GLOBAL X INSIGHTS

Monthly Commodities Tracker: March 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

The worldwide nuclear energy market is expanding despite geopolitical uncertainties and rising tariffs. European and Asian developments and novel funding structures are boosting nuclear power's clean energy status.

The nuclear energy landscape in Europe continues to evolve. Even though France faces a delay in its final investment decision to construct six new nuclear plants, there is still a widespread and notable push for nuclear energy across Europe.[1] The UK is licensing its first commercial nuclear power plant since the 1970s, facilitated by a more streamlined approval process.[2] Italy's cabinet has agreed on a new legislative framework to reinstate nuclear power generation with the goal of reversing a decades-old ban.[3] Even though Belgium is experiencing a contraction in its nuclear sector, with the closure of the 0.45 gigawatt Doel 1 reactor and the planned shutdown of Doel 2 and Tihange 1 by the end of the year, it has secured EU approval for state aid to extend the lifespan of the Doel 4 and Tihange 3 reactors, highlighting the EU's ongoing commitment to maintaining a nuclear presence on the continent.[4,5]

On the financing front, nuclear energy continues to attract investment in new ways, with Korea Hydro & Nuclear Power Co. issuing Asia's first green bond specifically designated for financing nuclear projects, setting a strong precedent for other nations and underlining the growing recognition of nuclear energy as a clean, sustainable source.[6] Similarly, Vietnam is exploring government bonds and corporate bonds with state guarantees as it looks to fund nuclear projects.[7]

Meanwhile, Asia, particularly India, is increasingly emerging as a key player in the global nuclear energy scene: Adani Power has announced plans to build a 30-gigawatt nuclear facility over the next five years, while NTPC Ltd. and Vedanta Group are also exploring nuclear energy expansions.[8,9,10] As India accelerates its decarbonization efforts, atomic energy will be integral to meeting growing energy demands while reducing carbon emissions.

Turning to the uranium enrichment market, geopolitical tensions continue to reshape the sector. The ongoing ban on Russian uranium imports by the United States and Russia's retaliation are creating a shifting environment for the enrichment sector.[11] The market is already feeling the effects of this shift, with companies such as Kazatomprom and Switzerland-based Axpo Power signing long-term supply agreements and Ukraine's Energoatom securing an enrichment services deal with France's Orano through 2040.[12,13]

In the U.S., a 10% tariff on Canadian energy imports, including uranium, could introduce upward pressure on uranium prices. Cameco, one of the world's largest uranium producers, has indicated that it would pass on any higher costs from U.S. tariffs to its customers.[14]

Base Metals and Copper

While tariff uncertainties and global economic pressures may create short-term arbitrage opportunities or challenges, the copper market's long-term outlook appears resilient.

Although this year's overall outlook for copper appears positive due to expected fundamental tightness, U.S. tariffs pose some risks. President Trump has suggested imposing a 25% tariff on copper, which would heighten reliance on domestic production, an area where the U.S. remains constrained.[15] The country imports nearly half of its copper, and with only two major smelters, any tariff imposition could put pressure on the domestic supply chain.[16] Chile, as the largest source of U.S. copper imports, is particularly exposed to these tariff discussions.[17] Still, 75% of Chilean copper and derivatives are sent to China and other Asian countries. While these uncertainties may cause short-term volatility, they also present arbitrage opportunities as copper moves globally.[18] Overall, the latest threat of U.S. tariffs on copper appears to be part of Trump's effort to challenge China's hegemony in this market.

Indeed, China remains a central player in the copper markets. Despite some deflationary pressures and disappointing economic data from the country, China's copper output is expected to hit a record in 2025, driven by already-commissioned plants.[19] Additionally, China's tightening of smelter requirements signals a long-term strategy to manage and optimize its copper refining capacity.[20] While China's unwrought copper imports have declined due to increased domestic smelting, the shift indicates a move toward self-sufficiency.[21]

The supply backdrop appears to remain overall supportive of tight fundamentals, however there are few developments that could bolster the copper mining side. Notably, Panama's Cobre Panama copper mine, which was closed last year, has seen renewed hopes for restarting.[22] If the mine is revived, it would provide a significant boost to global copper production.[23] Additionally, Peru's copper output is expected to surpass 2.9 million metric tons this year, further contributing to supply growth.[24] In Chile, Anglo American and Codelco have formed a joint venture to develop adjacent mines near Santiago, with the goal of increasing production by 120,000 metric tons annually.[25] While this increase likely won't be realized until 2030, the partnership demonstrates a commitment to long-term production growth.[26]

Gold and Silver

The gold market appears to continue to benefit from a combination of geopolitical tensions, trade uncertainties, and economic shifts. As a result of both industrial demand and geopolitical concerns, the silver market seems to exhibit strong potential.

With concerns over the Trump administration's trade and geopolitical agendas, investors are flocking to gold as a safe haven asset.[27] Tariffs, particularly on agricultural products, have created concerns about inflation and potential slower economic growth, spurring expectations for Federal Reserve interest rate cuts.[28]

In addition to these geopolitical concerns, the market is seeing a clear arbitrage opportunity, where price differentials between key gold markets are driving large-scale flows of bullion.[29] The ongoing tariff fears and trade disruptions have created a lucrative scenario for gold dealers, particularly between New York and London.[30] Gold exports from Switzerland, Singapore and Australia surged to record levels in January as traders rushed to take advantage of price dislocations.[31,32,33] This rush has led to gold accumulating in U.S. exchange warehouses.[34]

On the demand side, central banks around the world, particularly in China, Russia, and Kazakhstan, have been increasing their gold reserves.[35,36,37] China's central bank has expanded its gold holdings for a fourth consecutive month, underscoring its strategic move to build a buffer against economic uncertainties.[38] On the investor front, gold-backed ETFs have seen a surge in inflows, with Chinese investors, in particular, increasing their holdings as the government adjusts regulations to allow insurers to buy gold.[39]

Meanwhile, gold production is expanding worldwide, with miners benefiting from higher bullion prices. Zimbabwe's gold output saw a 39% year-on-year increase, signaling a resurgence in production from key mining regions.[40] Several other countries are also reporting production growth, including Sudan, which has seen a rebound thanks to new mining deals with international partners.[41] Major producers like Newmont and Gold Fields are ramping up output, with Gold Fields forecasting an 18% production increase in the coming year.[42,43]

The silver market is also showing strong potential as it benefits from a combination of industrial demand and geopolitical uncertainties. A significant driver of silver usage comes from industrial demand, particularly in the renewable energy sector.[44] India's Oil and Natural Gas Corporation has pledged to increase its investment in wind and solar projects by 100 times over the next decade, underscoring a growing global commitment to green energy.[45]

Tariffs are also significantly impacting the silver market. The uncertainty surrounding trade and geopolitical issues has created a flight to safe-haven assets, leading to a surge in silver shipments to the U.S.[46,47] This has resulted in record-high silver inventories in New York's Comex warehouses, while silver stocks in London's vaults have declined significantly.[48,49] As the market faces tightness in availability, particularly in the London spot market, these tariff-driven dynamics highlight the strategic importance of silver as both a safe haven and an essential industrial resource.[50]

Regarding downside risks, U.S. consumer sentiment has shown signs of weakness, with the University of Michigan's survey reporting a significant decline in February.[51] A slowdown in consumer confidence could dampen overall economic activity and affect silver industrial demand, particularly in the short term.[52] Still, the fundamentals of silver's industrial uses and its strategic importance continue to provide solid support.

Oil and Gas

Demand weakness, geopolitical uncertainty, and rising production suggest oversupply and a cooling global oil market. Concurrently, storage levels are becoming pivotal for the upcoming seasons in the intricate U.S. and European natural gas markets.

The fundamentals of the oil market are pointing to a more bearish outlook as a combination of demand weakness, geopolitical uncertainties, and increasing supply signals potential oversupply and a cooling global oil market.[53] Overall, the Energy Information Administration has raised concerns about a potential oil surplus of 1 million barrels per day by 2026, up from the previously projected 800,000 barrels.[54]

China, the world's largest importer of crude, is showing signs of weakening demand. January and February crude imports fell 5% year-on-year, driven by an overhang of supply after record coal and gas shipments in 2024.[55] This slowdown in Chinese demand reflects broader economic challenges, as evidenced by the country's consumer prices falling for the first time in 13 months and persistent deflationary pressures in the producer price index.[56] With lower demand from the world's largest importer, the oil market faces additional headwinds that could lead to lower prices in the near future.[57]

OPEC, the key player in balancing global oil supply, is also impacting the market. After an online meeting in early March, the OPEC+ group, including Russia, announced plans to gradually ease the production cuts of 2.2 million barrels per day that had been implemented in 2023.[58] Moreover, OPEC's oil production already rose by 240,000 barrels per day in February, reaching a daily average of 27.35 million barrels, the highest since December 2023.[59] This increase in output could put further downward pressure on oil prices, especially if global demand softens.[60]

President Trump's policies add another layer of uncertainty to the oil market. His decision to revoke Chevron's license to operate in Venezuela could impact about 20% of the country's daily oil output.[61] Additionally, Trump's tariffs on Canadian, Mexican, and Venezuelan oil imports could put at risk a significant portion of U.S. oil imports, potentially increasing costs for U.S. refiners and contributing to a volatile market.[62] The ongoing uncertainty surrounding tariffs could have broader negative effects on global economic growth and fuel demand, dampening oil prices further.

Sanctions, particularly those targeting Iran and Russia, also present risks to the oil market. The U.S. has increased sanctions on Iranian oil-related entities, and there are indications that sanctions on Russia could be tightened if diplomatic efforts to end the war in Ukraine falter.[63] While these sanctions may disrupt supply in the short term, the potential for a lifting or relaxation of sanctions on Russia, especially if peace talks make progress, could lead to a surge in Russian oil exports, further adding to the oversupply concerns.[64] The uncertain geopolitical environment, with the possibility of more sanctions or their reversal, could add additional volatility.[65]

At the same time, the natural gas market is facing a complex environment in both the U.S. and Europe, with storage levels becoming central for the coming seasons.[66] In the U.S., storage levels are expected to fall below the five-year average this summer, which raises concerns about potential supply shortfalls in the coming months.[67] With natural gas storage anticipated to be 10% lower than the 2020-2024 average, the U.S. is bracing for tighter conditions as it heads into the summer injection season.[68] The recent cold snap has further exacerbated the situation, driving up heating demand and causing "freeze-offs" that disrupted production.[69]

Across the Atlantic, Europe is grappling with its own set of challenges. European natural gas storage is currently at 37% full, well below the five-year average of 47% for this time of year.[70] French storage levels are particularly low, and German inventories are also lagging compared to historical trends.[71] Despite this, warmer weather through much of Europe eased demand towards the end of the winter season, offering some relief.[72] However, the ongoing war in Ukraine continues to significantly impact supply amid recent disruptions in gas flows from the key Kursk region, where Russian forces have targeted infrastructure.[73] While EU leaders have called for resolving the gas transit issue, including the potential resumption of gas flows through Ukraine, there has been little real progress on this front.[74] A potential truce between Ukraine and Russia could lead to some gas flows returning, but the situation remains uncertain.[75] As Europe works to navigate these complex geopolitical dynamics, the challenge of rebuilding storage levels before the next heating season could remain.[76]

Critical Minerals, Battery Tech, and Lithium

As new sources of lithium flood the market, there are concerns that, should demand growth not keep pace, the market could continue to face a supply glut.

Recently released data revealed that the demand for lithium was robust in 2024, driven by surging electric vehicle sales and a growing push towards renewable energy solutions.[77] In December, trade flows of lithium, cobalt, and nickel saw a surprising surge, particularly in key markets such as the U.S., China, and South Korea.[78] China, which is a dominant player in the lithium market, reported record imports of lithium carbonate, reaching 235,000 metric tons last year, a clear indicator of the continued expansion in battery production.[79] Additionally, electric vehicle sales in China rose by 17% in January, with new energy vehicles accounting for over 42% of total sales, further fueling demand for lithium.[80] However, there are concerns that a potential global economic slowdown and policy shifts under President Trump could dampen the outlook for green technologies, adding some uncertainty to the future trajectory of lithium demand.[81]

On the other hand, the rapid expansion in lithium production capacity has raised concerns about the risk of overproduction in the near future.[82] China, seeking to maximize its domestic lithium supply, has been extracting lithium as a byproduct of alumina production, with plans to nearly double its output to 770,000 tons by 2027.[83] Additionally, the restart of a Chinese plant by Contemporary Amperex Technology Co. Ltd, the world's largest battery producer, highlights the risk of oversupply in an already saturated market.[84] Finally, global production is also increasing, with major projects such as Savannah Resources' Barroso Lithium Project in Portugal and Ganfeng Lithium's Mariana Salt Lake project in Argentina coming online.[85]

Footnotes

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