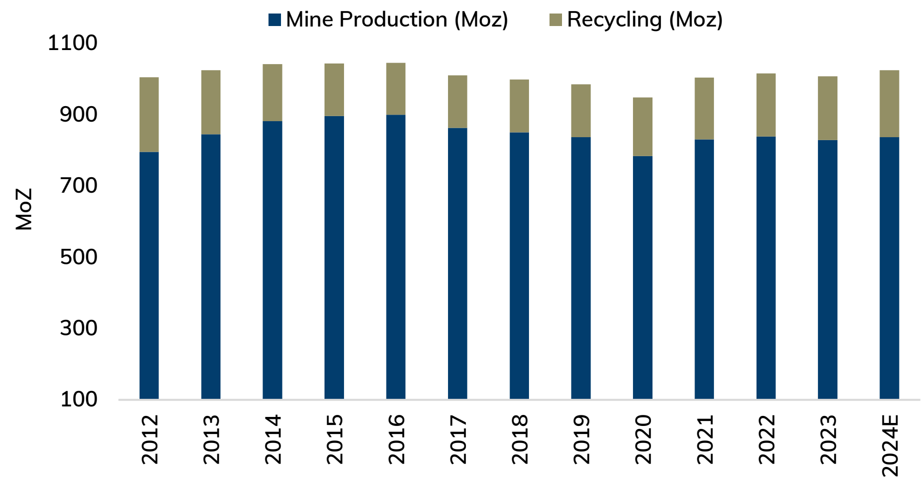
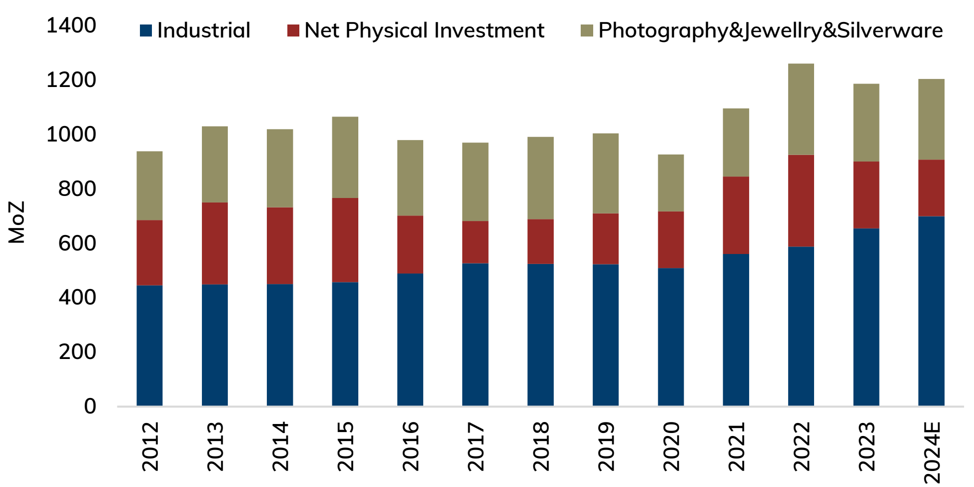
Demand expected to surpass supplies for 4th year



Mine production to remain flat



Silver demand to rise across segment

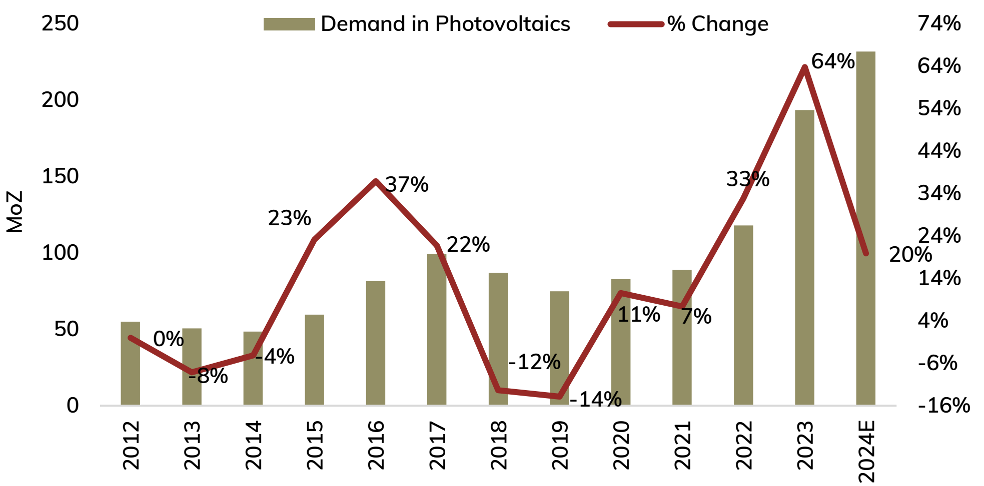


- Global silver market is projected to see another deficit in 2024, marking 4th consecutive year. Market deficit is expected to be around 182 million ounces in 2024
- Demand for Jewelry and silverware projected to rise by 5% in 2024. India been key growth contributor after cut in import duty. Whereas, Physical investments forecasted to fall in 2024 by 15%. However, in the coming year, fresh investment demand is expected to arise due to buoyant safe haven demand

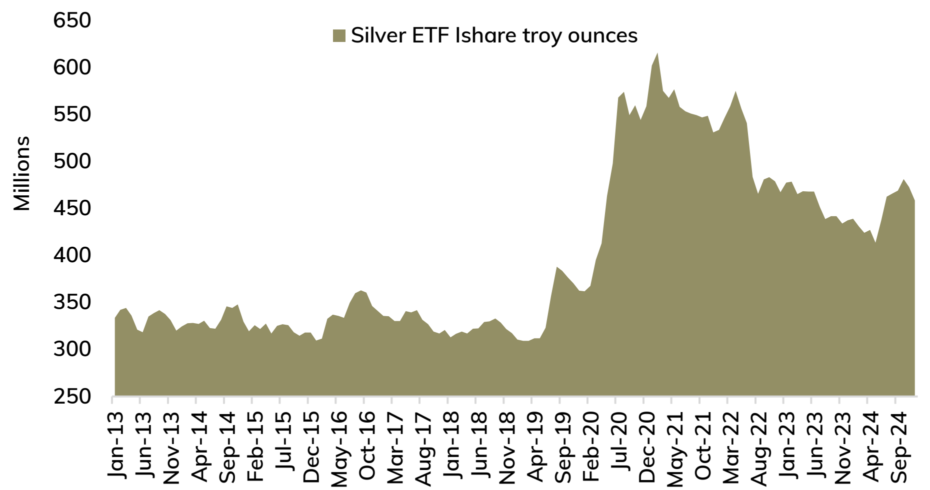
Source: Bloomberg, Silver Institute, ICICI Direct Research

Silver use in renewable energy to keep rising

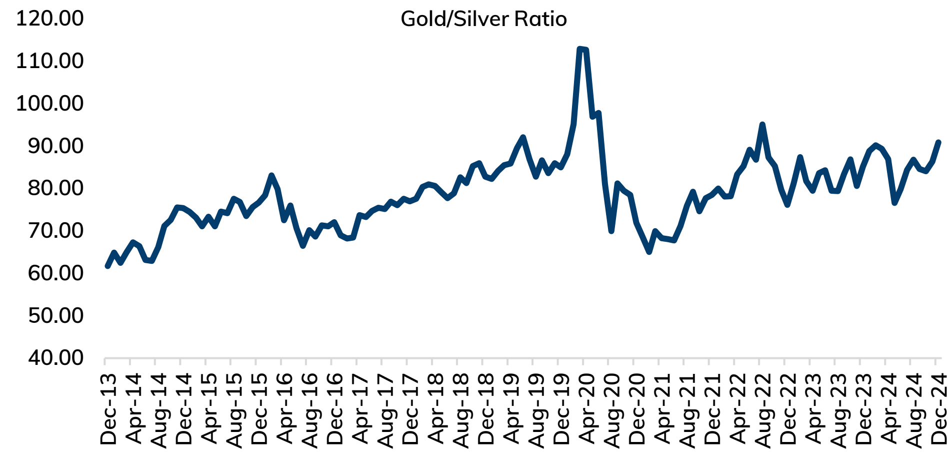
Silver demand on rise in Photovoltaics



Silver ETF demand to keep mounting



Gold/Silver ratio to slip back below 80



- Demand for silver in industrial segment is expected to grow by 7% this year surpassing 700 million ounces for the first time. Demand in the industrial sector is likely to grow amid green economy applications particularly photovoltaics, electrification of vehicles, investments in infrastructure, such as charging stations, power grids and rapid adoption of AI technologies
- Going ahead, demand for ETF may surge in 2025 amid rate cut across major economies, hopes for more stimulus packages from China and elevated geopolitical tensions
- We expect silver to outperform gold in 2025 taking ratio again down below 80 level, which is standing near 89 right now

Source: Bloomberg, Silver Institute, IEA, ICICI Direct Research

Energy Outlook

WTI crude oil: May trade in a range of $60-$85 level

Crude oil to remain under pressure amid market surplus

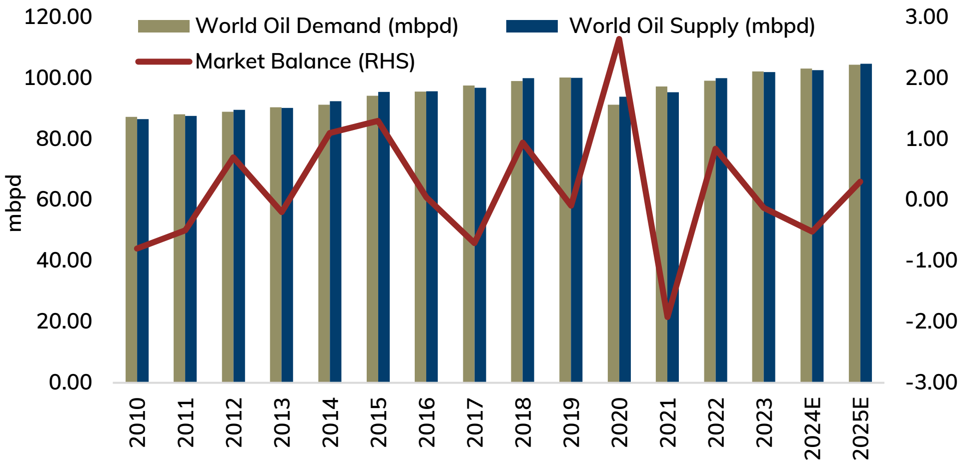
Source: Bloomberg, ICICI Direct Research

Outlook

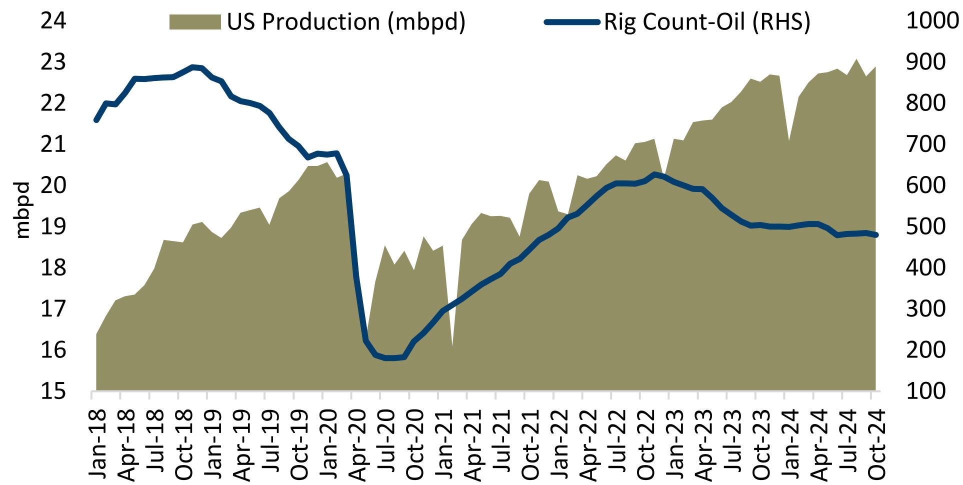
- Crude oil prices likely to slip further on demand concerns and surplus outlook.
- Market is expected to remain in surplus next year despite of OPEC+ members delaying the production increases. The growth in oil production next year will come mostly from non-OPEC countries.
- Additionally, OPEC is sitting on sizable spare production capacity which can protect market even in the event of any supply disruption
- Moreover, potential trade war in Donald trumps second term will have negative effect on economic growth hurting demand
- Only risk to the prices would be any disruption of oil flows through strait of Hormuz, as Persian Gulf supply move through this route
- MCX Crude oil prices may dip further towards ₹5200 levels in coming months

Market to remain in surplus in 2025

Fundamentals pivoting to oversupply

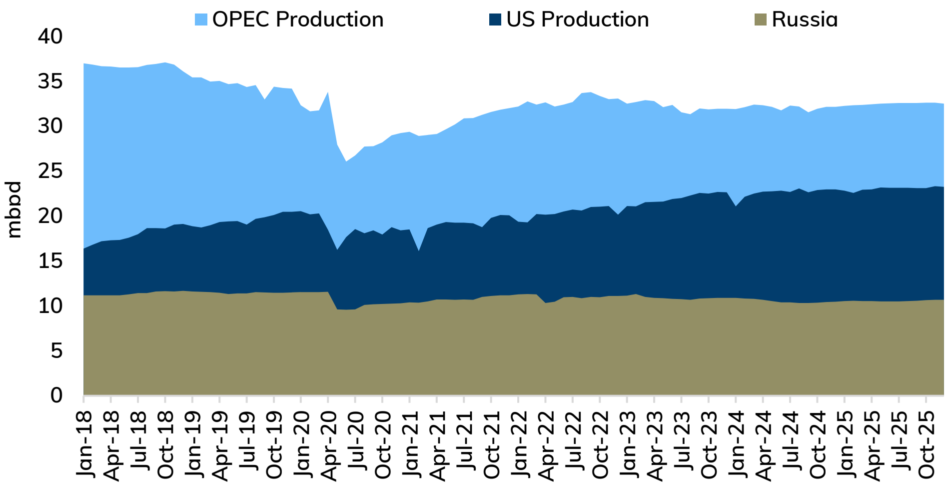


Friendly oil policies to boost production



Crude Oil and Other Liquids

OPEC spare capacity to provide comfort



Crude Oil and Other Liquids, Projection:2025

Source: Bloomberg, OPEC, EIA, ICICI Direct Research

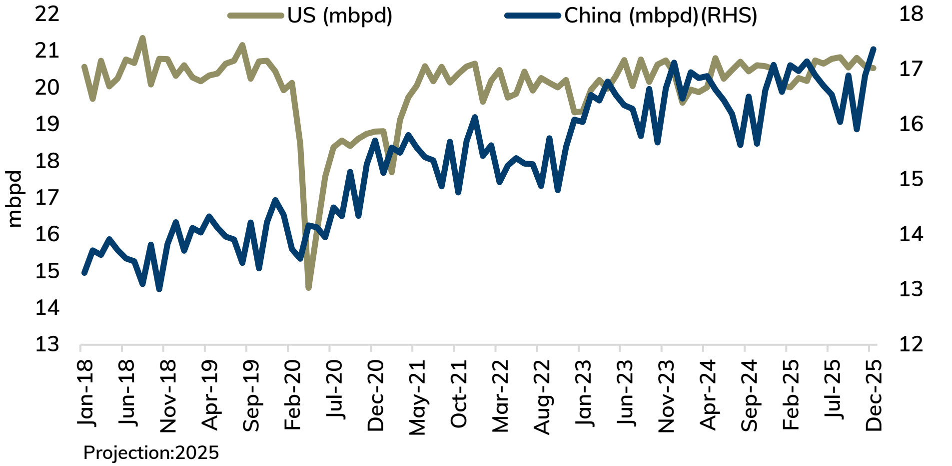
- Crude oil market is expected to remain in surplus next year despite of OPEC+ members delaying the production increases until April 2025. The growth in oil production next year will come mostly from non-OPEC countries. Market is expected to show the surplus of more than 0.5mbpd in 2025

- OPEC+ is planning to increase supply at slower pace. Group may take 18 months to return the supply of 2.2mbpd of voluntary output cut. OPEC+ also extended 3.65mbpd cuts until end of 2026

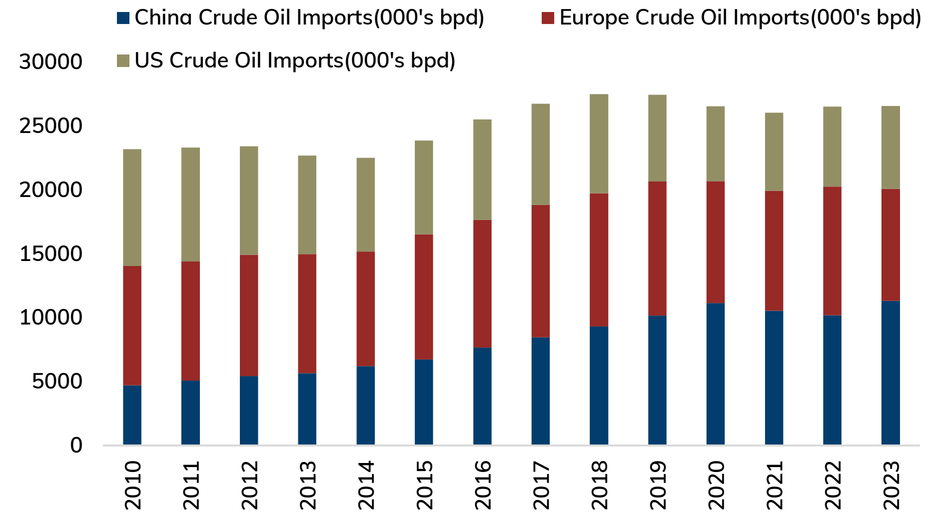
- US Donald Trump friendly oil polices could boost oil production in US. It may even help to increase production beyond projections. US crude oil production is forecasted to grow to record high of 13.50 mbpd in 2025

Uncertain outlook for Chinese economy: Slowdown demand

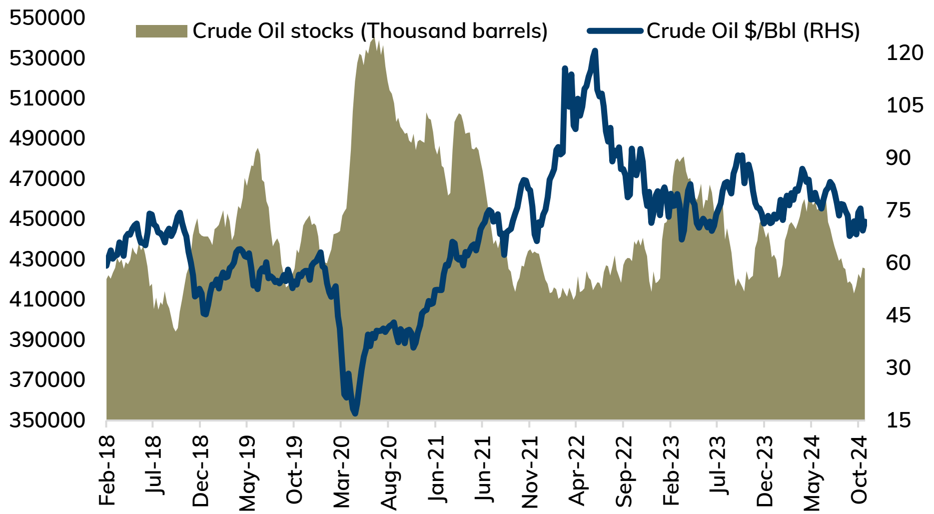
Demand in China to loose momentum



Slowdown in economic activity to hurt imports



Rising inventories to hurt crude prices



- As per EIA global oil inventories will fall by 0.7mbpd in the first quarter of 2025 amid extension of OPEC+ production cuts. However, ramp up in OPEC+ production and continued supply growth outside of OPEC+ will lead to an average inventory build of 0.1mbpd over the remainder of 2025

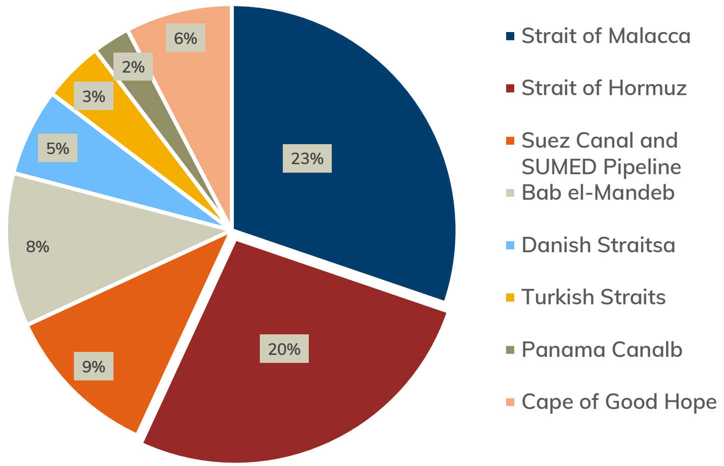
- China's crude oil demand is likely to slowdown next year amid uncertain outlook for Chinese economy as real estate and construction downturn continues to drag on economy. Additionally, potential trade war in Donald trumps second term will have negative effect on economic growth. In 2024 exports have worked as main source of growth for Chinese economy and increased tariffs will damage that recovery.

Source: Bloomberg, OPEC, EIA, ICICI Direct Research

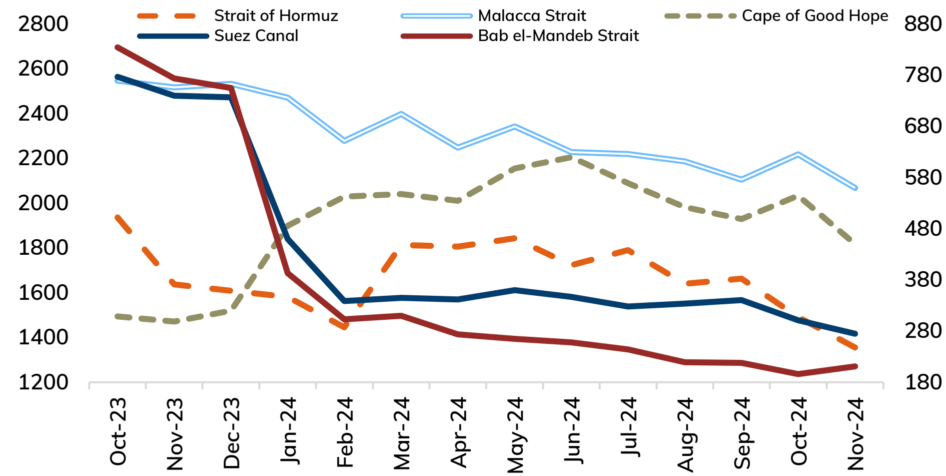
Strait of Hormuz worlds important oil transit route

ICICI direct Research

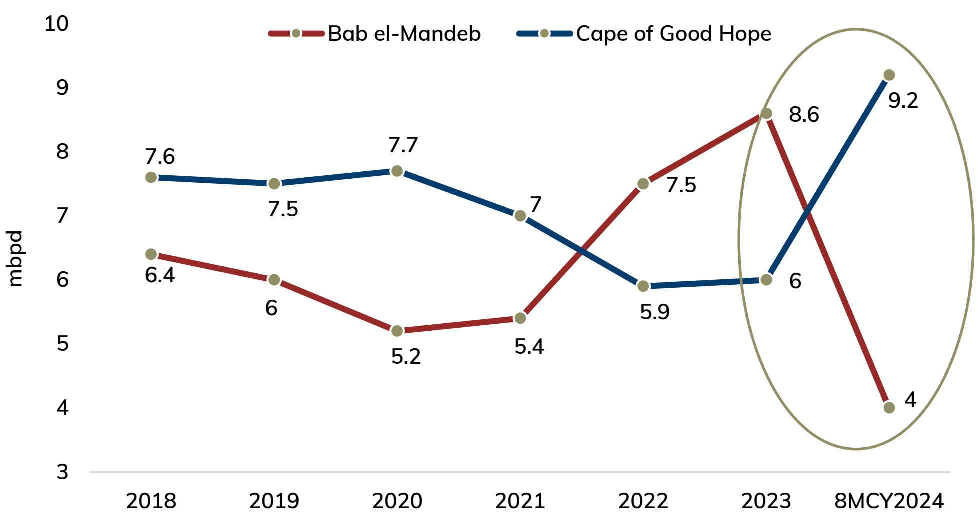
Oil flows through Hormuz ~20% of global consumption



Oil transport disruptions-Number of Tankers



Volume of crude and petroleum liq transported mbpd



Source: Bloomberg, OPEC, EIA, IMF-Port Watch,ICICI Direct Research

- Due to Yemen based Houthi attacks on ship transiting the Red sea, vessels began avoiding Bab el-Mandeb strait and took longer route around cape of good hope. This lead to decrease of oil flow from that route by 50% in first 8 months while flow through Cape of Good Hope increased to 9.2 mbpd in the first 8 months of 2024 from an average of 6.0 mbpd in 2023. As the attacks continues the alternative route will be preferred again preventing disruption in supply

- As soon as Donald Trump takes the Chair there is a high possibility that he would enforced oil sanctions on Iran putting supply at risk but it would help OPEC+ to increase output more comfortably. Only concerns is that if Iran tries to retaliate and block strait of Hormuz we may witness supply disruption as Persian Gulf supply move through this route

Base Metals Outlook

Copper may slip back towards ₹ 690 levels…

Copper prices may dip on demand concerns from China

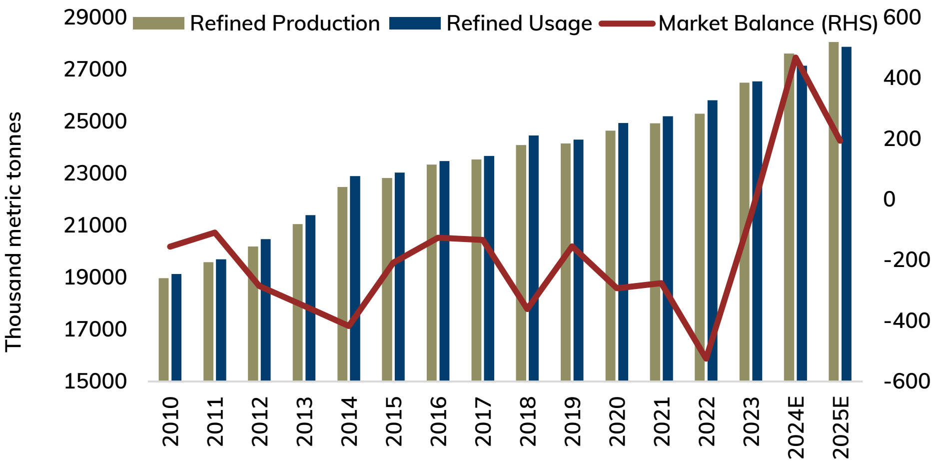
Source: Bloomberg, ICICI Direct Research

Outlook

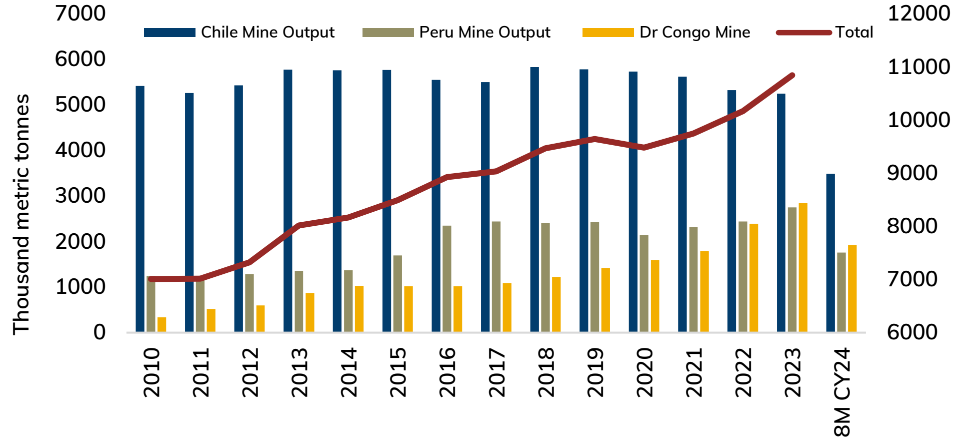
- Copper prices are likely to remain under pressure on demand concerns from China. Chinese economy is already facing weak domestic consumption amid prolonged property crisis and deflation fears. Donald Trump victory has added more concerns with a threat of tariffs on Chinese products.
- Moreover, refined copper market is forecasted to remain in surplus.
- Additionally, Copper stocks held at the major metal exchanges remain elevated signaling well supplied market
- However, sharp fall in prices may be capped if Beijing unveil stronger than expected stimulus packages
- On MCX Copper prices are likely to correct further towards ₹690 level as long as it stays below strong resistance of ₹860 level

Weak Chinese demand and Trump policies may prove headwinds

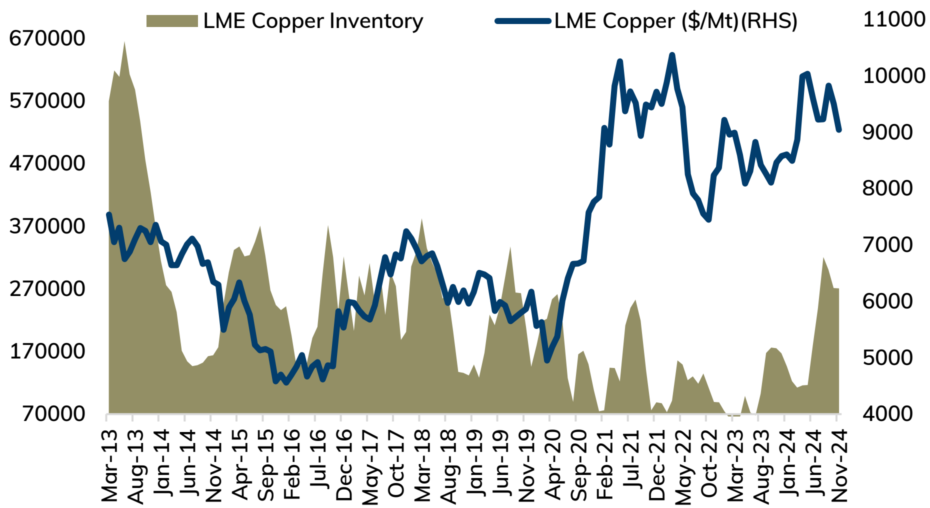
Market to remain in surplus



Ramp-up in capacity at Mines in D R Congo



Pilling up of stockpiles to hurt prices



- As per ICSG in 2025 world copper mine output is projected to increase by 3.5% mainly aiding from build up in capacity at mines in D.R.Congo and Mongolia. Additionally, number of expansion and opening of some medium and small mines will also add to the production. Meanwhile, uncertainty over restart of mining at Cobre Panama may weigh on supply outlook. Cobre Panama mine closure removed 330000 tonnes from global output in 2024

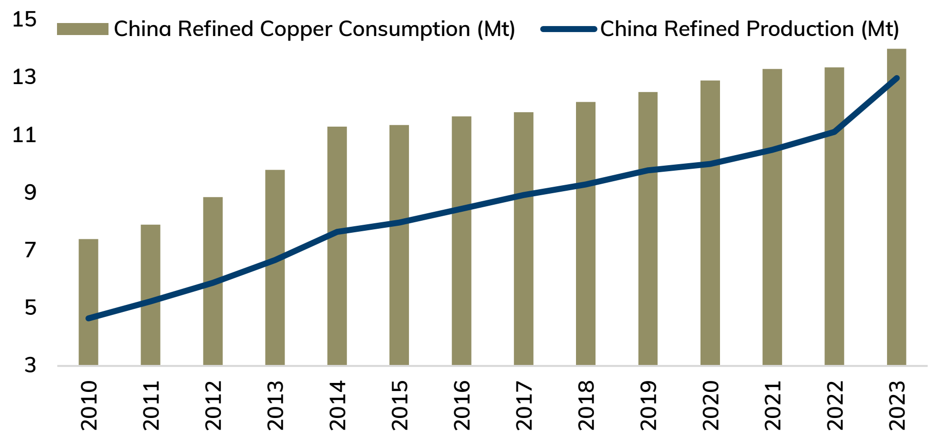
- In 2025 refined copper market is forecasted to remain in surplus amid continued expansion of Chinese capacity and the ramp-up of new smelters and refineries in India and Indonesia. A surplus of 194,000 tonnes is expected

- Also, Inventories at LME registered warehouses continued to pilled up. Copper stocks held at the major metal exchanges (LME,COMEX,SHFE) remain elevated signaling well supplied market

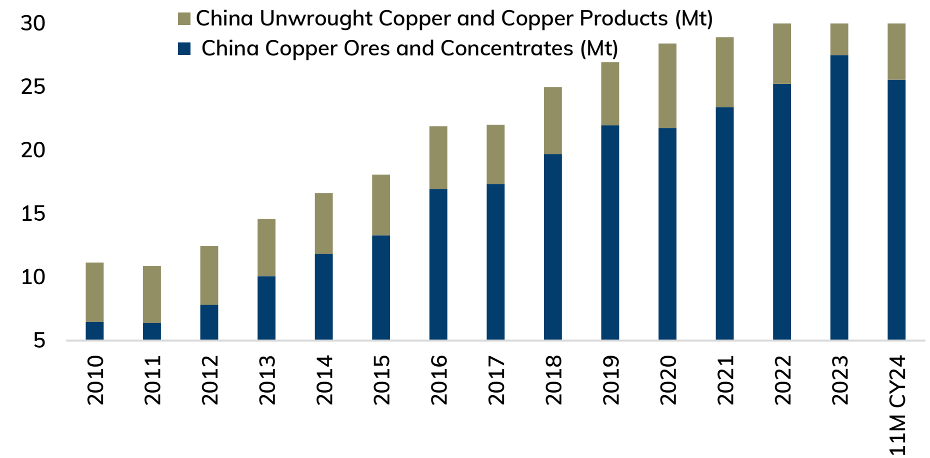
Source: Bloomberg, Ministry of Energy and Mines Peru, Chilean Copper Commission, DRC Ministry of Mines, ICSG, USGS, ICICI Direct Research

Looming US tariffs to threaten economic growth

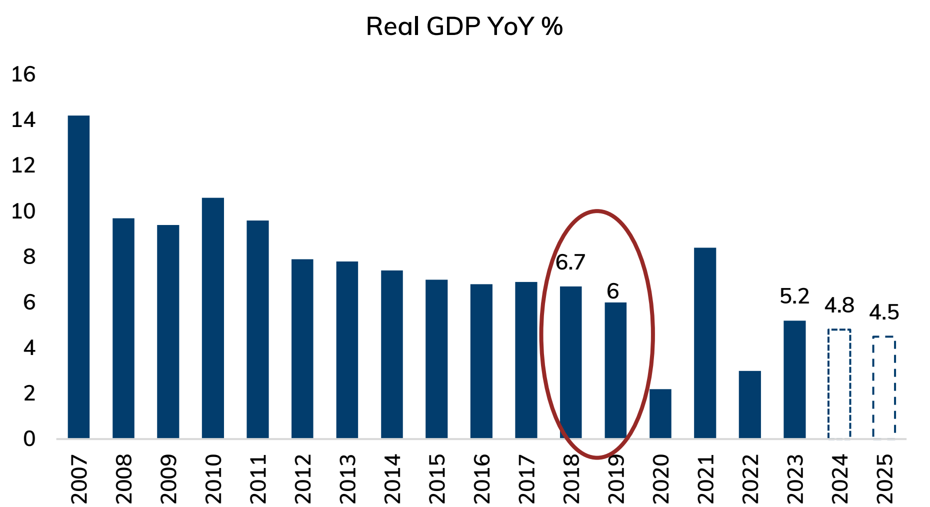
China continued to expand capacity



Imports may get hurt amid uncertain economic growth



Economy likely to slow amid resumption of trade war



Source: Bloomberg, ICSG, USGS, GACC, ICICI Direct Research

- China's refined copper production is on rise as country continued to expand capacity despite of low profits, heading for another record high output this year. Moreover, China's copper imports improved amid drop in copper prices
- China has released slew of stimulus measures in 2024 including rate cuts and target support for real estate sector but so far has failed to impact meaningfully on demand. Moreover, any new stimulus measures impact on demand, will depend totally on strength and speed of rollout
- Economic growth in China is likely to witness slowdown underpinned by resumption of trade war and prolonged housing downturn. US President Donald Trump plans to impose tariffs of 60% or more on goods from China.

Aluminium likely to rise towards ₹ 280 levels...

Aluminium may rise as market expected to remain in deficit

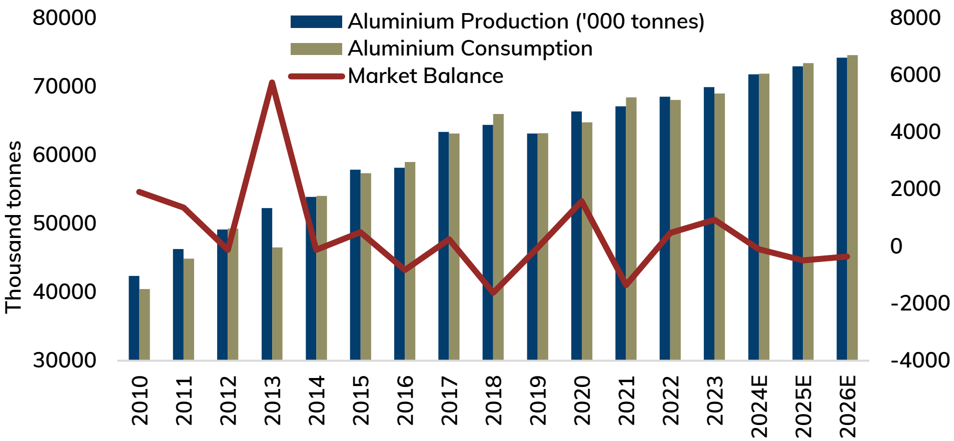
Source: Bloomberg, ICICI Direct Research

Outlook

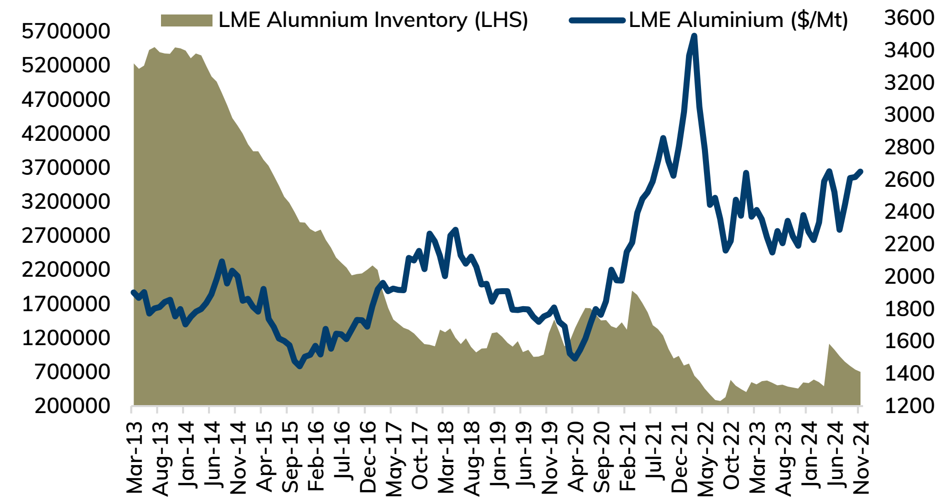
- Aluminum prices are likely to rise further as market is expected to remain in deficit.
- Russian Aluminium producer Rusal plans to reduce its outputs by more than 6%, due to soaring cost of alumina.
- Removal of aluminium products exports tax rebate by China will restrict flows from the country
- Inventories at LME registered warehouses have been diminishing persistently
- Additionally, rising demand from EV's, renewable power and electric grid infrastructure would support prices
- MCX Aluminium is likely to rise back towards ₹280 level as long as it stays above ₹210 level

Cut in production capacity, low stock to support Aluminium

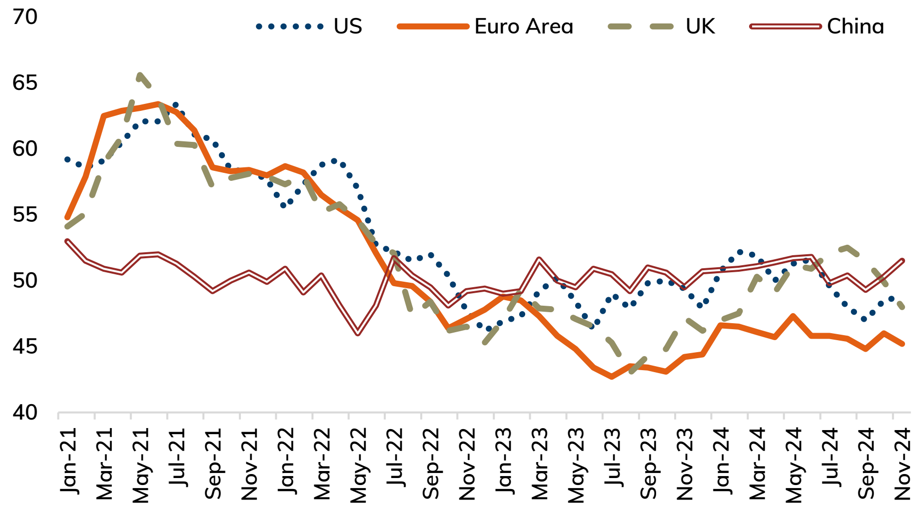
Modest deficit to be seen next year



LME inventory trending lower



Slowdown in global manufacturing activity



- Output cuts which took place in Europe since December 2021 have begun to restarts but significant capacity still remain offline. With rising price of alumina we don't see any new restarts
- Russian Aluminium producer Rusal plans to reduce its outputs by more than 6%, which is equivalent to 250,000 tonnes annually due to soaring cost of alumina. Market is seen to be in deficit this year by more than 450kt
- Inventories at LME registered warehouses have been diminishing persistently, supportive for prices

Source: Bloomberg, IAI, industry.gov.au, ICICI Direct Research

Lead likely to slip further towards 160 levels…

Lead may slip on rising inventories and market surplus

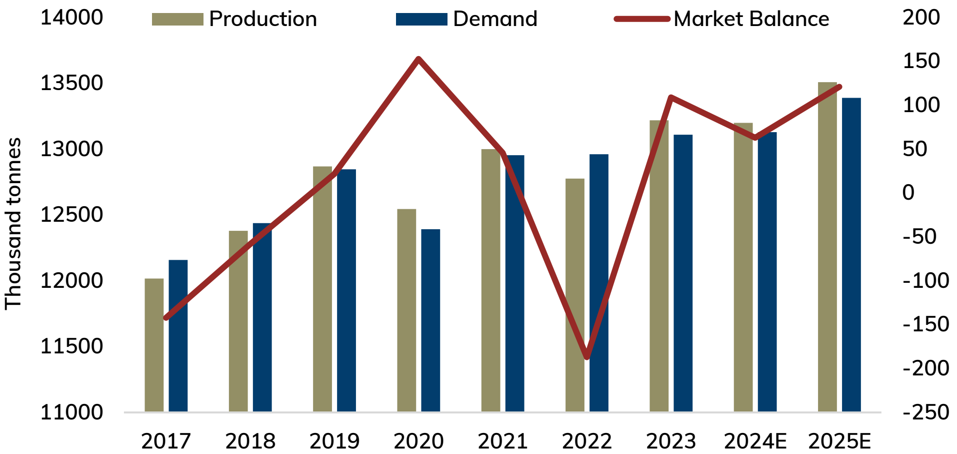
Source: Bloomberg, ICICI Direct Research

Outlook

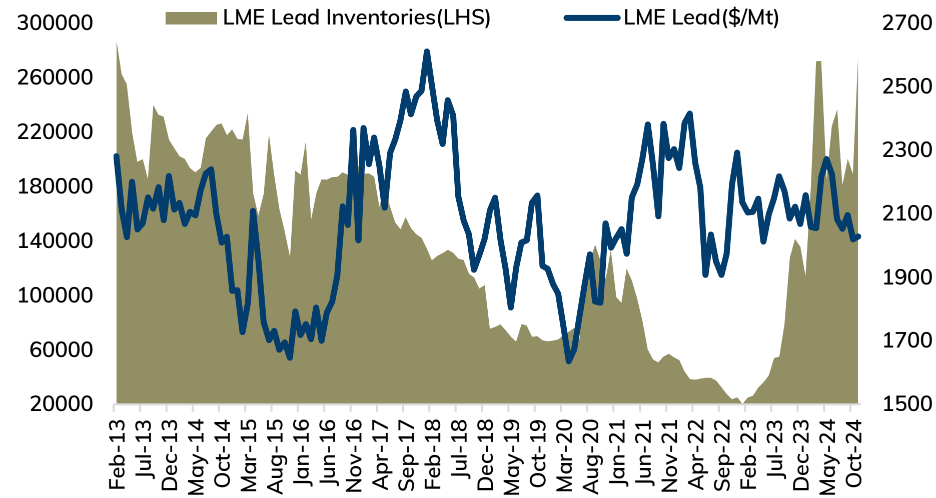
- Lead prices are expected to slip as global refined lead supply is forecasted to surpass demand leading to market surplus for 3rd consecutive year
- Lead inventories at LME registered warehouses are near 11-year high
- Meanwhile, sharp downside may be cushioned as expectation of more stimulus package from China and monetary easing across major economies will lift sentiments for the automotive sector
- MCX Lead is likely to slip further towards 160 level as long as it trades below stiff resistance of 190 level

Global Lead supply to exceed demand

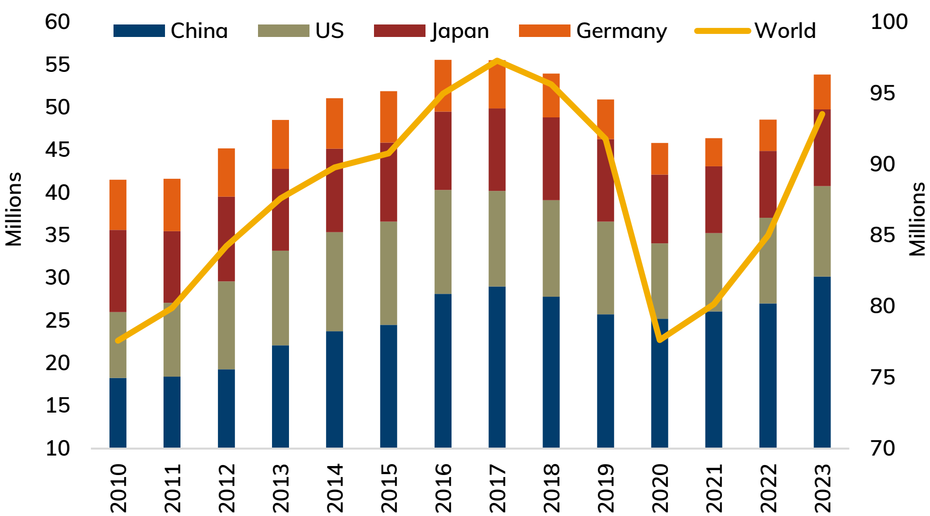
Lead market to remain in surplus for 3rd year in row



Lead stockpile near 11-years high



Rising car production to increase demand for lead



Source: Bloomberg, ILZSG, OICA ICICI Direct Research

- As per International Lead and Zinc study group (ILZSG) global supply of refined lead metal will exceed demand with extent of surplus forecast at 121,000 tonnes in 2025
- Lead inventories at LME registered warehouses are near 11-year high. It has increased almost 81% compared to previous year
- Expectation of more stimulus package from China and monetary easing across major economies will lift sentiments for the automotive sector

Zinc may slip back till 240 levels…

Zinc prices to drop on weak demand and growing supply

Source: Bloomberg, ICICI Direct Research

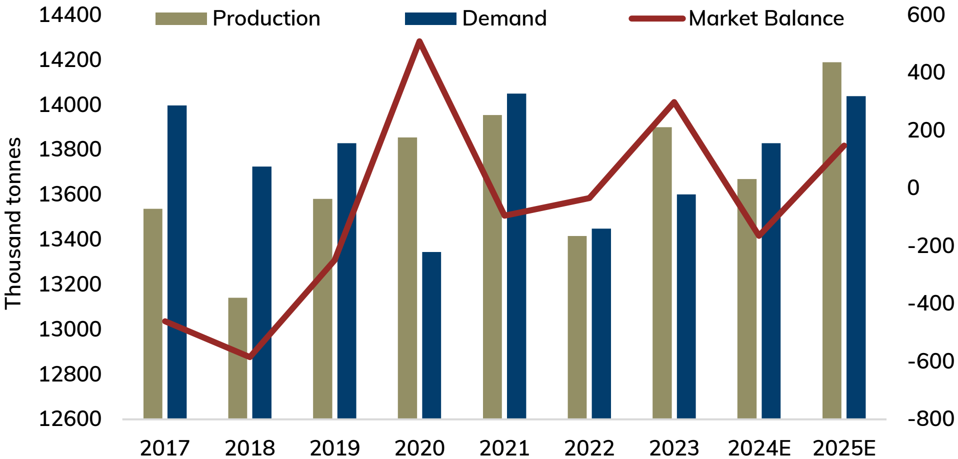
Outlook

- Global refined zinc supply is forecasted to surpass demand leading to market surplus
- Continued weakness in property sector in China will hurt demand for Zinc, mainly used to galvanize steel for construction. China's new home starts continued to fall suppressing demand for steel.
- Zinc inventories at LME registered warehouses have started climbing
- However, sharp fall my be cushioned if Beijing comes up with more targeted support for property sector
- MCX Zinc is likely to dip further towards 240 level as long as it sustains below strong resistance of 300 level

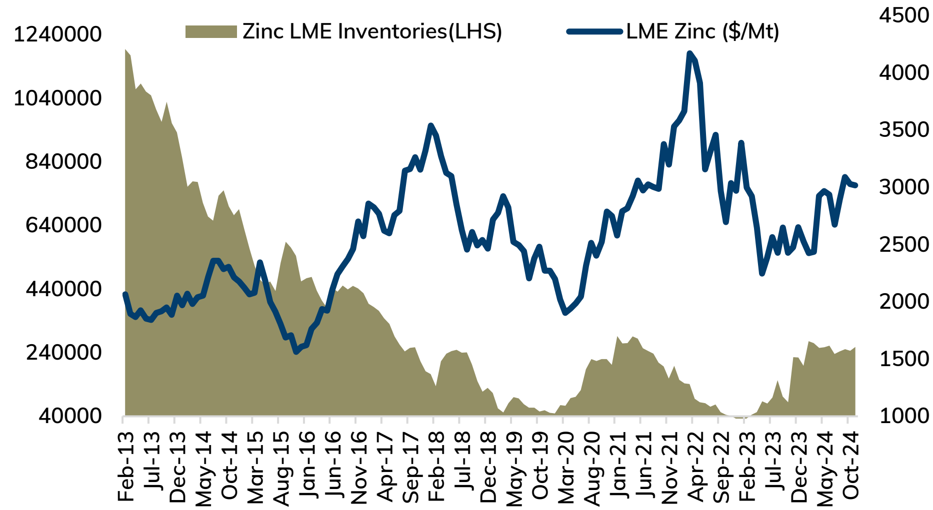
Market surplus and risk of inventory build up to hurt zinc

ICICI direct Research

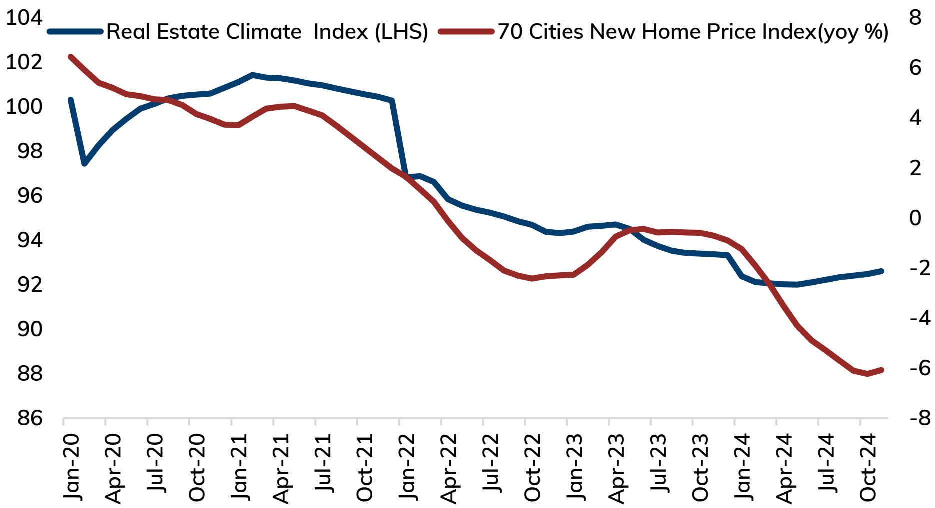
Zinc market to remain in surplus



Zinc stockpile started pilling



Slump in Chinese property market, drag on demand

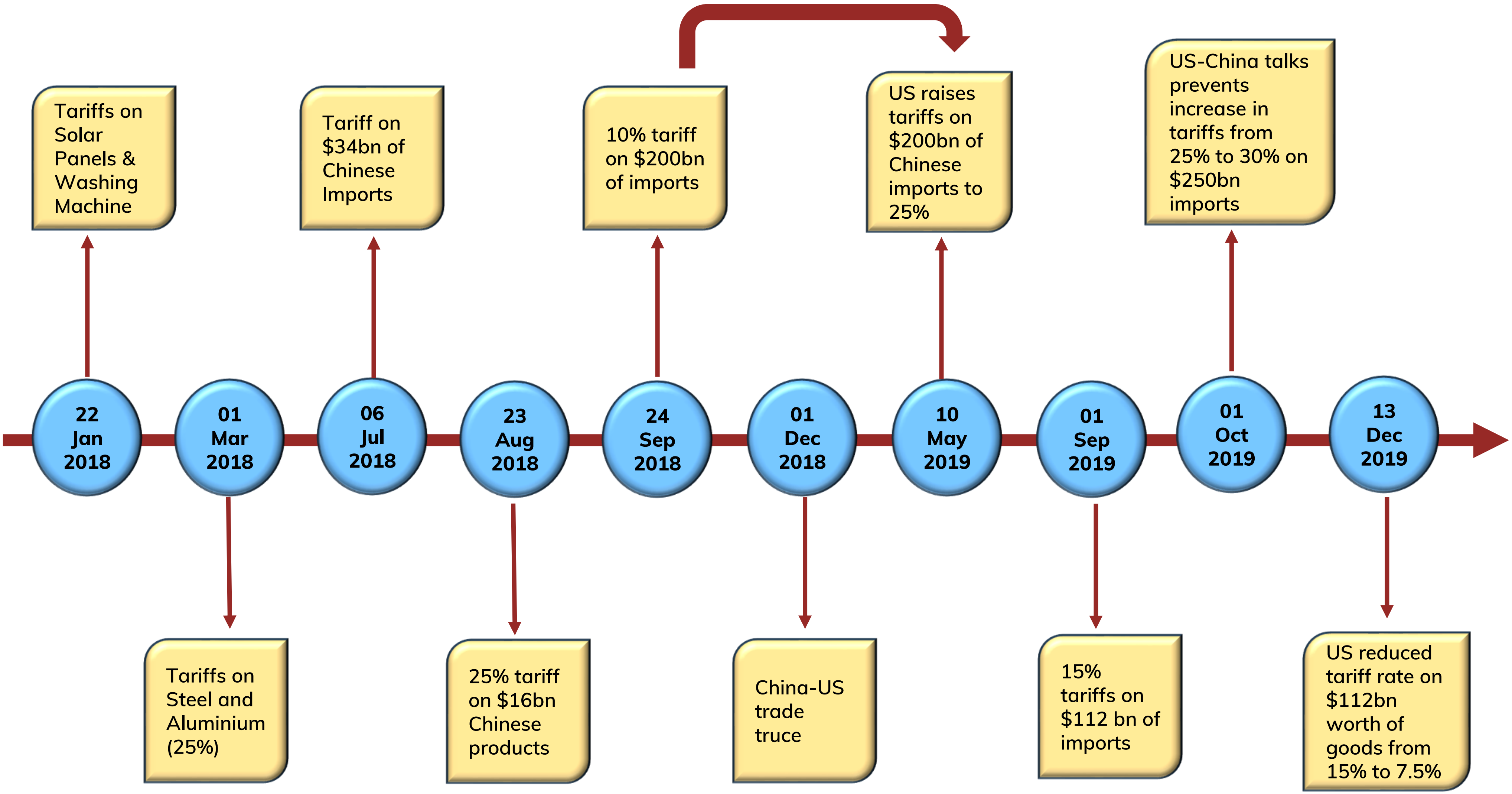


- As per International Lead and Zinc study group (ILZSG), global supply for refined zinc metal is anticipated to surpass demand in 2025 with extent of surplus forecast at 148,000 tonnes
- Zinc inventories at LME registered warehouses have started climbing. It has increased almost 6% compared to previous year
- Slowing industrial production in China and other major economies will hurt demand for Zinc, mainly used to galvanize steel for construction. As per China's Metallurgical Industry planning and research Institute demand for steel will contract by 1.5% in 2025

Source: Bloomberg, ILZSG, ICICI Direct Research

Annexure: Trump 1.0

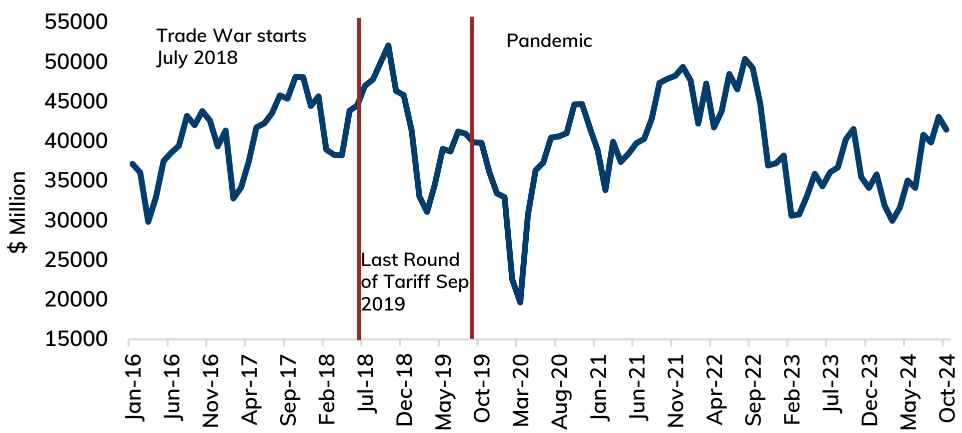
US-China Trade War Timeline



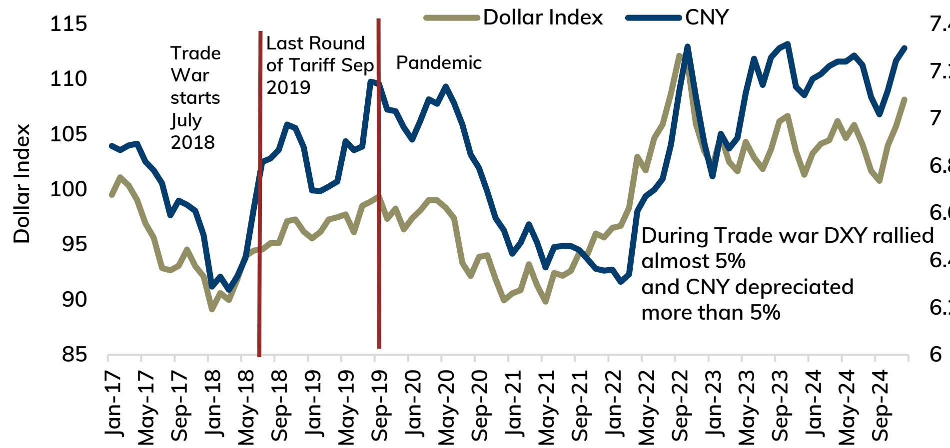
Source: Bloomberg, ICICI Direct Research

Impact of Trade war on Commodities and Currencies 2018-19

Impact of US Import tariffs on China

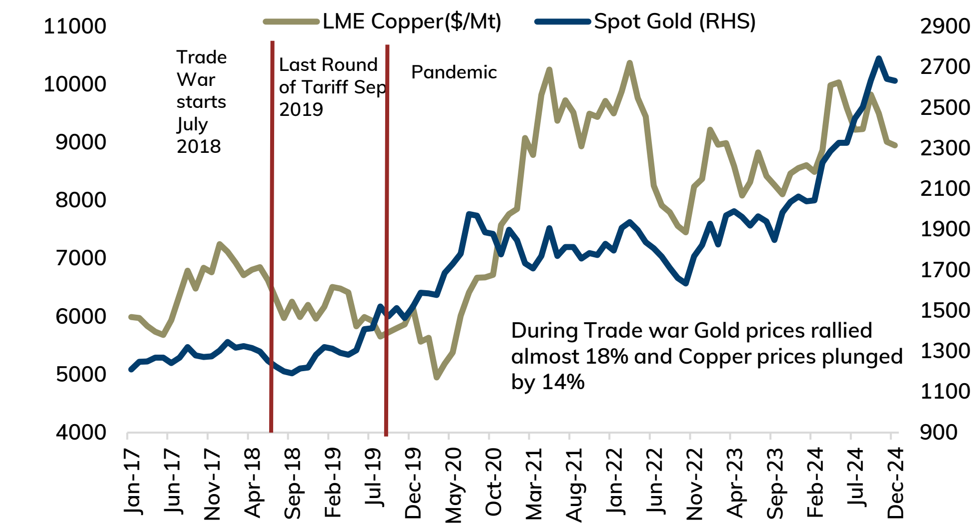


DXY rallied during trade war period



% change calculated from June 2018-September 2019

Gold Shine brighter during trade war



% change calculated from June 2018-September 2019

- During the trade war 2018-19, trump administration imposed tariffs on products from China targeting roughly $350 billion of imports. While China retaliated with several tariffs targeting about $100 billion worth of US products. Imports from China slipped after tariffs were imposed, declining further as global trade collapsed in the wake of pandemic and since have recovered slowly. It still remains below the pre-trade war trend

- 2018-19 trade war had severe impact on commodity prices and currency pairs. During the campaign Trump said he would impose tariffs of 10% on imports from all countries and 60% or more on goods from China. If Donald trump administration imposes tariffs as proposed it would provoke targeted countries to retaliate straining international trade. To offset the impact of heightened US tariffs China may allow Yuan to weaken further and unveil more stimulus and fiscal measures

Source: Bloomberg, US Census Bureau, ICICI Direct Research

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