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DAILY BASE METALS REPORT

# Markets Close the Week Under Risk-Off Sentiment

## Summary

- Consumer sentiment deteriorated amid trade tensions
- Base metals continued to decline, completely erasing the gains made earlier this week.
- Gold broke fresh records as safe-haven demand built

## Macro

US stocks opened lower following fresh signs of economic anxiety, as inflation and sentiment data added to concerns around the escalating trade war. The University of Michigan's Consumer Sentiment Index dropped to its lowest level in over two years in March, with consumers now expecting prices to rise 5% over the next 12 months—reflecting mounting uncertainty as Trump's latest round of tariffs is expected to take effect next week. While consumer inflation expectations do not always mirror actual inflation trajectories, they offer a window into growing anxieties that could shape future spending patterns. Meanwhile, the Fed's preferred inflation gauge, the PCE price index, showed a modest rise in February, increasing by 0.3% MoM and 2.5% YoY—both in line with expectations—while core PCE, rose 2.8% YoY. The data suggests that while inflation is still easing gradually, underlying price pressures remain sticky, reinforcing the Fed's cautious stance on rate cuts. The 10-year US Treasury yield declined below 4.3%, while the dollar index softened, hovering around 104.0. In Europe, inflation prints surprised to the downside, with French EU-harmonised inflation holding steady at 0.9% YoY and Spain's inflation slowing more sharply—from 2.9% to 2.2% YoY in March—reinforcing the narrative that price pressures across the bloc are easing. However, the looming implementation of Trump's new tariffs has reignited concerns that inflation could resurface globally, particularly if trade disruptions fuel higher input costs and dampen supply chains in the coming months.

## Base Metals

Base metals began the week on the front foot, but a lack of broader risk-on sentiment led to a correction as the week progressed. Ongoing tariff uncertainty continues to bring more copper into US markets, reflected in the persistent tightening of the COMEX/LME arbitrage. However, in Europe, the absence of solid fundamental demand is limiting the upside potential for prices. Copper briefly broke through the psychologically significant \$10,000/t level, but we believe tariff-related disruptions alone are insufficient to support prices above this level over the longer term. Today, copper continued its decline, falling to \$9,794.50/t. Likewise, aluminium, which has been most affected by the tariff measures, saw a sharp correction, falling to January lows around \$2,550/t. Zinc weakened to \$2,857/t, as lead saw moderate losses to \$2,025.50/t.

Looking ahead, while we don't anticipate a major downside correction in base metals, the path to fresh highs appears limited. Price action is likely to be characterised by short-term gains driven by supply shocks, followed by mean-reversion strategies as markets stabilise.

## Precious Metals and Oil

Gold extended its rally to new all-time highs, breaking above \$3,080/oz as global investors continued to seek safe havens amid elevated geopolitical tensions and tariff-related uncertainty. The metal's momentum suggests that the current price discovery phase may still have room to run, with recession fears and policy unpredictability keeping gold well bid. Silver, by contrast, saw a modest pullback after hitting a five-month high yesterday, easing to \$34.2/oz. Oil prices also softened, with WTI falling to \$69.1/bbl and Brent at \$73.4/bbl, as supply concerns were offset by fears of slowing global demand.

All price data is from 28.03.2025 as of 17:30

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### Risk warning

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