Investments - Flash

Aluminum faces a structural paradigm shift

A technical correction in a market that is physically tighter than it appears

The aluminum market is experiencing an unprecedented tightening, driven by a convergence of independent shocks rather than by a single factor. After prices soared in the first half of the year, driven by the Gulf war premium and peaking at nearly $3,750–$3,854 per metric ton in early June, the sector experienced a sharp correction following the announcement of a provisional agreement between Washington and Tehran, as the market priced in a normalization of regional supply that, in reality, never materialized. LME inventories have continued to fall steadily since February, reaching 242,600 metric tons, a nineteen-year low, while China, capped at 45 million metric tons of production since 2025, is a net importer of more than 1.3 million metric tons of aluminum to make up for its own shortfall. The sanctions against Rusal in 2018, a comparable precedent, removed one-tenth of global supply and sent the LME surging 13% in four trading sessions, before their easing erased the gains. But while sanctions can be lifted with the stroke of a pen, a damaged electrolysis line takes years to rebuild. In the United States, the bottleneck is shifting to energy: AI data center operators are now paying up to three times the price that smelters can afford, causing a permanent, rather than cyclical, contraction in North American capacity. Alcoa has already sold several sites to data center operators rather than reviving them, and Century Aluminum has followed a similar path with Hawesville. These three drivers, geopolitical, regulatory, and energy-related, are not correlated, which limits the risk that a single event could reverse the trend. Estimates for the 2026 deficit remain widely scattered, ranging from 100,000 metric tons at Goldman Sachs to 2.7 million at Citi, a sign of uncertainty regarding the magnitude rather than the direction. From a stock market perspective, entry points are more attractive than at the June peak, with the price trading around $3,278–$3,295 which is 12% to 15% below its annual high, while physical data has never confirmed the normalization scenario that triggered the correction. A sustained return above $3,340, and then $3,418, would confirm the bullish recovery. In our view, the market corrected more rapidly than physical fundamentals warranted, offering an attractive entry point for a theme driven by catalysts that are independent of one another.