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

Increased electricity demand on the back of the artificial intelligence boom gets global support for nuclear energy, which is likely to pass the test of a Trump presidency.

The U.S. is aiming to triple its domestic nuclear power capacity by 2050. On November 12th, the U.S. announced plans to add 200 gigawatts of nuclear energy capacity by mid-century through new reactors, plant restarts, and facility improvements. It is also planning to bring 35 gigawatts of new capacity online in a decade.[1] With his campaign rhetoric advocating for new nuclear reactors to help power energy-hungry data centers and manufacturing, the plan has a good chance of maintaining support under President-elect Trump. There is bipartisan support on Capitol Hill for the nuclear industry and its possible revival. In July, a law was enacted that gives the U.S. Nuclear Regulatory Commission new powers to oversee advanced reactors, license new fuels, and assess manufacturing breakthroughs that could lead to faster and cheaper buildouts.[2]

The ambitious artificial intelligence (AI) projects of tech companies are fueling a renaissance in the nuclear power industry, which is attracting the attention of some of the world's most prominent private wealth managers.[3] In little over a month, several big corporations demonstrated their belief that nuclear power is the way to go for sustainable energy in the long run.[4] Amazon and Ken Griffin anchored a $500 million investment into X-Energy, a privately owned company that builds advanced nuclear reactors.[5] Over five gigawatts of additional power generation capacity is expected to be operational in the United States by 2039, thanks in large part to the funding.[6] Google announced its first investment in nuclear power, supporting the construction of many advanced small modular reactors from Kairos Power.[7] The reactors, which would have a total capacity of 500MW, are expected to be online between 2030 and 2035.[8] Having access to nuclear power is a need for a cloud services company financed by Nvidia Corp. that plans to construct a new data center in Japan.[9]

However, there could be a few challenges from a regulatory standpoint for corporations trying to secure all the nuclear energy they need. The top U.S. energy regulator refused an Amazon data center's special arrangement to use power from a nearby nuclear power plant.[10] The commission considered the regional grid operator's amendment on behalf of parties insufficient to constitute a unique contract under federal legislation.[11] While the recent Microsoft/Constellation Energy deal brings entirely new capacity online and does not disadvantage the grid, Amazon's rejected plan implied the diversion of existing resources from the grid toward Amazon.[12,13] Still, the Federal Energy Regulatory Commission (FERC) Chairman dissented with the decision, saying AI and related technologies offered generational potential for national security and economic progress.[14]

At the same time, interest in small modular nuclear reactors is growing around the world, and the United States is in discussions with multiple Southeast Asian countries about deploying them.[15] By 2032, the Philippines aims to have its first nuclear power plant up and running, and the technology is also being considered by Vietnam and Indonesia.[16] To keep up with the AI boom's power-hungry chipmakers, Taiwan is "very open" to employing new nuclear technologies.[17]

In Europe, electricity demand for data centers could increase 2-3x by 2030.[18] France, Finland, the Netherlands, and Sweden, among others, are calling on the European Commission to acknowledge the role of nuclear power in reducing carbon emissions across Europe.[19] The alliance held a unified statement-making meeting in Luxemburg on October 15th.[20] In the meantime, the Italian government is considering Westinghouse and EDF as possible international partners for a state-backed firm that would construct advanced nuclear reactors in Italy.[21]

Base Metals and Copper

Metals are facing a significant challenge from trade tariffs; against this backdrop, China's reaction is key.

The near-term future of base metals currently appears to depend on the level of U.S. tariffs and the degree of monetary easing by China. However, neither factor is entirely clear. Therefore, metals are expected to remain in a state of uncertainty in the short term.

Industrial metals could take a hit if Trump raises tariffs, which would likely reduce China's purchasing power.[22] On the other hand, growth-oriented policies implemented by Republicans' sweep of the White House and Congress could improve base metals' utilization. The re-election of Donald Trump has added further pressure to China, which recently proposed a 10 trillion-yuan ($1.40 trillion) debt package to alleviate funding burdens on local governments and stabilize slowing economic development.[23] China also hinted that it is already plotting its next policy move and that fiscal policy will be "more forceful" in the coming year. New policy initiatives show that the government is committed to its growth goals and that the monetary and fiscal ministries are working together more closely.

Despite various macro uncertainties, demand has shown some encouraging signs. China's service activity recently rose at the highest pace since July. This suggests that consumer demand may improve after Beijing implemented several stimulus measures to support gross domestic product (GDP).[24] The October Caixin China Services Purchasing Managers' Index jumped to 52 from 50.3 the previous month.[25]

From a supply perspective, the mining and refining industries are both making progress. Copper smelters in China are experiencing a severe profit crunch due to a lack of ore supplies from global miners, but they may soon feel some respite as China relaxes restrictions on metal scrap imports.[26] The amount of scrap copper that China plans to purchase this year is around 1.9 million tons, up from 1.6-1.7 million tons in 2023.[27]

In Chile, the world's leading producer of copper, there are signs of recovery in the mining sector. Codelco's output grew 2% in the third quarter, snapping a slump in its output, while Escondida, the world's biggest copper mine, registered a 15% increase in third-quarter production compared with the same period last year.[28,29]

Gold and Silver

While the Trump presidency could impact the scale and pace of the U.S. Federal Reserve's (Fed) easing cycle, bullion demand from global central banks is expected to continue increasing.

Due to concerns that Trump's policies, which center on increasing tariffs, reducing taxes, and deregulation, could increase deficits and spur inflation, silver and gold lost some ground even after the Fed cut interest rates by another 25 basis points in early November, as was widely expected.[30,31,32] Moreover, the U.S. economy has shown signs of resilience in recent economic statistics. This has led traders to reduce their expectations for aggressive easing from the Fed.[33] Still, precious metals' role as a hedge against inflation could be leveraged again by investors. At the same time, more than half of consumers expect further interest-rate relief, which caused the University of Michigan's index of buying conditions for durable goods to rise to a four-month high in September.[34]

Concerning the demand from central banks, officials from Mexico, Mongolia, and the Czech Republic have stated that their countries' stockpiles of gold will likely increase in the face of rising geopolitical tensions and falling interest rates.[35] Russia has allocated $535 million over the next three years to restock its precious metal reserves. It came as a surprise that the preliminary plan contained both gold and silver. If Russia goes ahead with the proposal, it will be the first major central bank to have substantial silver reserves in at least 20 years.[36]

Fundamentally, as a result of higher gold prices and increased output from miners, the world's gold supply may increase 3.5–4% this year, potentially reaching a record of over 5,100 tons.[37] Demand for bullion is high because of India's peak wedding festive season.[38] However, record prices and a slowing economy dampened demand for gold in China, particularly for jewelry, causing a more-than-50% drop in Chinese demand in the third quarter.[39]

Oil and Gas

Ample supplies characterize oil and gas markets, while a Trump presidency brings both upward and downward risks.

A major U.S. oil lobbying organization expects President-elect Donald Trump and the Republican-controlled Congress to increase offshore crude-lease sales and reform permitting.[40] Trump appears to be pro-oil and gas, but his immediate influence on physical oil markets is likely to be modest given the lag between policy and actual output. A Trump presidency might boost the U.S. oil industry in 2025, while U.S. tariffs on other nations might dampen global oil demand, in turn hurting oil prices.[41] Still, if Trump reimposes sanctions on Venezuela and Iran, the resulting reduction in output could counteract the above dynamic and boost oil prices.[42]

On the demand side, while the United States is looking to add up to three million barrels of oil to its strategic reserve for delivery in April and May, demand from the refining sector is on the decline.[43] In what will be the largest refinery shutdown in California history, Phillips 66 intends to suspend production. Some 8% of the state's processing capacity is at risk of closing.[44] Crude oil refining in China recently hit a three-month low.[45] Due to weaker-than-expected refining activity, oil imports also declined 7.4% month over month in September.[46]

The economic slowdown in China contributed to OPEC's recent downward revisions to its 2024 and 2025 demand growth predictions.[47] Also, in response to persistently low oil prices and an uncertain economic future, OPEC+ has decided to postpone its December production increase by one month, the second such delay in its efforts to restore supply.[48]

Regarding gas markets, Trump's election should have little influence on gas because resuming government permits of LNG export terminals doesn't necessarily increase LNG exports volumetrically.[49] Trump may speed up a peace pact with Russia, thus a predicted tighter market in 2025 may be countered by stronger Russian pipeline and LNG supplies.[50] Even in this case, however, Russia's new Arctic LNG 2 project would still be limited by the lack of ice-class vessels needed to traverse the North Sea.[51]

From a fundamental perspective, there is still plenty of gas available in the U.S. and Europe. In the U.S., compared to the five-year average of 32 Bcf, net injections into storage for the week ended November 1st reached 69 Bcf.[52] Before winter arrives, Europe's storage capacity is around 95% filled, surpassing the target of 90% by November 1st set in the Gas Storage Regulation.[53] According to some reports, utilities and buyers are negotiating a deal with Azerbaijan to maintain Russian gas supply into Europe after the current agreement with Ukrainian pipelines expires at the end of the year.[54] This raises new expectations of potential plentiful supply to Europe and would secure supplies in the near future and allay worries about increased reliance on LNG imports.

Weather is the primary driver of gas demand. In the United States, demand for gas-intensive heating was restrained by forecasts of mild weather in the Lower 48 states.[55] In Europe, the demand for gas-intensive heating remained at seasonally lower levels due to unusually mild weather as winter draws near.[56]

Critical Minerals, Battery Tech, and Lithium

The United States is working to wean itself off China as a supplier of critical minerals.

Lithium prices remained low amid the ongoing oversupply within the market. In particular, downstream demand remained tepid with a continued oversupply of EVs and EV batteries. However, there were signs of improved sentiment in China, as cathode producers began working to secure more materials in anticipation of November orders.[57] Moreover, in order to find a solution to the European Union's tariffs on Chinese electric vehicles, the two sides have decided to keep talking.[58]

The U.S. Department of State has claimed that Chinese lithium manufacturers were 'flooding' the international market to wipe out rival initiatives.[59] The majority of the refined lithium that is needed to make EV batteries comes from China; at present, the country is responsible for producing two-thirds of the world's lithium.[60] In an effort to diversify the United States' supply of critical minerals away from China, the Biden Administration has approved a lithium mine for the first time.[61]

In October, it was announced that researchers have discovered significant lithium reserves in Southern Arkansas. The USGS and Arkansas Department of Energy and Environment found that there could be as much as 19 million tons of lithium in the Smackover Formation brines in the area.[62] For context, this could be enough dissolved lithium to replace U.S. imports.[63] Standard Lithium is currently developing a project in the Smackover Formation to produce lithium through direct lithium extraction.[64]

Footnotes

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