



## Authors

Daria Efanova  
Head of Research

Viktoria Kuszak  
Research Associate

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DAILY BASE METALS REPORT

# December Cut Bets Dominate the Narrative

## Summary

- **The disconnect between firm market pricing and limited data keeps volatility risk elevated ahead of tomorrow's ADP release.**
- **Base metals consolidated today, with the pullback appearing to be an orderly pause rather than a significant trend reversal.**
- **Gold's consolidation suggests limited conviction, while silver's elevated positioning leaves it sensitive to even small shifts in sentiment.**

## Macro

US equities opened higher today. In his Stanford remarks, Chair Powell avoided addressing market expectations directly, which reinforces our view that the Fed is likely to deliver a cut next week. With markets already priced for a 25bps reduction, even a strong ADP Employment reading tomorrow is unlikely to materially shift expectations. In our view, the Fed risks creating unnecessary market disruption were it to push back forcefully at this stage. As a result, we expect policymakers to proceed with the cut despite the limited data available, while emphasising that subsequent decisions will revert to the data-driven footing once the flow of economic releases normalises.

The US dollar remained relatively steady against major peers, with the dollar index holding around 99.5, while the 10-year Treasury yield traded just below 4.1%, sitting near the midpoint of its three-month range.

## Base Metals

Base metals prices consolidated today, giving back most of yesterday's gains. The pullback appears more like an orderly pause, with mean-reversion patterns emerging. The combination of stretched positioning in some metals, along with a flat macro backdrop today, has likely encouraged light de-risking. However, volatility remains contained, suggesting that selling pressure could be limited in the near term.

According to the most recent COT report, copper positioning continues to recover, with net length rising modestly, although it remains below the February 2025 peak (investment funds net), indicating that markets still have room to add. Aluminium saw the most notable build, with net funds approaching 2022 highs, raising questions about whether positioning is becoming overextended. Indeed, macro-driven flows appear to be supporting aluminium prices, as evidenced by the rising credit/investment fund net length, which was boosted in the week ending November 28th. This suggests to us that the length could begin to unwind if prices fail to breach the \$2,900/t resistance level.

In the meantime, copper dropped back below \$11,200/t as aluminium struggled to hold above \$2,900/t,

eventually returning to \$2,865/t. Zinc fell back towards the \$3,050/t support level.

## Precious Metals and Oil

Precious metals softened, with gold giving back most of Friday's gains and easing to around \$4,187/oz, while silver edged only slightly lower but continued to hold above \$57.6/oz. We expect trading to remain highly sensitive to shifts in rate expectations over the coming days, particularly as markets seek confirmation that the Fed will indeed validate a December cut. Silver is positioned to react more sharply in either direction given its higher beta to macro sentiment, while gold is likely to remain range-bound until the Fed provides firmer guidance next week.

Oil prices were broadly stable, with WTI near \$59.0/bbl and Brent around \$62.8/bbl.

All price data is from 02.12.2025 as of 17:30

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