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Daily Base Metals Report

US equity jumped to session highs, with tech stocks driving the incline, despite many companies revealing the plan to cut jobs in recent days. We have seen a number of European and US officials at the Davos forum this week, and many highlighted the possibility of recession aversion, a sharp reversal in sentiment that the markets saw by the end of last year. Kansas City Fed President George stated that a soft landing for the US economy is possible, citing the amount of cash still sitting in the household's balances as the main reason. She further reiterated that the officials do not want to hike excessively so that the policy becomes restrictive. The 25bps hike in February is now firmly priced in by the futures market. Meanwhile, US home data pointed to a continued contraction in sales, with the December figure falling to the lowest level over a decade at 4.02m. The dollar settled above 102, and the 10yr US Treasury jumped back to 3.50%.

Another day of mixed price performance among the base metals group as open interest continued to decline. Aluminium fluctuated between gains and losses but struggled to break the resistance of \$2,600/t, settling marginally lower at \$2,610.50/t. Copper saw prices settle slightly higher by the end of the day on anxiety surrounding Peru's supply, as the continued unrest in the economy threatens to stifle 2.0% of the world's copper output. The metal settled the fifth straight week higher at \$9,324/t, marking its best run since May 2021. Lead closed lower at \$2,089/t, as downbeat market sentiment offset the prevailing market tightness fundamentals, with stocks now at 1980 lows of 12,550mt; the cash to 3-month spread remained in slight backwardation at \$6.00/t. Zinc closed at \$3,420.50/t.

Oil futures fluctuated as investors struggled to gain momentum in either direction, with WTI and Brent now trading at \$80/bl and \$86/bl. Precious metals' performance diverged; gold and silver settled at \$1,925/oz and \$23.88/oz, respectively.

All price data is from 20.01.2023 as of 17:30

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