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DAILY BASE METALS REPORT

# UK CPI Surprises Investors

## Summary

- Stronger than expected UK inflation surprises the markets.
- Base metals continued to follow a cyclical pattern, recovering slightly today.
- Precious metals rebound.

## Macro

US equities opened weaker on Wednesday, extending the slide triggered by Tuesday's tech sell-off. Renewed concerns that AI valuations may be running ahead of fundamentals weighed on sentiment, although solid earnings across the sector suggest scope for recovery once positioning stabilises. The dollar index held just above 98.1, while the 10-year Treasury yield slipped below 4.29%.

In the UK, inflation surprised to the upside in July, with headline CPI climbing to 3.8% YoY from 3.6% previously and core rising to 3.8% YoY from 3.7%. The increase was driven by higher air fares and fuel, while services inflation accelerated to 5%, a measure closely monitored by the Bank of England. The data reinforced market scepticism about further easing this year, with the probability of a 25bp cut by year-end dropping to around 50%. We see growing divergence with the Eurozone, where inflation remains far more subdued at 2% headline and 2.3% core.

## Base Metals

Base metals experienced a pause in downside pressures today as prices approached near-term support levels, leading some metals to recover slightly. This trend highlights that the markets are following a technical cyclical pattern, especially given the lack of significant external influences. Copper tested and rejected prices below the \$9,700/t mark, recovering to \$9,724/t. Similarly, aluminium remained just above the crucial \$2,550/t support level, trading at \$2,580/t at the time of writing. Lead and zinc also bounced back, reaching \$1,981/t and \$2,787/t, respectively. Nickel struggled to stay below \$15,000/t, closing the day near this level at \$15,040/t.

## Precious Metals and Oil

Gold rebounded to \$3,342/oz after a few days of losses, supported by lower Treasury yields. Silver also regained ground, trading above \$37.76/oz. Oil prices held within recent ranges, with WTI at \$63.2/bbl and Brent at \$66.7/bbl.

All price data is from 20.08.2025 as of 17:30

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