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DAILY BASE METALS REPORT

Markets Fade the Spike

Summary

- Middle East escalation lifted oil and the dollar.
- Early gains in the base metal complex faded as headline-driven buying failed to attract follow-through.
- Safe-haven and oil spikes reversed, signalling positioning rather than panic.

Macro

US equities opened lower as markets reacted to weekend escalation in the Middle East, with geopolitical risk dominating price action and pushing macro themes temporarily into the background. The dollar strengthened on safe-haven demand, climbing above 98.5, while the 10-year yield rebounded from Friday's lows to trade back above 4%, suggesting markets initially priced inflation risk alongside geopolitical stress.

Energy markets reacted most aggressively. Oil surged on the open, with WTI briefly reaching multi-year highs near \$75/bbl before retreating after OPEC signalled willingness to increase supply to stabilise markets. The pattern is consistent with prior geopolitical episodes, where crude spikes sharply on headline risk but tends to retrace once supply assurances emerge.

Natural gas has become a key market to watch. UK gas prices surged roughly 25% amid concerns about LNG flows through Middle Eastern shipping routes. Qatar, which is one of the world's largest LNG exporters, sits at the centre of this dynamic, meaning any disruption risk to tanker routes could transmit quickly into European energy pricing. We see gas markets as a leading indicator of how seriously traders are pricing sustained disruption risk.

For now, markets remain headline-driven, and we expect choppy conditions to persist. If the conflict continues, higher energy prices could feed back into inflation expectations and force markets to reassess rate-cut timing, particularly in the US and Europe.

Base Metals

Base metals initially strengthened alongside gold at the open but later surrendered gains as early risk-hedging flows faded. The price action suggests markets reacted mechanically to geopolitical headlines rather than fundamentally reassessing demand or supply.

Aluminium briefly pushed above \$3,250/t before reversing into the close, while the 3-month spread shifted back into contango after dipping into backwardation late last week, indicating that concerns about immediate tightness have faded from the forefront. Zinc rebounded early before sliding back toward \$3,330/t. While zinc is structurally sensitive to energy costs due to power-intensive smelting, the link to European gas prices is weaker than in previous years, suggesting today's move reflects short-term positioning rather than markets pricing sustained

energy disruption.

Copper remained comparatively muted before dropping below \$13,150/t later in the session, mirroring gold's reversal pattern.

Overall, we see base metals trading tactically rather than directionally. Flows remain reactive to macro headlines, and until geopolitical clarity improves, conviction across the complex is likely to remain limited.

Precious Metals

Precious metals gapped higher at the open but failed to sustain the move. Gold initially rallied toward \$5,400/oz before retracing to around \$5,300/oz, while silver surged close to \$100/oz at the open but quickly fell back below \$90/oz and struggled to reclaim that level. The reversal suggests positioning-driven spikes rather than durable safe-haven accumulation.

Oil also gave back part of its early gains, with WTI falling below \$72/bbl and Brent near \$78/bbl. The retreat reinforces the view that markets are pricing a geopolitical premium but not yet a structural supply shock.

All price data is from 02.03.2026 as of 17:30

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