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DAILY BASE METALS REPORT

Fed Cut Odds Rise on Soft Jobs Data

Summary

- Weaker US labour data underpins market sentiment for the Fed December cut.
- However, we believe that the absence of reliable government data is likely to postpone rate cutting decisions into early 2026.
- A weaker dollar aided the base metals complex, but as spread tightness continues to unwind, market conviction for higher prices appears to be diminishing.
- Precious metals are capped by their respective resistance levels, as markets struggle to price in directional view.

Macro

US stocks weakened as fresh US employment data highlighted ongoing softness in the labour market, further reinforcing expectations for Federal Reserve monetary policy easing. According to data from Challenger, Gray & Christmas, US companies announced over 150,000 job cuts in October, primarily in the technology and warehousing sectors, as AI adoption continues to reshape hiring trends. These figures aligned with market sentiment, which has been leveraging weaker labour figures to call for Fed rate cuts. Notably, forward swaps now price in a 71% probability of a December cut, up from 61% just the previous day.

Despite prevailing market conviction pricing in a December rate cut, we remain unconvinced that the Fed will cut so soon. While the continued absence of reliable government data has injected a fresh wave of speculation into the rate narrative, we believe that this makes the Fed less likely to make a pre-emptive move before early 2026. This stands in contrast to the prevailing market consensus, which has doubled down on a continuous easing cycle following last month's cut, adding to bullish bias in US Treasuries, keeping the dollar pinned near key resistance at 100.50. However, we caution that with positioning becoming so one-sided and conviction for cuts reigniting, the risk of a hawkish Fed surprise is underpriced. Should Chair Powell signal that a December cut is off the table, markets could be caught off guard, triggering an abrupt repricing in Treasury yields and a sharp rally in the dollar as volatility returns to the forefront.

Today, the dollar weakened, falling below the 100.00 mark to 99.85. With key nonfarm payroll data expected to be absent tomorrow, markets will likely turn to alternative sources of labour market data to assess the US macroeconomic outlook.

Base Metals

A weaker dollar has supported the base metals complex, helping to maintain the support levels established this week. Indeed, a relative quiet in fundamental news and guidance has made it harder for markets to establish a clear price trend. This is particularly true for copper, which, after retreating from record highs, faces conflicting signals: tight underlying supply but insufficient fundamental demand support.

In the near term, as spread tightness moderates across the complex and no new copper production announcements emerge, market conviction to drive prices sustainably higher appears to be waning. We are holding a neutral to slightly bearish view in the near term, keeping a close eye on technical support levels as potential turning points that could nudge sentiment if further weakness emerges.

In the meantime, copper opened higher, but lacked conviction above the \$10,800/t mark, prompting it to soften during the day to \$10,682.50/t. Likewise, aluminium dipped below the \$2,850/t level, keeping the recent support at \$2,840/t intact. Zinc held its nerve around the \$3,050/t level.

Precious Metals and Oil

While weakness in the US labour market has lent support to precious metals, psychological resistance levels highlight that markets remain unconvinced about the near-term direction for gold and silver. As stretched positions are unwound in both, we expect the focus to return to the metals' core safe-haven and inflation-hedging properties. Gold appears to have firmer underlying support to drift higher, underpinned by ongoing physical and central bank purchases. Silver, traditionally following gold's lead, appears more vulnerable to bouts of profit-taking on rallies. For now, both metals remain capped by their respective resistance levels at \$4,000/oz and \$48/oz.

All price data is from 06.11.2025 as of 17:30

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