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DAILY BASE METALS REPORT

# Fed Cut Prospects Rise

## Summary

- Weaker US inflation growth led markets to price in a more aggressive rate-cutting cycle from the Fed.
- Early announcements that the US would narrow tariffs on aluminium and steel triggered weakness in base metals, but Bessent's subsequent downplaying of the policy helped prices recover, resulting in a rangebound day-on-day finish.
- Dip buyers returned to precious metals after yesterday's weakness, allowing gold and silver to end the week on a firmer footing.

## Macro

US stocks opened lower on Friday, recovering modestly after the open, as tame inflation data boosted bonds and markets positioned themselves for a strong rate-cutting cycle from the Fed. US inflation rose by 2.4% YoY, the slowest increase since May 2025, with shelter price increases as the main driver. Core inflation grew by 2.5% YoY, marking the slowest pace since March 2021. Market expectations for further Fed cuts this year have accelerated, with 2-year US Treasury yields dropping toward 3.40%, the lowest since October. Markets are now pricing in slightly more than two rate cuts from the Fed in 2026, with the first expected in the June-July period. The dollar saw a modest uptick to 97.00.

While today's equity sentiment has been driven primarily by regional macroeconomic releases, concerns about longer-term AI-driven trends have been surfacing recently. We believe the current pace of investment in AI exceeds expectations for near-term growth, and the equity outlook depends more on confidence in this segment than on economic fundamentals. This sentiment-driven environment creates a fragile market, where even mildly negative news could quickly tilt sentiment aggressively bearish before dip buyers return to support the longer-term structure.

## Base Metals

This morning, the Trump administration announced plans to narrow tariffs on certain steel and aluminium products, initially weighing on base metals sentiment. Aluminium reacted immediately, dropping around \$100/t to test the \$3,000/t support level and pulling the broader complex lower through early afternoon trade. However, Bessent later downplayed the scope of the measures, referring to "some incidental objects," which helped temper the negative read-through and allowed markets to stabilise into the close.

Last year, the administration imposed a 50% levy on aluminium products, pushing the US Midwest premium up to \$2,300/mt in February. While reducing some tariffs would benefit importers, it may still complicate price dynamics for end consumers. Research from New York Fed economists suggests US consumers and companies absorbed nearly 90% of the tariff burden from 2025 onward, implying that tariff reductions may only partially feed through

to physical pricing, limiting any immediate boost to downstream demand.

Copper's decline was much shallower as volumes remained healthy and moderate two-way flow kept copper below the \$13,000/t level at \$12,860/t. Zinc and lead were also softer, falling to \$3,340/t and \$1,970/t, respectively.

### Precious Metals

Precious metals experienced moderate dip-buying after yesterday's late-afternoon weakness, with gold repeatedly testing the \$5,000/oz mark as silver hovered below \$80/oz. Oil futures opened lower as markets continued to digest stronger supply expectations from OPEC+ nations, keeping WTI and Brent subdued at \$62.70/bbl and \$67.55/bbl, respectively.

All price data is from 13.02.2026 as of 17:30

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