

Authors

Daria Efanova
Head of Research

Viktoria Kuszak
Research Associate

SAT 05 APRIL 2025 00:10

DAILY BASE METALS REPORT

Escalating Trade War Sparks Selloff in Risk Assets

Summary

- Global markets slumped as trade war escalated with China retaliating
- Base metals buckled under strong selling pressure today as markets reacted to China's tariff retaliation against the US.
- Yields plunged while gold fell on profit-taking and margin calls

Macro

US stocks extended their decline today as markets continued to reel from the fallout of Trump's recent tariff announcement. The UK and European equities followed the downward trend set in Asia overnight, reflecting widespread risk aversion. The monthly US Nonfarm Payrolls data came in significantly stronger than expected, with 228,000 jobs added in March versus forecasts of 140,000, but the release was largely overshadowed by the deepening trade conflict. China retaliated with a 34% tariff on all US imports and introduced restrictions on rare earth exports—fuelling concerns of a full-blown global trade war and stoking fears of a sharp economic slowdown. Investors rushed into safe-haven assets, driving the 10-year US Treasury yield below the key 4% mark for the first time in months. The dollar recovered modestly from yesterday's steep losses, trading at 102.5 as 102.0 proved to be an unbreakable support level for now.

Base Metals

Panic selling hit the base metals market after China retaliated with a 34% tariff on all US imports and announced export restrictions on several types of rare earths. This move comes in response to the latest round of US tariffs, which raised duties on nearly all Chinese products to more than 50% - more than triple the level set during the Biden administration. The combined effect of China's countermeasures and this week's US announcements is only further undermining US economic prospects and injecting fresh uncertainty into bilateral trade flows.

Copper led the sell-off, weakening by over \$600/t to \$8,780/t – a level not seen since January. We view the \$8,800/t mark as key support, as it closely aligns with the cost of production for many Chinese smelters. A sustained break below this level could further erode profit margins across the industry. The rest of the complex followed suit. Lead and zinc ended the week in the red, sliding to lows of \$1,906/t and \$2,657/t, respectively. Nickel tumbled, breaching multiple support levels to close the day at \$14,758/t. Aluminium weakened for the 11th consecutive day, dropping below the \$2,400/t level towards \$2,78.50/t.

Aside from aluminium, most base metals have now retraced to January levels - when markets first began pricing

in US tariff risks, particularly on materials from Mexico and Canada. With most of the tariff-driven speculative gains now wiped out, the outlook has effectively reset. One potential downside risk would be tariffs placed on the US from Canada and Mexico – both key exporters of base metals. However, since they were excluded from the US tariff measures in April, any response from their side appears unlikely. Given the scale of declines over the past few days, we believe the market would need a strong catalyst to push prices much lower from here. While some additional downside is possible, it's likely to be limited without new trade disruptions — either from the US or directed at it.

Precious Metals and Oil

Precious metals, fell as investors liquidated positions to cover losses elsewhere. Gold dropped to \$3,040/oz, while silver tested the \$30/oz support level—its lowest since January. Oil prices also plunged to multi-year lows amid fears of weakening global demand. WTI fell to \$62.3/bbl and Brent to \$65.7/bbl, marking their lowest levels since 2021.

	Open	High	Low	5pm Close	PDC	Volume	Total O.I	Spreads	Conversion
								C-3M	USc/lb
Aluminium	2459	2459	2370	2378.5	2459	47509	697786	-32.46	107.89
Copper	9335	9336	8644	8780.0	9331	52232	302268	-62.92	398.26
Lead	1955	1956	1902	1906.0	1952	11980	150946	-32.14	86.46
Nickel		15735	14595	14758.0	15715	14041	242599	-220.80	669.42
Tin	37175	37185	35000	35378.0	37010	808	24475	254.00	1604.74
Zinc	2710	2718	2639	2657.0	2708	15774	225446	-11.53	120.52
				Total:		142344	1643520		

Official Prices						Monthly Avg			
	Cash	3m	Dec Yr 1	Dec Yr 2	PD Cash	PD 3M	Cash	3M	
Aluminium	2355.5	2394	2480	2535	2420.48	2448	2442.75	2468.25	
Copper	8830.5	8900	8938	9023	9319.27	9366.5	9381.375	9435.125	
Lead	1892	1918.5	2007.03	2057.03	1929.48	1955.5	1936.375	1963	
Nickel	15050	15295	15858	16533	15520.57	15732	15586.25	15808.75	
Tin	36050	35800			37574.96	37334	37255	36996.25	
Zinc	2648.5	2660	2670.25	2587.5	2700.97	2713.5	2741	2756.25	

LME Stocks (tonnes)								Other Copper Markets		
	Opening	In	Out	Net Change	Closing	C-warrants	Open Tonnage	Last	% Change	
Aluminium	458800	0	2050	-2050	456750	229075	227675	Comex, USc/lb		
Copper	210450	1000	650	350	210800	94275	116525	MAY 25	503.5	0.02
Lead	230825	4450	25	4425	235250	129625	105625	JUL 25	508.1	0.00
Nickel	200250	402	252	150	200400	13374	187026	Shanghai, CNY/mt		
Tin	3035	0	45	-45	2990	720	2270	01-Apr	79920	-0.08
Zinc	133350	0	3075	-3075	130275	74075	56200	01-May	79880	-0.03

Global Markets			Currencies			Precious Metals			Previous Day's Fix	
Last	% Change		Last	% Change		Last	% Change		AM	PM
DAX	20642	-4.95	GBP	1.2887	-1.6260	Gold	3038.24	-2.4749	3128.15	3118.10
DJI	38315	-5.50	JPY	146.9300	-0.5921	Silver	29.59	-7.1251		3247.5
S&P500	5074	-5.97	EUR	1.0956	-0.8686	Gold Comex	3035.4	-2.765		
SSE	3342	-0.24	CNY	7.2818	-0.1936	Platinum	923.14	-3.006		
Hg Seng	22850	-1.52	AUD	0.6040	-4.5663	Palladium	918.48	-1.7248		
Brent	66	-6.50	CAD	1.4219	-0.8580					

Source: Bloomberg
Updated: 04/04/2025 17:30

All price data is from 04.04.2025 as of 17:30

Risk warning

This is a marketing communication. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views.

A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience.

Please contact the author should you require a copy of any previous reports for comparative purposes. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy.

This report is not subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, the information may have been acted upon by us for our own purposes and has not been procured for the exclusive benefit of customers. Sucden Financial believes that the information contained within this report is already in the public domain. Private customers should not invest in these products unless they are satisfied that the products are suitable for them and they have sought professional advice. Please read our full risk warnings and disclaimers (www.sucdenfinancial.com/en/risk-warning-and-disclaimers).