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COMMODITIES, FOOD & AGRI

Middle East conflict tilts aluminium risks further to the upside

The escalation of conflict in the Middle East increases upside risks to aluminium prices and physical premiums. The key issue is no longer whether the Strait of Hormuz is at risk, but how long disruptions last

Aluminium prices are tilted to the upside with the Middle East conflict

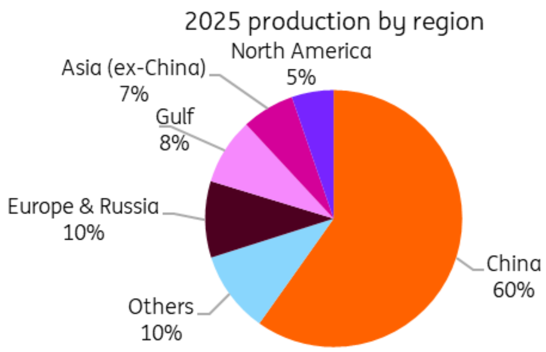
US‑Israeli airstrikes over the weekend killed Iran's Supreme Leader, Ayatollah Ali Khamenei. Iran has since retaliated across the region. The immediate consequence has been disruption to energy and industrial activity, with shipping through the Strait of Hormuz now clearly impaired.

Early signs of the impact are already visible. Qatalum, jointly owned by Qatar's state-owned aluminium producer and Norsk Hydro, started a controlled shutdown of output on Tuesday and said a full restart could take six to twelve months. Hydro also has issued a force majeure notice to its Qatalum customers. Qatalum has a nameplate primary aluminium capacity of 636kt.

Aluminium had earlier surged as much as 3.8% to $3,315/t after QatarEnergy said it halted the production of aluminium and some chemicals following Iranian attacks that forced the shutdown of its major LNG plant.

Meanwhile, Emirates Global Aluminium, the UAE's top producer, has flagged the use of offshore inventories to manage loading delays.

Gulf supplies around 8% of global aluminium



Source: IAI, ING Research

Gulf includes Bahrain, Oman, Qatar, Saudi Arabia, UAE

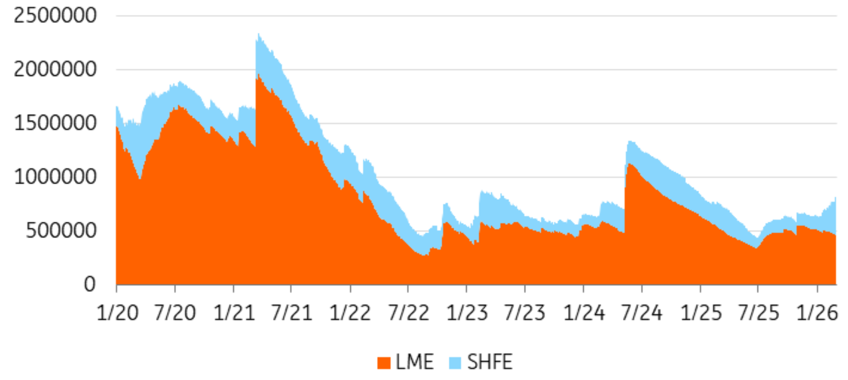
Structurally, the region is vulnerable. The Gulf Cooperation Council (which includes Bahrain, Oman, Qatar, Saudi Arabia, UAE) accounts for around 8% of global aluminium output. Yet the region produces only around 3% of global alumina and around 1% of bauxite, leaving smelters heavily reliant on imported raw materials. Alumina's limited storability further reduces resilience. While smelters typically hold around three to four weeks of alumina inventories – allowing them to absorb short disruptions – prolonged constraints would quickly translate into production risk.

Extended disruption in the Strait would simultaneously choke alumina inflows and aluminium exports for Middle Eastern smelters. That would tighten global supply meaningfully.

Europe is particularly exposed – the region accounts for around 30% of its aluminium imports, dominated by the UAE, leaving European premiums especially sensitive given already tight primary availability. The US is also exposed, with the region supplying over 20% of imports, though tariff‑inflated Midwest premiums limit immediate upside.

This shock hits a market that was already tight – a view we have consistently held on aluminium. Prior to the conflict, our aluminium balance showed a deficit of around 600kt in 2026. China's capacity cap, trade dislocations and the imminent shutdown of Mozal were already constraining supply. Physical signals had been firming even before the conflict – LME inventories have been drawing since late last year, premiums are elevated, and the cash–3m spread has tightened. On Tuesday, orders for LME warehouse metal jumped to their highest level since September, centred on Malaysian material.

LME inventories continue to draw



Source: LME, SHFE, ING Research

LME cash–3m spread is tightening

Source: LME, ING Research

Higher energy prices add another layer of upside risk via cost curves. The main offsetting risk is demand – a prolonged conflict could eventually weigh on industrial activity and trigger some demand destruction. For metals more broadly, this creates a tension between geopolitical risk premia and weaker end-use demand.

For aluminium specifically, however, the balance of risks are skewed higher, particularly if Hormuz disruption proves more than transitory. Duration, rather than escalation alone, will determine how far prices and premiums ultimately move.

We remain bullish on aluminium as supply tightens, with China's capacity cap, the Mozal shutdown, stalled restarts in Europe and the US, and Middle East disruptions all reinforcing market tightness.

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