

Commodity Outlook



2026 **Base Metals**
set for
Pivotal Shift

2026 - Base metals set for pivotal shift

Summary

- ♦ The global economy is adapting swiftly to technological and geopolitical shifts, with the US & China leading the charge in building AI infrastructure; green energy transition will also play a significant role in boosting demand for base metals. In 2026, expansionary monetary and loose fiscal policies are expected to boost growth, in the US, the EU & China will be an additional demand driver.
- ♦ China is prioritising manufacturing and domestic consumption, high-quality development and technological self-reliance, building modern industrial systems driven by advanced technology and innovation, and strategically boosting demand to support growth. The move reflects Beijing's focus on upgrading core industries such as semiconductors, EVs, and renewables.
- ♦ We believe 2026 will mark a pivotal shift for base metals, with new-age technologies (EVs, renewables, AI/data centers) driving a 4x higher metal intensity versus traditional industries, flipping current surpluses into structural deficits. This will be amplified by policy changes favouring manufacturing and green energy.
- ♦ **Risks to our view** - Tariff wars, weaker-than-expected AI revenues, unexpected tightening in credit markets due to a sharp rise in defaults, and persistent US inflation that may force the Fed to shift its stance from accommodative to hawkish.

Price Implications

Metal	Short-term view	2025 Avg Price	2026 Target	approximate Upside
Copper	9800	\$10,600/t	\$13,000/t	20-25%
Aluminium	\$2500	\$2,900/t	\$3,200/t	10%
Zinc	\$2850	\$3050/t	\$3300/t	10%
Lead	\$1950	\$2050	\$2250	10%

Source: Mirae Asset Sharekhan Research

Key demand drivers

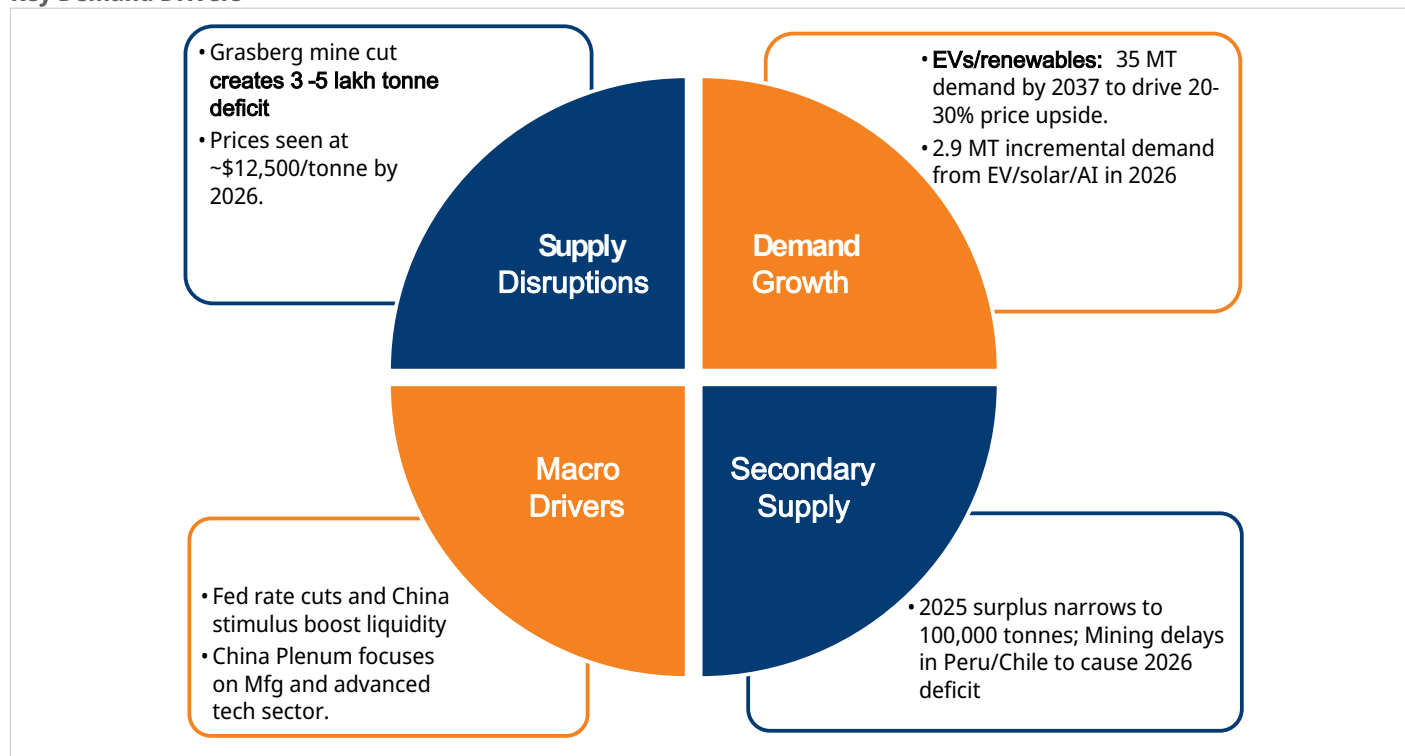
Technology	Metal Intensity vs. Traditional	2026 Demand Impact	Primary Metals
EVs	4x (80 kg copper/EV vs. 20 kg ICE)	+1.5 million tons copper	Copper, Aluminium
Solar PV	3-4x (aluminium frames, silver)	+0.8 million tons aluminium	Aluminium, Silver
AI/Data Centers	5x (copper cooling, zinc alloys)	+0.6 million tons copper	Copper, Zinc

Source: Mirae Asset Sharekhan Research

Copper:

Call: Buy at \$10929. MCX Oct. price at Rs 1019.35 | Stoploss - \$9700
Target \$13000 | Timeframe - One year

Key Demand Drivers

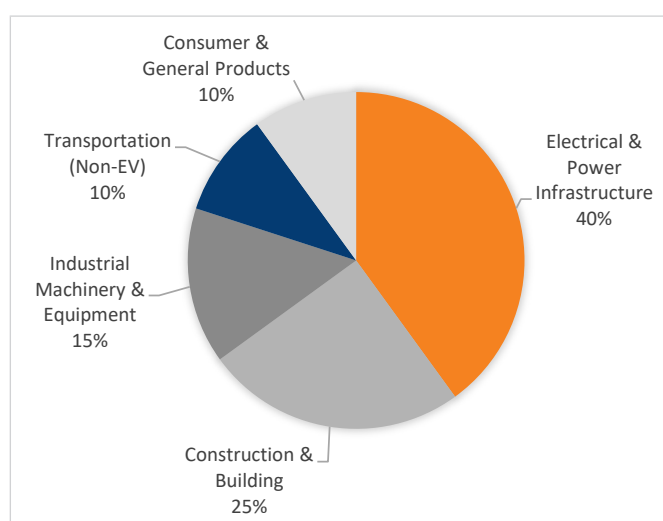


Source: ICSG, NBS, Bloomberg, Mirae Asset Sharekhan Research

Copper Industrial Usage share (%)

Sector	Million T	Key drivers
Electrical & Power Infrastructure	5.8-6	Power grids, transformers, substations; China's \$500B grid upgrade.
Construction & Building	3.5-3.8	Wiring, plumbing, HVAC; India's \$1.4T infra plan.
Industrial Machinery & Equipment	2.1-2.3	Motors, pumps, robotics; automation boom.
Transportation (Non-EV)	14.-1.5	Rail, ships, trucks; high-speed rail in Asia.
Consumer & General Products	1.4-1.5	Appliances, electronics, HVAC units.

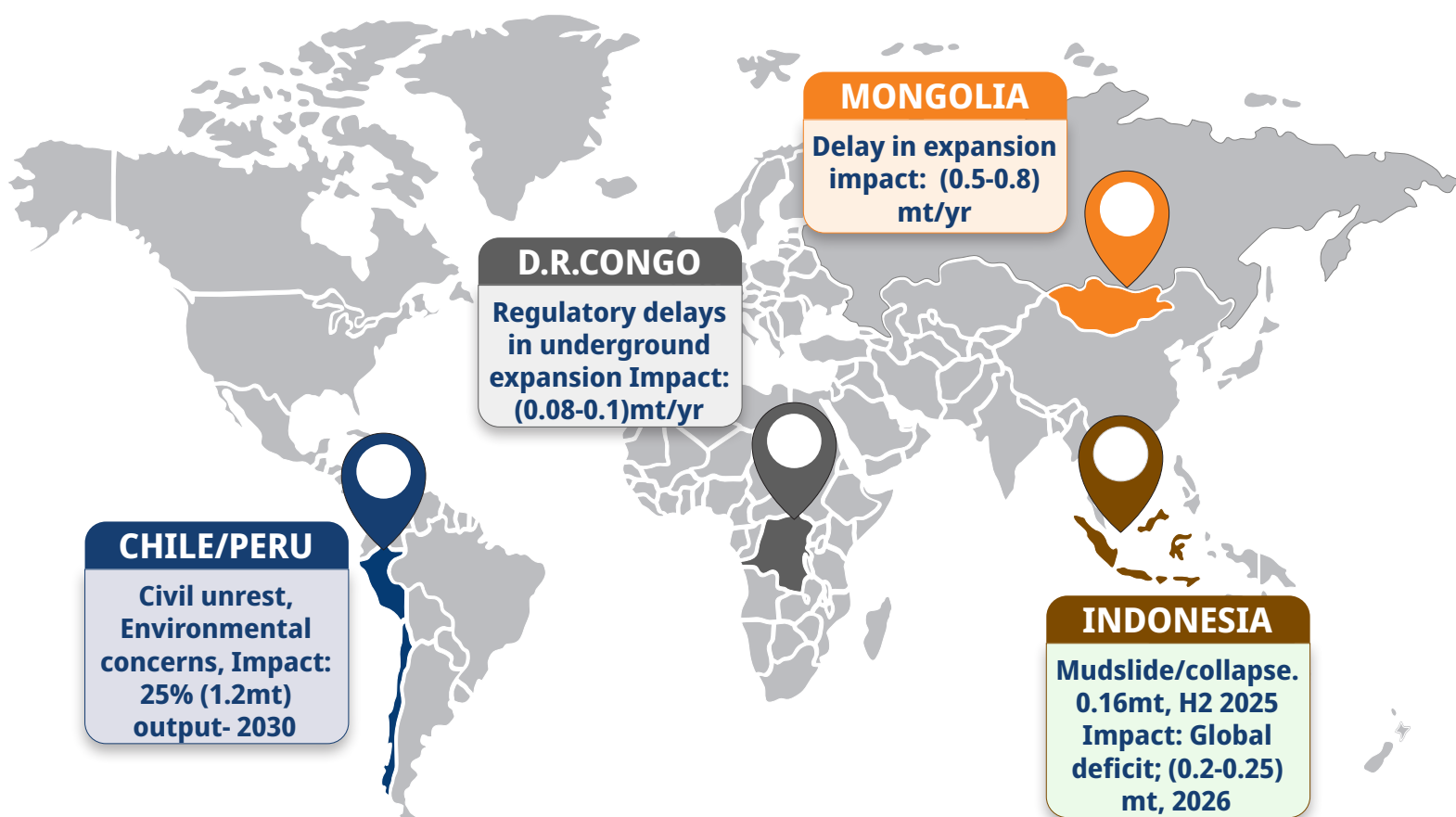
Source: ICSG, NBS, Bloomberg, Mirae Asset Sharekhan Research



Risks to call:

- ♦ Delay in Chinese economic stimulus, trade wars, AI bubble concerns

Copper – Major Supply Disruptions

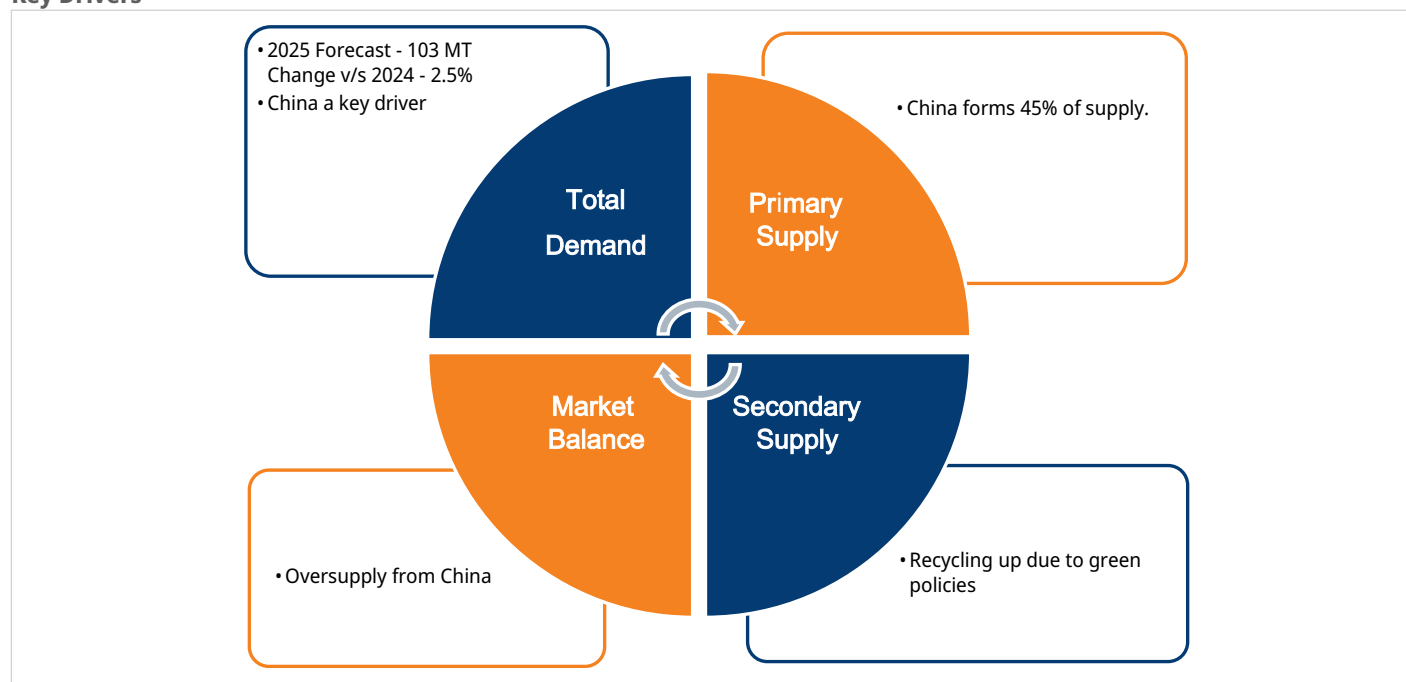


Source: Mirae Asset Sharekhan Research

Aluminum:

Call: Sell aluminum at \$2910. Stoploss- \$3150. Target - \$2500.
Sell MCX Aluminum November at Rs 272.50.

Key Drivers

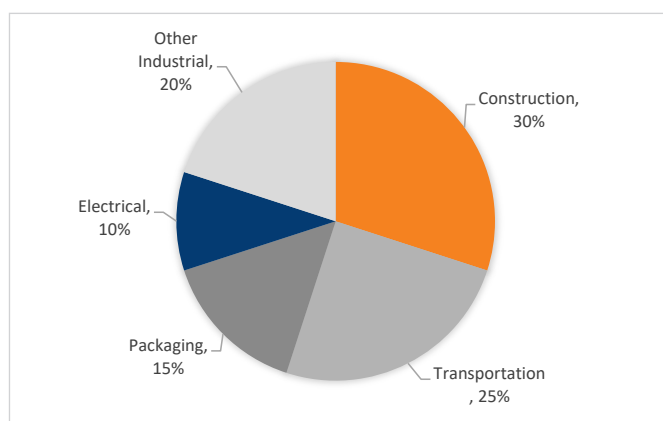


Source: Mirae Asset Sharekhan Research

Industrial Usage Share Share (%)

Sector	Volume (Million Mt)	Key Drivers/Source
Construction	30.75	Infrastructure, buildings; China 50% global share.
Transportation	25.63	EVs, aircraft; 80 kg/EV .
Packaging	15.38	Cans, foils; consumer goods growth.
Electrical	10.25	Wiring, power lines; renewables boost.
Other Industrial	20.5	Machinery, chemicals; stable demand.

Sources: IAI, IEA CRU (IDTechEx 2025), Mirae Asset Sharekhan Research



Risks to call:

- ♦ Global aluminium demand for 2025 is projected at 102.5 million tonnes (MT), up 2.5% y-o-y, while primary supply reaches 67.5 MT (up 2.7% y-o-y).
- ♦ With secondary (recycled) supply at 35 Million tons, we expect prices to moderate somewhat in Q1 2025 before resuming its rally on stronger demand from the US and China.
- ♦ Rise in Indonesian supply; Chinese producers' profit margin elevated

Zinc:

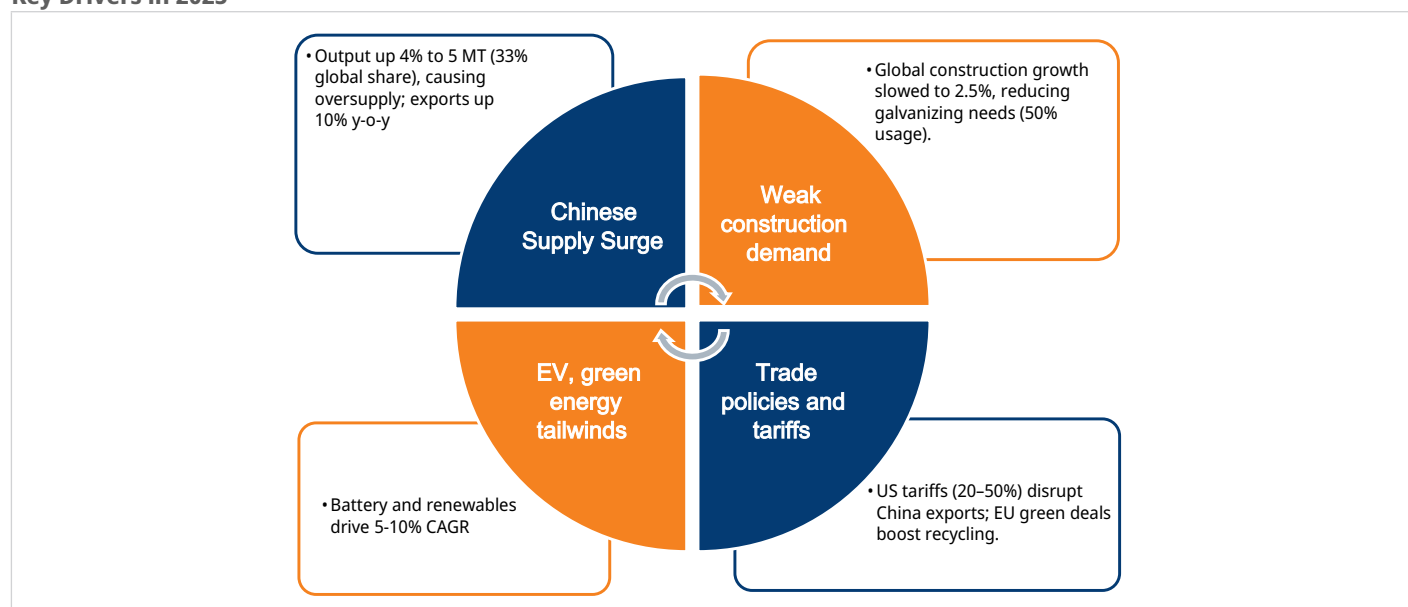
View - Zinc remains in surplus for the fifth straight year, driven by China's overproduction. Industrial demand (70%) is stable, but green energy (batteries) offer a long-term upside. Price recovery delayed to 2026 due to oversupply.

Outlook for Zinc Prices

Parameter	2025 Projection	2026 Projection	Key Factors & Risks
Demand Growth	+1.7% (13.71 mt)	+1.8% (13.97 mt)	Industrial 70% share; China demands +0.7% (50% global).
Supply Growth	+1.9% (13.83 mt)	+2.0% (14.11 mt)	Surplus 150,000 mt; mining expansions in Peru/Australia.
Price Forecast	\$2800/mt (avg)	\$2,800-\$3,300/mt	Oversupply caps upside; green energy (EVs) +5% CAGR offsets slowdown.

Source: Mirae Asset Sharekhan Research

Key Drivers in 2025

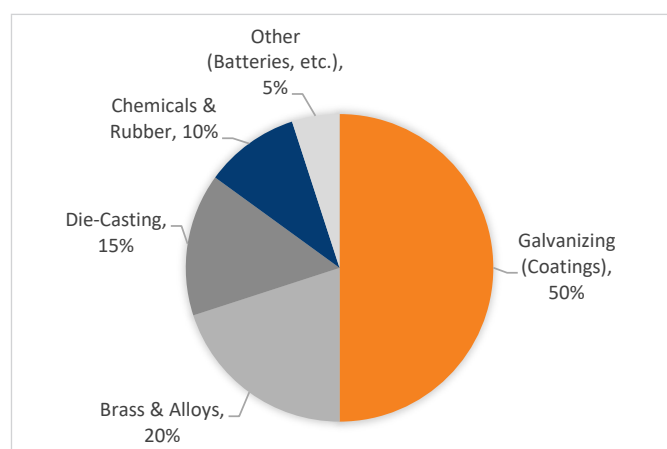


Source: Mirae Asset Sharekhan Research

Global zinc metal demand breakdown

Segment	Volume (Million mt)	Key Drivers & Notes
Galvanizing (Coatings)	6.86	Anti-corrosion for steel; construction boom in Asia (China/India +5% y-o-y).
Brass & Alloys	2.74	Plumbing, electronics; EV/5G expansion (+3% CAGR).
Die-Casting	2.06	Automotive parts; China's 3% industrial growth.
Chemicals & Rubber	1.37	Tires, paints; stable, with recycling adding 0.2 mt.
Other (Batteries, etc.)	0.68	EV batteries; emerging 5-10% CAGR from renewables.

Sources: IAI, IEA CRU (IDTechEx 2025), Mirae Asset Sharekhan Research



Risks to call:

- ♦ Prolonged slowdown in Chinese real estate sector
- ♦ Global economic slowdown due to tariff wars
- ♦ Expected surplus of 105,000 tonnes in 2025 and 271,000 tonnes expected in 2026.

Lead:

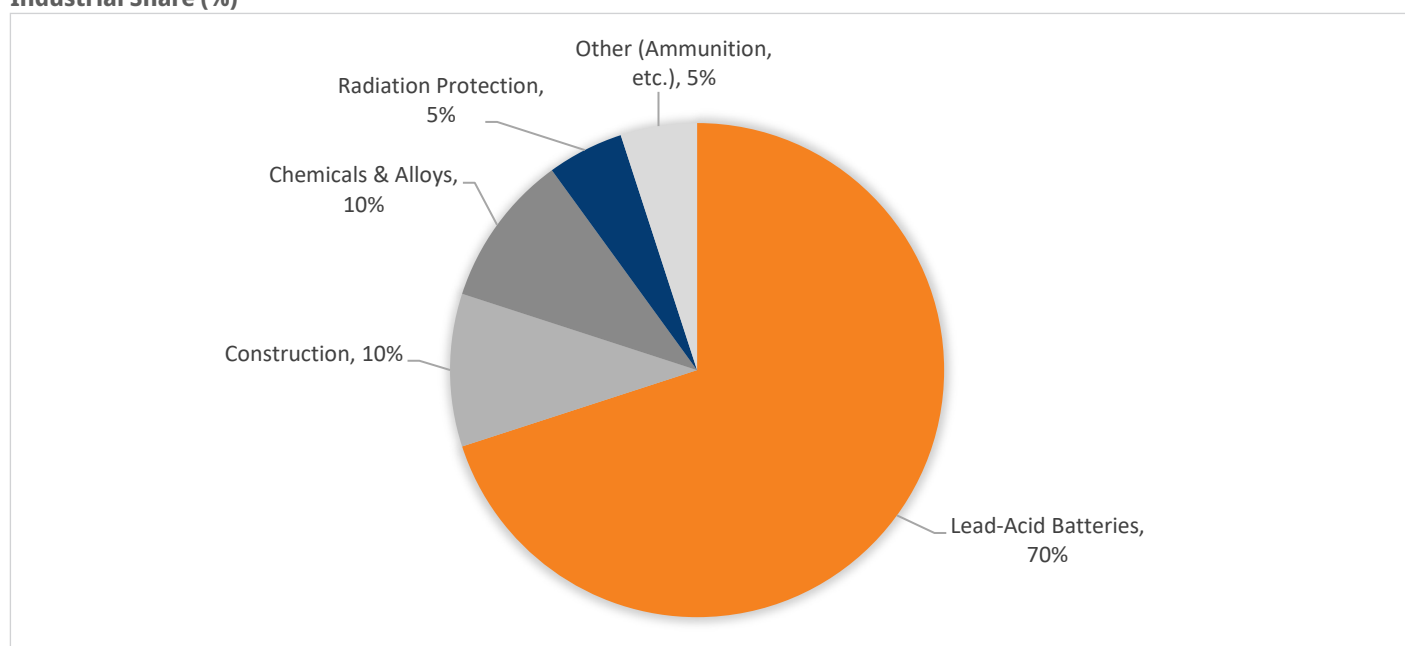
View: Demand for energy storage is set to triple by 2030 and advanced lead batteries play a key role in supporting renewables energy storage – balancing power grids, saving surplus energy, and integrating renewables into electricity systems.

Lead - Demand and Supply Overview

Parameter	2025 Forecast (MT)	Change from 2024	Key Notes/Source
Total Demand	12.44	1.50%	Battery sector ~70%; ILZSG September 2025.
Total Supply	12.5	2.00%	Mine output 4.8 MT (up 2.5%); Mordor Intelligence 2025.
Market Balance	Surplus: 0.06	N/A	Chinese oversupply; future market insights 2025.

Source: Mirae Asset Sharekhan Research

Industrial Share (%)



Sources: IAI, IEA CRU (IDTechEx 2025), Mirae Asset Sharekhan Research

Industrial Usage Share

Sector	Volume (MT)	Key Drivers/Source
Lead-Acid Batteries	871	Automotive, UPS; \$76.85 billion market by 2026 (CAGR 7.04%).
Construction	124	Pipes, roofing; infrastructure growth.
Chemicals & Alloys	124	Pigments, cables; stable.
Radiation Protection	62	Medical/nuclear; emerging demand.
Other (Ammunition, etc.)	0.62	Defense, specialty alloys.

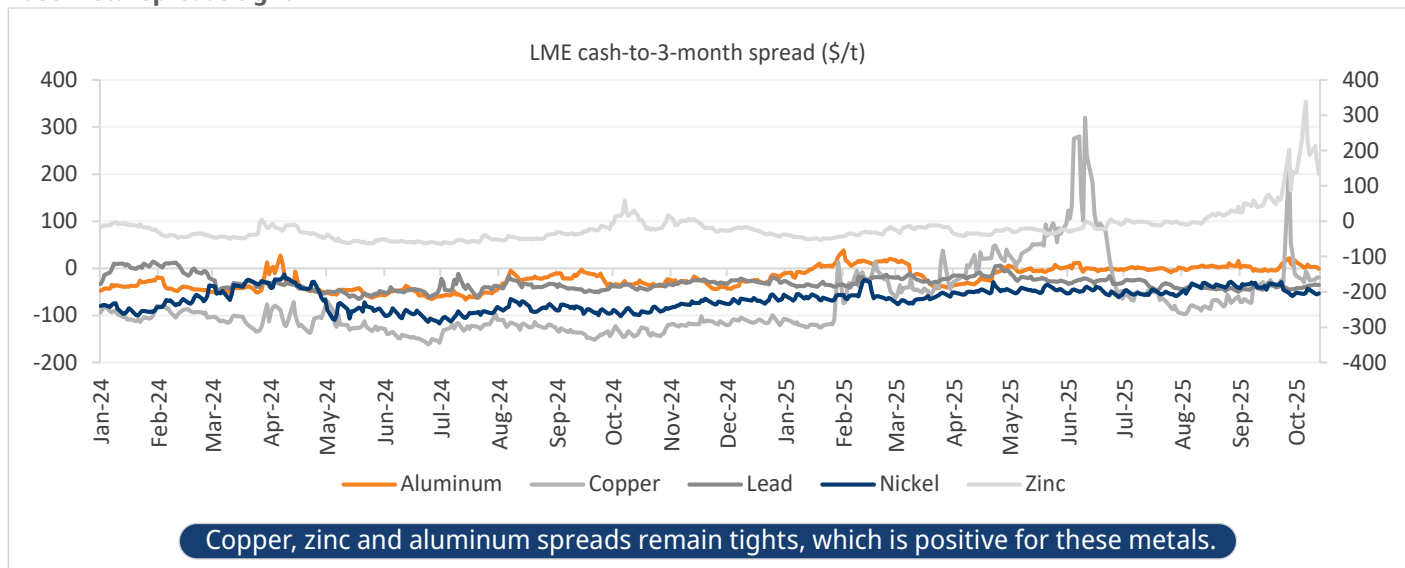
Sources: IAI, IEA CRU (IDTechEx 2025), Mirae Asset Sharekhan Research

Risks to our view:

- ♦ Global supply of refined lead metal will exceed demand by 91,000 tonnes in 2025. In 2026, a slightly larger surplus of 102,000 tonnes is expected.
- ♦ Use of lead in some renewable technologies, such as perovskite solar cells, presents environmental and health risks due to potential lead leakage.

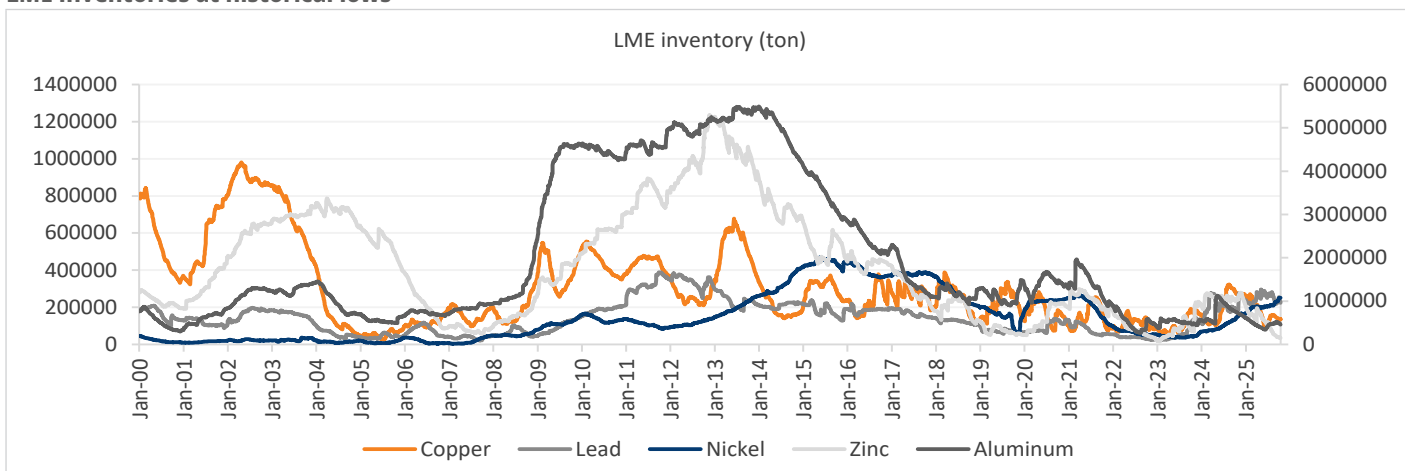
Base Metals – The Macro Story

Base metal spreads tight



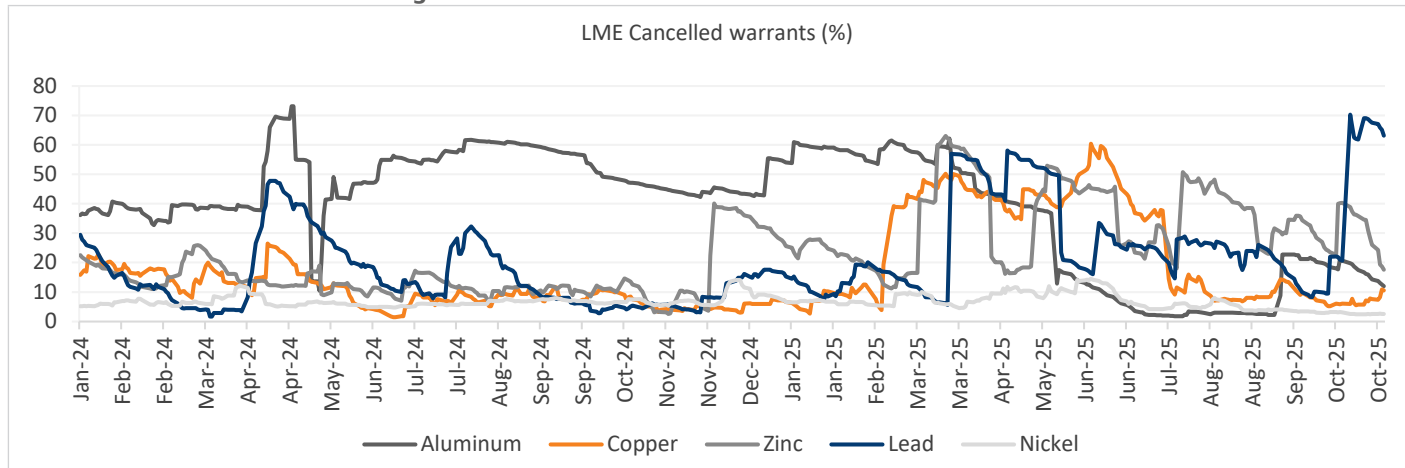
Source: Mirae Asset Sharekhan Research

LME inventories at historical lows



Source: Mirae Asset Sharekhan Research

Cancelled zinc and lead warrants high



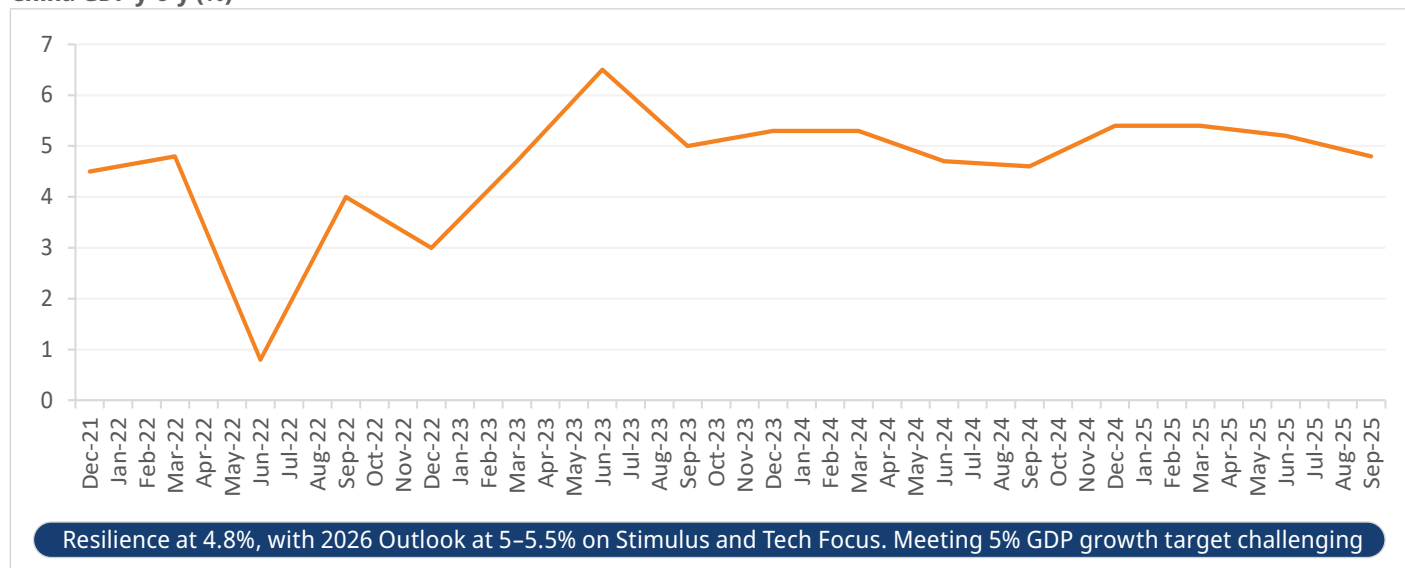
Source: Mirae Asset Sharekhan Research

China: Weak data amid trade war call for more stimulus



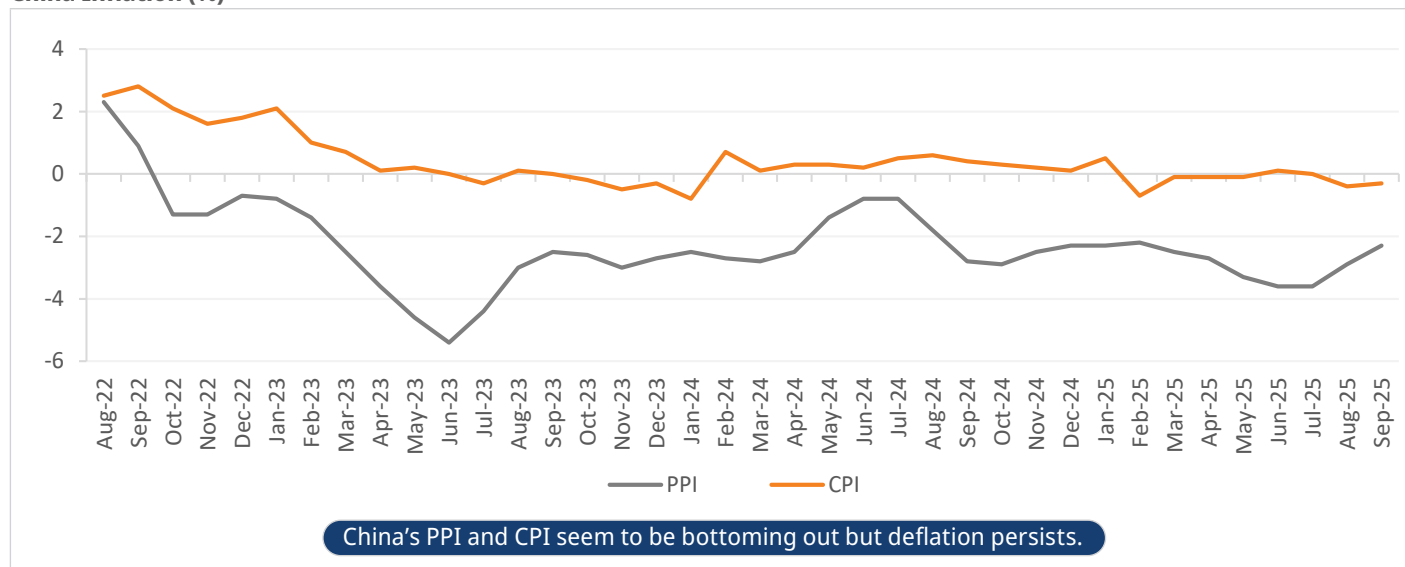
Source: Mirae Asset Sharekhan Research

China GDP y-o-y (%)



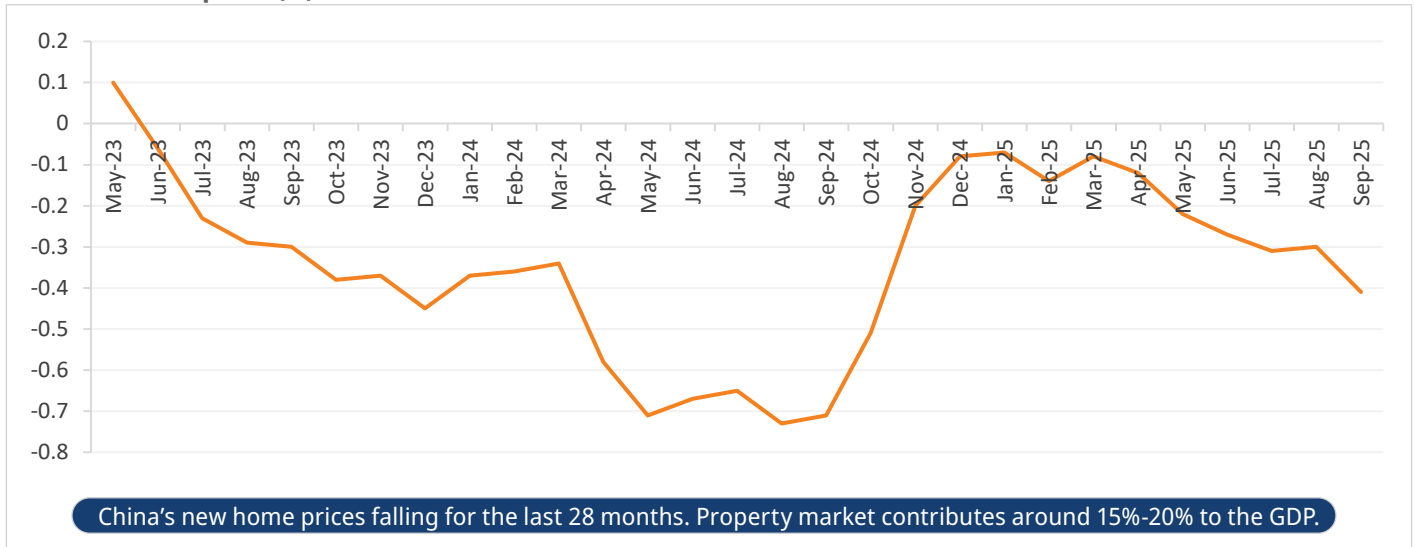
Source: Mirae Asset Sharekhan Research

China Inflation (%)



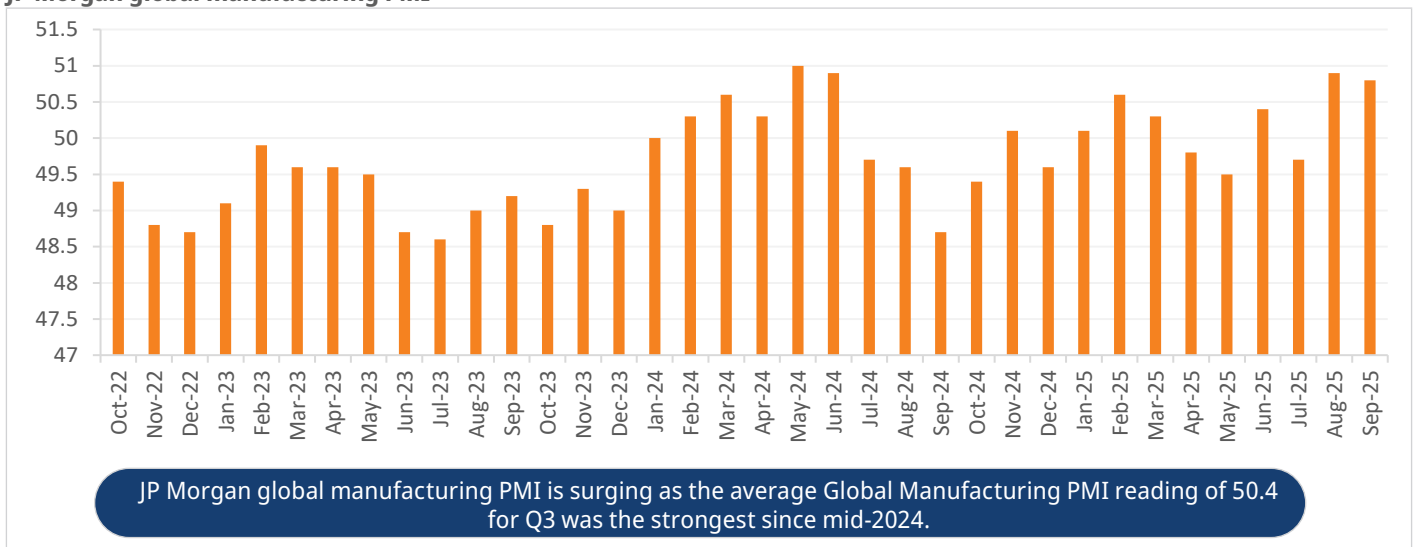
Source: Mirae Asset Sharekhan Research

China new home prices (%)



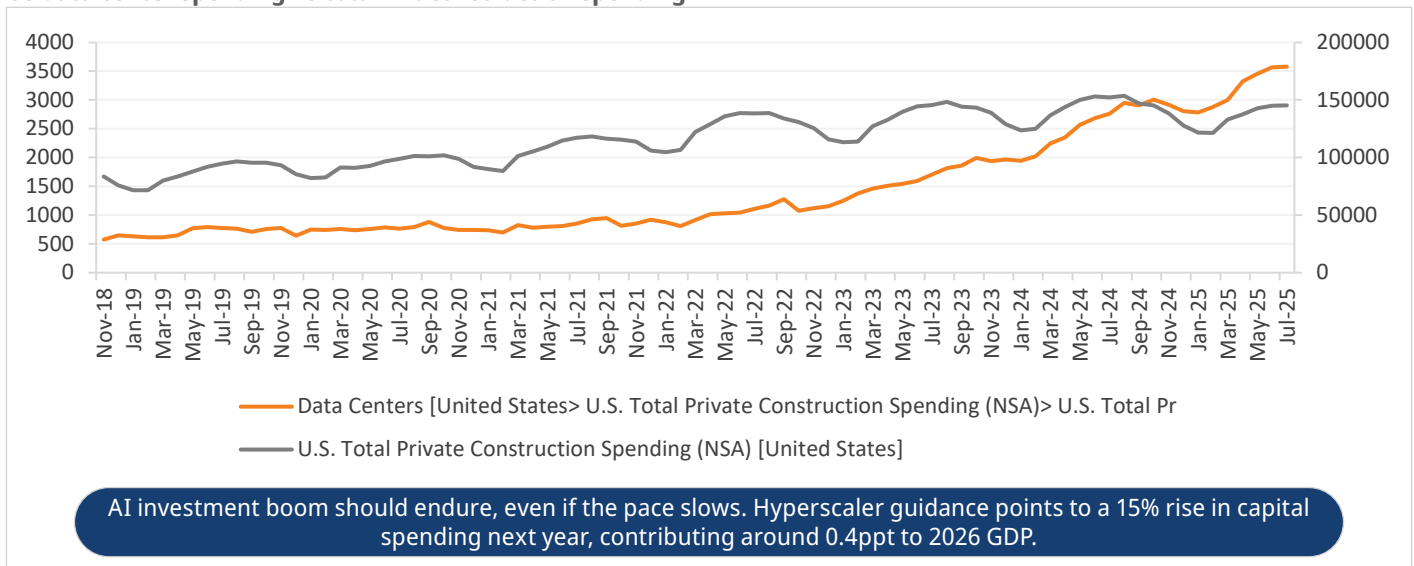
Source: Mirae Asset Sharekhan Research

JP Morgan global manufacturing PMI



Source: Mirae Asset Sharekhan Research

US data center spending Vs total Pvt construction spending



Source: Mirae Asset Sharekhan Research

Conclusion

2026 may kick off with a slow start - Q1 could see seasonal demand softness in the West amid the New Year and Christmas holidays, China's Lunar New Year, which would typically curb industrial activity and demand by 10–15%. However, we expect a resurgence from April to October 2026, driven by a push on tech & green energy; Policy execution: China's 15th FYP bond rollout, the EU Green Deal; Infrastructure Cycle: India/Asia post-monsoon project peaks.

Base metals' performance will largely depend on China's growth, which moderated in H2 2025 as anticipated, though a late-year stimulus may lead to an output upgrade in Q4. We expect Beijing to introduce further measures to spur consumption, including social security reforms, with a growth target of 4.5-5%, supporting China's high-income status goal by 2035. Still high effective US tariffs (35%) may affect exports to America. Exports elsewhere remain solid, but China's deflationary export may force Europe to act. Strong semiconductor demand, driven by sustained US's AI investments, will prolong the semiconductor chip cycle and should in turn support base metals.

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