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DAILY BASE METALS REPORT

# Political Risks Fuel Flow-Driven Volatility

## Summary

- With only limited data catalysts ahead, political and institutional risk may temporarily displace macro as the dominant market driver.
- Base metals remain subject to flow-driven swings, as volatility climbs in line with declining liquidity.
- Precious metals remain prone to outsized, positioning-driven swings, with silver carrying the highest beta to further political or institutional headlines.

### Macro

US equities opened lower amid a political shock as the Department of Justice opened a criminal investigation into Fed Chair Jerome Powell, focusing on his testimony about the Fed's Washington headquarters renovation and triggering rare legal scrutiny of a central bank leader. Powell has pushed back strongly, arguing the investigation is a pretext tied to pressure for lower interest rates and a broader attempt to influence Fed independence.

In response, the dollar softened against major peers, with the dollar index slipping below 98.8, reflecting elevated uncertainty around US monetary policy leadership and institutional stability. The 10-year Treasury yield held below 4.2%, suggesting that while risk sentiment took a hit, bond markets have not fully repriced policy expectations in response to the headlines. We expect investors to remain cautious until there is greater clarity on the scope and duration of the probe.

### Base Metals

Base metals opened on the front foot, extending last week's recovery. Momentum, however, faded into the afternoon as speculative positioning became overextended. At the same time, implied volatility has begun to catch up with realised, consistent with tighter liquidity and a market demanding greater premium. This typically points to wider intraday ranges and a higher probability of sharp, flow-driven swings.

Aluminium pushed back above \$3,150/t, while nearby spreads tightened back into backwardation. In our view, this signals renewed prompt tightness and an increase in physical hedging activity as prices rise, which can provide near-term support but also raises the risk of profit-taking if spreads begin to ease.

Copper held above the \$13,000/t mark, trading at \$13,190/t at the time of writing. Zinc jumped higher to \$3,210/t and tin rallied once more, approaching 2022 high, and trading at \$48,140/t.

### Precious Metals

Precious metals again rallied strongly in response to rising uncertainty. Gold surged towards record levels, reaching \$4,627/oz, while silver pushed above \$85.5/oz as investors sought shelter amid institutional and policy

volatility. Silver's behaviour remains highly volatile: daily ranges are now roughly 8% (around \$6) compared with typical moves of 30 cents, and implied volatility sits at multi-year highs with realised volatility above it, suggesting that markets are pricing ongoing two-way risk in the complex.

Forward curves in silver have stayed in backwardation, indicating near-term tightness, but abundant overnight availability points to some loosening from the extreme tightness seen last week. As this normalisation continues, prices may test support quickly on any retracements. We expect metals to remain sensitive to macro and political developments in the near term, with silver especially exposed to positioning-driven swings.

Oil prices edged higher, with WTI above \$59.0/bbl and Brent around \$63.5/bbl, as energy markets balanced geopolitical considerations in the Middle East and evolving supply narratives. For now, crude appears range-bound, with incremental headline developments driving near-term moves more than fundamental shifts in demand or inventory trends.

All price data is from 12.01.2026 as of 17:30

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### **Risk warning**

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