

ECONOMIC RESEARCH – MARKET FLASH

CROSS-ASSET RESEARCH

Fixed income

September 23rd, 2026

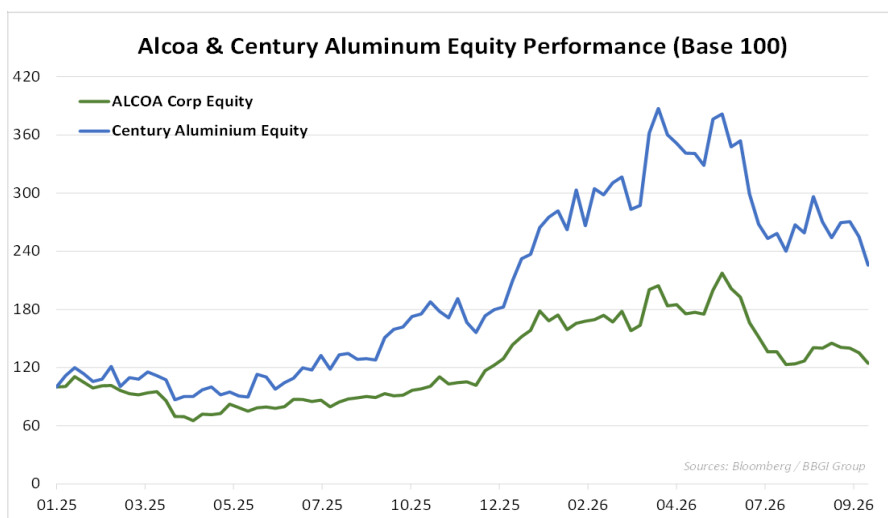
ALUMINUM FACES A STRUCTURAL PARADIGM SHIFT

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



Geopolitical Shocks & The Energy Bottleneck

The global aluminum market is experiencing an unprecedented tightening, driven by a convergence of independent structural shocks. Following a sharp geopolitical run-up to \$3,750–\$3,854 per metric ton in early June, prices corrected on expectations of Middle Eastern supply normalization that never materialized in physical markets. LME inventories have fallen steadily since February to 242,600 metric tons, a nineteen-year low, while China remains capped at a hard production ceiling of 45 million metric tons, requiring net imports exceeding 1.3 million metric tons to cover domestic shortfalls.



While the 2018 sanctions against Rusal removed 10% of global supply and sparked a temporary 13% price spike, administrative sanctions can be lifted quickly, whereas damaged industrial infrastructure and capacity structural shifts take years to rebuild. In North America, the primary operational bottleneck has permanently shifted toward energy supply: AI data center operators are now paying up to three times the power price that primary aluminum smelters can afford. This is forcing a permanent, rather than cyclical, contraction in domestic smelting capacity, evidenced by major producers like Alcoa selling several sites directly to data center developers rather than restarting idle pots, and Century Aluminum following a similar path with its Hawesville facility.

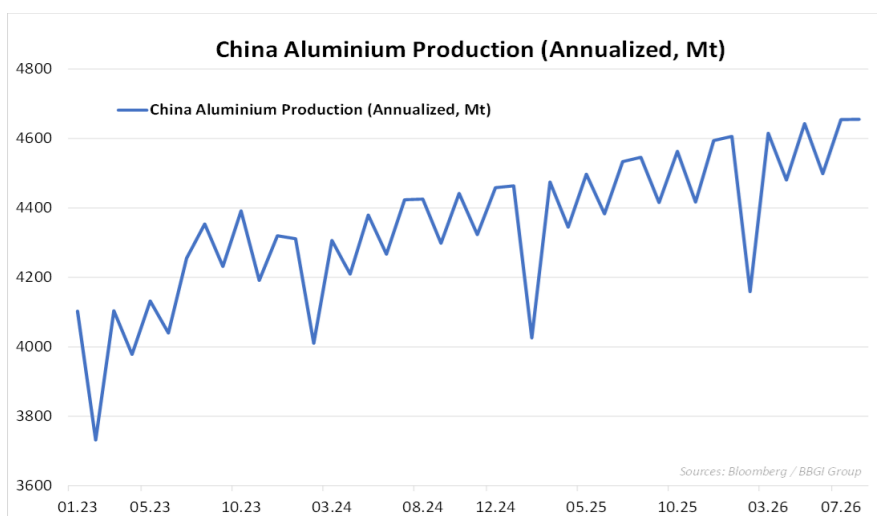
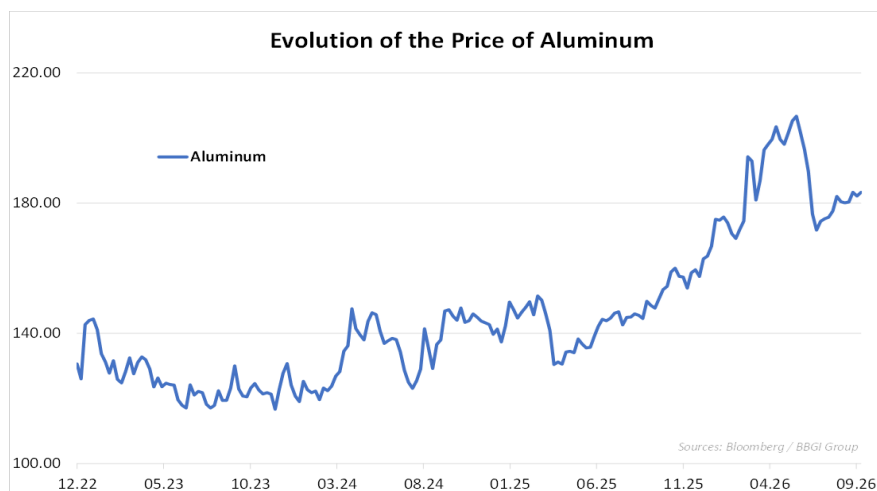


Scattered Deficit Estimates & Technical Setup

Because these three core drivers, geopolitical friction, Chinese capacity caps, and AI-driven energy competition, are fundamental and uncorrelated, the probability of a single event reversing the bullish structural trend remains low. Wall Street forecasts for the 2026 market balance reflect wide dispersion, ranging from a conservative 100,000 metric ton deficit estimate at Goldman Sachs to a severe 2.7 million metric ton deficit projection at Citi. This broad divergence highlights institutional uncertainty around the absolute magnitude of the supply shortfall rather than its direction, as physical supply tightness continues to intensify across global supply chains.

From an equity and commodity positioning perspective, entry points have become considerably more attractive following the retreat from June highs. With LME aluminum trading near \$3,278–\$3,295, roughly 12% to 15% below its annual peak, current valuation levels reflect a cyclical normalization scenario that physical market inventory data has repeatedly failed to validate. Value-oriented institutional investors are increasingly viewing this price disconnect as a rare strategic opportunity to accumulate high-conviction physical exposure. Furthermore, key technical momentum indicators are beginning to show early signs of stabilization around these critical multi-month support bands.

Technically, a sustained breakout above \$3,340, followed by a move past \$3,418, would formally confirm a bullish trend resumption. Ultimately, the market corrected far more aggressively than physical supply-demand fundamentals warranted, opening a highly compelling entry window into a sector supported by powerful, non-correlated macro catalysts. Risk-reward dynamics strongly favor long positions as the underlying market tightness inevitably forces a re-pricing of physical spot premiums. In our view, this structural imbalance will serve as the primary engine driving aluminum prices back toward multi-year peaks over the coming quarters.



Contact US : BearBull Global Investments Group | Dubai International Financial Centre (DIFC) | Al Fattan Currency House | Tower 1 | Unit 702 | Dubai | United Arab Emirates | Tel +97142722719 | www.bearbull.ae

Legal Notice & Disclaimer: This content is published by Bearbull Global Investments Group Ltd, an entity licensed under Category 3C by the DFSA. This article is provided strictly for informational, educational, and general market research purposes. It does not under any circumstances constitute financial promotion, an investment offer, portfolio management advice, or a solicitation to buy or sell assets or fund units. Past performance and historical market data are no guarantee of future results. All readers must conduct their own due diligence or consult an authorized advisor prior to making any financial decisions.