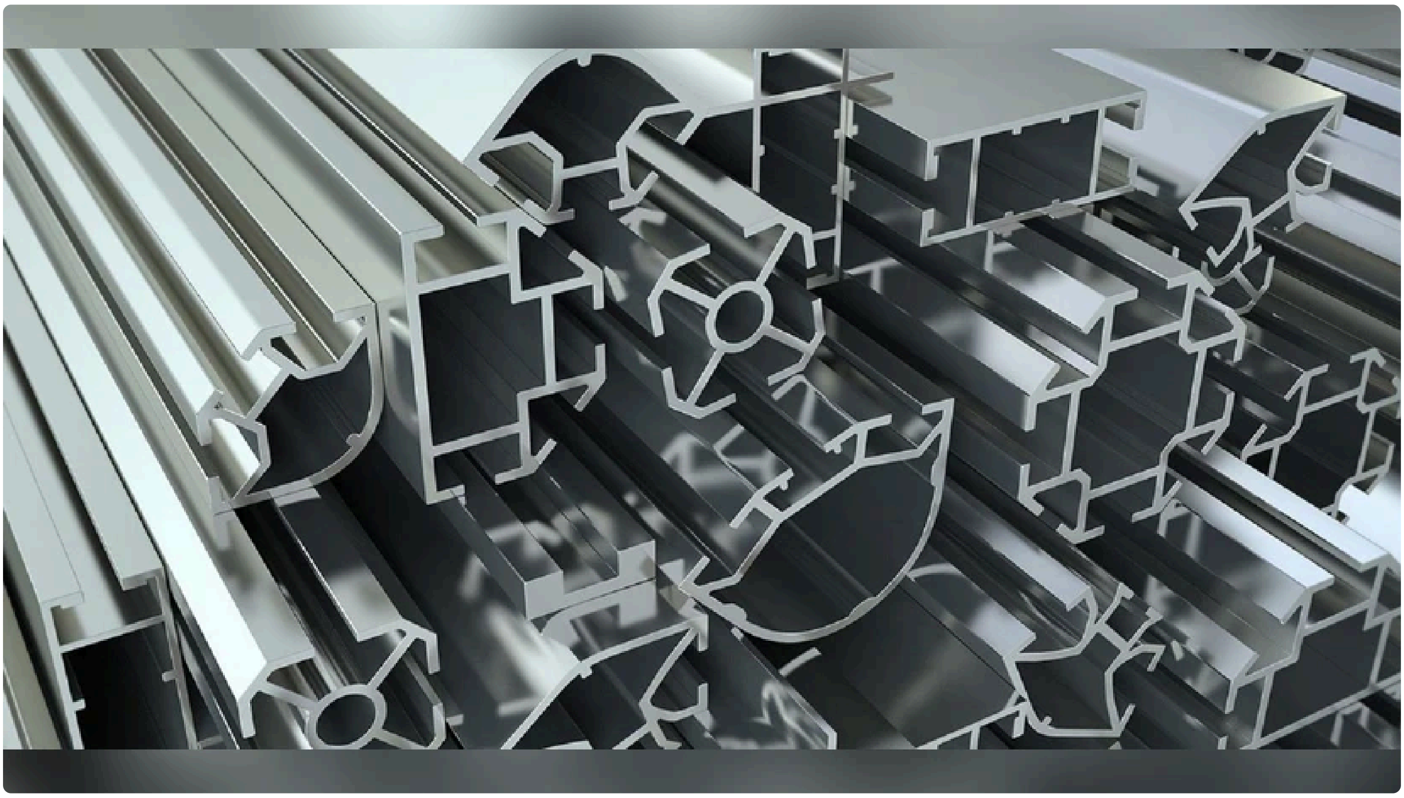
Aluminium long-term fundamentals constructive: Kotak Institutional Equities

Aluminium prices have dropped 6 per cent to $3,056 a tonne from their recent peak of $3,252 on the London Metal Exchange



KIE analysts suggest global aluminium supply is unlikely to expand meaningfully in the coming years.

Sundar Sethuraman | Mumbai
3 min read Last Updated : Feb 19 2026 | 10:50 PM IST

Listen to This Article

0:00 / 3:07

1x

Amid a recent pullback in global aluminium prices, Kotak Institutional Equities said the longer-term fundamentals for the industrial metal remain constructive.

Aluminium prices have dropped 6 per cent to $3,056 a tonne from their recent peak of $3,252 on the London Metal Exchange, weighed down by a shift in global macro sentiment and a more hawkish outlook from the US Federal Reserve. Prices, however, are still up 14 per cent over the past one year.

The brokerage said that while macro headwinds have cooled prices in the short run, an emerging structural supply deficit is likely to keep aluminium prices well above historical cost support levels.

The latest correction has been driven less by demand weakness and more by a reversal in global macro expectations. The nomination of Kevin Warsh as the next chair of the US Federal Reserve has unsettled commodity markets. Warsh is widely viewed as a policy hawk, and his appointment has tempered expectations of interest-rate cuts in 2026.

That shift has coincided with a strengthening US dollar and a broader sell-off across commodities such as gold, silver and copper, dragging aluminium prices lower.

Also Read

CoalMin proposes revised timelines to speed up mine operationalisation

Rare earth permanent magnet production to begin by year-end: Minister

Public purpose ar The next challen

Market sentiment has also been dented by speculation that the US could roll back Section 232 tariffs on aluminium and steel, potentially easing trade barriers.

KIE analysts suggest global aluminium supply is unlikely to expand meaningfully in the coming years.

According to the brokerage, China, which dominates global output, is operating at nearly 97 per cent of its 45 million tonnes per annum capacity cap, leaving little room for growth beyond 2026. On top of that, miner South32 has confirmed plans to mothball its 560,000-tonne-per-annum Mozal smelter in Mozambique from March 2026 after its power supply agreement expires.

Outside China, Indonesia is expected to add around 3 million tonnes per annum of capacity.

On the demand side, while aluminium consumption in China remains subdued, this is being offset by stronger demand in the rest of the world. Kotak pointed to accelerating investments linked to the energy transition and a surge in capital expenditure by technology hyperscalers on data centres as key structural tailwinds.

The brokerage expects the aluminium market to remain in deficit between 2026 and 2028, and forecasts LME aluminium prices to average around $2,900 per tonne in FY2027–28.

Among Indian producers, Vedanta is KIE's top pick in the sector, backed by what it described as an attractive risk-reward profile and the company’s growth plans.

(Disclosure: Entities controlled by the Kotak family have a significant holding in Business Standard Pvt Ltd)

More From This Section

Stock market crash today: Sensex tanks 1,200 pts, Nifty slips below 25,500

Stock Market Close: Bears grip D-St as Sensex cracks 1,236 points; Nifty ends at 25,454; VIX up 10%

Religare Enterpri down 10% since announcement

Topics : Aluminium industry | Aluminium Prices | Industry News | Market | metals