Sucden Financial

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DAILY BASE METALS REPORT

Risk Appetite Rebuilds Ahead of Inflation Data

Summary

- Tomorrow's US CPI risks reinforcing an uncomfortable early-2026 backdrop, where softer labour conditions coexist with still-elevated inflation, limiting policy flexibility and keeping rates and FX volatility elevated.
- Base metals strengthened, with zinc's rebound indicating that the longer-term bullish trend remains intact.
- Silver rallied to another record high, as persistent bullish sentiment is amplified by continued physical tightness.

Macro

US equities opened lower on Wednesday, with markets now turning their attention to tomorrow's US CPI print for November, currently forecast at around 3.1% YoY. A reading near this level would reinforce the view that inflation remains way above the Fed's 2% target despite a cooling labour market. This combination risks creating a problematic start to 2026, where easing employment conditions coexist with inflation that remains elevated, complicating the policy outlook and keeping volatility high across rates and FX markets. The dollar index was steady around 98.3 at the time of writing, while the 10-year Treasury yield traded slightly lower near 4.15%.

Elsewhere, central bank decisions due tomorrow are set to shape near-term global financial conditions. In the UK, the BoE is expected to cut Bank Rate by 25bps to 3.75%, a move underpinned by today's softer inflation data, which showed UK CPI falling sharply to 3.2%, alongside weakening labour-market momentum. Markets are now almost fully priced for this outcome, leaving the BoE's forward guidance as the key driver for sterling and gilt yields, particularly in terms of how policymakers frame the pace and extent of any further easing.

By contrast, the ECB is expected to leave policy unchanged at its December meeting. While some market participants continue to flag the possibility of renewed tightening later in the cycle, we expect rates to remain on hold through 2026, as policymakers balance inflation progress against a still-fragile growth backdrop across the euro area.

Base Metals

Base metals strengthened today, supported primarily by a weaker dollar later in the session and a technical rebound in zinc. After a three-day sell-off, zinc prices stabilised and bounced, holding firm at the $3,050/t support level. With the broader uptrend (in place since July 2025) remaining intact, we see scope for a near-term recovery, potentially allowing zinc to retest the $3,100/t level in the near term.

However, a sustained break above $3,150/t would likely require stronger conviction, most likely via a renewed tightening in nearby spreads. Otherwise, any further upside is expected to remain orderly, following a mean-reversion dynamic rather than the start of a fresh momentum-driven rally.

The rest of the complex was also stronger, with aluminium re-testing the $2,900/t resistance as copper held above $11,700/t. Lead and nickel both bounced off the recent lows, solidifying support levels at $1,940/t and $14,300/t, respectively.

Precious Metals and Oil

Precious metals' rally continues unabated, with silver's volatility fuelling another day of strong upside action, pushing prices toward a fresh record high of $65.50/oz. Gold's momentum was also positive, but the modest uptick to $4,320/oz reflects the abundance of physical material, keeping prices somewhat restrained in this highly speculative environment. As silver tightness persists, we expect today's rally to be followed by a period of moderate consolidation, which could again give way to another strength if macroeconomic and speculative sentiments align.

All price data is from 17.12.2025 as of 17:30