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DAILY BASE METALS REPORT

Cooling Signals Emerge as Markets Recalibrate the Path Ahead

Summary

- **Mixed labour data reinforce a slower-growth narrative, leaving the Fed increasingly dependent on upcoming inflation data to determine how much policy flexibility it retains into early 2026.**
- **Zinc extended its decline as a jump in inventories and easing nearby spread tightness weighed on prices.**
- **Thinning year-end liquidity raises the risk of outsized moves as positioning adjusts across rates, FX and commodities.**

Macro

US equities opened lower following a heavy run of US data.

Labour figures delivered a mixed signal: the delayed October release showed a meaningful contraction in payrolls, while November employment surprised modestly to the upside, with 64k jobs added. At the same time, the unemployment rate rose to 4.6%, reinforcing the view that labour-market conditions are gradually softening beneath the surface.

Markets interpreted the data as consistent with a cooling economy rather than a renewed acceleration. The dollar index fell on the release, briefly testing the 98.0 level, while the 10-year Treasury yield initially declined before rebounding to trade around 4.16%, suggesting that investors remain cautious about extrapolating the data too far. Expectations for further rate cuts continue to be pushed out, with markets still pricing the next move no earlier than June 2026.

Looking ahead, attention turns to Thursday's US CPI print.

We expect inflation data to be closely scrutinised as investors assess the emerging tension between a softening labour market and still-sticky price pressures. This combination risks defining the early-2026 macro narrative, limiting the Fed's flexibility and keeping volatility elevated across rates and FX.

Base Metals

Most base metals held their nerve today, with attention turned to zinc, which continued to extend losses for a

third consecutive session. The move was driven by a sharp unwind in spread tightness, with nearby contracts flipping decisively into contango as stocks jumping by more than 20,000mt in a day. As a result, the cash to 3-month spread weakened to -\$31.50/t, and 3-month price broke below \$3,100/t, falling toward the \$3,040/t support level.

Despite the recent pullback from Q4 2024 price highs, today's COT report suggests speculative positioning remained relatively unextended. The investment fund net length is currently at November levels, well below the March 2025 peak, when zinc prices were closer to \$3,000/t. This indicates that the recent rally was not driven by excessive speculative length, leaving room for positioning to rebuild. However, the scope for another leg higher will hinge largely on whether nearby spreads retighten.

The rest of the complex action remained relatively subdued, with aluminium and copper holding their nerve above \$2,850/t and \$11,500/t, respectively. Lead remained subdued following recent declines that echoed zinc's performance, trading at \$1,940/t. Nickel hovered around the \$14,260/t mark.

Precious metals and oil

Gold steadied and benefited from the softer dollar, recovering part of yesterday's losses to trade above \$4,320/oz. Silver was more volatile, fluctuating lower to around \$62.6/oz at the time of writing, reflecting ongoing position adjustments after recent sharp moves. We expect precious metals to remain sensitive to incoming inflation data, with gold likely to hold better than silver should yields firm again.

Oil prices weakened further, with WTI falling below \$55.3/bbl and Brent slipping under \$59.0/bbl, marking the lowest levels since May. The decline reflects growing concerns over demand into early 2026, amplified by signs of slowing economic momentum and the absence of fresh supply-side support. We expect crude prices to remain under pressure into year-end.

All price data is from 16.12.2025 as of 17:30

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