GLOBAL X INSIGHTS

Monthly Commodities Tracker

Global X Research Team

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The Global X Research Team is pleased to announce the release of its Monthly Commodities Tracker. This commentary covers key takeaways for an array of commodities, from base and precious metals to uranium, lithium, and other disruptive materials that are powering next-generation technologies. Click the banner below to access the chart packs for all the listed commodities.

Nuclear Energy and Uranium

As ongoing geopolitical tensions and supply chain instability could impact the market, countries still appear eager to become more independent in the nuclear fuel cycle. Demand remains healthy as progress is made in Europe, Asia and the United States.

Worldwide nuclear energy projects drive uranium demand, which remains healthy and improves core fundamentals. Thus, even though uranium's bull market paused in 2024, we believe the current backdrop supports an optimistic view. In recent weeks, the top U.S. nuclear regulator has been working to expedite the construction of power plants and simplify the approval process for new reactors.[1] At the same time, Russia is constructing more than 10 nuclear units overseas to solidify its position as a leading global builder of new nuclear power plants.[2]

In Europe, the Polish government allocated up to $14.7 billion toward the construction of the country's first nuclear power plant, marking a significant milestone in the project.[3] The government might soon consider a second nuclear power plant, and French companies are keen to be involved.[4] Moreover, France is leading the way in nuclear power with the first connection of a new nuclear reactor to the French electricity grid in 25 years and the ongoing effort to streamline the design of its compact modular reactors.[5,6]

In Asia, nuclear power should be used "to the fullest extent," according to Japan's new draft energy policy, which has the backing of around half of the people surveyed.[7] The plan calls for nuclear power to contribute about 20% of the country's energy by 2040.[8] Also, India's nuclear power generating capacity is expected to triple by 2032 after nearly doubling in the last decade.[9] Finally, the South Korean government and the United States Departments of Energy and State have signed an interagency memorandum outlining the ground rules for nuclear energy export from Korea to the United States and for collaboration between the two countries.[10] In order to increase private nuclear power generation in other countries, this memorandum of understanding lays out a framework for bilateral cooperation.[11]

When it comes to the supply side, nations are still keen to increase their nuclear fuel cycle independence. The United States has chosen vendors to meet its low-enriched uranium contracting needs, following requests for proposals issued in June.[12] The United States Department of Energy has narrowed the contract competition to six firms.[13] The grantees will get contracts with a maximum value of US$3.4 billion and a duration of 10 years.[14]

Uncertainty in the supply chain and persistent geopolitical conflicts could impact the dynamics of uranium supply. A bureaucratic holdup has caused Kazakhstan's Inkai joint venture project to suspend uranium production.[15] In addition, with the potential implementation of tariffs by President Donald Trump, Canada is considering taxing exports of key commodities to the U.S., including uranium.[16]

Still, unwinding some supply risks is possible. The restrictions that the Biden administration imposed on uranium processed in Russia could be lifted, given Trump's stated desire to resolve the Russa-Ukraine war quickly.[17]

Base Metals and Copper

Now that Donald Trump has returned to the Oval Office, tariffs targeting China could materialize. Still, as economic stimulus from China is expected to continue into 2025, copper may get support.

Copper may face challenging months ahead, as it risks becoming entangled in the crossfire of a potential trade war.[18] The threat of tariffs, particularly those targeting China, looms large and could be realized now that Trump has resumed the Presidency.[19]

Consequently, trade outlook concerns and, thus, declining export orders, led to a slower-than-expected December uptick in China's manufacturing activity.[20] Also, the Chinese New Year holiday at the end of January could lead to a temporary decrease in consumption in the days leading up to the holiday, impacting copper demand.[21]

Overall, however, copper still appears to receive support from the Chinese economic background.

President Xi Jinping made remarks on New Year's Eve to China's highest political advisory body, reiterating a demand to embrace more proactive macroeconomic policies.[22] In his remarks, he indicated that support for the economy will continue into 2025.[23]

With China's top leaders signaling their readiness to adopt more robust stimulus measures, China is expected to set a growth target for 2025 that aligns with the 2024's.[24] This proactive stance could shield the economy from the adverse effects of potential tariff hikes in the United States, offering a ray of hope for copper's future.[25]

Also, from a fundamental perspective, China-bonded and SHFE copper stocks continued to draw down in December, and China's Electric Vehicle sales substantially increased towards the end of 2024.[26,27] Indeed, China still has the potential to increase domestic demand by doubling down on the energy transition.

In terms of supply, although the most recent statistics on Chilean copper production indicated positive growth year on year, this may fall short of expectations this year since projects are being held up and, thus, potentially supporting the red metal prices.[28,29]

Gold and Silver

Despite some negative pressure from a healthy U.S. labor market and a strong dollar, precious metals are being supported by increasing safe-haven demand.

As a year of U.S. job market resiliency came to a close, hiring picked up speed in December, and the unemployment rate unexpectedly decreased.[30] This backdrop caused the dollar index to reach its highest level since 2022.[31] Also, with the U.S. labor market still healthy, the Federal Reserve may be cautious in its approach to lowering interest rates.[32]

Still, strong safe-haven demand originates from concerns about the U.S. government's ability to pay back its debt, sticky inflation, and worldwide geopolitical risks.[33] Regarding geopolitics, in addition to the concerns coming from the situation in the Middle East and from the Russia-Ukraine war, there are increasing worries amid about the potential of a renewed U.S.-led trade war.[34] The threat of tariffs, particularly those targeting China, looms large with Trump back in office.[35]

Concerns over tariffs caused an imbalance in the silver markets: silver futures in New York surged above competing worldwide price benchmarks as traders attempted to ship the metal to U.S. warehouses.[36]

At the same time, central banks around the world are still a major force in the gold market, with recent increases announced by Kazakhstan, Turkey, India, and China.[37,38] Following a brief pause in purchases last year due to skyrocketing prices, the People's Bank of China resumed buying gold in December, adding to its already substantial holdings.[39] To reduce currency volatility and safeguard its foreign exchange reserves against potential revaluation, the Reserve Bank of India has ramped up its gold purchases since October.[40]

Oil and Gas

Despite the consensus of a healthy supply overhang for crude oil in 2025, crude oil started the year supported by supply concerns. Meanwhile, the European gas market further grew its dependence on LNG imports.

To reduce the supply of Russian crude, the United States tightened sanctions.[41] In addition to two companies that manage over 25% of Russia's seaborne oil shipments, important insurers and a large fleet of tankers have also been hit hard by the extensive sanctions.[42] In December, U.S. sanctions were expanded to eight additional companies and nine additional vessels linked to Iranian oil trading.[43] Therefore, less oil is likely to be made available to the market from Russia and Iran due to tougher sanctions on both countries.[44] Indeed, refineries in China and India have boosted their crude oil purchases from the Middle East and the Atlantic Basin in anticipation of potential supply constraints caused by more sanctions on Russian and Iranian imports.[45]

Moreover, OPEC output dipped in December due to field maintenance in the UAE, while Russia's oil production fell short of the goals set by OPEC, and its exports touched the lowest level since August 2023.[46,47]

Finally, severe cold weather and geopolitical risks also add to the supply concerns. The United States is vulnerable to supply disruptions caused by extreme winter weather because of the possibility of temporary freeze-offs and production restrictions brought on by freezing temperatures.[48] While about geopolitics, recent drone assaults by Ukraine on Russian oil infrastructure have sparked additional worries about possible disruptions to supplies.[49]

On the gas side, worldwide demand is keeping liquefied natural gas (LNG) exports growing, with flows to U.S. export plants averaging 15.0 billion cubic feet per day (bcfd) in the first week of January, breaking the record set in December 2023 of 14.7 bcfd.[50] Still, the European Union is a major buyer of LNG shipments from the United States; on January 7th, flows to Northwest Europe were 248.57 mcm/d, up 17% from the 30-day average.[51] However, demand has recently dropped in China, the largest buyer of LNG, with several companies attempting to resell shipments of LNG for delivery through the end of winter.[52] Indeed, due to the recent surge in LNG prices, which made gas more expensive than oil, customers in Asia may switch to oil-based alternative fuels.[53] As a result of less demand in Asia, more liquefied natural gas shipments can reach European coastlines.[54] Weather will likely remain a significant factor in gas supply/demand dynamics throughout the winter in both North America and Europe.

Critical Minerals, Battery Tech, and Lithium

Although an oversupply of lithium might keep the metal's price in check through 2025, market participants have shown a somewhat optimistic outlook, and producers are hoping for a slight improvement in conditions over the next 12 months.

With the lithium supply surplus probably falling from 9.5% in 2023 to 4.8% in 2024, companies were motivated to find cost-cutting and operational optimization opportunities in the lower-priced market.[55] As a result, there was an increase in merger and acquisition activity within the industry.[56]

In the midst of a continuing lithium surplus, manufacturers are negotiating improved conditions in the yearly supply discussions for 2025.[57] Negotiations for deals are currently taking place at a discount of 2% to 0% off a spot price index, compared to discounts of 5% to 10% for certain deals in 2024 during the previous round of negotiations.[58] Tighter levels indicate that producers are hoping for a slight improvement in conditions over the next 12 months as they battle with narrow margins.[59] Indeed, some businesses continued to expand in Q4 of last year despite industry headwinds, and market participants have shown a somewhat optimistic outlook on the demand for lithium iron phosphate cathode material and the possibility of ongoing stimulus measures in China.[60]

Moreover, as part of a strategy to create a global marketplace to mine, process, and consume critical minerals, the industrialized nations are considering becoming more interventionist in allocating investment to priority resource projects.[61] The critical mineral-producing nations of Canada and Australia are taking part in negotiations, as are the critical mineral-consuming nations of Japan, South Korea, and the European Union.[62] At the same time, the United States plays an important role in both the supply and demand for critical minerals, while the Middle Eastern oil producer Saudi Arabia is also looking at lithium-producing battery projects to increase output.[63]

Lastly, turning to the private sector, a handful of investors are placing large bets on small-scale miners who extract the critical minerals that are the focus of Beijing's response to U.S. tariff threats.[64] This is because early December saw the announcement of China's prohibition on exporting these minerals to the U.S.[65]

Footnotes

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