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金山资产管理有限公司
GOLD MOUNTAINS ASSET MANAGEMENT LTD.

Commodity Insights

Macroeconomic Overview

China's December economic data did not present major surprises, suggesting the need for more demand-side stimulus. The government plans to extend equipment renewal and consumer goods trade-in programs until 2025, while increasing the fiscal deficit ratio, issuing more special government bonds, and expanding local government bond uses to support growth, with further details expected in March.

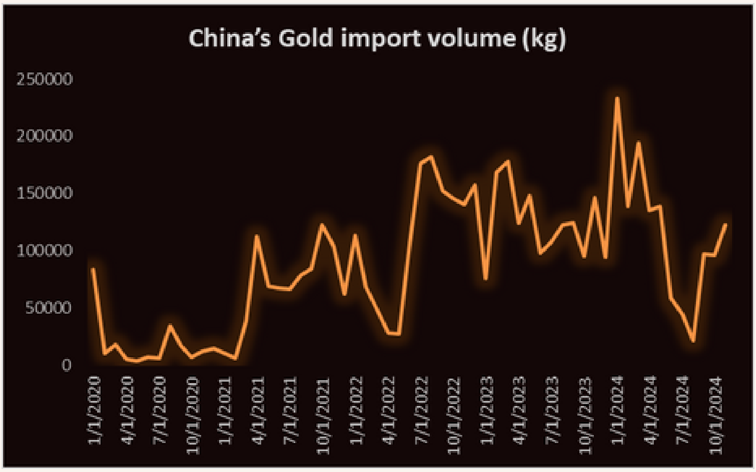
In contrast, robust U.S. non-farm payroll data for December exceeded forecasts, underscoring American economic resilience and post-election corporate optimism. However, the market currently anticipates only one rate cut from the Federal Reserve this year. Bank of America issued a report last week warning that if the Fed's PCE price index YoY growth exceeds 3% or if long-term inflation expectations remain uncertain, there may be a risk of further interest rate hikes by the Federal Reserve.

Gold

Gold prices have fluctuated amid inflationary pressures, Fed policy, and geopolitical tensions, rising 1.45% in late December and 1.57% in early January. The PBoC has increased its official gold reserves for a second straight month, while the World Gold Council projects a 39% surge in global gold trading volume to a record $226.3 billion daily average in 2024, including a 37% OTC market increase.

Goldman Sachs has delayed its $3,000/oz gold price forecast to Q2 2026, citing expectations for a smaller 75bps rate cut in 2025 versus 100bps previously. However, Goldman believes elevated central bank demand remains the primary driver for a 14% gold price increase by Q2 2026. Meanwhile, BMO's gold outlook cites several supportive factors, including lingering inflation risks from the Trump era, gold's role as an AI/quantum hedge, continued de-dollarization, potential PBoC gold purchases in 2025, and declining geopolitical risk premium.

In the medium to long term, if U.S. economic data demonstrates a significant weakening, it is anticipated that the pace of monetary policy easing will accelerate. This shift is likely to lead to a reallocation of funds towards gold, suggesting that gold prices still have potential for upward movement. Furthermore, continued physical purchases by central banks are expected to provide ongoing support for gold prices.



Data source : Bloomberg terminal

Copper

Copper prices experienced a decline of 1.71% in the week end of December, followed by a notable recovery with a 3.71% increase in the first week of January.

Last week, copper prices on COMEX increased, causing the premium for London Metal Exchange (LME) copper contracts to rise from nearly zero at the start of 2025 to approximately $400 per ton. The volitivity might linked to speculative activities related to Trump's inauguration and tariff expectations.

As we enter the off-season of end-user consumption, demand from downstream enterprises has weakened, indicating that copper prices may experience short-term volatility. From a fundamental standpoint, the demand for copper from downstream industries remains strong, and we anticipate that copper prices will find support moving forward.

Data source : Bloomberg terminal

Lithium

Lithium prices fell by 0.16% in end of December, followed by a rise of 2.02% in first week of January. The price fluctuations are attributed to weakening demand as the market enters the off-season, leading to price volatility. Xinhua reported that China's lithium reserves have increased from 6% to 16.5% of the global total, making it the second-largest lithium reserve country in the world.

The current market conditions reflect a scenario of strong supply and weak demand, suggesting that lithium prices may fluctuate around cost levels. However, production cuts and postponed expansion plans from overseas mines are expected to help restore supply-demand balance in the medium to long term.

+852 28032207
7502A, 75/F, ICC,1 Austin Road West, Kowloon, Hong Kong
www.gmasset.com.hk