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Aluminum Rebounds as China Reins in Energy-Intensive Industries

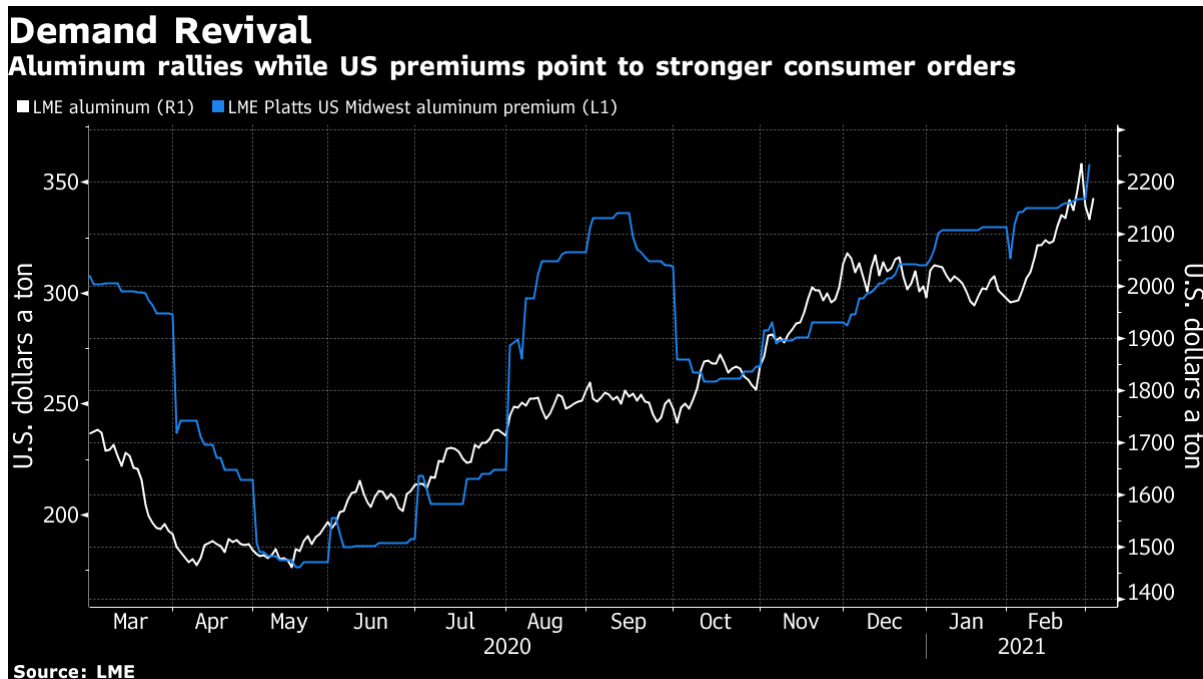
- Authorities target steel and aluminum plants in Inner Mongolia
- Tin advances after biggest drop in more than a decade

By Mark Burton

(Bloomberg) -- Aluminum rebounded in London as China's move to curb energy-intensive industries in Inner Mongolia fueled supply concerns. Tin recovered following the biggest daily loss in a decade.

China's Inner Mongolia will stop approving high-energy-consuming projects, including steel and aluminum, from this year, according to a draft plan published last week. The move adds to supply pressures in a market that's been tightening as demand rebounds.

On-warrant aluminum inventories have fallen to the lowest in almost 11 months on the London Metal Exchange, while cash prices have recently been trading at a premium to futures, in a sign of rising spot demand. In the U.S. market, physical delivery premiums paid by consumers have hit the highest since 2019 as a revival in manufacturing gathers pace. While demand is stronger, analysts say the supply outlook is increasingly shaky.



"We see this as part of a multiyear supply constraint thematic that will represent a bullish paradigm shift in aluminum," analysts at Citigroup Inc. said in an emailed note. "Provincial governments are under increasing pressure to reject coal-powered aluminum smelting projects, even those with pre-owned licenses."

Aluminum rose 3.9% to settle at \$2,211.50 a ton at 5:51 p.m. in London, after dropping 4.7% over the previous two trading sessions. Most other metals were also higher, with copper adding 1.4% and tin climbing 3.6%

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following Monday's 8.6% slump.

"It seems that financial investors took profits following the pronounced upswing, eradicating part of the excess," Daniel Briesemann, an analyst at Commerzbank AG, said in an emailed note. "The rise in LME tin stocks is also testimony to a certain normalization: inventories have more than doubled in the space of three weeks."

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