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DAILY BASE METALS REPORT

Soft FX, Strong Equities, Two-Way Metals

Summary

- The dollar rebounded but struggled to rebuild conviction.
- Aluminium outperformed as the complex positions ahead of Chinese New Year.
- Gold set fresh highs with silver taking a break as positioning remains stretched.

Macro

US equities opened higher, with the S&P 500 breaking above 7,000 for the first time as investors leaned into tech ahead of a heavy earnings slate later today. Anticipation remains high for another round of strong results from mega-cap names, keeping the growth narrative dominant even as geopolitical and policy noise remain elevated. Focus will also shift to the Fed's policy statement later in the session. No change in rates is expected, and the communication may prove uneventful on the surface; however, scrutiny will be intense for hints on how the Committee may navigate the transition into the new administration.

Currency markets remain sensitive to political rhetoric. Trump's recent remarks praising a weaker dollar triggered outsized selling pressure across the FX complex, leaving the greenback at its softest levels in years. The dollar index has tentatively rebounded toward 96.5 today, but with Fed continuity uncertain and the administration openly favouring a lower dollar, we think any recovery is likely to remain shallow for now. Rates pushed higher, with the 10-year trading above 4.25% as the long end continued to price political risk and supply expectations.

Base Metals

Aluminium outperformed, briefly breaking above \$3,300/t before consolidating around the \$3,250/t area. Shanghai aluminium also printed fresh records, reinforcing the metal's relative strength within the complex. The rest of the board traded in tighter intraday ranges, with moves influenced by dollar dynamics. Copper hovered around \$13100/t, lead traded at \$2021/t, while zinc held above \$3365/t. Nickel traded below \$18400/t.

Physical dynamics remain in focus as Chinese New Year approaches. Rising LME and CME inventories alongside an increase in SHFE-deliverable tonnage suggest that commercial players are front-loading deliveries ahead of the holiday period, reducing exposure while liquidity thins. We would expect price discovery to remain choppy and range-bound in the near term as inventories rebalance and spreads adjust.

In addition, SHFE has raised margin requirements for gold, silver, and nickel. We see it as a pre-emptive step aimed at dampening volatility and discouraging excessive speculative build-up ahead of Chinese New Year. The exchange appears intent on insulating the market from dislocations once producers step away and liquidity thins through the holiday period.

Precious Metals & Energy

Precious metals extended their rally, with gold breaking to new record highs above \$5,300/oz. The move remains supported by persistent de-dollarisation flows and strong interest in its safe haven properties as policy volatility rises. Silver lagged marginally, touching \$115/oz before easing. Given stretched positioning, a near-term consolidation in silver would be healthy and could attract fresh dip-buyers rather than derailing the broader precious narrative.

Oil prices continued higher, marking their strongest levels since September as geopolitical tensions between the US and Iran kept upside risk firmly priced. With physical markets tightening and geopolitical premium elevated, crude appears biased to remain bid into February unless diplomatic dynamics shift. WTI traded close to \$62.3/bbl while Brent stood at \$68.0/bbl.

All price data is from 28.01.2026 as of 17:30

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