Commodity Update

December 23, 2025

Index

Base Metals

China – Key pivot for base metals

Since our 2026 Commodity Outlook (Base Metals) report on November 11, where we reiterated our bullish stance on copper, aluminum and zinc view, prices of these metals have risen on expectations of stronger demand in 2026, even as supply may lag. We explore the base metals story in three legs – a macro overview, key central bank moves that could affect metal prices and lastly shifts in China's growth story – before outlining our outlook for the base metals counter.

Metal	Q-1-2026 Avg Price	2026 Target	Shorterm	Long term
Copper	$11,200/t	$13,000/t	Expect price correction in Q1-2026	Strong buy
Aluminum	$2,750/t	$2,900/t	Expect price correction in Q1-2026	Buy
Zinc	$2900/t	$3300/t	Expect price correction in Q1-2026	Buy
Lead	$2050	$2200	Expect price correction in Q1-2026	Buy

Source: Mirae Asset Sharekhan Research

The Macro Story

Trumping the trade war: Despite high US tariffs and tighter immigration controls, global GDP growth stayed resilient in 2025 (estimated at 2.3%), on robust technology spends and the private sector's adaptability; we expect global GDP to sail above 2.6%, on stronger growth in H2-2026.

Sticky inflation: Globally, core inflation remained stubborn at ~3% for two years, driven by tight labor markets and elevated wages/service price inflation. Inflation is expected to best central bank targets into 2026, with US core inflation forecasted at above 3% in H126.

Monetary policy shifts

There has been a distinct change in tone from several G10 central banks over the past few months, with language suggestion that rate cuts are likely over and that even potential rate hikes are on the table.

Key Central banks Policy updates

Particulars	US Federal Reserve	BoJ	ECB	PBoC
Benchmark rates %	3.5-3.75	0.5-0.75	2	3
Monetary policy	It cut rates to 3.75–3.5% and signalled a pause, further cuts depends on labor market condition. We expect only one additional rate cut in H2 2026.	The BoJ raised its benchmark rate to 0.75%, a 30-year high, signalling potential further hikes if conditions permit.	ECB kept rates unchanged at 2% for the fourth meeting.	Unchanged for 7th times at 3% (1-year) and 3.5% (5-year)
Growth Guidance	2.3	2	1.2	5
Inflation %	2.4	2	1.9	-
Stance	Neutral	Hawkish	Neutral	Accomondative
Impact on Industrial commodities	Moderate	Negative	Moderate	Positive

Source: Mirae Asset Sharekhan Research

US Fed: We expect the US Fed to deliver only one further cut in H22026.

The Bank of Japan - BoJ may have signalled hawkish comments, which may see the risk of Yen-carry trade in 2026, that could see some revision in policy statements.

European Central Bank: We don't see any rate cuts from ECB and expect Euro area to show stronger growth in 2026.

PBoC: China's quarterly GDP growth below 5% would be the key trigger for renewed policy easing. Looking forward, we expect a 50 bps cut in the required reserve ratio (RRR) and a 10-bps cut in the loan prime rate (LPR) in Q12026 that would support metal.

China and Commodities

The first quarter of 2026 may pose challenges for base metals as China's economy would face a moderate slowdown. Limited fiscal support and aggressive export-driven strategy will weigh on growth, while heavy industrial policies and weak domestic demand deepen deflationary pressures. Structural issues, including China's involution problem, remain unresolved, leaving the economy vulnerable and base metal demand subdued in the near term. We expect China's GDP growth to only moderately slow to 4.8% in 2026, moderating further to roughly 4.5% by 2027.

Policy Focus on Tech and Manufacturing: The 15th five-year plan prioritises advanced manufacturing and technology indigenisation, but limited emphasis on services will constrain job creation and consumption growth. Public investment is also likely to be more focused on manufacturing over infrastructure & real estate, where investment in real estate is forecasted to contract by another 10% in 2026.

Stable near-term outlook depends critically on government's willingness to expand central fiscal balance sheets. China growth forecasted to slow down to 4.4% due to excess production & deflation.

Fiscal support front and center: Fiscal expansion will continue in 2026 (deficit likely to reach 11.1% of GDP), with measured monetary easing (10-bps rate cuts and a 50-bps RRR cut expected).

Fragile US-China trade truce: Recent reduction in US tariffs and China's reciprocal restraint have eased tensions, but the truce remains fragile and tariffs are expected to stay elevated, with export growth set to moderate as expansion into non-US markets faces resistance.

Now let us examine the impact of the above on base metal prices -

Copper: London Metal Exchange (LME) copper prices are a stone's throw away from $12000/tonne (a new all-time high). We stay confident that current market deficits will widen to our forecast of 250 kt by 2026-end. Prices have rallied almost 10% since release our Annual Commodity Outlook report on November 27, on supply disruptions & guidance cuts.

Further, COMEX copper prices continue to trade at a premium with lingering potential for a Section 232 tariff inclusion of refined copper next year. On-warrant copper inventories are just about 100 kt at LME supply disruptions and disjointed inventory could push then copper price above $13,000/mt in 2026.

Data Centre demand: If AI-driven demand materialises in 2026/2027, we expect 475-kt of copper demand in data center installations in 2026, with annual demand for copper growing to about 1 million mt of copper by 2030.

Aluminum:

Chinese aluminum producers have undertaken large capex in Indonesia in the past couple of years, and a production ramp-up in 2026 could keep global supplied edged up to demand. We expect aluminum supply to rise by 5.5% (ex-China) of which 50% of incremental supply from China around 845kt from Indonesia, resulting in a 300kt surplus. Downside risks to supply remain high in the near term and therefore we expect an aluminium prices towards $3,000/ tonne in H1-2026 before it turns down to $2,800/tonne by year end and sees $3,000/tonne as a medium- term aluminum price cap.

The balanced global market in the short term supports prices at $3,000/t; rapidly rising Indonesian supply is a tipping factor in 2026-27. Therefore, we expect aluminum prices to move towards $3,000/ tonne in H1-2026 before it turns down to $2,800/tonne by year end and sees $3,000/tonne as a medium- term aluminum price cap.

Zinc

Global mined zinc mine production rose to 6.5% on higher output from Australia, China, Iran, Mexico, Peru, South Africa and the Democratic Republic of Congo. Output in Europe also rose, benefiting from higher production in Bosnia and Herzegovina, and resumption of operations at the Tara mine in Ireland in October 2024.

Refined zinc production increased 2.9% globally, on a 8.4% growth in Chinese output. However, excluding China, output was lower by 2.2%. Refined zinc market remains in surplus of 76 kt in the first 10 months of 2025. However, China strict regulation on illegal miners and smelters may result in slowdown in zinc output, while European output is expected to ease in 2026 that may keep zinc prices elevated despite of weaker demand from Chinese property market.

Risks: Further deceleration in Chinese steel output is the greatest downside risk for zinc prices.

Conclusion

China's economic performance remains the primary anchor. As the country enters its 15th Five-Year Plan (2026-2030), demand is shifting from the sluggish property sector to the "high-quality" manufacturing sector but recent data suggest slowdown in manufacturing as well as domestic demand while real estate sector remains disappointing throughout 2025. The Santa Claus rally in metals may see some moderation in Q1-2026, as seasonal factors (holiday slowdowns reducing production days) and potential Q1 softness in global manufacturing curb demand.

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