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DAILY BASE METALS REPORT

Powell in Focus as Markets Lean into a December Cut

Summary

- **Powell's tone tonight will set the market's direction, overshadowing this week's data releases.**
- **Base metals strengthened today, with tightening spreads doing most of the heavy lifting. With positioning appearing stretched on the upside, markets would need a stronger catalyst to break new highs decisively.**
- **Precious metals remain vulnerable to any hawkish surprise, with silver likely to react the most.**

Macro

US equities opened lower on Monday as investors positioned cautiously ahead of Chair Powell's speech this evening, which could play a decisive role in shaping expectations for the December Fed meeting. Markets remain firmly priced for a 25bps cut this month, despite the absence of up-to-date labour or inflation data to justify such conviction. This dynamic places an unusual degree of influence on Powell's remarks.

If the Fed intends to preserve its data-dependent framework, Powell will need to stress that this week's releases, including Wednesday's ADP employment report, remain meaningful for the policy outlook. Should he fail to do so, the market's pricing risks becoming self-fulfilling: irrespective of what the ADP shows, a December cut becomes the path of least resistance, as the Fed is unlikely to push aggressively against such entrenched expectations so close to the decision date. We therefore expect Powell's tone tonight to determine whether data retain relevance in guiding the December meeting, or whether the outcome is effectively predetermined.

The dollar weakened to around 99.2 against major peers, while the ten-year Treasury yield reversed higher towards 4.1%.

Base Metals

Metals opened the week on the front foot, supported by a softer dollar and continued concerns over copper supply risks. The more favourable macro backdrop supported forward pricing, helping push copper toward new highs above \$11,300/t as aluminium crept back toward \$2,900/t, with zinc also firming to \$3,100/t.

Copper's cash to 3-month spread strengthened further to \$70/t, while zinc remains heavily backwardated, reflecting front-end availability constraints, underscoring that this upside is being driven more by nearby tightness, roll pressure, and sensitivity to supply-driven headlines.

LME copper and zinc stocks continue to rebuild, suggesting that current tightness is curve-specific and flow-driven. Looking ahead, attention turns to whether the upward momentum can be sustained as metals approach

key resistance zones, and specifically, as copper attempts to breach new highs.

With spreads doing most of the heavy lifting, we believe that the next leg higher will require fresh catalysts, such as additional supply disruptions, or stronger macro signals in the form of dollar weakness. Otherwise, the market may consolidate, but with spreads tight, price risk remains skewed on the upside.

Precious Metals and Oil

Precious metals traded with two-way volatility but remained elevated. Gold hovered around 4,240/oz, while silver extended recent gains and approached the 58.0/oz level. We expect price action to remain highly sensitive to Powell's tone this evening, as any indication that the Fed intends to validate market expectations would likely extend support for both metals. Conversely, a pushback against December cut pricing could trigger a swift retracement, particularly in silver, which has been more momentum-driven. In the near term, the sustainability of these elevated levels will depend on whether the dollar continues to soften and whether incoming labour data reinforce the dovish narrative markets have embraced.

In energy, oil prices moved higher, with WTI holding above 59.0/bbl and Brent around 63.2/bbl, supported by improved risk sentiment ahead of a busy policy month.

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