Sucden Financial

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DAILY BASE METALS REPORT

CPI Holds the Line; Geopolitics Drive the Trade

Summary

- CPI leaves the Fed in wait-and-see territory, reinforcing a slower, data-dependent policy path into Q1
- Base metals show signs of topping out, but with spreads tightening for copper and aluminium, any retracements are likely to be shallow.
- Macro uncertainty continues to fuel allocation into precious, with silver acting as the high-beta vehicle.

Macro

US equities opened lower on Tuesday as markets digested December CPI data and reassessed the balance between cooling growth indicators and inflation that remains steady but above the Fed's comfort zone. Headline CPI rose by roughly 2.7% YoY, unchanged from November and broadly in line with expectations, while core inflation held at around 2.6%. The print does little to shift the near-term policy debate: inflation has stopped accelerating but remains too elevated to reopen a dovish path for early-2026 easing, especially with labour data still softening only gradually.

The dollar index edged above 99.0, while the 10-year Treasury yield held below 4.20%, consistent with a market that is consolidating amid political noise rather than repricing fundamentals. FX remains driven less by data and more by uncertainty around Fed independence and geopolitics, while rates are stuck in a narrow range until investors gain better visibility on the early-2026 growth environment.

Base Metals

Base metals showed signs of topping out today, with attempts to push to fresh highs stalled by a combination of fading upside appetite and a firmer dollar. Today's price action highlights that in the absence of a strong macro or speculative catalyst, mean-reversion and topping behaviour tends to become more metal-specific, rather than broad-based. This could suggest the market is transitioning into a momentum, where relative value matters more than outright flows.

Meanwhile, nearby spreads in both aluminium and copper remain tight, with copper cash-to-3-month pushing deeper into backwardation to $63/t and aluminium holding firm at $13/t. This is helping to cushion downside risks in comparison to the rest of the complex. In our view, as long as spreads remain constrained, pullbacks in aluminium and copper are likely to stay relatively shallow. As of today, the metals are trading around $3,180/t and $13,140/t, respectively.

Tin continued to rally towards the key $50,000/t resistance mark; the next threshold stands at $51,000/t – a 2022 high. Nickel appears to be normalising in the $17,000-18,000/t range, as zinc struggles above $3,250/t.

Precious Metals

Precious metals extended their impressive run, though with a widening divergence in beta. Gold edged higher towards $4,620/oz, while silver surged toward $90/oz, continuing to exhibit outsized intraday swings. We interpret the moves as a function of geopolitical uncertainty and persistent allocation demand rather than a single macro catalyst. Silver's implied and realised volatility remain elevated, and price action suggests markets are reluctant to de-risk while political noise remains high and supply tightness remains in focus. Near term, we expect two-way trading conditions to persist, with pullbacks likely met by renewed interest rather than a shift in narrative.

Oil prices also firmed, with WTI at $61.3/bbl and Brent at $65.8/bbl, supported by geopolitical tensions.

All price data is from 13.01.2026 as of 17:30