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DAILY BASE METALS REPORT

Markets Pause at the Peak as Fed Week Sets the Tone

Summary

- **Fed pricing is firmly anchored for December, but uncertainty over the 2026 path keeps volatility risks elevated.**
- **Base metals remain elevated as speculative players continue to support momentum, even as physical and fundamental indicators show signs of easing.**
- **Precious metals stay range-bound ahead of Powell, with any shift in rate guidance set to determine the next breakout direction.**

Macro

US equities opened lower at the start of a pivotal week dominated by the **upcoming Fed decision**. Markets remain fully priced for a 25bps cut, leaving Chair Powell's communication as the central focus for investors seeking clarity on the policy trajectory into 2026. At present, markets are not pricing a full additional cut until the middle of 2026, reflecting expectations that any policy adjustment beyond December will proceed gradually. The dollar index edged slightly higher towards 99.2, while the 10-year Treasury yield climbed closer to 4.2% as positioning turns increasingly cautious ahead of Wednesday's announcement.

Base Metals

Base metals opened in line with Friday's highs as markets attempted to push to fresh peaks. However, momentum faded by the end of the session, resulting in moderate consolidation while prices remained at elevated levels.

Speculative players are key to driving copper higher, even as nearby spreads continue to unwind, making near-term direction increasingly difficult to predict. With positioning looking stretched to the upside, there also appears to be limited appetite to sell at current levels, which continues to support elevated forward prices across the complex.

We expect this trend to persist, with price action likely characterised by sharp rallies followed by shallow consolidation. Any pronounced sell-offs are also likely to attract strong dip-buying interest, helping to keep the broader bullish trend intact into year-end.

From the **fundamental perspective**, China's latest trade figures showed a wider surplus in November, underpinned by stronger exports to Europe, Australia and Southeast Asia as manufacturers adapt to ongoing tariff uncertainty with the US. Looking ahead, we expect China's external sector to remain a relative source of stability, even as domestic demand indicators remain uneven.

In the meantime, copper and aluminium held steady at \$11,620/t and \$2,880/t, respectively. Zinc's nearby spread tightness continues to support prices, with 3-month holding above \$3,100/t, as lead hovered above the \$2,000/t mark.

Precious Metals and Oil

The rise in US yields kept precious metals constrained. Gold edged slightly lower to around \$4,180/oz, while silver slipped to \$57.7/oz. With the Fed meeting now the dominant driver, we expect metals to remain range-bound until Powell provides clearer guidance on the pace of easing beyond December.

Oil prices weakened, with WTI falling back below \$60.0/bbl and Brent dipping under \$63.0/bbl.

All price data is from 03.12.2025 as of 17:30

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