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Regulated by the DFSA

Are Interest Rates Finally Turning?

June 2024

This presentation is for discussion purpose.

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CIO Speaks

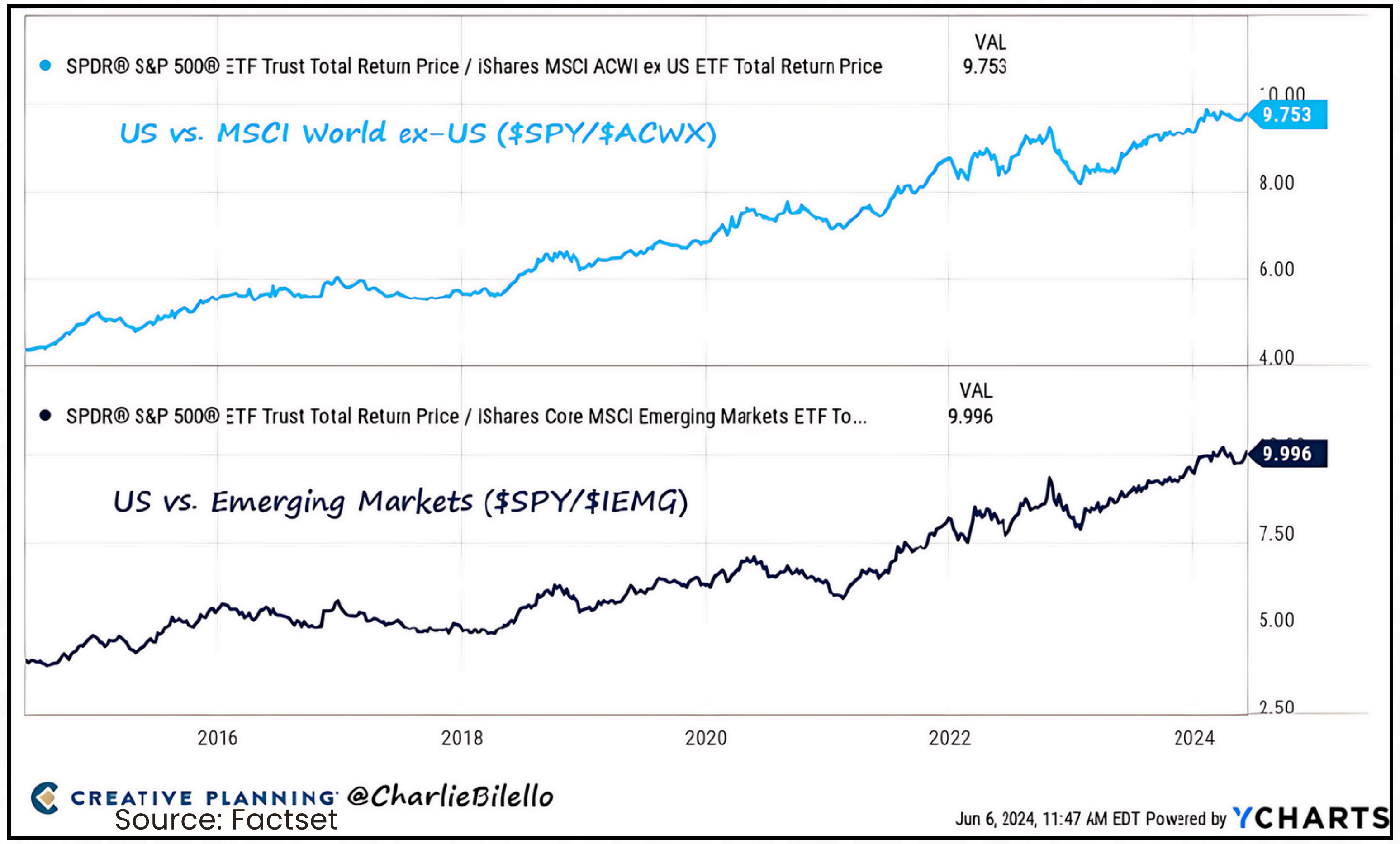
US equities power on...

US equities are once again outpacing the rest of the world, a trend that has persisted for well over a decade.

The S&P 500 has already hit 25 all-time highs by early June, propelled by both higher earnings (S&P 500 TTM operating EPS hit a new high in Q1 2024, up 8% over the past year) and significant multiple expansion (the S&P 500's P/E ratio increased 19% (from 20.5 to 24.3) - the highest valuation since June 2021).

Participation in markets has also increased. 62% of US adults have money invested in the stock market, which is the highest percentage since 2007.

The upmove has not been widely shared, with most of the gains limited to a few technology stocks.



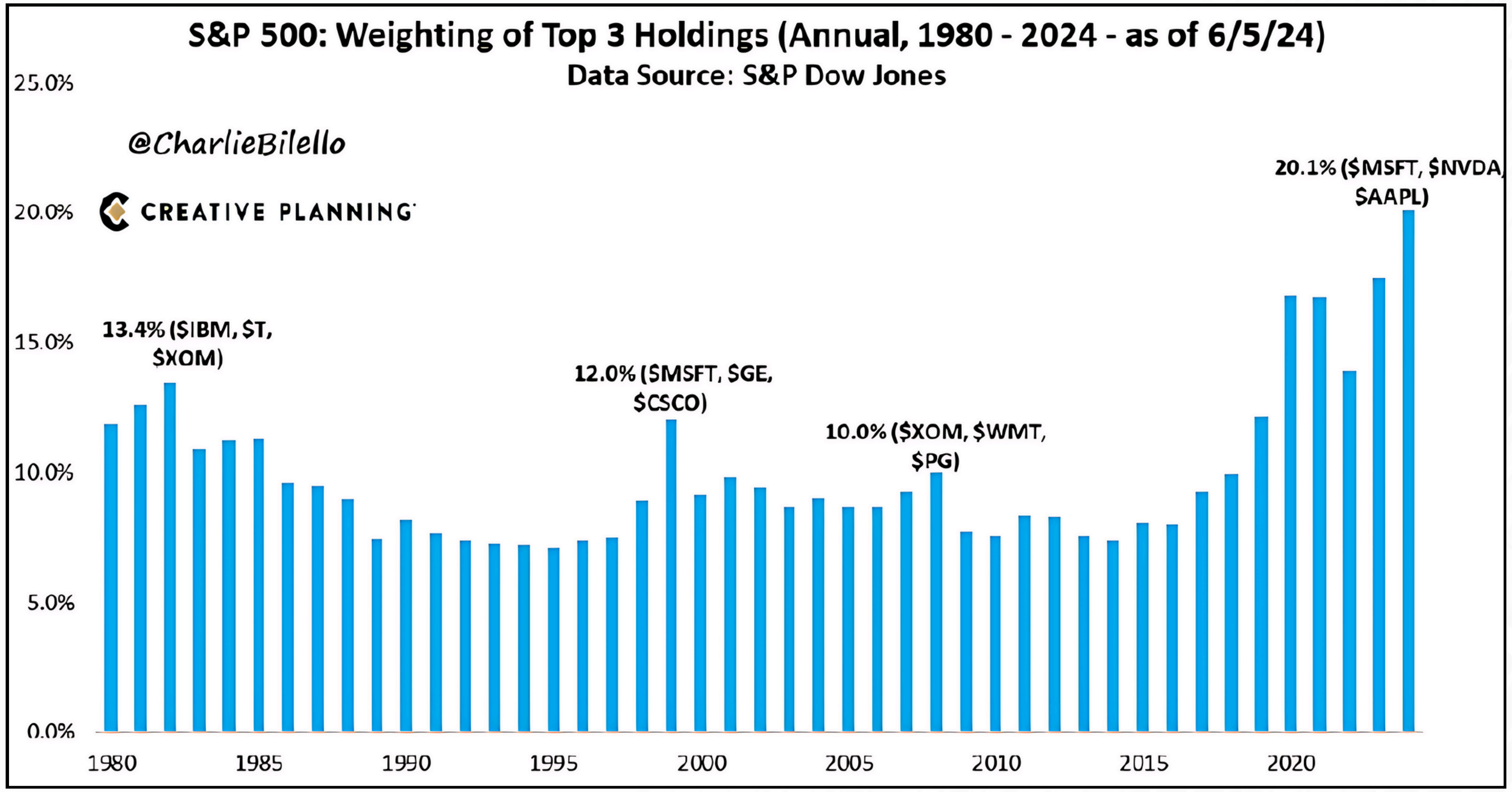
Source: Factset

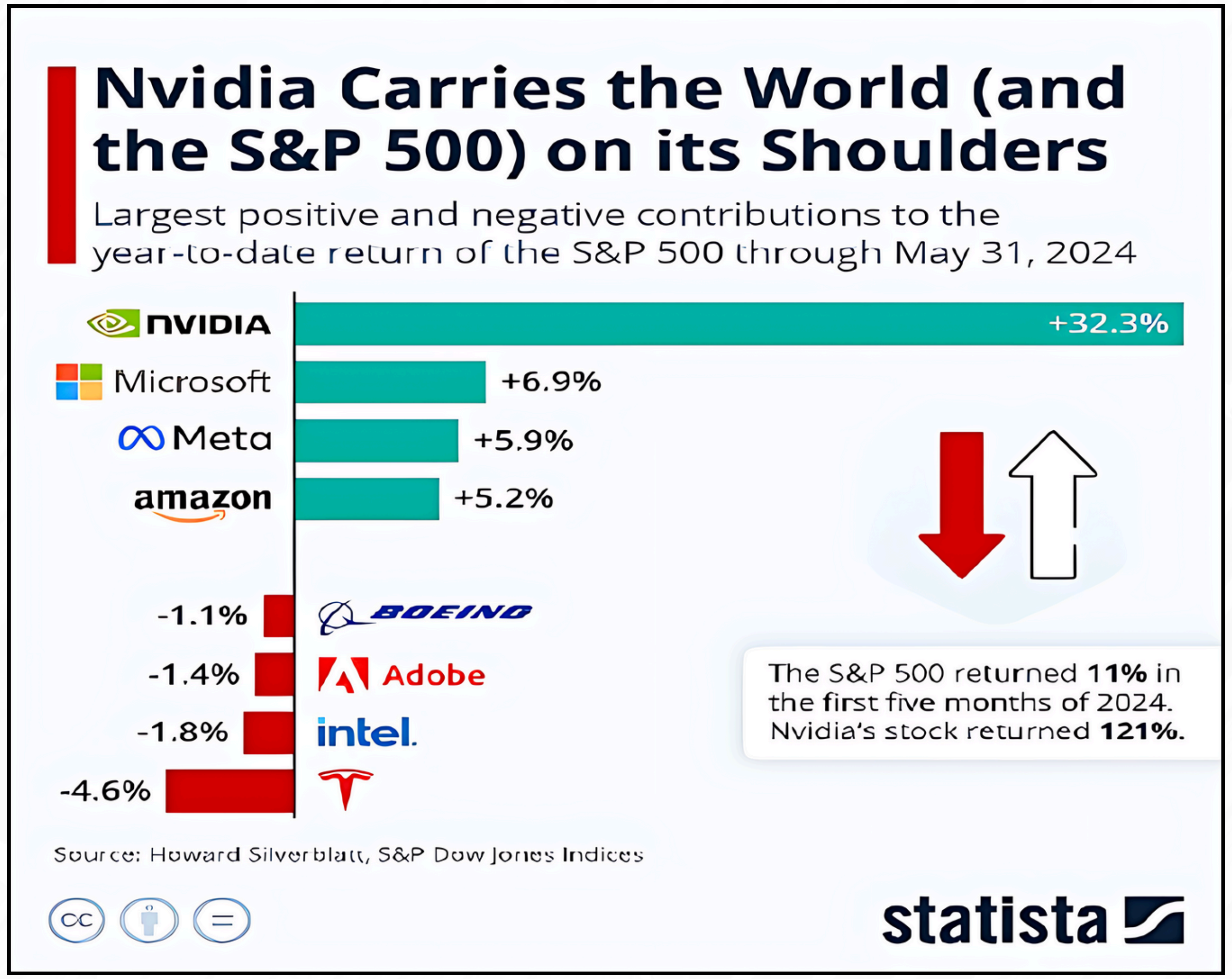
CIO Speaks

The S&P 500 index relative to the equal-weighted S&P 500 has risen to its highest level since March 2009. This year, the S&P 500 has gained ~12% while the equal-weighted index rallied just 4.3%. At the same time, Magnificent 7 stocks have rallied over 50%.

The largest 3 stocks in the S&P 500 (Microsoft, Nvidia, & Apple) make up over 20% of the index, the highest percentage on record.

In particular, there has been massive outperformance from semiconductor stocks – **the ratio of the Semiconductor ETF to the S&P 500 hit a new high, surpassing the previous high from 2000.**



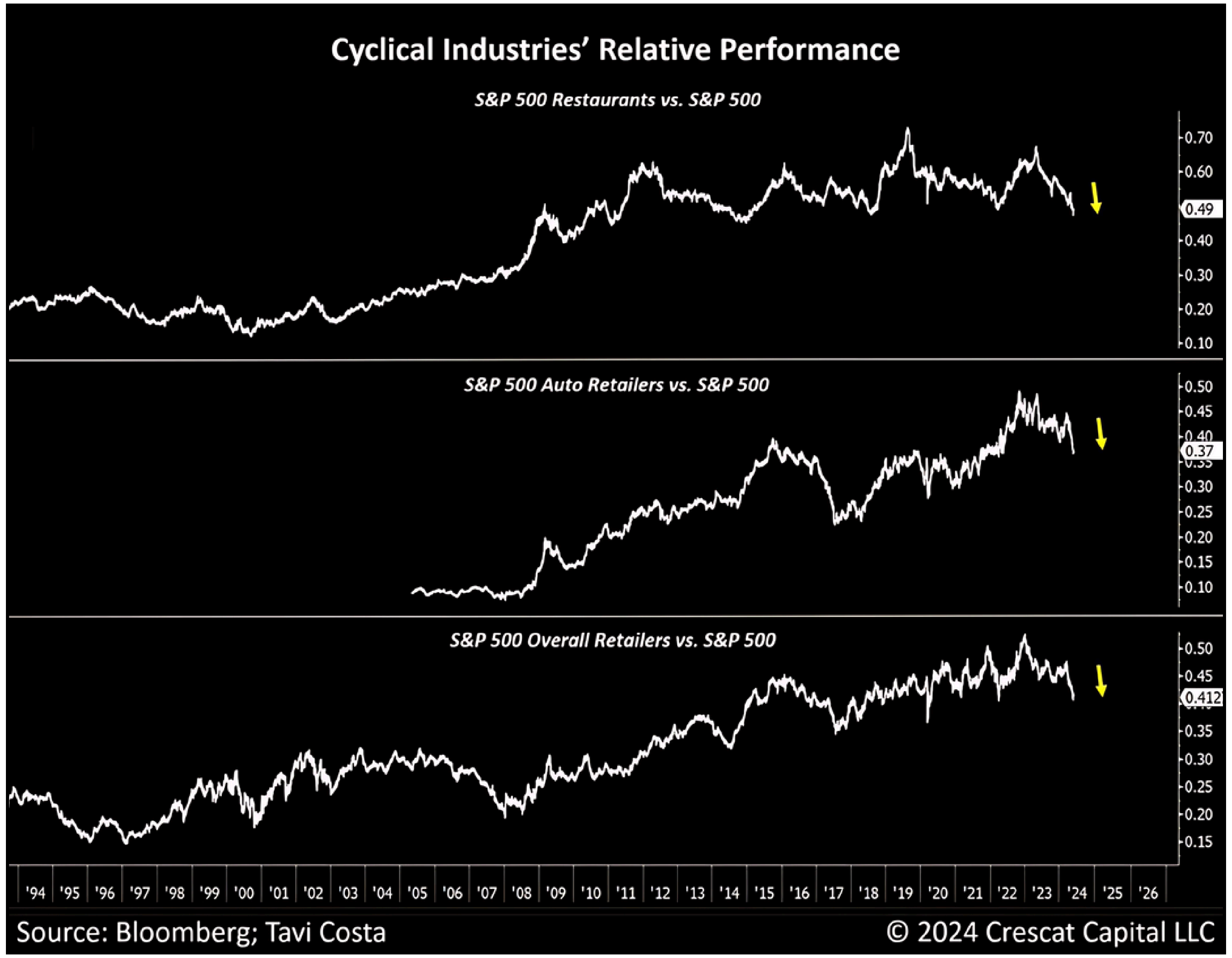


CIO Speaks

On the other hand, cyclical industries are starting to crack. Small caps, transports, hotels, auto retailers, overall retailers, restaurants, airlines, are all rolling over.

…. while bonds struggle to keep up

The US bond market is in a very different place. **At 46 months and counting, this is by far the longest bond bear market in history.** For context, the second longest was 16 months from July 1980 to October 1981. The Bloomberg Aggregate Bond Index currently remains 11% below its peak from the summer of 2020.



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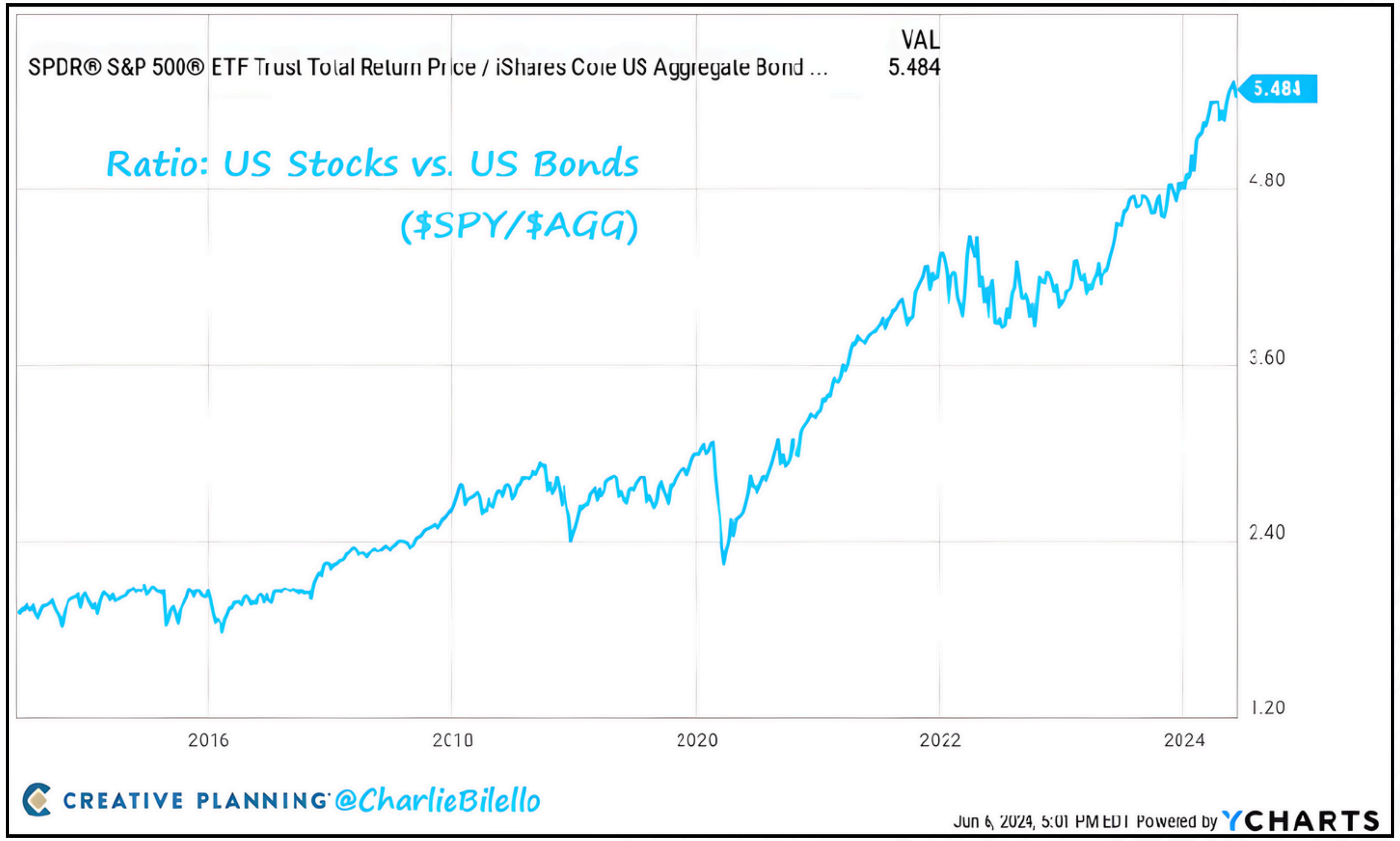
Stocks have trounced Bonds over the last decade with the ratio between the two major assets continuing to hit new highs in 2024.

Over the past 7 years, nearly all of the 7.5% annualized gains in the 60/40 US stock/bond portfolio have come from the stock side, with the S&P 500 gaining 11.6% per year versus just 0.8% per year for bonds.

This has meant **a steady erosion in the S&P 500 Equity Risk Premium, which is nearing zero for the first time since 2002.**



CIO Speaks

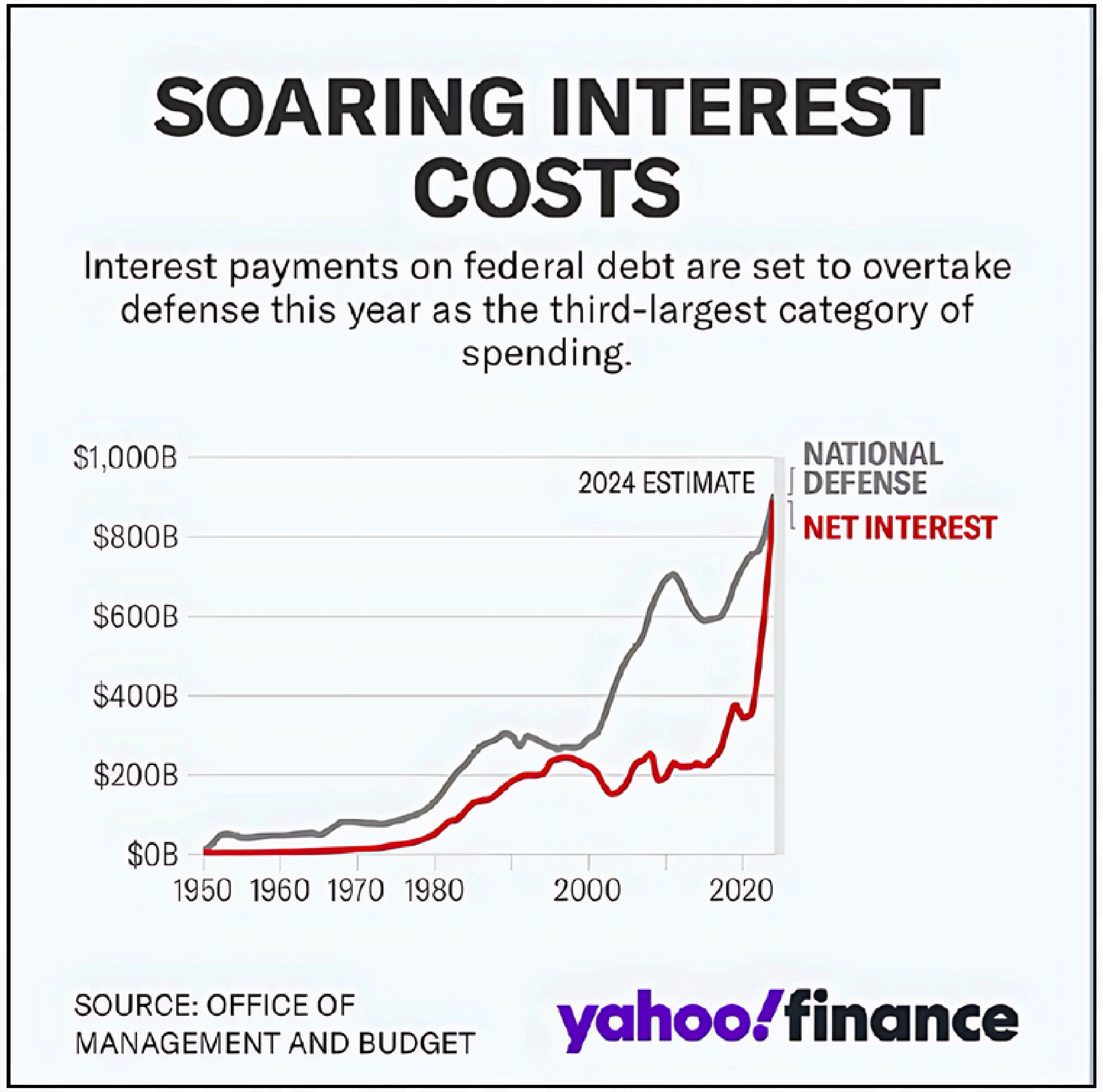
Interest payments on US Federal debt are becoming problematic…

US Federal debt currently stands at ~$34.8 trillion, an increase of 47% or $11 trillion in just 4 years. To put it in perspective, **there is now $267,000 of Federal debt for every US taxpayer**.

Net interest expense on US Federal debt reached $514 billion in the first 7 months of Fiscal Year 2024. This is higher than spending on National Defense ($498 billion), Medicare ($465 billion), and Medicaid ($355 billion), and surpasses money spent on veterans, transportation, and education put together.

According to the US Congressional Budget Office, US net interest payments as a share of GDP are set to reach 3.9% by 2034. **This exceeds the all-time record percentage seen in the 1990s as well as World War II levels.** It is expected to account for 75% of the budget deficit increase over the next decade. This assumes no recession hits within the next 10 years.

According to the CBO projections if, over the next 30 years, discretionary government spending and revenues equaled their 30-year historical averages. the US Debt-to-GDP ratio is set to exceed 250% by 2054.



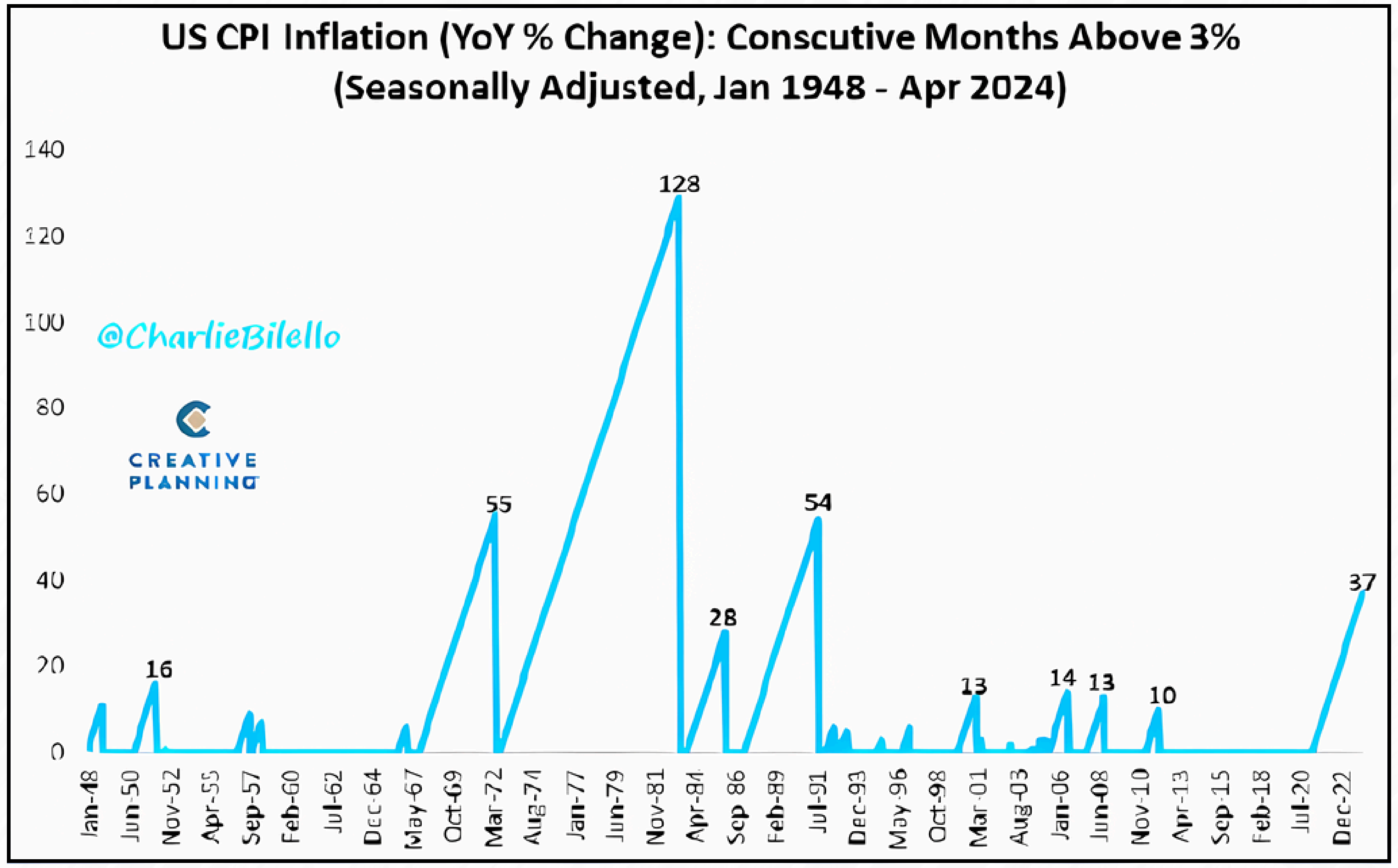
CIO Speaks

..... even as higher-than-expected inflation delays rate cuts

The biggest concern continues to be persistently high inflation, with CPI running above 3% for 37 consecutive months. That's the longest stretch we've seen since the late 1980s/early 1990s.

April PCE inflation, the Fed's preferred inflation measure, was 2.7%, in-line with expectations. Core PCE inflation was 2.8%, also in-line with expectations. Both headline and Core PCE inflation were unchanged from last month. The 3-month annualized rate was 3.5%. This is down from the previous 2 months, but still above levels seen in the last 6 months of 2023.

The sharp move higher in inflation expectations from the lows in 2020 to the peak in 2022 has subsided, with investors currently pricing in a more normal rate of inflation going forward (10-year breakeven rate @ 2.33%).



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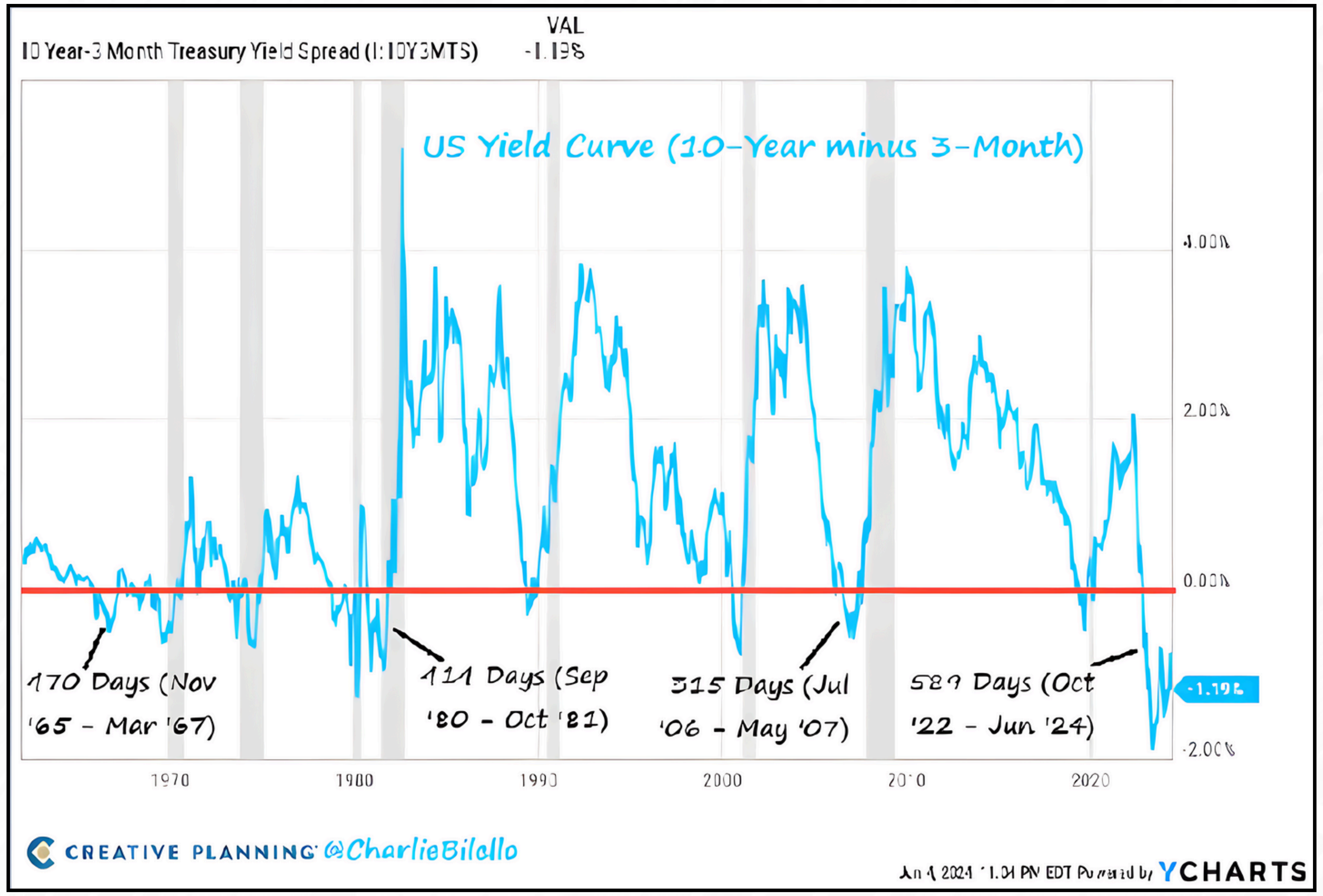
With the Fed Funds Rate now 2.5% above Core PCE, monetary policy is at its most restrictive level since September 2007. Whether it's restrictive enough is not clear. The massive stimulus from the pandemic caused a surge in economic activity and inflation that needed it to be restrictive.

Entering the year, the market was expecting the Fed to cut rates 6-7 times in 2024 with the first cut occurring in March. After stubbornly high inflation readings (overall CPI still at 3.4%), there has been a dramatic shift, and the market is now pricing in only 1-2 cuts with the first cut not happening until September.

Which means the US yield curve (10-year yield minus 3-month yield) will remain inverted for the time being, extending what has already become the longest inversion in history (589 days and counting).



CIO Speaks

The US economy continues to grow, albeit at a slower pace

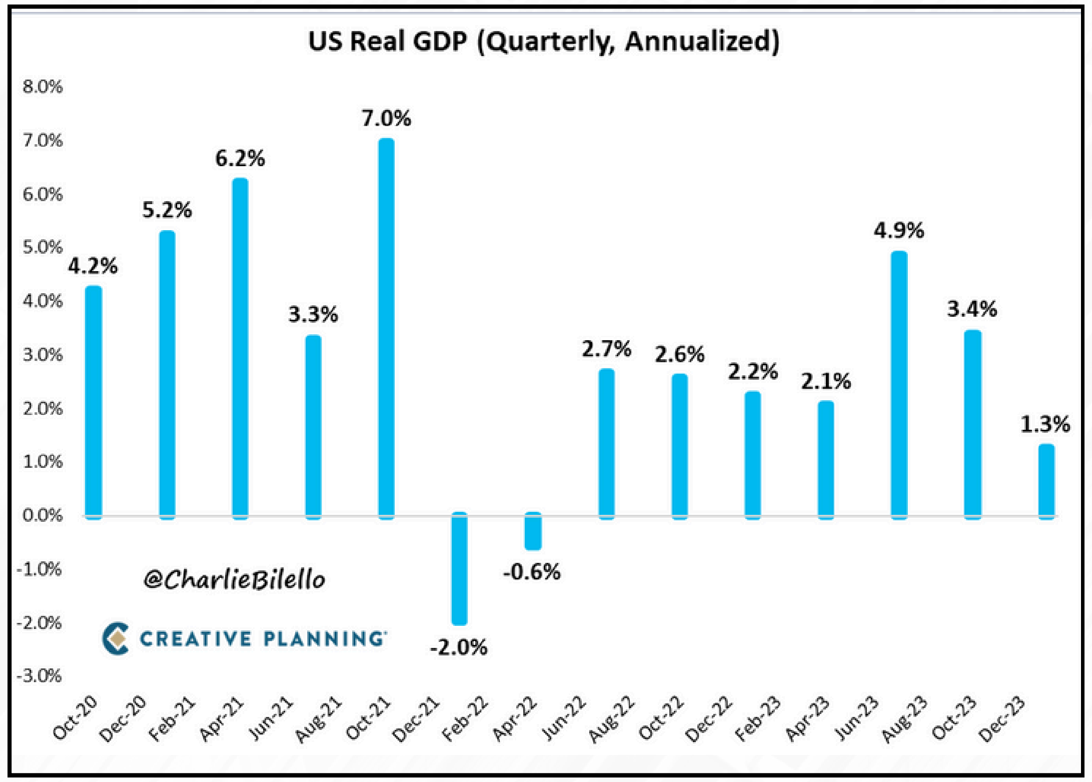
US GDP grew by an annualized 1.3% in Q1 of this year - a notable move lower from the 3.4% registered in Q4 2023. Still, the expansion continues and is now 48 months long. Economic growth is expected to continue for at least another quarter, with both Wall Street and the Atlanta Fed forecasting between 2-3% for real GDP in Q2.

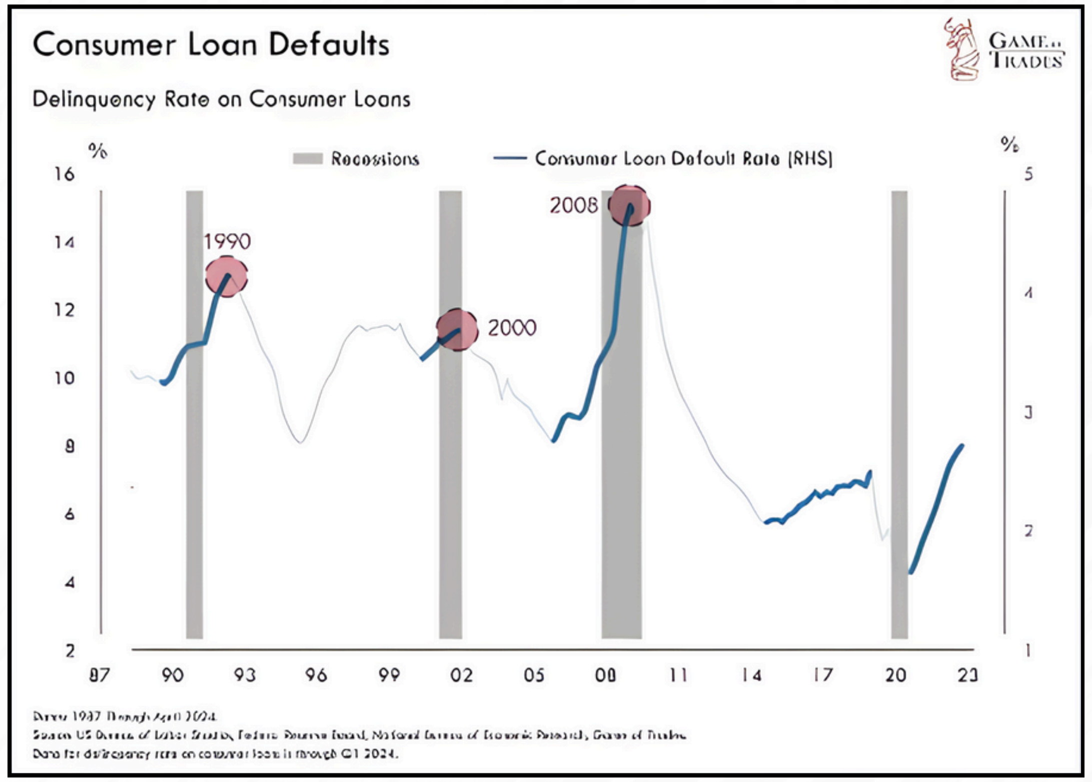
The cumulative effect of price increases over the last few years appears to be starting the wear down the US consumer, with retail sales falling 0.7% over the past year after adjusting for inflation.

Default rate on consumer loans have now hit the highest level in a decade. Since 1987, such aggressive rises have systematically ended in recessions.

Credit card default rate for small banks have hit 7.8%, a level that has never been seen since 1991.

"Buy Now, Pay Later" (BNPL) usage has increased sharply. In the US, **BNPL spending on e-commerce hit a record $95 billion in 2023.** In other words, 5% of all e-commerce sales last year were financed through BNPL.





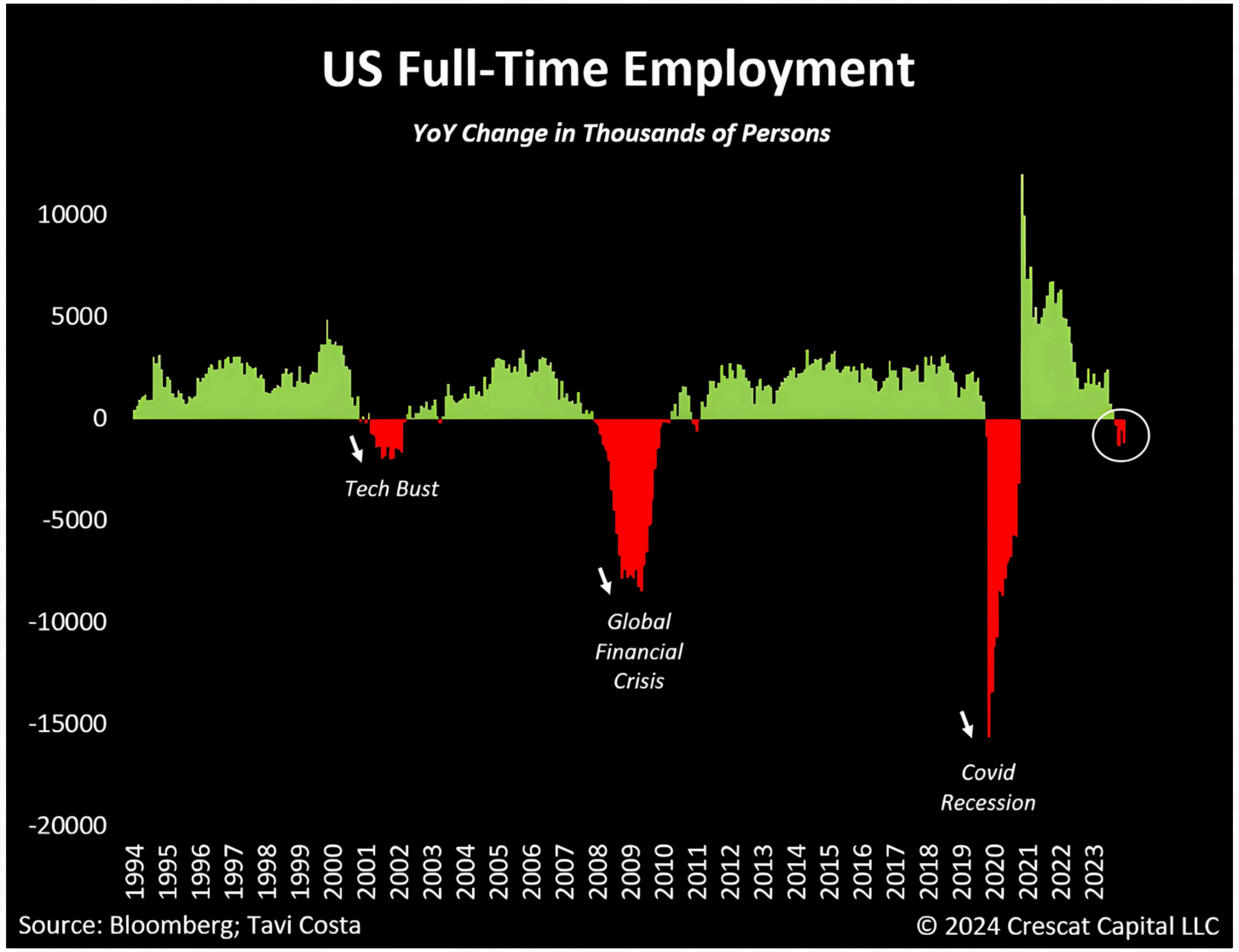
CIO Speaks

According to a poll commissioned by the National True Cost of Living Coalition, almost two-thirds of Americans considered middle class said they are facing economic hardship and don't anticipate a change for the rest of their lives.

The good news is that the labor market has remained strong so far. Unemployment remained below 4% for 27 months, its longest such streak since the 1960s, and wages rose at a faster pace than inflation.

This streak may soon come to an end, though, with the labor market showing signs of softening. Job openings have moved down by over 4 million from their peak to the lowest levels since February 2021.

Looking below the headline of the latest employment data also reveals some signs of weakness. While the US economy added 272,000 jobs in May, **full-time employment actually fell by 625,000.** This is the biggest drop in full-time employment since December 2023. It's also the first month with 4.0%+ unemployment since February 2022.



On the corporate side, both high yield and investment grade credit spreads are at their tightest levels since 2021. However, according to Bloomberg, Russell 2000 index companies have $832 billion of debt on their balance sheets. 75% of this debt requires refinancing through 2029, with the most in 2026, 2027, and 2028. This means **almost $620 billion debt in small-cap stocks will need to be refinanced over the next 5 years.** Most of this debt will see significantly higher interest rates as it was initially borrowed prior to Fed rate hikes. Meanwhile, we note that ~42% of Russell 2000 companies are unprofitable.

Chicago Manufacturing PMI plummeted in May to 35.4, its lowest reading since May 2020. This marks 6th straight month of manufacturing industry contraction in the Chicago area. **Over the last 45 years, a reading this low has only ever occurred during a recession.**

Unrealized losses on investment securities for banks jumped to $517 billion in Q1 2024. This is $39 billion higher than the $478 billion recorded in Q4 2023. The surge was driven by higher residential mortgage-backed securities losses held by banks due to rising mortgage rates. **Q1 2024 also marked the 10th consecutive quarter of unrealized losses, an even longer streak than during the 2008 Financial Crisis.** As “higher for longer” returns, unrealized losses are likely to continue rising.

Interest rate cuts have already started in other major economies

On June 5th, Bank of Canada became the first central bank among G7 countries to cut interest rates, and lowered its benchmark interest rate by 25 basis points to 4.75%, its first cut in four years.

On June 7th, the ECB cut its benchmark rate for the first time since it began tightening rates two years ago to 3.75% from a record high of 4%. But with annual inflation at 2.6% in May and expected to remain above the ECB 2% target into next year, ECB President Christine Lagarde declined to indicate how fast or how deep any future rate cuts might be.

The problem facing the ECB and other central banks that cut rates is the potential for dollar strength, which would increase inflationary pressures.

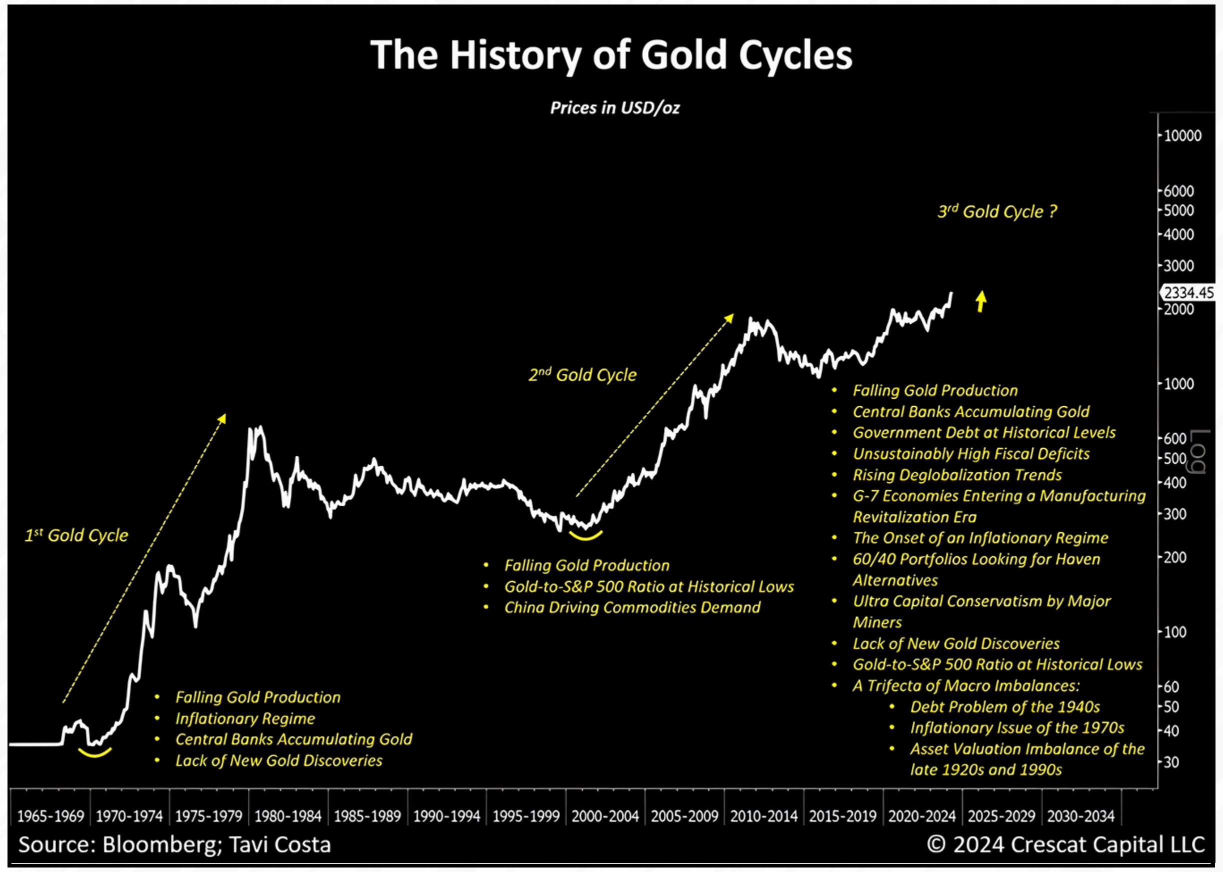
CIO Speaks

Gold seems ready to pick up the baton

The performance of S&P 500 versus gold has been almost flat over the last 6 years. Since May 2018, the S&P 500 has returned 95% vs 80% for gold, and both trade near their all-time highs.

In 2022 and 2023, global central banks purchased a record 1081 and 1037 tonnes of gold, respectively. China, in particular, has been buying Gold and dumping US Treasuries like never before in history.

Official world gold reserves reached 1,170 million fine troy ounces and are higher than just before US President Richard Nixon broke the US Dollar's link to gold in 1971. Gold's share of global international reserves jumped to 17.6% in 2023, the most in 27 years and almost double since 2016. Gold is also now the 2nd largest asset held in global central banks' reserves, exceeding the Euro for the 1st time ever. The number one is still the US dollar, but its 48% world share is down from ~60% in 2017. Meanwhile, central banks' net gold purchases saw a new record in Q1 2024 of 290 tonnes.



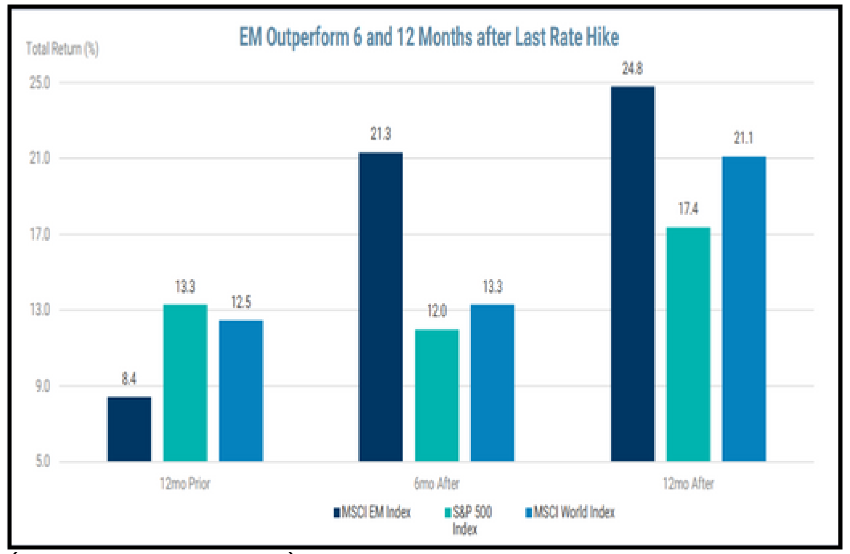
CIO Speaks

Oil prices are reflecting expectations of excess supply

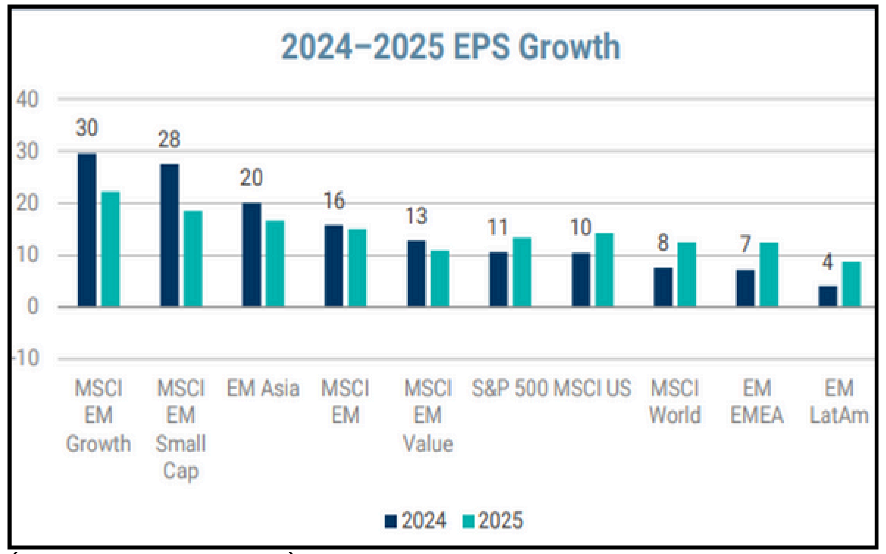
OPEC+ members, including Russia, have agreed to extend voluntary cuts of 2.2 million barrels per day over a year until October 2024. OPEC+ also agreed to maintain other cuts amounting to 3.66 million bpd until end-2025. This was interpreted by the market to imply an automatic resumption of supply in October into a market that is seen as soft, as US economic activity in manufacturing and construction is slowing. Though OPEC+ members have since clarified that it can pause or reverse production increases if it decides the market is not strong enough, oil prices are down 16% from their April peak and up just 3% year-to-date.

Why Emerging Markets

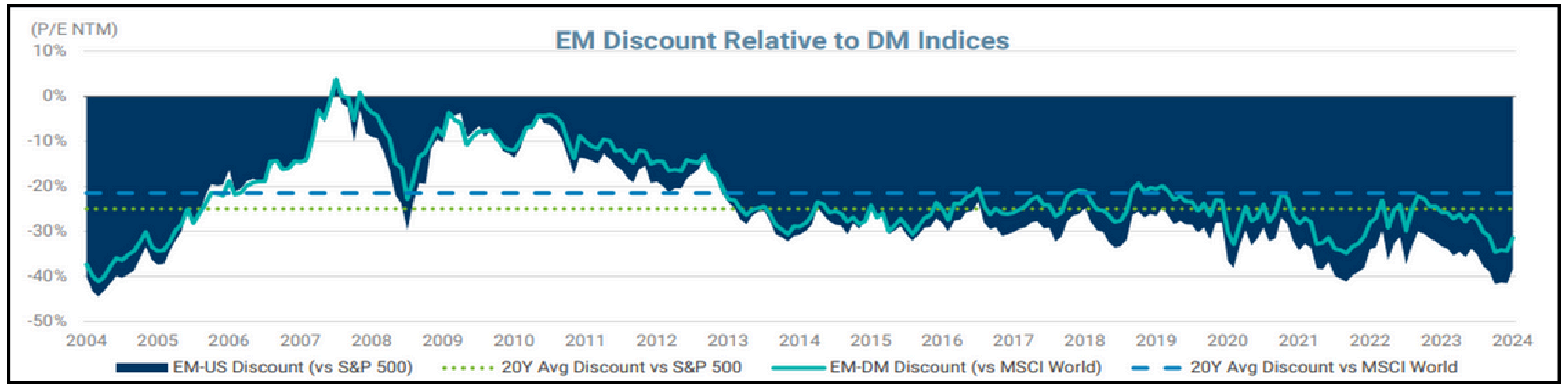
- EM countries experiencing faster growth, emerging as significant contributors to global growth.
- Historical data shows EM as the best-performing asset class six months and one year following the last hike in a cycle.
- Expectation of higher EPS growth in EM compared to MSCI World and S&P 500 over the next two years.
- Valuation gap widens: MSCI EM Index trades at a 32% discount to MSCI World Index.
- EM valuations nearing record levels relative to history and developed markets (DM).



(source: Morgan Stanley)



(source: Morgan Stanley)



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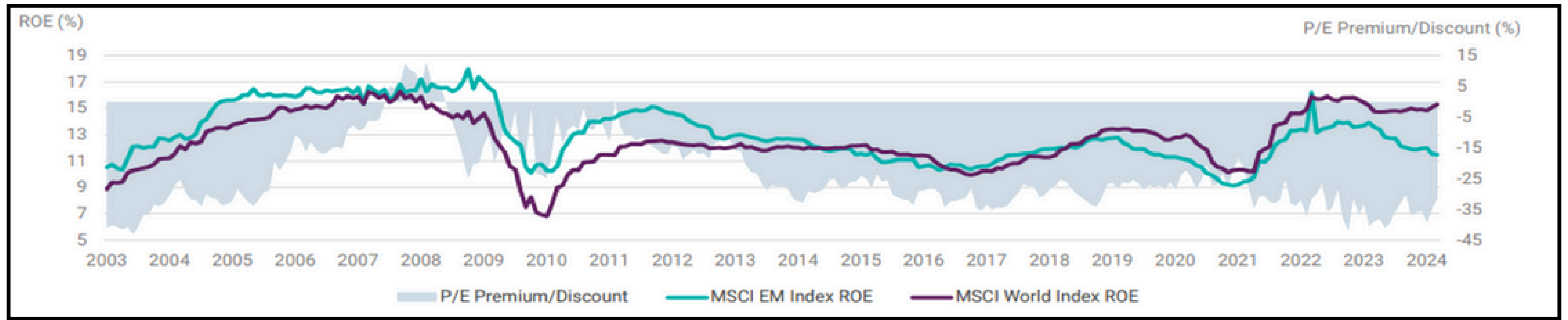
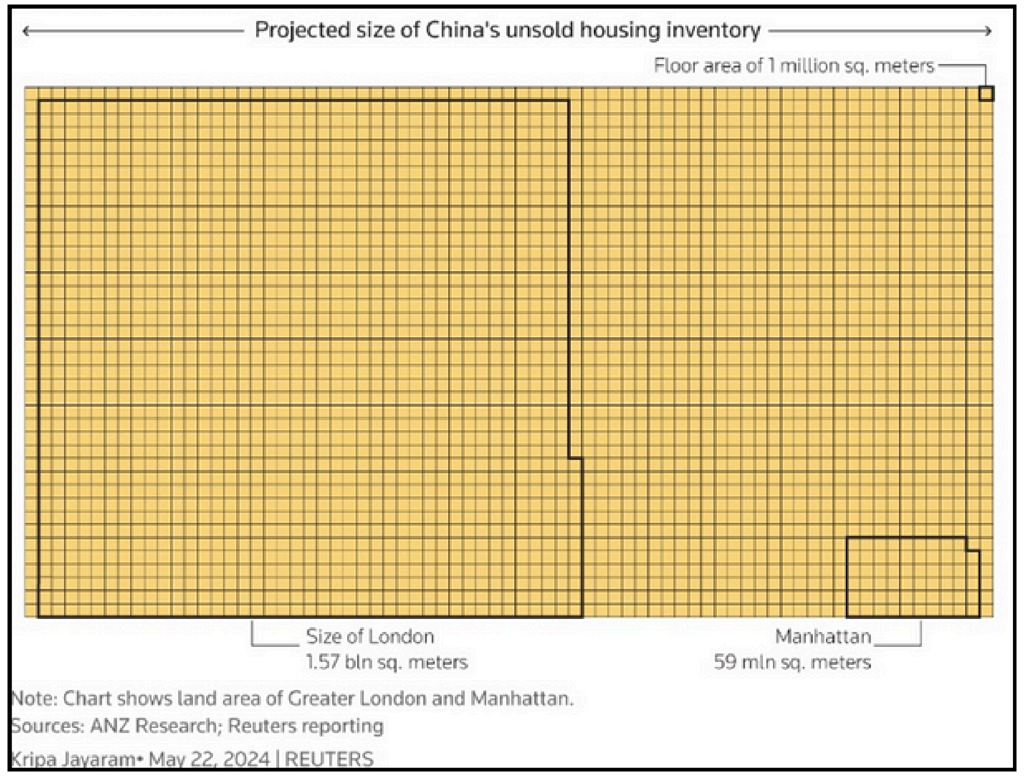


(source: Morgan Stanley)

Will the growth premium favoring EM over DM continue to widen, benefiting major EM countries?

China's Property Market Starting To Receive Increased Attention From Officials



What has transpired:

- **96% of Chinese households own at least 1 home.** Of that 1/3rd own at least 2.
- GS estimates that **real house prices in China declined 16% from the peak** in 2021Q3 to 2023Q3. Sales has dropped by more than half since 2020.
- To revive the property market, Beijing has introduced repeated cuts to mortgage rates and downpayment requirements since 2022 along with waves of loosening of purchase restrictions.

Latest measure: Last month the government announced a support package that further reduces down payment requirements **and 300 Bn Yuan ($41.4B Bn) of funding to help local authorities buy excess inventory from developers** (Those properties would then be converted into affordable housing). **Secondary and primary markets in Tier 1 cities saw a positive reaction** on policy stimulus.

Value Chain:

- **Developers:** Slowing sales and tight financing continue to exert pressure on China's property developers. They hold a total of **$4.2 Tn of unsold housing.**
- **State Owned Enterprises:** SOE's are unlikely to make any profit on these transactions. **They would also face vacancy risks and re-sale risk.** SOE's are owned by local governments which **already sit on $9 Tn worth of debt** and would prefer not to have more NPA on their books.
- **Banks:** The property downturn is eroding the balance sheets of the nations largest state banks as bad loans creep up. Reduction in downpayment requirements will further hurt their risk profile. NIMs (currently at 1.74%) have been dropping for more than a decade; **reduced mortgage rates and benchmark lending rates will further eat into earnings.**

Analysts see the new funding by authorities as "a drop in the ocean", as **it amounts to only 4% of the outstanding housing stock.**

Continued support and heftier funding would be required to have lasting positive effects.

Investment Opportunities Post India Lok Sabha Elections 2024

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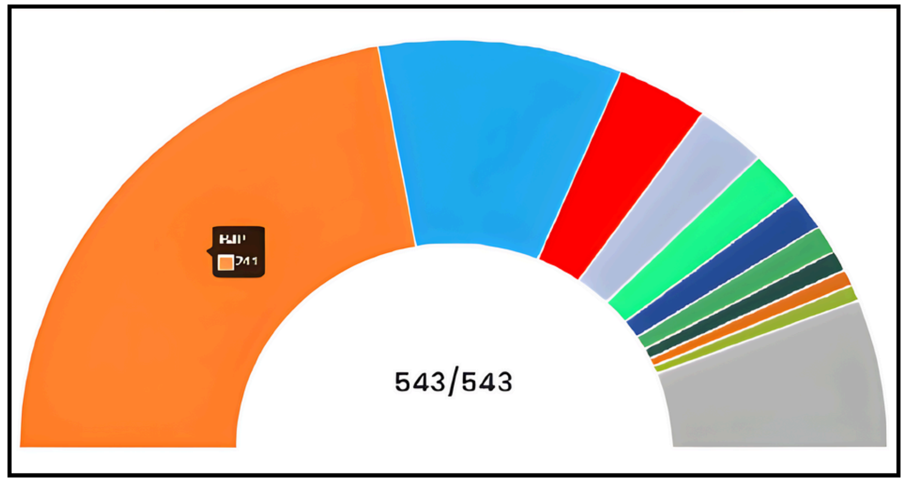


- Markets might exhibit cautious optimism with BJP potentially falling short of 272 seats.
- Policy stability could face scrutiny, potentially impacting fiscal consolidation timelines.
- Pressure from political alliances might emerge, but macroeconomic stability could prevail.
- Financial markets may experience a mixed impact, creating opportunities for selective investments.

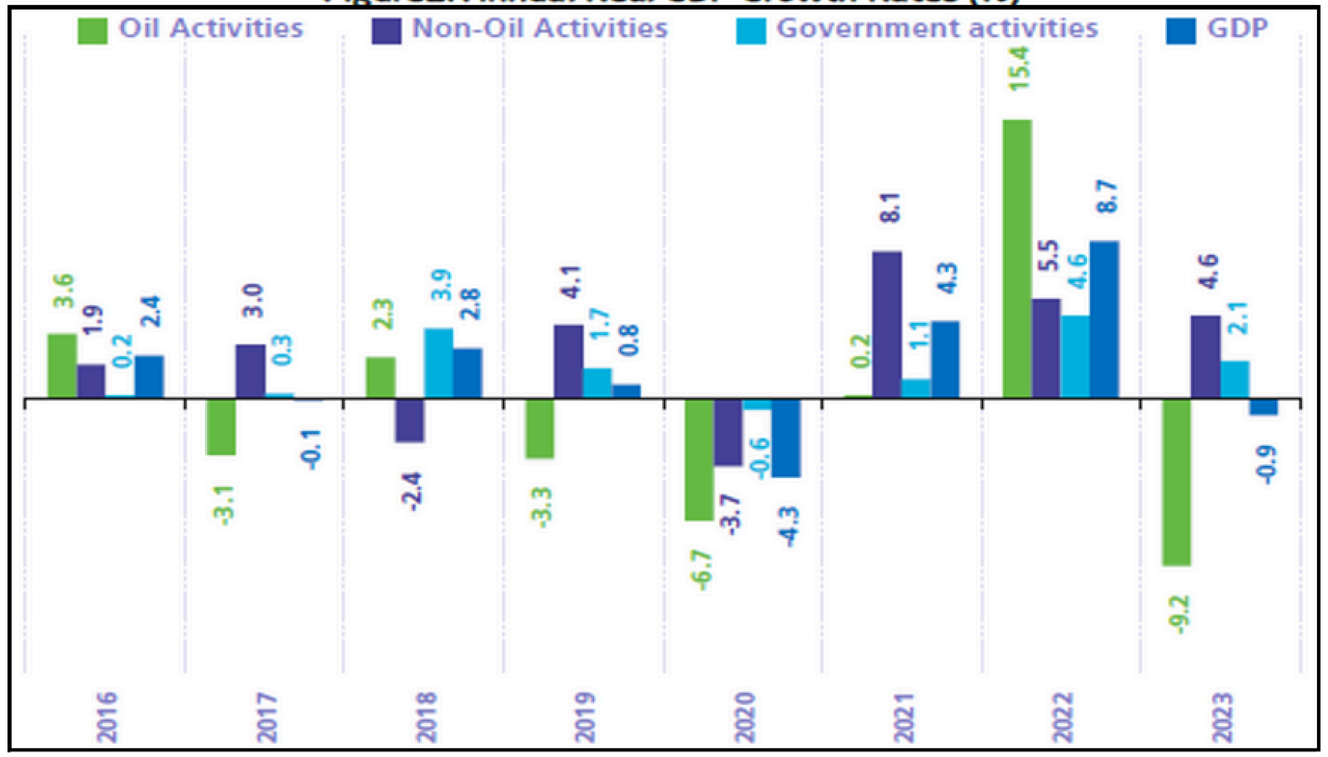
Sectors to Watch	Key Highlights	Refrence Data
Defence	• Increased defence budget allocation expected under BJP • Foreign collaborations and FDI likely to bolster the sector	Defence budget increased by 4.72% in FY 2023-24 to ₹6.21 lakh crore
Railways	• Emphasis on modernization and expansion projects • National Rail Plan 2030 to drive substantial investments	₹50 lakh crore investment planned in railways over the next decade
Oil and Gas	• Continued focus on enhancing domestic production • PMUG project to augment gas grid infrastructure	India aiming for 20% ethanol blending by 2025
PSU Banks	• Accelerated reforms leading to improved asset quality • Enhanced lending capacity and profitability projections	Recapitalization and governance reforms underway in PSU banks, with NPAs declining by 20% in FY 2023-24
Startups	• Favorable regulatory environment for startup growth • Potential for significant expansion in various sectors	Indian startups raised over $10 billion in funding in 2021, with a projected launch of 180,000 startups and 280 unicorns by 2030
Ethanol	• Government initiatives promoting ethanol as an alternative fuel • Significant investments and infrastructure development underway	Indian Oil Corporation producing one lakh litres of ethanol per day, with E20 fuel available at over 3,300 fuel pumps

While political uncertainties persist, sectoral prospects could yield favorable returns

Saudi Arabia : Gold Or Dust?

- The total GDP of Saudi Arabia was estimated to be $1.04 trillion (nominal basis), of which nearly 40 – 45% (50% as of May 2024) came from non-oil economy
- Oil has been correcting and may stay around the current levels which means that for the Saudi Arabian oil economy to fast-track growth , non-oil economy needs to grow
- Saudi Arabia's voluntary oil production cuts have been key to balance the oil market to support Brent prices within the US$77.5-82.5/bbl range.
- For the non-oil economy to grow, continued funding flow from various sources is required : **sovereign sukuk/bond issue, corporate loans, public issuances etc**
- Currently, the total debt/GDP ratio (including sovereign + quasi sovereign debt) is 26.2% which is below is 50% global benchmark
- Even though the government announced slowdown to the Vision 2030 plans, the non-oil economy is showing steady growth

Figure1: Annual Real GDP Growth Rates (%)



- The government is able to attract funding internally and externally. $30 billion came in from issuances in the past 5 months and another $20 billion to come in from Aramco issuances in the next few months (in addition to the recent secondary sale)
- PIF subsidiaries and other corporates/SMEs are going public to raise funds, giving the nation an IPO boom
- Despite an increase in SAIBOR, corporate lending has increased in 2022 and 2023.
- Bank lending to the private sector declined from 13.1%Y at end-2022 to 9.7%Y at end-2023, but expected to hover around 11%Y in 2024 and 10%Y 2025 (as per EFG)

Government's total outstanding direct indebtedness (external and domestic)

SAR billions, except percentages	2024 Q1	2023	2022	2021	2020	2019	2018	2017	2016	2015
Borrowed During Period	73.2	189.2[3]	125.4 [2]	157.9 [1]	220.0	120.0	120.0	139.1	200.1	98
Repaid During Period	7.7	128.7 [4]	73.3 [2]	73.4 [1]	44.4	2.0	3.3	12.4	25.8	-
Indebtedness Outstanding at End of Period	1,115.8	1,050.3	990.1	938.0	853.5	677.9	560.0	443.3	316.6	142.2
Change (%)	6.24	6.12	5.6	9.9	25.9	21.1	26.3	40.0	122.5	221.4
GDP [5] (Nominal)	4,261[6]	4,003	4,157	3,278	2,754	3,145	3,175	2,681	2,497	2,511
Ratio of Public Debt to Nominal GDP (%)	[6]26.2%	26.2%	23.8%	28.6%	31.0%	21.6%	17.6%	16.5%	12.7%	5.7%

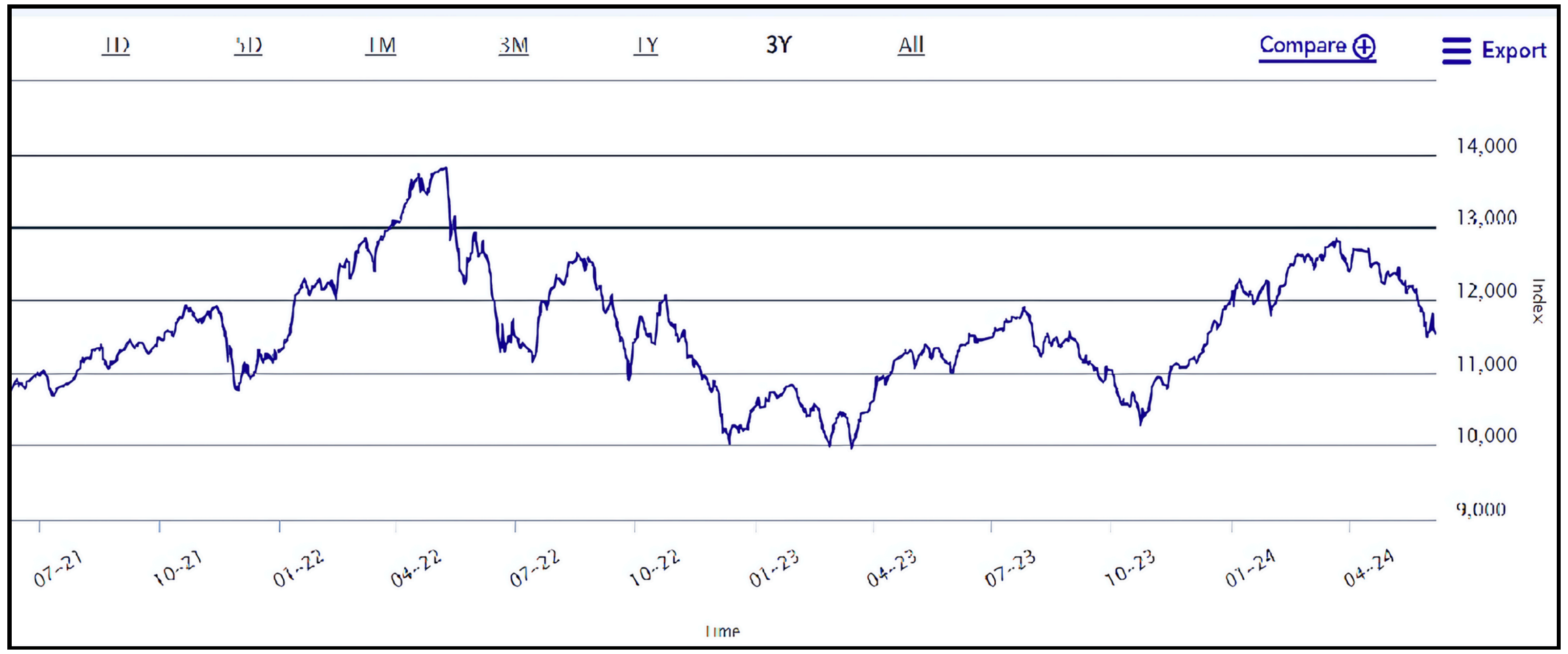
Saudi Arabia : Investing At The Right Time

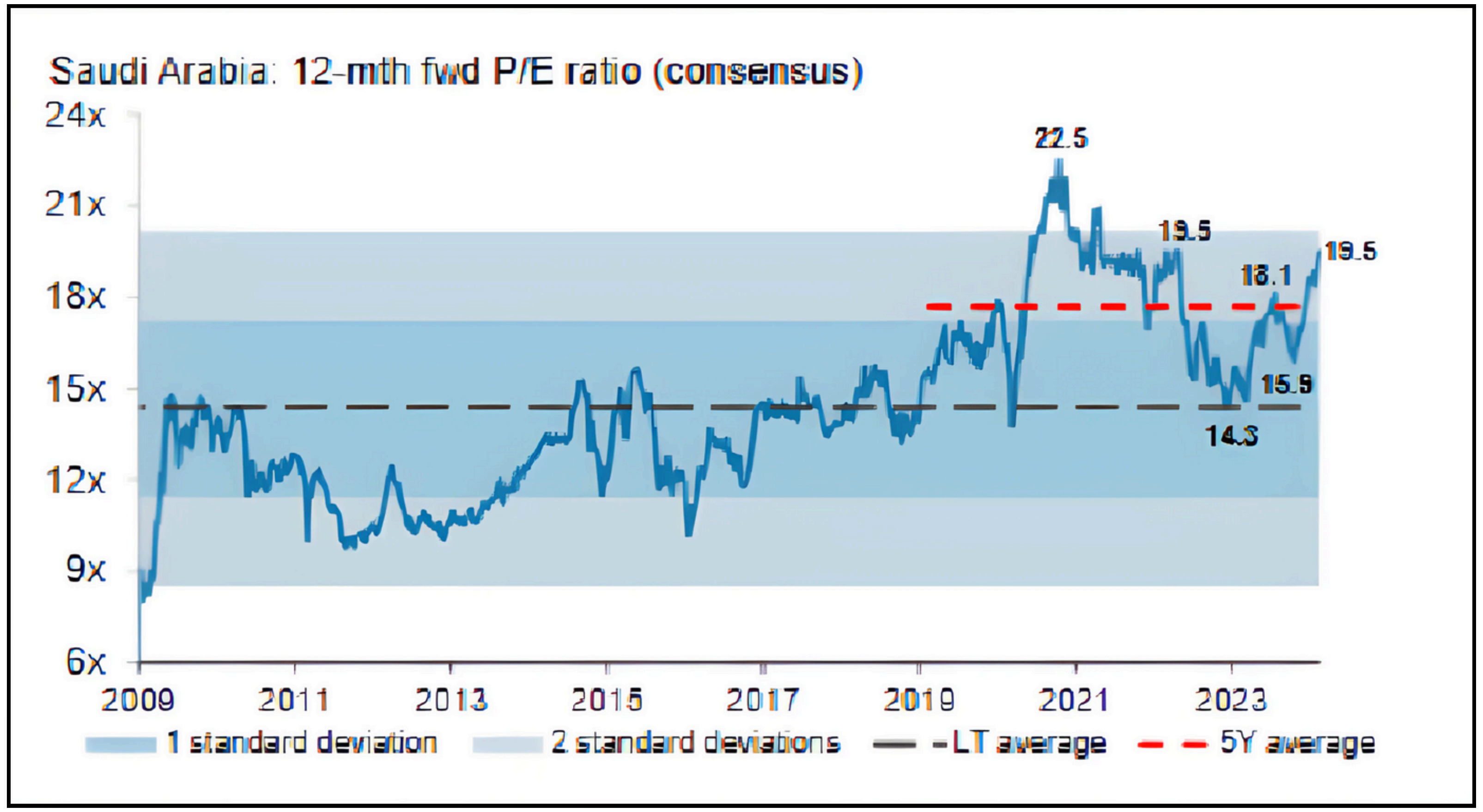
	4Q22	4Q23	4Q/4Q		2022	2023	Y/Y	
	SAR bn		%	SAR bn	SAR bn		%	SAR bn
Total revenues	**318**	**358**	**13%**	**40**	**1268**	**1212**	**-4%**	**-56**
Oil revenues	194	249	28%	55	857	755	-12%	-103
Non-oil revenues	124	109	-12%	-15	411	458	11%	47

- Oil has been correcting and may stay around .The Saudi Arabian economy undoubtedly is on an upward trajectory. There is an IPO boom on both Tadawul main market and Nomu parallel market.
- The Tadawul main market has an ADTV of ~7 billion with a market cap of ~11 trillion
- We see that Saudi arabian equity market is not cheap now. However, this could be a good opportunity to participate in the Pre-ipo market

How to invest in the KSA market :

1. Sukuk and bonds : Sovereign , quasi and select corporate issues
2. Pre – IPO investments : This approach should be on a micro basis on both Tasi and Nomu. Holding period can be around 12 months
3. Saudi equities index





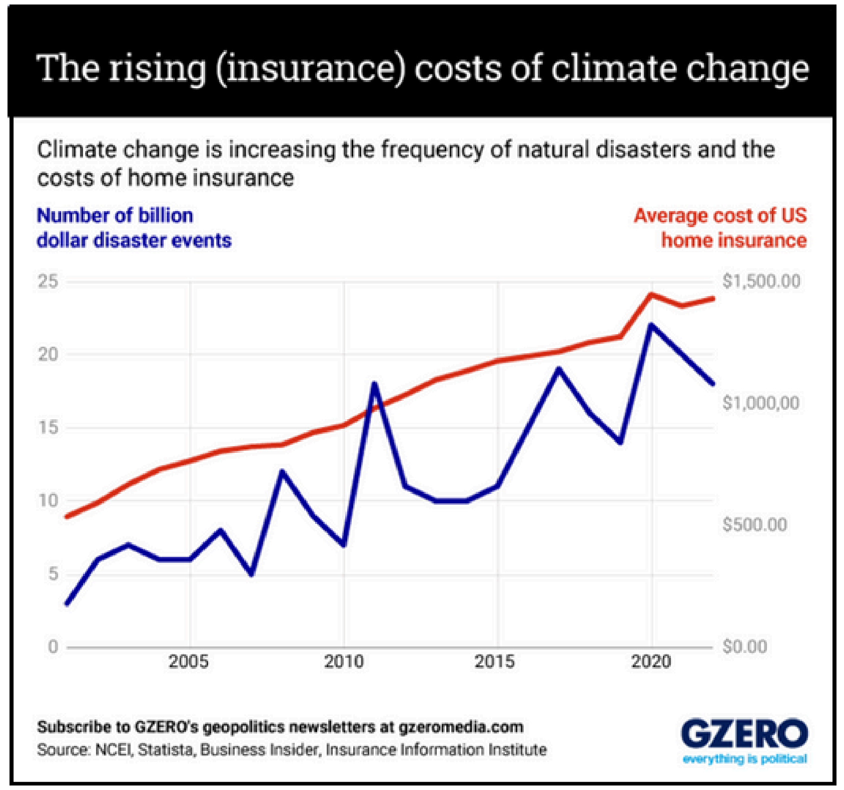
Climate Events Are Causing Insurance Premiums To Skyrocket

United States

- Last year saw a record **28 weather/climate disaster events** where damages exceeded a billion dollars.
- Home insurers lost money in 18 states. That's up from 12 states 5 years ago, and 8 states in 2013. During the first half of 2023, the insurance damages amounted to a minimum of $29 Bn.
- **Property insurers are raising premiums by as much as 50%,** cutting back on coverage or leaving entire states altogether. Even the insurance companies are having trouble getting coverage as **reinsurers have become more reluctant to underwrite.**
- As per Bloomberg Intelligence, If homeowners insurance were factored into the US CPI **it could have alone added 0.8% on an annual basis.**

Asia

- Climate risk consultancy, XDI, analysed more than 2,000 properties valued totally at $142 Bn held by the 20 largest REITs in Japan, Australia, Singapore and Hong Kong. **10% properties were expected to be classified "high-risk" for insurance coverage by 2050**. XDI identified coastal inundation as the biggest threat in the Asia-Pacific.



UK

- The Association of British Insurers (ABI) recently revealed that the value of weather-related **damage claims reached $714M in 2023,** the highest on record and **36% greater than 2022.**

UAE

- Insurance brokers estimated that approx. **100k vehicles in the country were affected by the rains.** 12 years worth of claims were registered only in a couple of days. The losses for motor insurers are **projected to exceed $150 Mn and could rise up to $250 Mn.**
- Motor insurers had increased their rates by up to 50% for certain coverage over the past year in a bid to recoup their losses from 2022. In view of the recent floods, they have further **increased their rates from 20%-50% on comprehensive plans.**

Higher premiums could affect consumer spending patterns on a macro level

Growth Of Data Centers

Macroeconomic Factors Affecting Data Centers

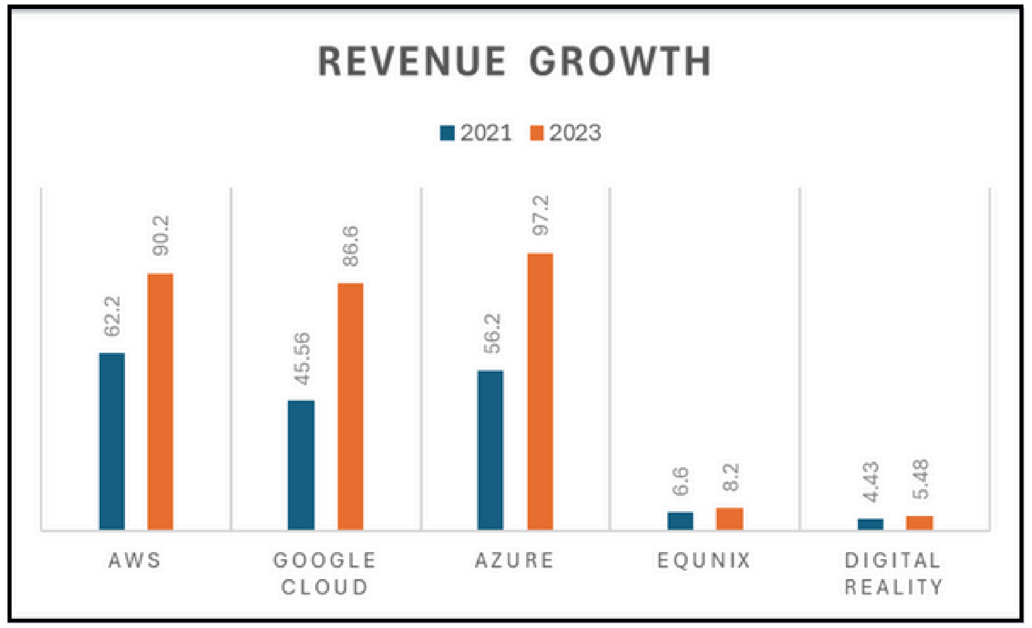
- Increase in digital transformation along with 5G, ML and IoT devices has caused a boom in the Data Centre industry.
- Major Data Centers are a source of high electrical and cooling zones, which raises lots of doubts on the power management and cooling capacities which in turn is a very major fixed expense incurred by these companies.

Market Size and Forecast:

- 2023 Market Value: $300 billion
- Projected Market Value by 2030 Approximately $662 billion.
- The global data center market is projected to grow at a compound annual growth rate (CAGR) of around 11-13% from 2023 to 2028

Equinix Clients

Name	Revenue
Amazon	485
Apple	365
AT&T	168
BT Global Service	25
Citizens Bank	24
Facebook	7
International Paper	117
Kohls	20

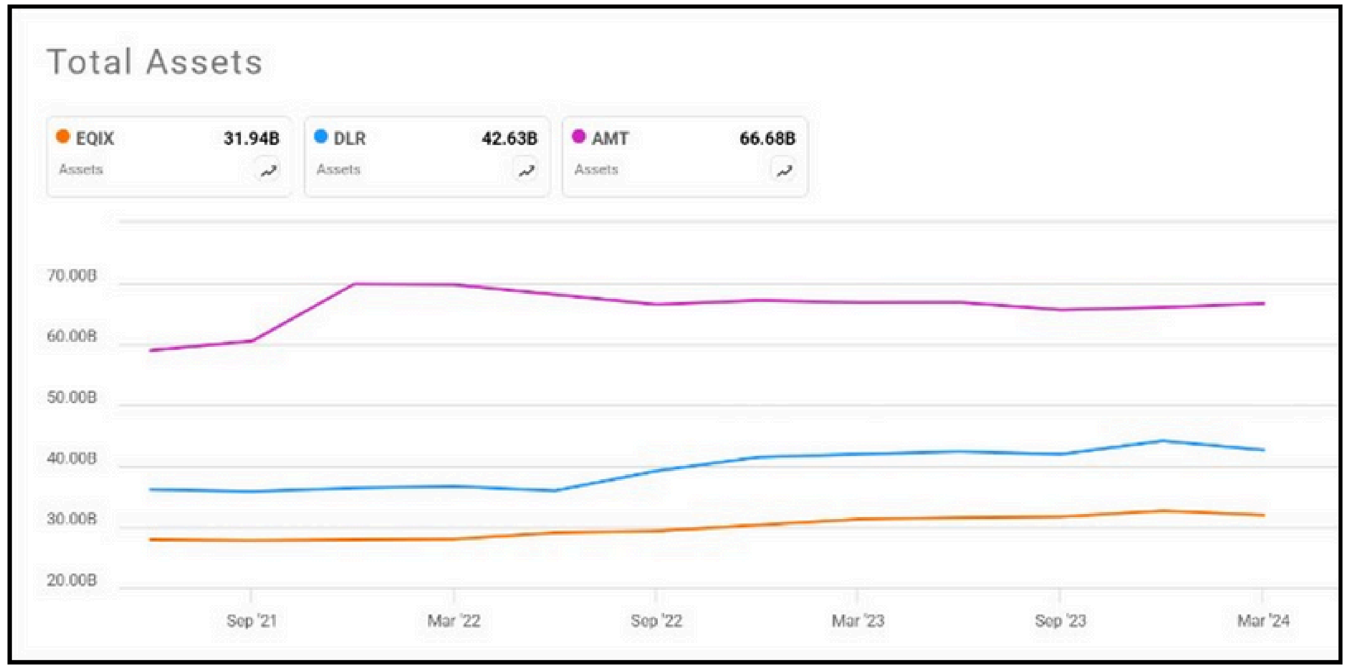


How do the rules and regulation play into the industry?

- Data protection regulations such as GDPR(General Data Protection Regulation) in Europe and various state-level laws in the USA California's CCPA necessitate Grade 3 data storage and processing, impacting data centre operations and location strategies.
- Machine learning and Ai growth have a high potential based out with a higher need for regulatory bodies which in turn could change the dynamics and delayed deployment.

Growth Trajectory after REITS

- Equinix is the largest data center REIT in the world, with a market cap just under $70B.
- Equinix is a leading global position and has a huge umbrella of major companies under them as clients.
- Includes 210 data centers in 25 different countries across 5 separate continents.
- US EPA has recognized Equinix for their use of renewable , which is a major USP resulting in lower costs and maintains robust major security guidelines

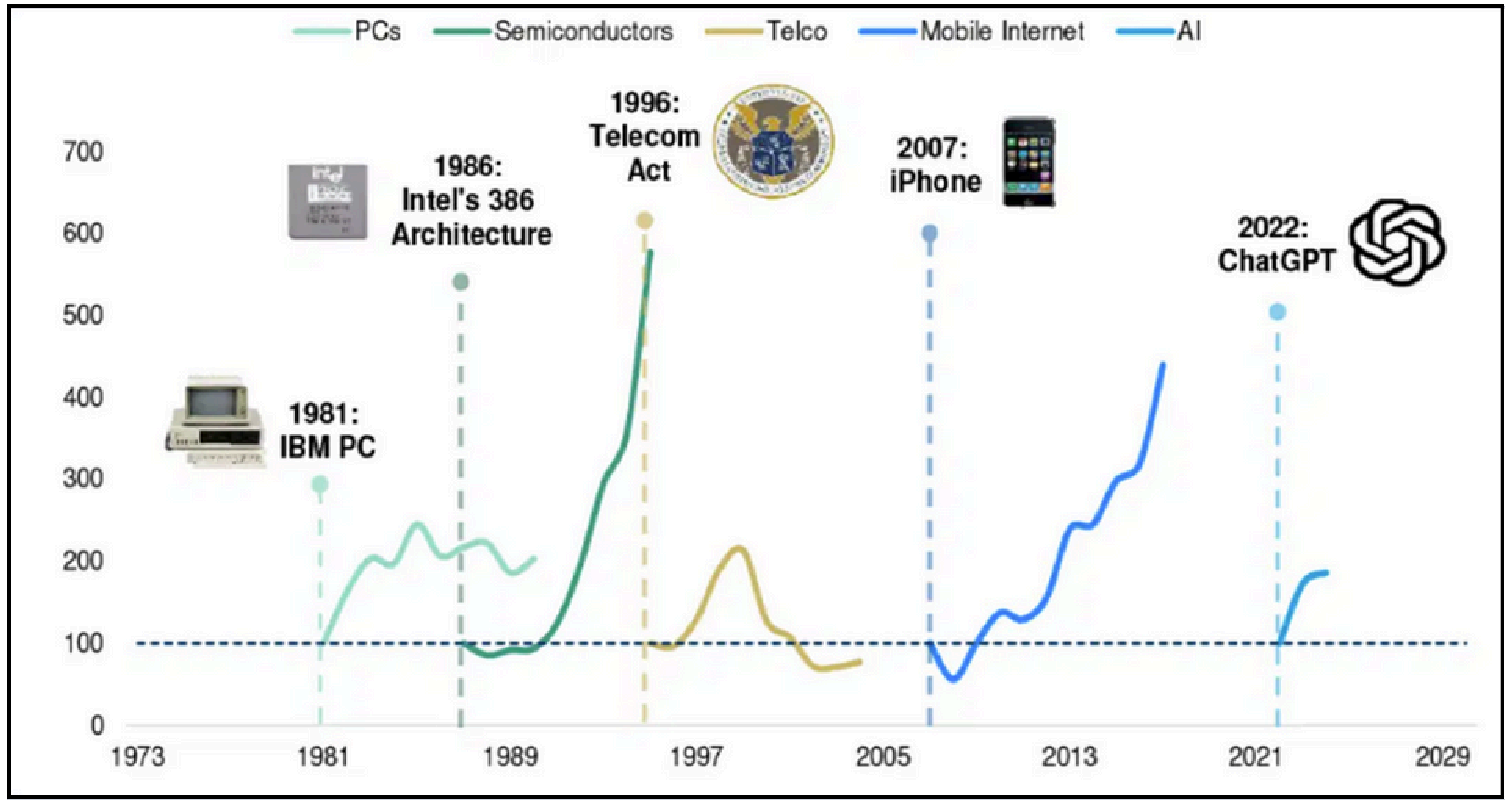


(source: Seekingalpha)

Will Data Centers grow at the projected trajectory

Navigating The AI Boom

- Morgan Stanley's analysis compares the current AI frenzy to past technological waves, notably the semiconductor boom of 1986, revealing similarities in profit growth and stock valuations.
- While AI stocks have shown significant potential, with only 17% of their decade-long upside realized so far, there is a looming concern over oversupply in certain assets, which could jeopardize future profits and share prices.



(source:Datastream)

	1yr:	3yr:		
Semicap Equip	1	3	We expect **semiconductor equipment market growth in 2024 and 2025.** In the medium term, the most notable risk to a slowdown is China.	ADVANTEST, TEL, DISCO, Besi, ASML
Components & Manuf.	2	5	**In the near term there should be ample demand for HBM,** although the **cyclical nature of memory** could potentially drive **excess supply**. In the medium term, double booking of orders could drive oversupply, especially if tech spending growth were to slow.	tsmc, Foxconn, SAMSUNG, SK hynix, wistron
GPU / ASICs	1	3	We continue to see strong near term demand for GPUs. Further out, there is a risk that **Nvidia's continued FLOPs per dollar increases shrink the market** whilst training demand plateaus.	MARVELL, NVIDIA, AMD
Networking (Optical)	1	4	**1yr risk of oversupply is low** given **significant demand from hyperscalers. Primary risk is 3yr** as **supply comes online** across the market and it is **largely an undifferentiated product** at volume.	COHERENT
Ethernet Switching	1	2	In **Ethernet switching we believe the risk of near-term oversupply is low** given the production ramp. Medium term, as supply comes online, we expect ethernet to gain share as inference grows. **Hence, we believe the 3yr oversupply risk is low.**	ARISTA
Cloud & Hyperscalers	1	3	We see **low risk of oversupply of hyperscale data centers.** The risk is more difficult to predict further out. **If LLM scaling laws persist** and/or end market continues to grow the risk of **oversupply in the long term is likely low.**	amazon, Google, Tencent 腾讯, Microsoft
Foundational Models	2	4	In our view, it is likely that we will have a few, big, general purpose foundational models. We **do see a risk of too many (small) players competing for a winner takes all/ winner takes most foundational model market.** However, oversupply does not automatically equate to commoditisation.	Microsoft, Google, amazon, Meta, Tencent 腾讯, Alibaba.com

(source:Datastream)

Harnessing AI's potential for profit requires astute risk management

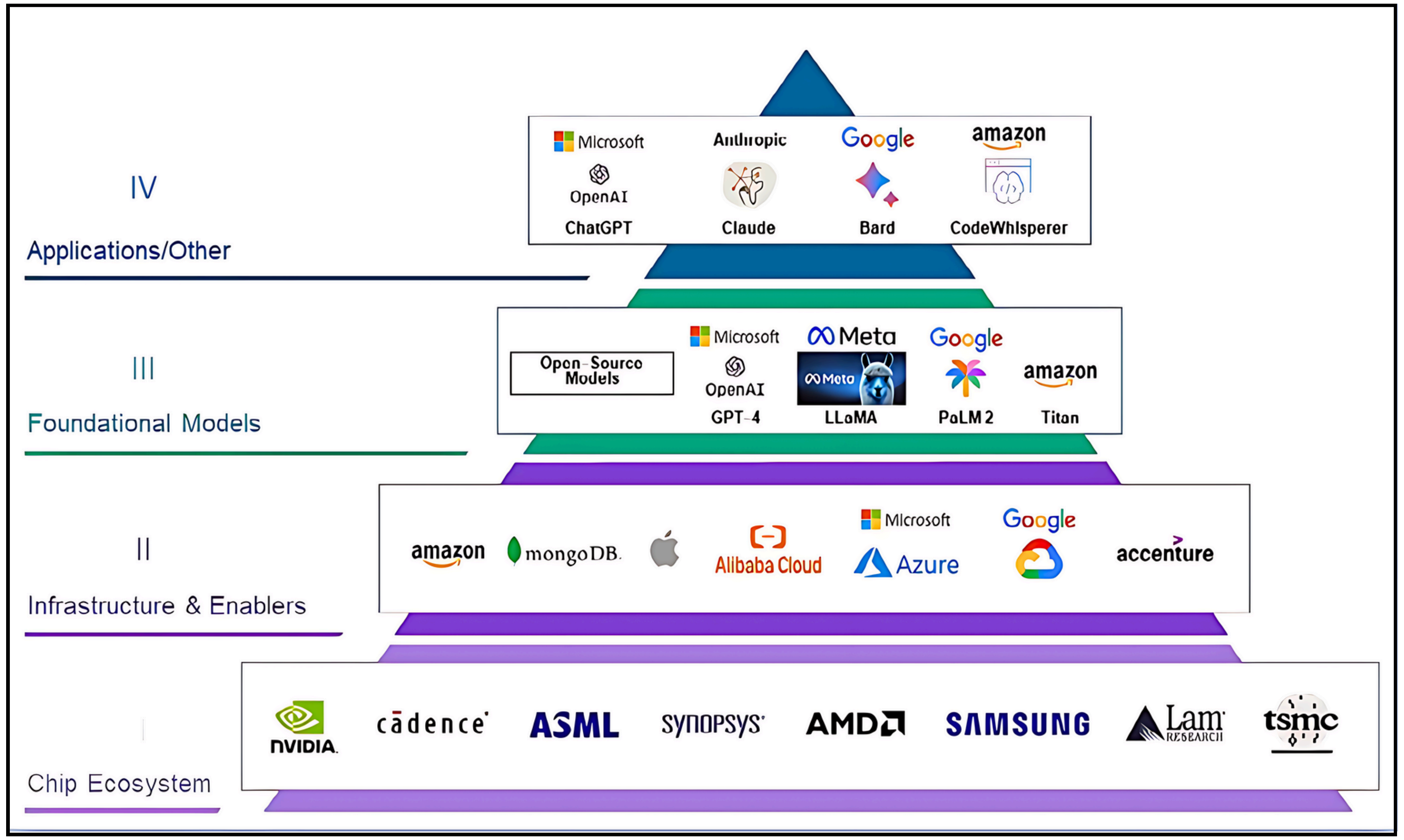
Investment Opportunities In Artificial Intelligence

I. Chip Ecosystem & Semiconductor Capex : Key foundational players providing the essential hardware for AI development and deployment
- Companies: NVIDIA, TSMC, ASML, Lam Research.
- Market Share: NVIDIA holds 80% of GPU market.
- Strategy: Invest in infrastructure layer ("picks and shovels").

II. AI Infrastructure Providers & Enablers : Companies offering cloud services and IT support crucial for running and scaling AI operations.
- Companies: Amazon, Apple, Alibaba Cloud, Accenture, Microsoft Azure.
- Market Size: Cloud AI market projected to reach USD 397.81 billion by 2030, growing at a CAGR of 30.9%.

III. Foundational Large Language Models : Advanced AI systems like GPT-4 and LLaMA that form the core of many generative AI applications.
- Examples: OpenAI's GPT-4, Meta's LLaMA.
- Investment: OpenAI secured $1 billion investment from Microsoft.
- Capabilities: GPT-4 has 175 billion parameters.

AI Beneficiaries Pyramid



(source: KPMG)

IV. Customized AI Applications : Specialized AI solutions tailored to specific industries and use cases, with emerging market leaders.
- Current State: Emerging and rapidly evolving market.
- Forecast: AI software market expected to grow at 40% CAGR.

Is your investment portfolio diversified across various AI sectors for comprehensive growth?

Technology Advancements Fuel Industrial Metals Demand

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Industrial metals are a group of metals that are primarily used in various industrial applications due to their unique properties. The **energy transition** may well be one of the largest projects in human history and it will rely heavily on industrial metals.

Among the Industrial metals, **Copper** has outperformed its peers this year and continues its run, with **China** being the world's largest consumer **(55% of global demand)** as always.

Influencing Factors:

- Supply and Demand Dynamics - If demand for industrial metals exceeds supply or if there are concerns about potential **supply disruptions**.
- Economic Growth and Industrial Activity: Industrial metals, being essential components in manufacturing, construction, and infrastructure projects, are closely tied to **economic growth and industrial activity**.
- Inflation Hedge: Industrial metals are sometimes seen as a hedge against **inflation**. During periods of high inflation, investors may allocate funds to commodities like metals, expecting their prices to rise along with inflation, thus driving up demand and prices.
- **Currency Fluctuations:** Industrial metals are often priced in U.S. dollars, so fluctuations in currency exchange rates can influence their prices.

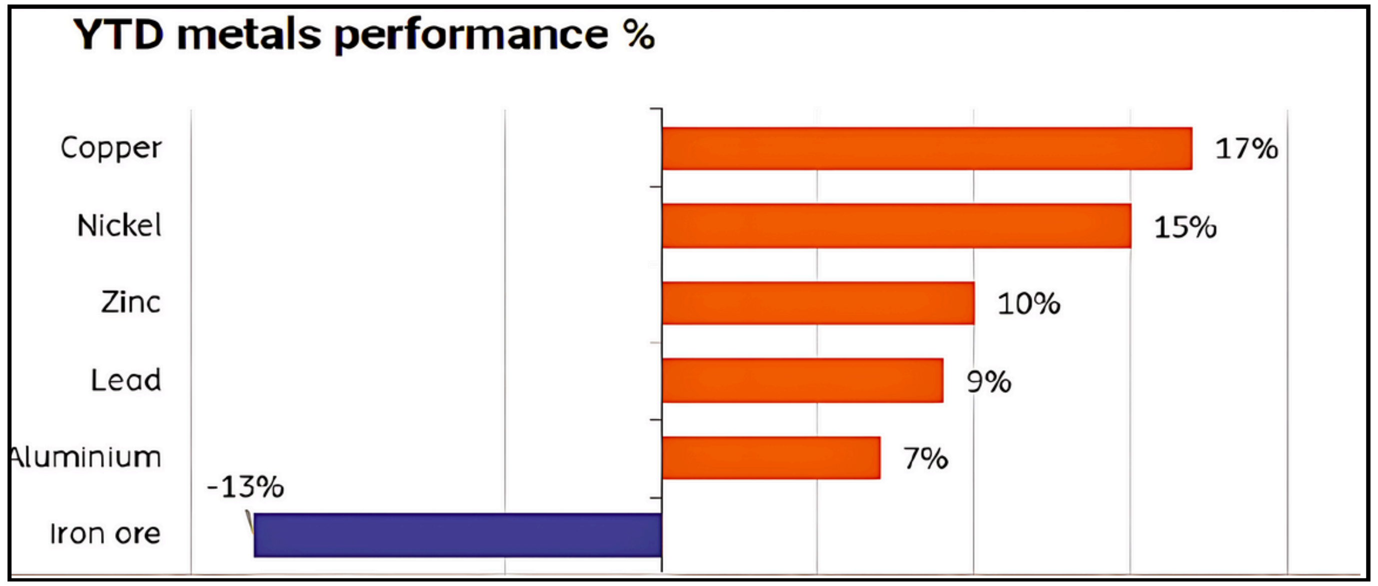
Outlook:

Copper By 2027, the data centers that AI depends on are likely to drive **3.3% of copper demand .** With production amounting to 22 million metric ton (mt) in 2023 , growth suggests it could reach **30 million mt** by 2036.

Nickel Nickel prices reach their highest level for seven months as LME places **restrictions on Russian metal.** Global usage in 2023 was at 3.195 mt which is anticipated to reach **3.474 mt (+8.7% by 2024)**

Aluminium Average amount of Aluminium used per vehicle is 205kg in 2022, to increase by **237kg (+15.6%)** by 2026 which shows a potential upside in Aluminium prices.

Zinc Zinc market was valued at USD 29.73 bn in 2023 and is likely to reach **USD 64.10 bn by 2030.** Asia Pacific region with its booming Industrial sector & Development , will be a major player.



(source: FXStreet)

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