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DAILY BASE METALS REPORT

# Year-End Positioning Takes Over as Policy Divergence Sets the Tone

## Summary

- With major central banks done for 2025, markets are increasingly driven by positioning and liquidity rather than fresh macro conviction as year-end approaches.
- Copper is retesting the \$12,000/t record high but trading remains choppy; nickel jumped by more than \$400/t on potential supply constraints.
- Gold and silver's surge to fresh highs reflects momentum and investment flows, leaving silver particularly exposed to sharp pullbacks in thin liquidity despite a still-bullish backdrop.

## Macro

US equities opened higher at the start of the holiday-shortened week, with markets digesting last week's heavy run of central bank decisions and shifting into year-end positioning mode. The Fed, BoE and BoJ have now all delivered their final moves for 2025, reinforcing a transition from synchronised easing to a more fragmented global policy landscape.

In the US, the macro backdrop remains mixed following last week's softer inflation print and uneven labour signals. While there are still data releases on the calendar, including tomorrow's second estimate of Q3 GDP, recent disruptions from the government shutdown and the backward-looking nature of the figures mean the informational value of incoming data remains limited. As a result, market conviction stays subdued, with positioning and liquidity playing a larger role than macro re-assessment. Dollar funding costs are edging higher into year-end, though conditions remain orderly.

The dollar softened modestly today, with DXY easing to around 98.3, while the 10-year Treasury yield edged slightly higher above 4.16% as markets consolidated rather than repriced. With volatility measures such as the VIX drifting back towards recent lows, price action is increasingly driven by flows and year-end positioning rather than fresh macro conviction.

## Base Metals

Base metals opened the week on a mixed note. Copper is once again approaching the critical \$12,000/t threshold, but price action has been choppy as market interest fades. As liquidity thins into the year-end, the main risk this week remains headline-driven moves, particularly for copper, with a stronger downside bias given how overextended recent gains have been.

Nickel rallied, driven in part by reports that Indonesian producers may limit output to support prices; nickel

jumped by \$440/t today to over \$15,250/t. Zinc spreads have completely unwound and are now holding in contango, easing the potential pressures for another strong squeeze; we expect prices to stabilise above the \$3,033/t support levels into the year-end as a result. Aluminium continues to grind higher, testing June 2022 highs of \$2,968/t.

### **Precious Metals and Oil**

Precious metals extended their exceptional run, with both gold and silver pushing decisively to new record highs. Gold broke above \$4,430/oz, while silver surged through \$69.0/oz, underscoring the dominance of momentum and positioning flows over traditional macro drivers. The rally is being fuelled by persistent investment demand and a growing focus on structural supply constraints, particularly in silver. While the broader bullish narrative remains intact, elevated prices and thinning liquidity leave silver especially vulnerable to sharp pullbacks on profit-taking or any abrupt shift in risk sentiment.

Oil prices also firmed, with WTI trading above \$57.6/bbl and Brent near \$61.6/bbl. The move reflects a combination of year-end positioning and ongoing geopolitical uncertainty, including Venezuela-related headlines and continued ambiguity around OPEC supply discipline. Despite the near-term bounce, the broader outlook remains heavy. We expect crude to remain volatile but range-bound into year-end, with rallies likely to remain tactical rather than the start of a sustained recovery.

All price data is from 22.12.2025 as of 17:30

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