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Commodities

Aluminium Price Surge Amid Middle East Tensions

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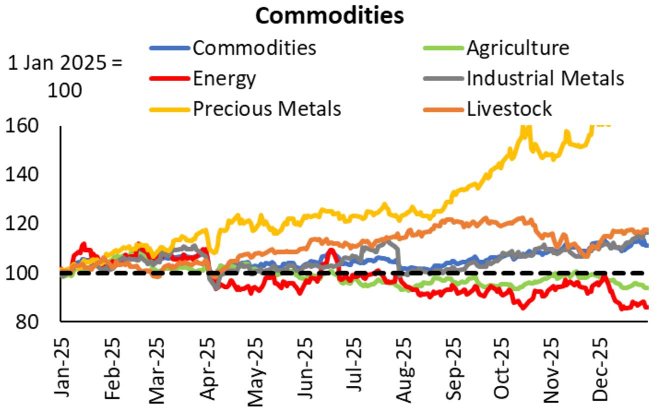
- *Industrial metals delivered a solid return in 2025, driven by a confluence of factors, including a softer USD, expectations of Fed rate cuts, resilient demand related to the green transition, and supply disruptions. Aluminium was a key beneficiary of several of these drivers, rising by 17.4% to end the year around USD2,978/mt.*

- *In 2026, aluminium prices have remained firm, with the recent upward trajectory in March driven by concerns over supply chain disruptions following the outbreak of conflict across the Middle East. We expect supply-side stresses to keep prices elevated in the near-term, as flows through the Strait of Hormuz remain functionally closed while production in the Gulf is shutting in.*

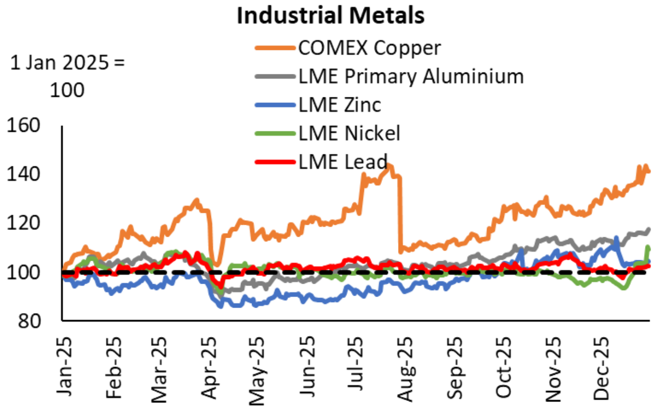
- *Looking ahead, we expect aluminium prices to moderate from current elevated levels to ~USD3,150/mt by end-4Q26. This outlook reflects an anticipated easing of Middle East-related supply disruptions, driven by the gradual normalization of maritime transit routes and resumption of production in affected regions.*

Industrial metals, as represented by the BCOMIN Index, delivered a solid return in 2025, rising by ~16%. The increase was broad-based across the sector, driven by a confluence of factors, including a softer USD, expectations of Fed rate cuts, resilient demand related to the green transition, and supply disruptions. Aluminium was a key beneficiary of several of these drivers, outperforming the benchmark by rising 17.4% to end the year around USD2,978/mt. The bulk of the growth was notably concentrated in 4Q25. Earlier in the year, heightened global trade tensions in 2Q25 had kept a lid on prices before the year-end rally materialised.

In 2026, aluminium prices have remained firm, with the recent upward trajectory in March driven by concerns over supply chain disruptions in the Middle East.



Source: Bloomberg, OCBC Group Research.



Source: Bloomberg, OCBC Group Research.

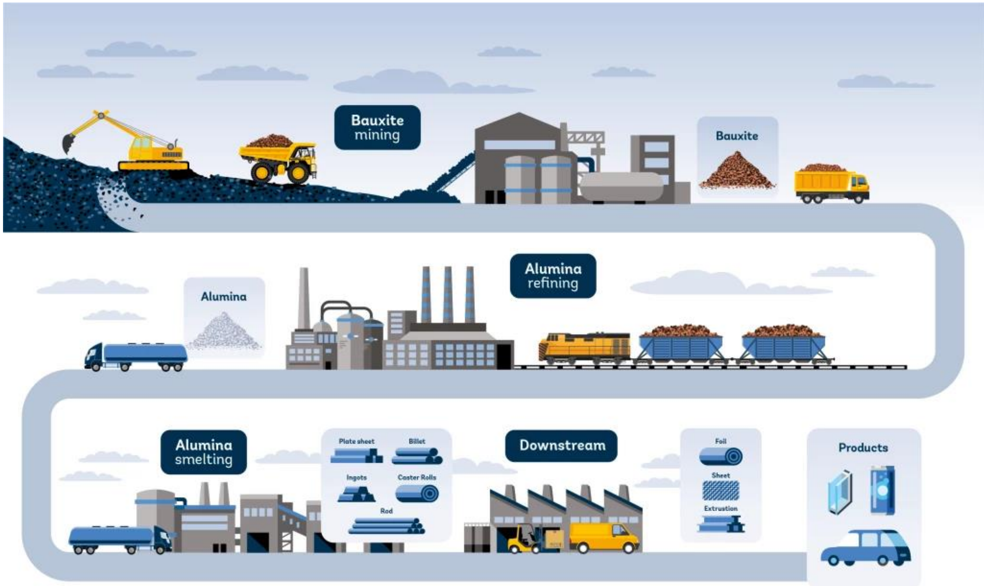
What is Aluminium?

Aluminium is Earth's most abundant metal, accounting for 8% of the planet's crust. However, it is not found naturally in metallic form. Instead, it occurs mainly as bauxite — an ore rich in aluminium oxide (alumina). While bauxite can be mined relatively easily, it is a far more complex process to convert it to the metallic aluminium that is most widely used.

Property	Value/Description
Atomic Number	13
Density	2.7 g/cm³ (approximately one-third the density of steel)
Melting Point	660°C (1,220°F)
Boiling Point	2,470°C (4,478°F)
Electrical Conductivity	Excellent electrical conductivity, with about 61% that of copper by volume, but superior by weight
Thermal Conductivity	High thermal conductivity which allows aluminium to efficiently transfers heat
Corrosion Resistance	Forms a protective oxide layer when exposed to air
Malleability and Ductility	Easily shaped, rolled, and extruded
Magnetic Properties	Non-magnetic; useful in electrical applications
Recyclability	Can be recycled indefinitely without loss of properties

Source: Britannica, Bloomberg, OCBC Group Research.

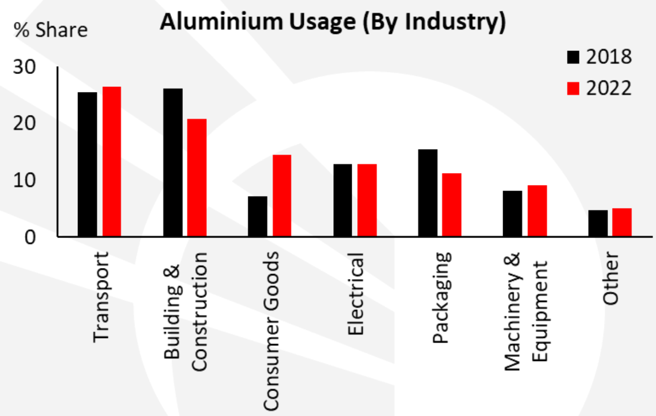
Modern production still relies largely on the Hall–Héroult process, first developed and patented in 1886 by Charles Martin Hall and Paul Héroult. The production process of primary aluminium occurs in three key stages: (1) Bauxite Mining, (2) Refining Bauxite to Alumina, (3) Smelting Alumina to Aluminium.



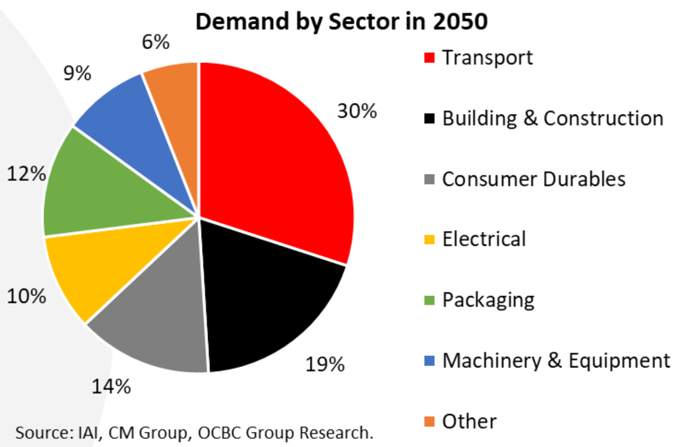
Source: World Bank

Demand Fundamentals

The medium-term demand for aluminium is underpinned by three structural drivers: the ongoing push for electrification in the transportation sector, energy transition applications, and consumer goods. The transportation sector has emerged as the dominant growth vector, with its share of aluminium demand rising to 26.5% in 2022, up from 25.6% in 2018. Demand from this sector is expected to remain dominant and account for a significant portion of overall aluminium consumption.



Source: FocusEconomics, OCBC Group Research.



Source: IAI, CM Group, OCBC Group Research.

Within transportation, electric vehicles (EVs) — both plug-in hybrid and full battery — require substantially more aluminium than traditional internal combustion engine vehicles. Aluminium content in EVs is on average 25-27% higher due to the need for lightweight materials to offset heavy battery packs and extend driving range[1] [2]. Key applications include structural components and heat exchangers, for which aluminium is a potential material of choice. As global EV adoption accelerates, aluminium intensity per vehicle is expected to rise significantly, with the average aluminium content in an EV projected to increase by another 9.5% between 2022 and 2026[3] [4]. The electrification of commercial fleets and buses will further amplify aluminium demand in the transportation sector.

Beyond transportation, building and construction, and consumer goods will provide additional demand support.

Aluminum Product Markets	
Automotive	One of the fastest growing automotive materials, aluminum makes vehicles safer, more energy efficient and better performing.
Building & Construction	Aluminum is one of the most durable, energy efficient and sustainable building materials, helping builders gain LEED certification.
Aircraft & Aerospace	Modern air and space flight would not be possible without the development of lightweight but high strength aluminum alloys.
New & Innovative Markets	Aluminum is the most widely used material in modern solar panels, accounting for more than 85% of most solar photovoltaic components.
Foil & Packaging	Highly versatile aluminum can be thin and bendable like kitchen foil, or rigid and durable
Electronics & Applicances	Aluminum is a showcase material in some of the most popular consumer electronics today, from the Apple iPhone to the latest flat-screen TVs.
Aluminum Cans	Aluminum beverage cans contain far more recycled content than glass or plastic and save huge amounts of energy in transportation and refrigeration.
Electrical	Lightweight aluminum wire and cable has high conductivity and allows utilities to run transmission lines with far fewer supporting structures.

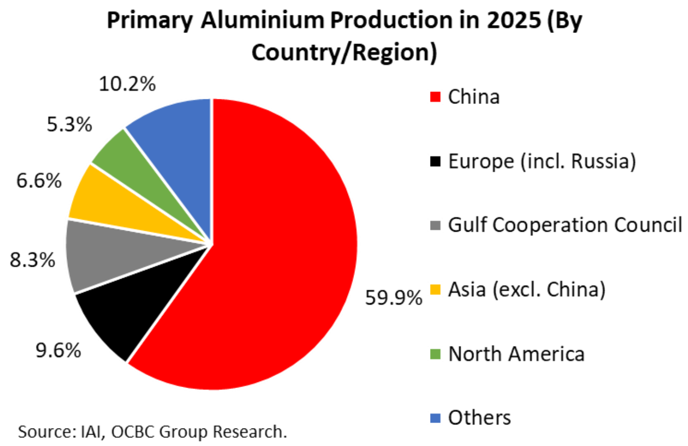
Source: The Aluminum Association

Supply Fundamentals

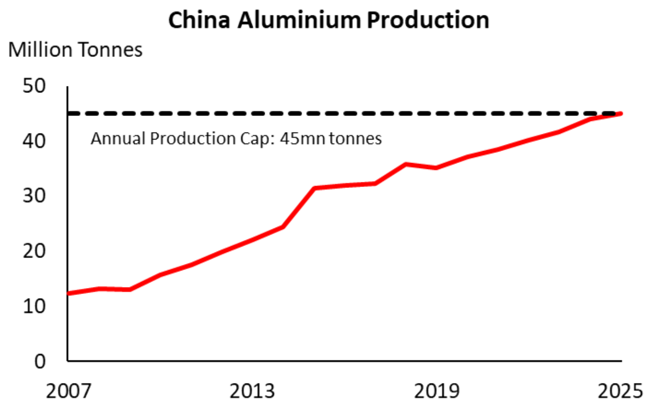
Global supply conditions have tightened materially following the outbreak of conflict across the Middle East. As with previous episodes, the Strait of Hormuz remains a contentious zone. Maritime traffic has plunged drastically after Iran's Islamic Revolutionary Guard Corps announced the closure of the strait and warned of potential risks for vessels attempting to pass through the waterway.

[1] Electric vehicles to transform aluminium demand. CRU Group, 15 February 2018.
[2] Automotive Lightweighting Market, Global, 2024–2030. Frost & Sullivan, 29 September 2025.
[3] ALUMINIUM USAGE IN CARS SURGES AS AUTOMOTIVE INDUSTRY SHIFTS TOWARDS ELECTRIFICATION. European Aluminium, 2 May 2023.
[4] Opportunities for aluminium in a post-Covid economy. CRU, 28 January 2022.

The Strait of Hormuz is a critical transit route not only for energy products, but also for fertiliser and aluminium. A prolonged disruption will, therefore, affect multiple commodity classes simultaneously. Indeed, the price of aluminium has spiked to USD3546/mt, marking the highest level since March 2022. We expect supply-side stresses to keep prices elevated in the near-term, as flows through the Strait of Hormuz remain functionally closed while production in the Gulf is shutting in[5]. Iran and GCC producers account for ~9% of global primary aluminium production.

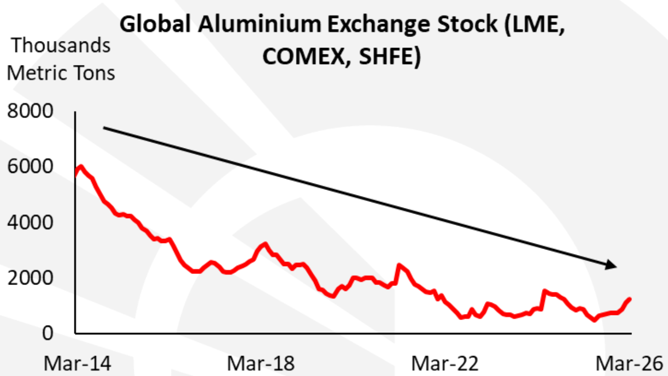


Source: IAI, OCBC Group Research.

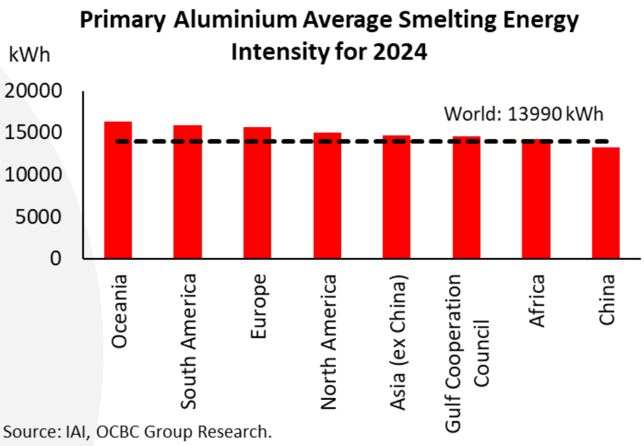


Source: NBS, Bloomberg, OCBC Group Research.

The situation outside the Gulf region does little to alleviate these pressures. First, China reached its production capacity at the end of 2025, leaving limited room for further growth and making it unlikely to ease global supply constraints. Second, global exchange inventories are low, resulting in the absence of a temporary buffer against ongoing supply disruptions. Additionally, rising energy prices — directly and significantly driven by the ongoing conflict in the Middle East — have further compounded the problem. Aluminium smelting is extremely energy-intensive, and rising electricity costs can potentially render smelting operations economically unviable, forcing output cuts.



Note: Data as of 13 March 2026.
Source: Bloomberg, London Metal Exchange, The Commodity Exchange, Shanghai Futures Exchange, OCBC Group Research.



Source: IAI, OCBC Group Research.

[5] Aluminium supply headaches intensify as Bahrain shipments stop, Qatar smelter to shut. Reuters, 4 March 2026.

Price Outlook

We expect aluminium prices to moderate from current elevated levels to ~USD3,150/mt by end-4Q26. This outlook reflects an anticipated easing of Middle East-related supply disruptions, driven by the gradual normalization of maritime transit routes and resumption of production in affected regions. Additional challenges will stem from elevated aluminium prices and growing concerns about the impact of the ongoing oil price shock on the global economy, which is likely to lead to softer commodity demand.

Price forecast:

USD/mt	2Q26	3Q26	4Q26	1Q27
Aluminium	3500	3350	3150	3175

Source: OCBC Group Research.

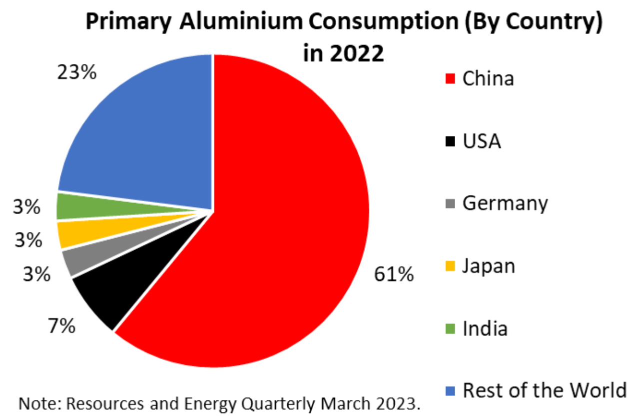
The China Factor

China's consumption represents a key driver of aluminium demand, accounting for 61% of primary aluminium consumption in 2022. As such, demand dynamics are largely shaped by China's downstream sectors. While China's property sector continues to face persistent headwinds, growth in other applications may provide meaningful offsets. Energy-transition sectors such as EVs, solar panels, and wind turbines are expected to drive incremental consumption and partially compensate for construction-related weakness.

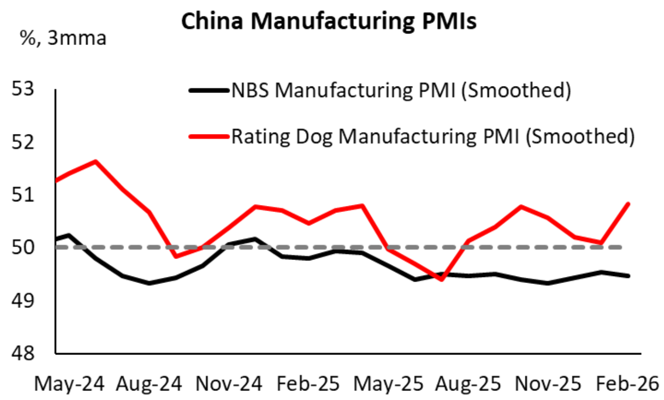
Regarding the property sector, in a March 2026 government work report to the national parliament, the central government emphasised measures to "control new supply and reduce inventory" in the real estate sector. Although there were no major announcements, the government's continued reassurances suggest that key support measures will likely be introduced later, though the timing and scale remain uncertain.

Additionally, recent divergence in forward-looking indicators warrants careful interpretation. The NBS manufacturing PMI, which is broader in scope and weighted towards SOEs, registered 49.0 in February. In contrast, the RatingDog manufacturing PMI which focuses on export-oriented and private firms, registered 52.1. This divergence typically reflects weak domestic demand alongside relatively resilient external orders.

Near-term aluminium demand from China is therefore likely to face some headwinds from subdued domestic consumption, even as export-facing segments demonstrate relative strength.



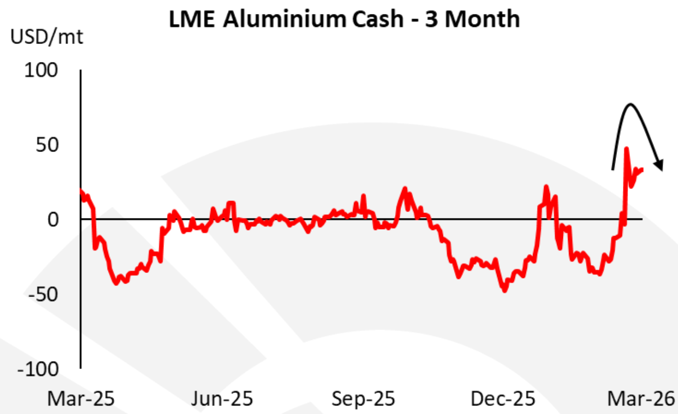
Note: Resources and Energy Quarterly March 2023.
Source: Department of Industry, Science and Resource, OCBC Group Research.



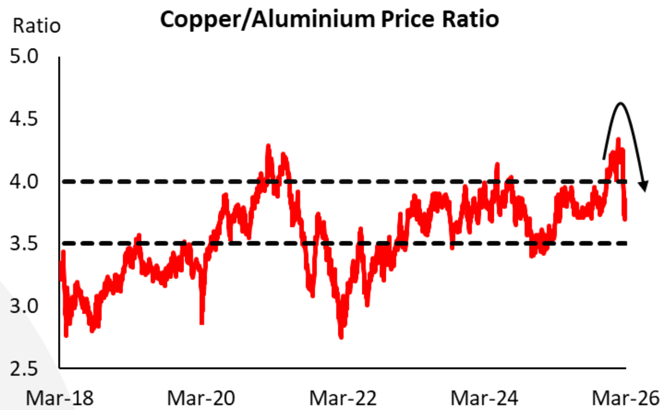
Source: NBS, RatingDog, OCBC Group Research.

Substitution Dynamics

According to industry experts, when the copper-to-aluminium price ratio exceeds 3.5-4 times, substitution between the two materials increases due to economic advantages[6]. The recent price rally in aluminium has contributed to narrowing this price ratio. Given that copper and aluminium are good substitutes in industrial applications because of their electrical conductivity properties, this compression will reduce the immediate economic incentive for substitution, as copper becomes relatively more competitive and aluminium's initial cost advantage narrows. As a result, industries that might have planned to shift towards aluminium to reduce costs may now find relatively less incentive to do so.



Source: Bloomberg, OCBC Group Research.



Source: Bloomberg, OCBC Group Research.

However, should the ratio widen again in the future, substitution activity could re-accelerate, providing renewed support for aluminium demand and potentially capping downside price risk over the medium term.

Market Positioning

In summary, the recent upward trajectory in March is predominantly supply-driven rather than reflective of fundamental demand strength. We do not expect the

[6] BHP Insights: how copper will shape our future. BHP, 30 September 2024.

sharp rally to be sustainable given our expectation that the current supply disruptions are likely temporary. Additional headwinds will come from elevated aluminium prices and uncertainties driven by the ongoing oil price shock.

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