Sucden Financial

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DAILY BASE METALS REPORT

Metal Spread Tightening Points to Near-Term Stress

Summary

- US stocks gapped higher as the US softened its tariff stance on China.
- Aluminium, copper, and zinc nearby spreads tightened aggressively, flipping into significant backwardation.
- Precious metals continue to shine, reaching new highs.

Macro

US stocks opened higher today after Friday's sell-off, as the Trump administration adjusted its stance regarding tariffs on China. While the weakness seen on Friday was perceived more as a dip in sentiment rather than a fundamental shift, it appears to have relieved some of the excess pressure from the overinflated equity market. The S&P 500 is currently trading at 6,650.

From the macroeconomic perspective, China's latest trade figures for September indicated a stronger-than-expected rebound in external activity, with exports rising by 8.3% YoY, up from 4.4% in August, while imports accelerated to 7.4% from 1.3%. Consequently, the trade surplus narrowed to $90.45 billion from $102.33 billion. Shipments to the US fell sharply, down 27%, yet solid demand from the EU and other regions helped offset the decline, with exports to non-US destinations expanding by almost 15%. The data suggest that Chinese exporters are increasingly adapting to tariff pressures by strengthening trade ties beyond the US and, in some cases, rerouting goods through third countries. The continued strength in overall trade performance could give Beijing greater confidence in maintaining a firm position in discussions with Washington.

The dollar continued to show resilience, recovering nearly all of Friday's losses as the dollar index climbed back above 99.2, even as the 10-year Treasury yield fell sharply to around 4.03%.

Base Metals

Following Friday's sell-off, base metals opened the week on a more cautious note. However, as the day progressed, aggressive buying emerged across the complex, with copper taking the lead. Spreads have spiked higher, with copper, aluminium and zinc shifting into significant backwardation. In particular, the copper cash-to-3-month spread tightened significantly, flipping to $100/t. As a result, the forward prices, which opened just below the $10,500/t mark, rallied back up to $10,820.50/t by the end of the day, offsetting most of Friday's losses.

Likewise, aluminium cash to 3-month spread continued to strengthen, currently at $18/t backwardation, while the 3-month price held steady at $2,763/t. Despite the recent move by the Trump administration to mitigate the impact of US tariff threats on China, we believe aluminium remains more vulnerable to potential price spikes due to trade tensions, given its sensitivity to trade flows. Meanwhile, lead dropped back to the $2,000/t support level, while nickel held above $15,230/t.

Precious Metals and Oil

Gold and silver have retained their significance amidst market uncertainty, reaching new highs. Gold held above the $4,000/oz threshold, climbing to $4,093/oz. Silver rallied further, climbing to test the $52.00/oz level, driven by recent concerns that the metal could be hit by US tariffs.

Oil futures rebounded, with WTI and Brent strengthening to $59.80/bbl and $63.60/bbl, respectively.

All price data is from 13.10.2025 as of 17:30