





#### Aluminium report- Mid-May 2025

Aluminium prices have come under pressure lately, weighed down by soft global growth and early export surges. Yet beneath this short-term weakness lies a supportive medium-term backdrop. With structural supply constraints emerging and trade tensions easing, the stage is being set for a potential rebound. While near-term volatility may persist, the fundamentals increasingly point to a deficit-driven recovery in the second half of 2025.

#### **Key Drivers and Dynamics**

- China, which accounts for around 60% of global aluminium output, produced 44 million tonnes in 2024—just shy of its 45 Mt government-imposed cap. With smelters running at nearly 98% capacity and Q1 2025 output already up 2.6% year-on-year, the ceiling is fast approaching. Under Beijing's 2025–27 "Action Plan," no new smelters can be built unless powered by renewable energy, further limiting expansion. Carbon reduction policies and energy restrictions add another layer of pressure, constraining China's ability to ramp up supply just as global demand from EVs, green energy, aerospace, and infrastructure is set to accelerate—widening the projected deficit.
- Alumina prices have fallen to one-year lows, as supply rebounds in Guinea, Australia, and China ease raw material pressures. While this supports smelting margins, it doesn't offset production limits in China. However, this may offer an advantage to other producers, who could step in to boost output and fill the emerging supply gap.
- Tariff Pullback a Game changer: The U.S. and China have entered a 90-day tariff truce, significantly reducing trade barriers: U.S. tariffs on Chinese aluminium have been cut from 145% to 30%, while China's duties on U.S. goods drop from 125% to 10%. Though earlier Trump-era tariffs (~30%) remain, the move could unlock stalled trade flows and lift sentiment across industrial metals. Additionally, both nations agreed to pause non-tariff measures—including rare earth restrictions and blacklists—signaling a broader easing in tensions. While not a complete resolution, the agreement marks a notable shift from escalation to negotiation, with potential upside for aluminium flows and price stability in the short term.
- The US Fed Holds Rates at 4.25%–4.50%, citing soft business sentiments and weaker Q1 GDP, partly distorted by traderelated front-loading. Fed Chair Powell reiterated the central bank's focus on inflation control but acknowledged rising economic uncertainty which kept the US Dollar under pressure. For aluminium, a weaker dollar combined with improving trade flows could offer near-term support, despite macro headwinds.

### **Outlook**

Aluminium prices remain range bound in the short term, weighed down by macroeconomic headwinds and high production levels. However, structural limitations on Chinese supply, rebounding demand in electrification sectors, and easing trade tensions create a positive outlook for the second half of 2025. Additionally, the potential easing of the U.S.-China conflict could revive global economic activity, directly supporting aluminium demand.

The 90-day tariff rollback provides a critical window for market normalization. While the situation could change unexpectedly, for now, things appear to be moving in the right direction, and we believe aluminium prices could test higher levels from here.

Of course, there's always the risk of unforeseen events or a black swan scenario. Given how fragile the global economy is right now, we could see a reversal. But until something major disrupts the current trajectory, we're inclined to stay bullish.



# **Technical View**

LME Aluminium 3-month contract has traded back & forth over past couple of weeks in a tight range of \$2350 - \$2450, after a steep decline from \$2724, currently trading above its previous range at \$2469 / tonne.

MCX Aluminium May contract has stable over the support-line of Rising Channel after a steep decline from 268.35. The price has moved back & forth in past couple of weeks, sustained over 100-EMA level on Weekly chart placed at 229.50.

The immediate hurdle would be at 50-EMA on Weekly chart, placed at 238.30 and breakout of this level will accelerate upside momentum in Aluminium towards its next hurdle 255. The momentum indicator, RSI is trailing towards 50 on all key time-frames. Also, we can observe a convergence on MACD alongside declining negative histograms, suggesting bullish biasness in Aluminium price.

We are expecting bullish momentum in Aluminium price in upcoming sessions, and traders may opt to buy in May contract at CMP (234.65) or on dips till 232, for the Target of 244.50, with SL @ 228.



Support 2	Support 1	СМР	Resistance 1	Resistance 2
220.00	229.50	234.65	238.50	250.00



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