



Aluminium Futures

Buy Aluminium MAR 2022 (CME)

\$2198.50 per tonne (25 tonne contract)

Settlement: March 2022

Overview

- Industrial metal that is widely used in the aerospace, transport, construction and food and beverage industries.
- Wide range of uses due to its desirable characteristics; lightweight, durable, soft and malleable, 100% recyclable, resistant to corrosion.
- Helps make other metals more lightweight when it is mixed with them.

Supply and Demand Dynamics

Supply

- In its natural state of bauxite, aluminium is the most abundant metal on earth.
- Largest producers are vertically integrated for mines and refineries
 - Uninterrupted production due to stable supply of raw materials
 - Producers can operate independently of price fluctuations
- China by far the world's largest aluminium producer and consumer, representing 55% of the global production

Demand

- Procyclical commodity
- Critical resource for both the transport and the construction industry, accounting for 27% and 25% of its global consumption respectively.

Thesis

- JP Morgan and Citi predict new commodity "super-cycle" for aluminium
- Construction sector is still anticipated to grow by nearly 35% by 2030 despite pandemic.
 - 2/3 of this overall growth will be accounted for by China, the US, India and Indonesia
 - China have started to rapidly increase construction activity after lockdown
 - Biden's multitrillion "Build Back Better infrastructure plan"
 - Urbanisation and industrialisation globally, particularly in developing countries
- Recovery of aerospace industry.

Risks & Logistical Concerns

- New Covid variants disrupting construction, travel and general economic recovery
- Supply cannot be quickly altered by producers to meet demand leads
 - Supply gluts or shortages causes huge price volatility
- Dependence on China, for both supply and demand, and their influence on the global market gives them the ability to control prices .
 - Prices hinge on the performance of a single economy.

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ALI:CMX prices comeback from March 2020