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DAILY BASE METALS REPORT

Cautious Optimism Returns as Markets Navigate Mixed Signals

Summary

- **Fed communication remains key as markets continue to test the credibility of a December hold.**
- **With our expectation that the Fed will not cut rates in December, this repricing could add a stronger near-term pressure on copper.**
- **Precious metals remain capped by a firm dollar, with little catalyst in sight.**

Macro

US equities opened higher on Friday, clawing back part of Thursday afternoon's pullback, which had erased much of the initial post-Nvidia optimism. Selling pressure remains evident beneath the surface, and even strong earnings from AI-linked names are unlikely to fully extinguish those concerns. Sentiment was supported today by dovish comments from Fed member Williams, which partially revived expectations of a December cut and pushed Treasury yields lower, with the 10-year drifting towards the 4.0% handle. We maintain our view that the Fed will hold policy steady next month. Delayed data releases have clouded the picture of the labour market and inflation, leaving policymakers without the clarity they need to justify an imminent move. Powell has repeatedly stressed that decisions remain data-dependent, and the incoming information does not yet provide sufficient justification for a policy shift.

Global PMIs highlight a two-speed finish to the year, with robust services activity offsetting a continued loss of momentum in manufacturing across major economies. The US remains the strongest performer, with factory output still expanding despite softer orders and rising inventories. The euro area shows modest, service-driven growth and easing price pressures, while the UK lags as private-sector activity stalls and firms delay hiring and investment. Overall, the data point to uneven but steady global momentum into early 2026. The dollar index edged up to 100.4, its highest level since May, reflecting a more cautious market tone.

Base Metals

Base metals opened Friday on the back foot, but a weaker dollar, driven by a more dovish Fed, helped to trigger a moderate rebound in the afternoon session. Copper led the move, jumping more than \$100/t towards \$10,760/t. Meanwhile, aluminium softened into \$2,785/t, as zinc hovered below the \$3,000/t mark at \$2,980/t.

Other metals failed to match this upside, highlighting an increasingly macro-driven and speculative appetite in

copper, while being underpinned by tighter longer-term fundamentals. Looking ahead, we expect copper may continue to overshoot in both directions as macro signals, especially stemming from USD moves and Fed rate commentary, oscillate. With our expectation that the Fed will not cut rates at the December meeting, the continued market repricing of this view could add a stronger near-term pressure on copper. However, support at \$10,400/t appears well-established to us into year-end.

Precious Metals and Oil

Precious metals remained muted despite lower Treasury yields, which would typically provide support for non-yielding assets. Gold held around \$4,060/oz, while silver slipped below \$50/oz. Next week, we expect precious metals to remain range-bound, with direction dictated primarily by dollar dynamics. A softer USD or signs of easing funding pressures would offer some upside, but sustained gains will be difficult without a renewed demand for defensive positioning.

Oil prices extended their decline, with WTI slipping below 58.0/bbl and Brent trading around 62.2/bbl.

All price data is from 21.11.2025 as of 17:30

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