Sucden Financial

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DAILY BASE METALS REPORT

Diverging Central Banks and Thinning Liquidity Shape the Year-End Trade

Summary

- Central bank decisions this week marked a clear shift towards more selective and divergent policy paths, with markets now entering a low-liquidity Christmas period where positioning rather than data is likely to drive price action.
- Base metals closed the week on a firm footing, with lead and nickel outperforming as markets continue to rotate into under-positioned metals.
- Silver's surge to fresh highs reflects momentum and speculative positioning more than a fresh macro catalyst, leaving prices vulnerable to sharp pullbacks even as the broader bullish trend remains intact.

Macro

US equities opened higher to close a week dominated by central bank decisions. The Fed delivered the expected rate cut and signalled a more measured policy path into 2026, the BoE eased policy but struck a cautious tone, while the ECB held rates and leaned towards a "higher for longer" stance. Taken together, the week reinforced the view that global monetary policy has shifted from synchronised easing towards a more divergent and selective phase. The dollar index edged higher to around 98.7, while the 10-year Treasury yield also firmed to roughly 4.13%, reflecting stabilisation rather than a renewed tightening impulse.

Market enter the Christmas week with limited scheduled data and reduced liquidity. While the macro backdrop appears relatively calm, thinner trading conditions raise the risk of outsized moves on modest flows.

Base Metals

Base metals closed the week on a firm footing, as softer US inflation reinforced expectations of a more accommodative Fed policy path for 2026, supporting a broader risk-on sentiment. Copper re-tested recent highs of $11,952/t before easing back toward $11,878/t. Likewise, zinc also held its nerve, with appetite fading after the recent spread tightness-driven volatility. Prices stabilised around $3,075/t, indicating that downside pressure remains contained for now.

With copper and zinc trades appearing to be largely digested, attention is turning toward "under-positioned" metals. Lead outperformed, jumping above $1,980/t. Based on the regression trend from May 2025, lead still appears undervalued, with fair value closer to $2,009/t suggesting scope for further upside if risk sentiment holds. Aluminium also gathered momentum, breaking above the $2,009/t resistance that has capped prices in recent sessions and extending gains toward $2,945/t - a May 2022 high.

Looking ahead, we expect rotation flows to remain a key driver across the complex, particularly if outright appetite in copper and zinc continues to stall. As a result, under-positioned metals, such as lead and nickel, may continue to attract continued interest at the start of next week.

Precious Metals and Oil

Gold edged higher towards $4,350/oz, maintaining its constructive tone after this week's softer US inflation data. Silver continued to outperform, surging to fresh record highs near $67/oz. The move highlights the metal's elevated sensitivity to positioning and momentum, with speculative interest increasingly dominant. While the trend remains upward, we expect silver to remain vulnerable to sharp pullbacks in thin year-end liquidity, even as the broader bullish narrative stays intact.

Oil prices also ticked higher, though levels remain depressed. WTI traded around $56.4/bbl, while Brent hovered near $60.0/bbl. Despite the modest rebound, crude remains weighed down by surplus signals and soft spot demand. We expect price action to remain heavy into year-end, with any upside likely to be technical rather than fundamentally driven.

All price data is from 19.12.2025 as of 17:30