GLOBAL X INSIGHTS

Monthly Commodities Tracker: February 2025

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

Global nuclear power generation is expected to reach a record high this year. While many nations are pledging bilateral nuclear power cooperation, France deserves special mention for its past and expected nuclear power generation.

Even though China's more efficient AI language models shifted markets' stance on U.S. data centers' power needs, the Trump administration's nuclear drive is expected to maintain a brisk pace to ensure domestic energy security, and global nuclear power generation is projected to reach a record high this year amid the energy transition toward electricity.[1,2] To hasten this industry's expansion, nations like the U.K. and India aim to streamline their regulatory processes.[3,4]

France deserves special mention in relation to the worldwide generation of nuclear electricity. A record 95% of France's yearly power production came from low-carbon sources last year.[5] Looking ahead, France has increased its nuclear production prediction for both this year and next, which could indicate that the issues with its ageing reactors have been addressed and that the country is likely to reap the benefits of its new plant's scheduled ramp-up.[6,7]

France should finish its finance plan for six new nuclear reactors in the next few months; however, certain risks might be associated with the funding, and delays in developing nuclear projects are possible.[8] For instance, according to a French state auditor, without reducing its financial commitment to other units under construction, France should delay taking on new nuclear plants and should not approve the Sizewell C reactor project in the U.K., whose cost is likely to double its initial estimate.[9,10]

Beyond France, several countries continue to announce plans to expand their nuclear power capabilities, most recently including the UAE's plan to increase its global footprint in nuclear power plant construction, ownership, and operation; Vietnam's goal to bring a reactor online within the next decade; and South Korea's aspiration to become a leading supplier of nuclear reactors worldwide, focusing on Asia and Europe.[11,12,13]

Moreover, many countries have pledged bilateral nuclear power cooperation, lately involving Singapore and the U.S., El Salvador and the U.S., Russia and Vietnam, Canada and Poland.[14,15,16,17] Regarding the supply side, output in Kazakhstan, the world's largest producer of uranium, is expected to continue to increase this year, notwithstanding temporary outages that were recently restored.[18,19]

Base Metals and Copper

Demand seems likely to pick up again in China, while in the U.S., consumers were stocking up in anticipation of tariffs. Still, global trade disruptions might lead to downward risks like weaker global growth.

Depending on the perspective and timeline, the U.S. tariff news flow appears to bring both upside and downside risks for copper. Regarding the upside potential, the U.S. copper market has been trading at large premiums to the LME due to traders' growing anxiety that copper may be included in the blanket tariffs that President Trump has proposed to levy on goods from all countries.[20] Recent remarks by Trump suggest that announcements on copper tariffs could come soon.[21]

Moreover, the United States imports a significant amount of copper from Canada and Mexico.[22] Therefore, the implementation of 25% tariffs on those nations might impact the performance of U.S. versus ex-U.S. metal pricing. However, if a universal global U.S. import tariff is not imposed, Canada and Mexico tariffs may have less of an effect on copper U.S. pricing if trade flows are redirected to the U.S. from larger copper suppliers, such as Peru and Chile.[23]

Regarding the downside risks, due to global trade disruptions, markets are pricing in weaker global growth and fewer U.S. Federal Reserve interest rate cuts, which might hurt global copper demand.[24,25] The U.S. tariff rise may also lower Chinese purchasing power for dollar-denominated raw material metals imports.[26]

On the supply side, although new tariffs may hurt Chilean exports to the U.S., 75% of Chilean copper and derivatives are sent to China and other Asian countries.[27] Still, due to an unusual lack of ore from mines abroad, Chinese smelters imported more copper scrap last year.[28] Since a large portion of the country's scrap imports were from the U.S., trade war threats could impede scrap flows this year.[29]

Aside from concerns about escalating trade wars, China seems to provide a rather optimistic view on copper demand. In January, the market received December data releases that improved the country's outlook. For example, China's GDP grew 5% in 2024, which was the government's goal; the stimulus program accelerated growth in the last quarter, reaching 5.4%, the fastest pace in six quarters and surpassing economists' median prediction.[30] Moreover, China's industrial production and retail sales surpassed expectations in December while home prices fell more slowly.[31] Last but not least, December saw the greatest level of unwrought copper and copper product imports to China in three years.[32]

Nevertheless, calls for stimulus in the world's second-largest economy remain alive following an unexpected contraction in China's manufacturing output in January, with the Purchasing Managers' Index (PMI) reaching 49.1, its worst level since August.[33] With the Lunar New Year holidays having recently ended, confidence and expectations of a demand recovery are likely to increase, which are also helped by China's Ministry of Commerce's commitment to forcefully raise consumption and stabilize international trade and investment this year.[34]

From an overall production standpoint, as it recovers from a string of mine and project setbacks, Chile, the world's top copper producer, produced more copper than ever before in December; in terms of productivity, it was the finest month since 1998.[35] Still, looking forward, Chile has taken a more cautious approach by lowering its production forecast for the next decade: the country now anticipates copper output of 5.54 million metric tons by 2034, down from 6.43 million tons predicted a year ago.[36] Elsewhere, Zambia's copper production increased by 12% in 2024 after the industry recovered from a devastating drought that had threatened output.[37] Zambia aims to expand copper production this year to one million tons, solidifying its position as Africa's second-largest producer of the metal.[38]

Finally, in the long run, the energy revolution will likely continue to use more copper. A market producer has recently predicted a 62% increase in copper demand for renewable energy applications, potentially reaching 42 million tons by 2050.[39]

Gold and Silver

Gold's persistent and structural bull factors are still in place, and the uncertainty surrounding U.S. tariff policy is expected to keep precious metals prices rising.

Fears of U.S. tariffs boosted safe-have demand and profitable arbitrage, sending a flood of gold into the U.S. and sending Comex vault holdings to levels not seen since 2022.[40,41] In the wake of possible tariffs, dealers rushed to ship bullion onshore from Switzerland, Europe's primary refining hub, to the United States, driving up shipments to levels not seen since Russia's invasion of Ukraine.[42] January saw the biggest monthly drop in gold storage at London vaults since records started in 2016.[43] Also, commercial planes are transporting silver bars from London to New York as a result of concerns about impending U.S. tariffs, which has made air freight a viable option.[44]

The United States historically relied on gold and silver imports from Canada and Mexico, and even while trade flows could shift from other nations like Switzerland, tariff uncertainty could continue to support precious metals prices.[45,46]

Against this backdrop, central banks' interest in gold is unlikely to abate: the World Gold Council predicts that gold demand might be driven even higher this year by central banks.[47] Despite record high bullion prices in January, China's central bank increased its gold reserves for a third consecutive month while Russia's gold reserves reached a three-month high.[48,49] In addition, positioning data supports a bullish gold perspective, money managers increased their bullish bets on gold to the greatest level since October, and ETF holdings rose to the highest level since late November.[50,51]

In recent weeks, global monetary policies outside the U.S. took a more dovish turn, which is typically supportive of precious metals. A rate cut was announced by the Bank of England with more dovish-than-expected vote tallies, and the Reserve Bank of India reduced rates for the first time in over five years.[52,53] Both the European Central Bank and the Bank of Canada also lowered their interest rates.[54,55]

U.S. monetary policy, though, could pose downside risks. Despite some positive recent data prints, the Federal Reserve decided not to cut its key interest rate during its January meeting.[56] Chairman Powell stated that the central bank is being cautious due to uncertainties about how Trump's policies will affect the economy.[57] Nonfarm payrolls moderated and unemployment decreased in the U.S. January jobs data, which suggested a weakening but strong labor market and bolstered the argument for the Fed to leave rates unchanged.[58]

In regard to silver specifically, the Silver Institute projected a fifth consecutive year of market deficits in 2025, driven by robust demand from both industrial and retail investors.[59] Additionally, silver's prospects as a crucial component of electrification technologies were enhanced by the unexpected recovery of the U.S. manufacturing sector, as reported by the ISM PMI.[60]

Oil and Gas

Oil is expected to maintain a sideways trend due to bearish fundamentals and upside potential from sanctions. On the gas markets, weather is currently the main factor but, looking forward, the Trump administration could support U.S. prices while hurting the European benchmark.

President Trump seems eager to bring down oil prices by increasing domestic supply. In the first weeks of his presidency, Trump lifted the restrictions on leasing offshore oil and gas, which had prevented drilling in the majority of U.S. coastal seas.[61] The President pushed for more domestic oil supply and put pressure on OPEC countries to raise output to lower prices.[62] However, regardless of how much oil prices might go up, OPEC has stated that it will stick to its current strategy to reverse production restrictions in April 2025.[63] It would appear that OPEC is unwilling to compromise on increasing oil production in order to please Trump and make up for a shortage caused by sanctions.[64]

In a gradual effort to increase pressure on Tehran, the U.S. Treasury slapped fresh sanctions on a select few individuals and tankers involved in the annual shipment of millions of barrels of Iranian crude oil to China.[65]

At the same time, in order to please Trump and avoid high tariffs, fossil fuel consumers in the EU and Asia might acquire more American gas and oil. Overall, the market is experiencing uncertainty due to the news flow surrounding U.S. tariffs. After a 30-day delay, 25% tariffs on Canada and Mexico took effect on March 4th, while China imposed levies of 15% on U.S. coal and liquified natural gas (LNG) imports and 10% on crude oil imports beginning February 10th, shortly after Trump's initial 10% U.S. tariff on Chinese imports went into effect.[66,67] Since China's purchases from the U.S. are relatively small, Beijing's action should have less of an impact on U.S. crude oil imports.[68] While a tax imposed by China on U.S. gas might lower benchmark prices in Europe, as more LNG would likely be shipped to Europe rather than China, countries like India, Kuwait, and Japan are becoming more interested in U.S. natural gas due to the threat of trade restrictions.[69]

Beyond Trump's rhetoric, the oil fundamentals seem bearish. The U.S. Energy Information Administration (EIA) estimates that the oil market will have a surplus of 800,000 barrels per day next year, more than twice as much as the 300,000 barrels per day the agency projected for this year, due to greater production from OPEC, the U.S., Canada, and Guyana.[70] Furthermore, it seems that demand is weak: as the transition to electric vehicles accelerated, China's oil refining output dropped by the second-largest amount ever in 2024.[71] In fact, the total amount of Chinese crude imported in December fell 1.9%, marking the third reduction this decade.[72]

In terms of gas fundamentals, China's demand also seems to be weak as cheaper alternatives become available.[73] However, the weather is also a significant factor influencing the gas markets. In Europe, after gas storages fell this winter due to cold weather and a halt in Russian delivery, Europe may need to purchase at least 100 more gas cargoes this summer to restock.[74]

Critical Minerals, Battery Tech, and Lithium

In a bet that the global market might recover from a years-long glut, companies continue to look for ways to optimize operations and seek new lithium exploration permits.

At the end of January and into early February, North American lithium hydroxide and carbonate prices rose slightly due to increased market uncertainty.[75] In China, there was positive short-term sentiment, as inventories for both producers and converters were decreasing leading up to the Chinese New Year.[76]

Companies have continued to look for ways to cut costs and optimize operations amid the lower-priced environment.[77] In a bet that the global market might recover from a years-long glut, companies are seeking new lithium exploration permits in Chile.[78,79]

In terms of production outside of Chile, Saudi Arabia wants to build facilities to process lithium commercially in three to five years, with ambitions for exporting and refining.[80] Despite low pricing and criticism from lawmakers and citizen organizations, Bolivia intends to grow its output of lithium by entering into new agreements with investors to construct processing units.[81]

Finally, from a technology standpoint, the academic magazine Nature has published the results of a Chinese research team's successful construction of an ideal solid electrolyte interphase on the surface of lithium metal anodes, which represents a technological first.[82] It is anticipated that the accomplishment will yield new, crucial technologies for the creation and production of high-performance lithium batteries of the future.[83] It might be applied to promote developments in areas like photovoltaic-storage integration and new energy vehicles.

Footnotes

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