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DAILY BASE METALS REPORT

Markets Turn Risk-On as Inflation Moderates

Summary

- **Inflation relief reduces immediate upward pressure on yields but leaves the broader rate path largely intact into 2026.**
- **Base metals edged higher, led by nickel, which posted the strongest intraday gains following reports of Indonesian supply cuts to support prices.**
- **Price action across precious metals continues to be driven more by positioning and liquidity than fresh fundamentals as year-end approaches.**

Macro

US equities opened higher after November CPI surprised on the soft side, easing pressure on the near-term inflation narrative. Headline CPI came in below expectations at 2.7% YoY versus 3.1% forecast, while core CPI slowed to 2.6%. The print is constructive into year-end, as it restores some policy optionality for the Fed should labour-market softening become more pronounced. However, with recent government shutdowns disrupting the data flow, we expect policymakers to place limited weight on any single release, even as markets initially lean into the “good news” interpretation.

Rates and FX initially moved in the expected direction. The 10-year Treasury yield dipped to test the 4.0% level, while the dollar softened on the release before stabilising, leaving the dollar index hovering around 98.5 at the time of writing. The relatively contained FX reaction suggests markets are cautious about over-extending the CPI relief trade, particularly as attention is already turning to how much easing is realistically achievable in 2026 rather than extrapolating too much from a single benign inflation print.

On central banks, the BoE cut Bank Rate by 25bps to 3.75%, but the decision was tight and accompanied by a more cautious signal on the pace of further easing, which helped sterling and gilt yields firm after the announcement. The ECB held rates at 2.0% and struck a more confident tone on the outlook, which markets read as closing the door on near-term cuts and keeping the debate skewed towards “hold for longer” rather than renewed easing.

Base Metals

Base metals continued to advance today, with dollar weakness supporting a modest uptick in prices. Nickel jumped higher after reports that Indonesia, the world’s top nickel producer, plans to reduce production to 250m tonnes in 2026 to support prices. This news, combined with nickel’s recent post-weakness recovery, strengthened the metal to $14,630/t. We expect further upside to the current momentum, with $14,700/t likely as the next target level. Copper and aluminium remained elevated at $11,750/t and $2,910/t, respectively.

Zinc held above the $3,050/t mark as nearby spread action calmed, with cash to 3-month spread now holding at -$21.50/t. The recent price action suggests to us that zinc still might have room for upside to rebuild; however, a sustained break above $3,150/t would likely require stronger conviction, most likely via a renewed tightening in nearby spreads.

Precious Metals and Oil

Precious metals eased despite lower yields, which looks less like a macro warning and more like positioning and profit-taking after an aggressive run, particularly in silver. Gold softened only modestly and held above $4,330/oz, while silver pulled back to around $65.5/oz after Wednesday's record highs.

Oil remained heavy, with WTI around $56.5/bbl and Brent near $60.1/bbl. The broader pressure continues to come from surplus signals and weak spot demand, including difficulty clearing physical crude in some regions, which has kept Brent flirting with the lowest levels since May.

All price data is from 18.12.2025 as of 17:30