minelife

WEEKLY RESOURCE REPORT by Gavin Wendt

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OVERVIEW

- The ASX All Ordinaries Gold Index (XGD) is up 82% over the past 12 months, outperforming the ASX 300 Metals & Mining Index (XMM) (up 20%) and the ASX All Ordinaries Index (XAO) (up 1.4%).

Figure 1: 12-month rolling graphic comparing the performance of the ASX Gold, Metal & Mining, and All Ordinaries indices.

- Despite gold's retracement from its recent all-time highs, the yellow metal is in a strong consolidation phase, and its price performance demonstrates resilience – a reflection of the inherent uncertainty that is continuing to pervade global financial markets as a result of trade issues, inflationary pressures, and geopolitical turmoil.
- Challenges for financial markets in the near-term include extended valuations with respect to AI stocks that have been driving global sharemarket indices, whilst underlying commodity demand remains constrained.

COMMODITY COMPARISON CHART

- We have updated our rolling 12-month commodity price graphic below. Precious metals as a collective still remains the best performers – comprising platinum, palladium, gold and silver.
- Cobalt remains far and away the stand-out performer within the industrial minerals complex, which as a sector has underperformed in recent years, with markets well-supplied and with near-term demand not overly strong.
- Diminishing expectations of a December Federal Reserve rate cut has weighed on sentiment, with this week's long-awaited US employment report showing nonfarm payrolls rising by 119,000 in September, more than double the consensus estimate of 50,000, while the lack of data for October has added to market uncertainty.

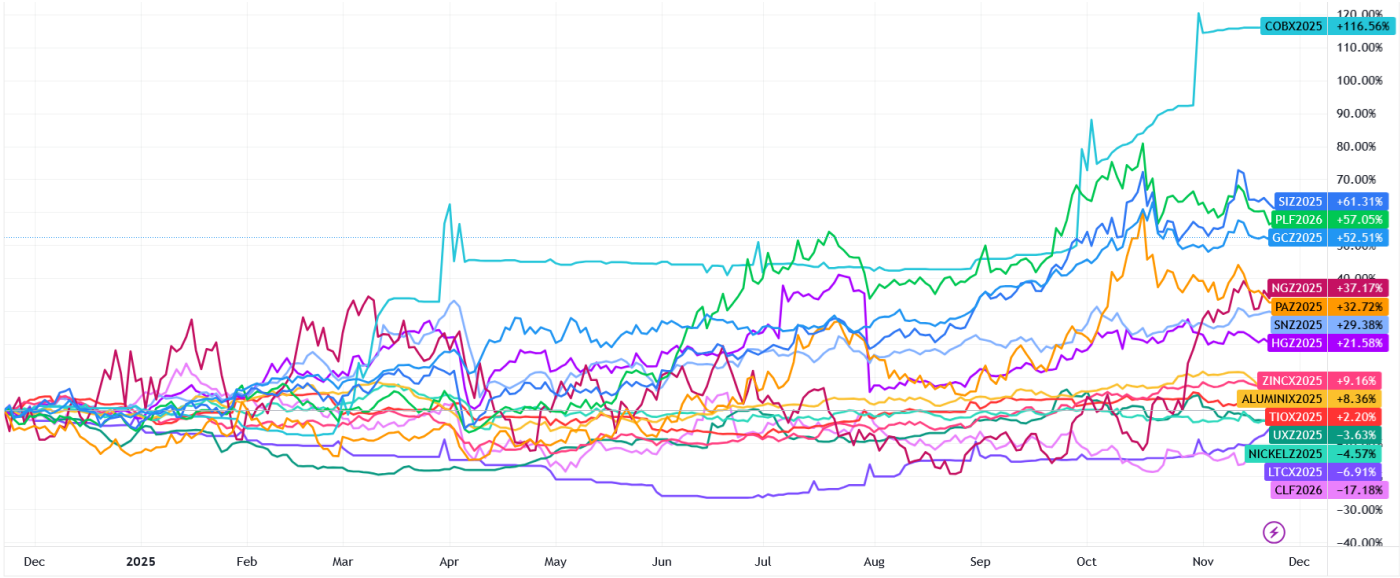


Figure 2: 12-month rolling graphic showing the relative performance of various commodity futures prices.

The best performing commodities are:

- Cobalt (+117%)
- Silver (+61%)
- Platinum (+57%)
- Gold (+53%)
- Henry Hub US Natural Gas (+37%)
- Palladium (+33%)
- Tin (+29%)
- Copper (+22%)
- Zinc (+9%)
- Aluminium (+8%)
- Iron Ore (+2%)

The worst performing commodities are:

- Uranium (-4%)
- Nickel (-5%)
- Lithium Carbonate (-7%)
- Crude Oil (-17%)

PRECIOUS METALS

- Gold prices have continued to trade robustly above the key $4,000/oz level this past week, reaching a peak of $4,130/oz before closing the week at $4,080/oz.
- Gold retreated on Friday and closed the week in negative territory after two previous consecutive weekly gains, as diminishing expectations of a December Federal Reserve rate cut weighed on sentiment.
- The long-awaited US employment report showed nonfarm payrolls rising by 119,000 in September, more than double the consensus estimate of 50,000, while the lack of data for October added to the uncertainty over the decision of a data-driven Fed.
- The US unemployment rate ticked up to 4.4%, the highest since late 2021, while wage growth surprised slightly on the upside at 3.8%, painting a mixed picture of the labor market. We are also seeing Trump backpeddle on tariffs, with Australia and Brazil recent beneficiaries as US inflation becomes a major concern.
- Geopolitical risks are also continuing to contribute to uncertainty, particularly in Eastern Europe, as ongoing incidents of suspected espionage (the latest a railway bombing in Poland) see the finger pointed at Russia.

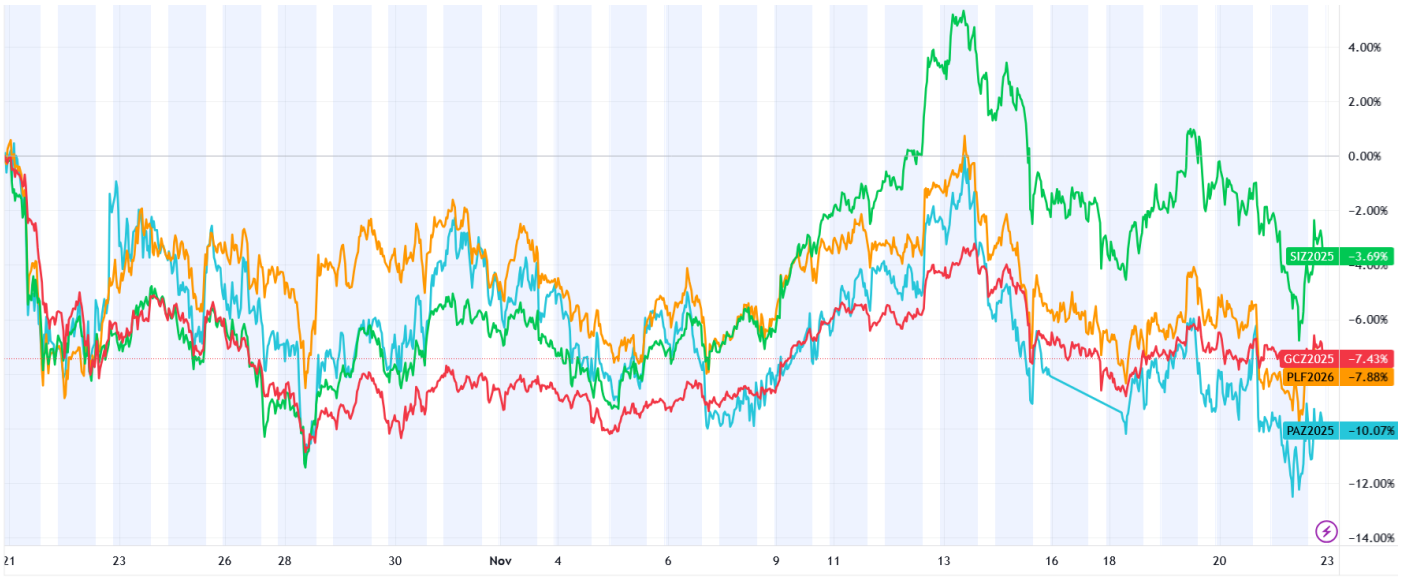


Figure 3: Graphic showing the relative performance of key precious metals over the course of the past month – silver (down 3.7%), gold (down 7.4%), platinum (down 7.9%) and palladium (down 10.1%).

- Over the past month we have seen somewhat of a consolidation in precious metals prices across the board, as investors have realised some profits after their recent strong price run.
- The silver price has enjoyed a remarkable 2025 so far, breaking a series of record highs before peaking at $54.48 in October. This rally has been driven by uncertainty surrounding US policy and mounting concerns about the global growth outlook.
- Meanwhile, tight London inventories, exacerbated by tariff-induced outflows to the US, strong Indian demand, and ETP accumulation, have periodically amplified price squeezes. Adding to this tightness, a persistent deficit in the silver market, now in its fifth consecutive year, has been another key contributing factor.
- The overall precious metals' price outlook remains sound, with the gold price doing exactly what we wanted it to do, consolidating around the $4,000/oz level before moving higher. We view gold's next price target as $4,500/oz, before it heads towards $5,000/oz.

Base Metals

- Chile's state copper commission Cochilco increased its forecast for copper prices for 2025 and 2026 to record highs this week amid weak production.
- Cochilco now sees average copper prices in 2025 of $4.45 per pound (current spot price $5.01/lb) and hiked its 2026 forecast to $4.55 per pound, both from a prior view of $4.30 per pound.
- The forecasts are the highest copper price estimates ever projected by the copper commission, which also expects the price of the metal to remain on an upward trend at least until 2030 as supply lags demand.
- A copper price hike had been expected due to production constraints in Chile, the world's largest miner of the red metal. Cochilco said weak performance at the giant Collahuasi mine, a partnership between Anglo American and Glencore, lower production of Anglo American Sur and an accident at Codelco's flagship mine, El Teniente, contributed to lower supply.
- Cochilco expects Chilean copper production to grow just 0.1% to 5.51-million metric tons this year, with a 2.5% increase in 2026 reaching 5.6-million metric tons.
- Other operations will compensate for the lower production at El Teniente going forward, and the country should reach 5.9-million metric tons in 2027.
- Demand for copper will continue to grow, although with less dynamism, according to Cochilco.

Figure 4: Graphic showing the relative performance of key base metals over the course of the past month – zinc (up 3.8%), copper (up 1.2%), nickel (up 2%).

- Independent commodity forecasters, Wood Mackenzie, are also positive and warning of a growing supply-demand gap.
- “The spread of electric vehicles and renewables, as well as grid upgrades, are driving demand growth that is likely to persist for the rest of the century,” Wood Mackenzie said. “The question is how the world can secure sufficient supply to meet this burgeoning demand.”
- Copper demand is being propelled by a convergence of megatrends. Beyond energy transition and persistent demand from China, population growth, urbanisation, and industrial migration across Southeast Asia and India are set to create significant new demand over the coming decade.
- Wood Mac’s analysts said the potential impact of artificial intelligence, with the data centres required to power it poised to add “asymmetric additions to demand,” despite being a small driver today.

- On the supply side, constraints extend beyond mining to refining, smelting, and semi-finished product manufacture, which remains dominated by China.
- According to Wood Mackenzie, it will take 7.8 million tonnes (Mt) of new copper supply by 2035 to plug the emerging supply-demand gap. Recycling and scrap will help, but won't be sufficient to plug the deficit.
- Trade tensions have added further complexity. Wood Mackenzie said the tariffs imposed by the US have not only raised domestic prices and caused a shift in global trade flows, but are deterring long-term copper investment.
- Operational risks are also on the rise, with mine disruptions averaging 6% over the past three years. To meet future demand, copper growth is shifting geographically, from Chile to the Democratic Republic of the Congo to Asia, with China, Russia, and other Asian countries dominating new mine supply.
- Looking ahead, the market will remain shaped by power, politics and project ramp-up, leaving the copper industry facing both opportunity and significant risk as demand continues to climb.

Crude Oil

- Crude oil prices remain under negative pressure as the market closed the week by digesting the potential for geopolitical de-escalation and structural oversupply. WTI closed the week at $58.06 per barrel.
- The emergence of a Russia-Ukraine peace framework from President Trump could weigh on the oil market as the prospect of future normalisation of Russian crude exports tempered the impact of new US sanctions on Rosneft and Lukoil. Higher Russian oil exports could also add to the current oversupply narrative. However, a failed deal could help lift oil prices, which is entirely possible given European nations oppose it strongly.
- Meanwhile, fundamentals remain bearish. While US crude inventory was mixed, the IEA projects a surplus of about 4Mbpd in 2026 driven by strong non-OPEC supply growth, which could continue to drive downside risks for oil. A firmer US dollar and fading hopes of an immediate Fed rate cut add to the pressure.

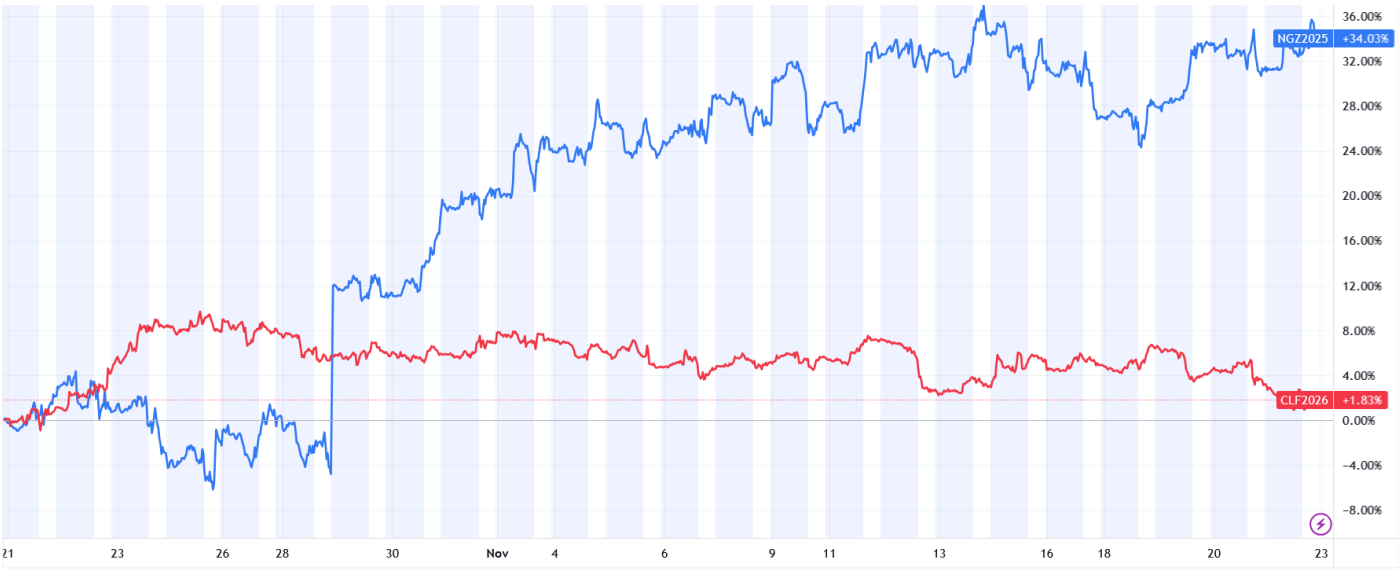


Figure 5: Graphic showing the relative performance over the past month of NYMEX crude oil (up 1.8%) and Henry Hub US natural gas (up 34%).

- From a bigger picture perspective though, global demand for oil and gas could keep rising through 2050 despite growing investment in clean energy, the International Energy Agency (IEA) said in its "*World Energy Outlook 2025.*" The agency said current policies will not achieve carbon neutrality or limit fossil fuel use before mid-century.

- In its existing policies scenario, the IEA expects oil demand to increase from 100Mbpd in 2024 to 113Mbpd bpd in 2050, driven mainly by the petrochemical and aviation sectors. Liquefied natural gas (LNG) demand is projected to grow by 50% by 2030, supported by expanding export capacity in the USA.
- This outlook represents a shift from the agency's previous expectation that global oil demand would peak before 2030. The IEA now says the energy transition is slowing. Contributing factors include the renewed push for fossil fuel production in the United States under Donald Trump, the possibility of electric vehicle sales leveling off after 2035 in several regions, and the continued subsidization of coal, oil and gas in major emerging economies.
- The slowdown is also linked to rising dependence on China, which controls about 70% of the processing capacity for the critical minerals required for clean technologies.
- The agency noted that the world is being pulled in two opposite directions: rapid growth in renewables, especially solar power, which now accounts for half of new energy investment, and ongoing reliance on fossil fuels.

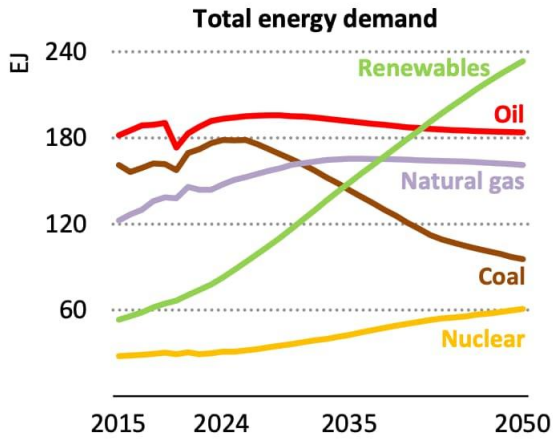


Figure 6: Graphic showing the forecast relative trends of various energy sources by the IEA.

LITHIUM

- Two developments in China late this week have the potential to temper lithium's strong price rally that it has enjoyed since June.
- Firstly, authorities have implemented fees to limit futures contract speculation, with the aim of dampening price increases; and secondly CATL is set to reopen its Jianxiawo mine that produces ~3% of global output.
- The most-active lithium carbonate contract on the Guangzhou Futures Exchange closed daytime trading on Friday down 9% at 91,020 yuan ($12,804.21) per metric ton, hitting its lower limit and giving back most of the week's gains. The contract on Thursday hit its highest since June 2024 at 102,500 yuan a ton.
- The Jianxiawo mine, where production has been suspended since August due to the expiration of its mining licence, can produce just over 46,000 tons of lithium carbonate equivalent a year. CATL has told its lithium carbonate smelters to be prepared for a resumption of the Jianxiawo mine, two sources told Reuters without specifying a date.
- We also note the latest research from Macquarie Group that identifies what it describes as "early signs of a new lithium cycle, driven by a widening imbalance between supply and demand.
- Macquarie believes its view has been validated by the market over the past two months, with continued inventory drawdowns and a steady increase in spot spodumene prices. Futures for GFE lithium and AU lithium equities have also risen, albeit with some volatility.

- Given a tightening lithium market, Macquarie sees opportunity for spot spodumene prices to attain US$1,200-1,300/t in early 2026, however it is cautious on several fronts as there are potential hurdles.
- The first is a potential supply response: Australian lithium producers could consider restarting idled capacity (e.g., Ngungaju at PLS and Bald Hill at MIN) if prices remain above US$1,200/t for a sustained period.
- The second is marginal producers: at ~US$1,200/t (equivalent to RMB85–90k/t Li_2CO_3), prices are near the break-even level for CATL's Jianxiawo operation and many marginal small-scale producers in the region.
- The third is demand risk and policy intervention: a sharp increase in raw material costs could trigger demand destruction in downstream EV manufacturing. For example, Macquarie estimates BYD's Seagull model, one of
- the best-selling models this year, would see margins halved if spodumene prices rise from US$1,000/t to US$3,000/t. In such a scenario, further Chinese policy intervention would be likely.

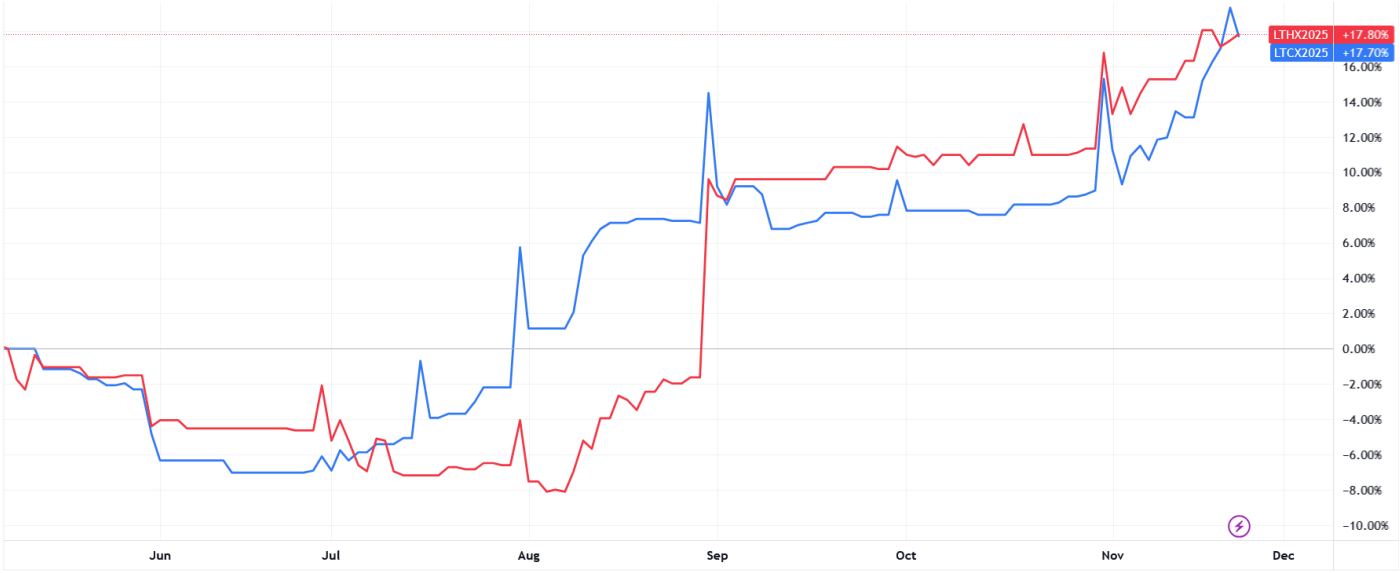
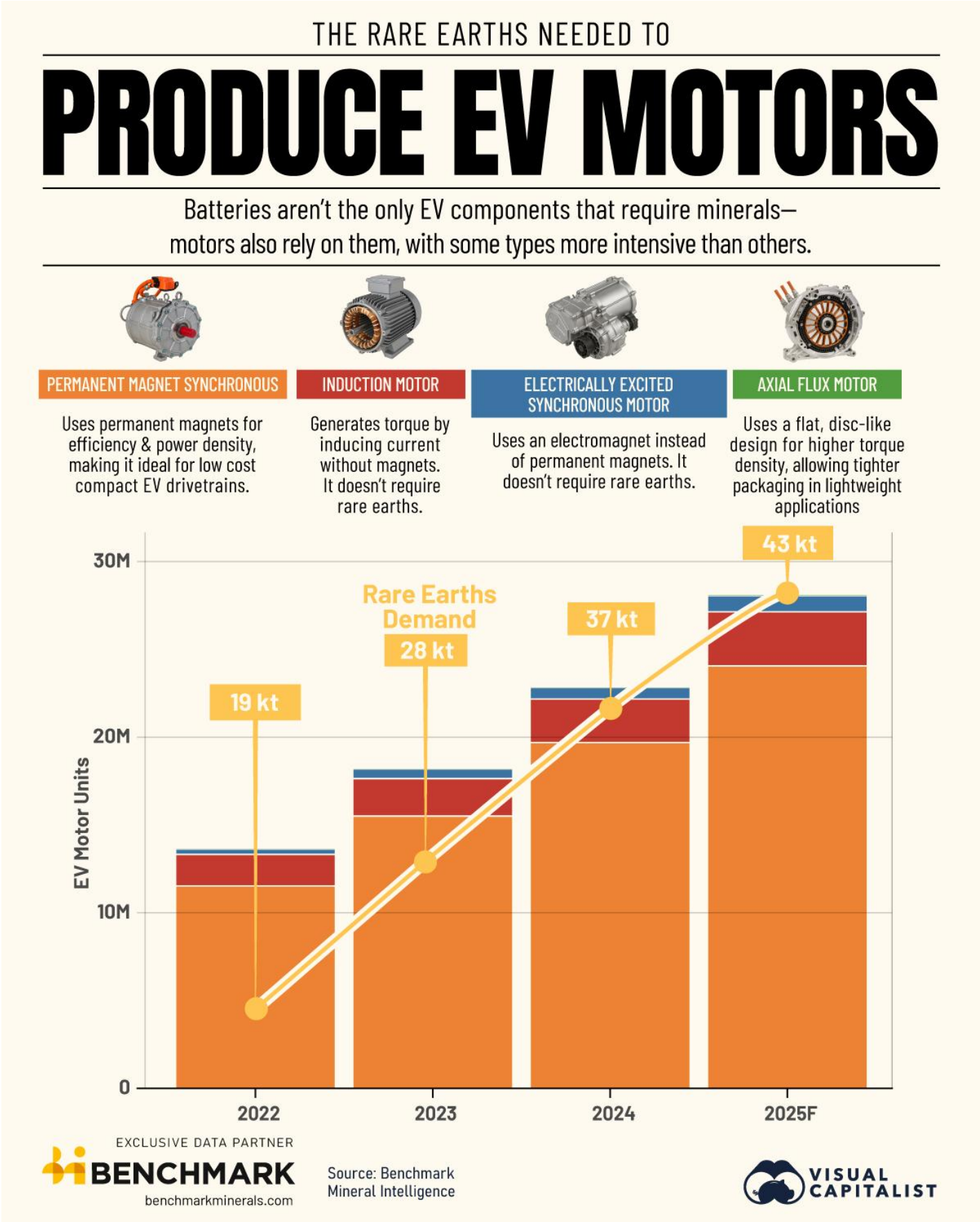


Figure 7: Graphic showing the relative performance of lithium hydroxide (up 17.8%) and lithium carbonate (up 17.7%) over recent months.

RARE EARTHS

- The West been racing to establish an alternative supply chain capable of producing high-strength rare earth magnets, essential for defence technologies, electric vehicles, electronics and wind turbines.
- US producer MP Materials aims to integrate the entire supply chain, from rare earth mining to magnet manufacturing, supported by a July agreement involving billions of dollars in U.S. government funding. Earlier this month, the company highlighted a 51% quarterly increase in processed output of two light rare earths.
- However, shortages of the heavy elements dysprosium and terbium could become a critical weakness for MP Materials and the broader Western push to develop a magnets industry that aims to be insulated from geopolitical volatility that has constrained supply from China.
- MP's Mountain Pass mine in California contains only trace amounts of both elements, which are crucial for enabling magnets to retain strength under high temperatures, such as in EV motors. During a November 6 call with analysts, chief operating officer Michael Rosenthal said MP was "actively engaged" with several potential feedstock suppliers of heavy elements but did not disclose names.
- Another source of heavy rare earth feedstock will come from recycled materials supplied by Apple, as part of a US$ 500 million deal for MP to produce magnets for the tech giant.

- However, Western dependence on China remains profound. According to Benchmark Mineral Intelligence, the West will still rely on China for 91% of its heavy rare earth needs by 2030, only slightly down from **99%** in 2024.



- China's export restrictions imposed in April on certain heavy rare earths used in magnets have already forced temporary shutdowns at some auto plants and jolted Western governments into action. On October 30, Beijing agreed to delay new controls under a U.S.-China arrangement.
- Outside China, scarcity is reflected in prices: dysprosium oxide sells for US$900 per kg in Rotterdam, more than triple the US$255 price in China, according to Fastmarkets.
- Critical minerals consultancy Adamas Intelligence projects that magnet production capacity outside China and Japan will reach 70,000 metric tons per year by 2030, requiring 1,650 tons of dysprosium oxide annually. But according to CRU, mines outside China will supply only 29% of the heavy rare earths consumed outside China in the automotive and wind sectors by 2035.
- Many companies have announced new mines and separation facilities for heavy rare earths, but most will take years to materialize. The two largest Western firms in the sector, MP Materials and Australia's Lynas Rare Earths, are both seeking additional ore sources because their existing deposits lack sufficient heavy elements.
- Lynas began heavy rare earth separation this year in Malaysia, becoming the world's first such producer outside China. The company said last month it plans to expand its output to 250 tons of dysprosium and 50 tons of terbium annually, though it did not specify a timeline.
- Iluka Resources is building a refinery in Eneabba, Western Australia, which will eventually process up to 750 tons of heavy rare earths per year starting in 2027.
- Brazil is emerging as a major exporter of heavy rare earth ore, but the real challenge is refining capacity. According to Benchmark, heavy rare earth refining outside China is 5–7 times more expensive. Ionic clay deposits - the richest source of heavy rare earths - require chemical leaching, a process associated with water contamination and deforestation in Myanmar.
- Western firms claim to use more sustainable methods, yet community resistance and environmental scrutiny have slowed several proposals. Deposits containing monazite also include radioactive uranium and thorium, complicating waste disposal.
- Some companies, including VAC, have developed magnets without heavy rare earths, but these work only in limited applications such as slow-rotating wind turbines, not in EV motors.
- A final intriguing and rather ironic point is this – processed rare earths markets are actually in a state of oversupply. Indeed, current oversupply has already constrained LYC's NdPr sales to roughly two-thirds of installed capacity. Persistent oversupply could weigh on pricing and offtake agreements for projects that otherwise have strong fundamentals.
- While government intervention has enabled stalled projects like Arafura's Nolans to raise significant equity, this "dead hand" of policy may ultimately depress future economic returns.
- Developing a Western world alternative to Chinese supply is therefore easier said than done. China has grown to dominate the rare earths industry – accounting for 70% of mining and 90% of processing.
- China has a several decades' head-start on the West, with proven methodology for rare earths extraction and processing – and at supremely low cost. It can therefore turn on the supply taps and make life very difficult for Western producers from a profitability perspective.
- It will likely therefore take decades for the West to make up the ground it's already lost – if it can do so at all.

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