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DAILY BASE METALS REPORT

# Dollar Strength Weighs on Metals

## Summary

- With the DXY now above 99 and yields near 4.15%, we see FX as the dominant short-term driver for metals.
- Despite today's pullback, we see aluminium supported by Middle East supply disruptions, while the broader complex should stabilise if the dollar settles.
- Precious metals are consolidating after this week's volatility, while oil retains a geopolitical risk premium tied to developments around the Strait of Hormuz.

### Macro

Global markets traded defensively as tensions in the Middle East continued to escalate. Military activity around the Strait of Hormuz intensified, keeping markets alert to potential disruptions to shipping through the corridor that carries roughly a fifth of global oil supply.

Oil extended gains, with WTI briefly touching \$80/bbl and Brent approaching \$85/bbl, though the move remains relatively measured, suggesting markets are pricing geopolitical risk premium rather than immediate supply loss.

Risk sentiment weakened across equities, while the dollar strengthened above 99.0 and US 10-year yields pushed toward 4.15% as markets reassessed inflation risks from higher energy prices.

Adding to the cautious tone, China lowered its growth outlook to around 4.5% and signalled a more restrained policy stance, stepping back from expectations of additional stimulus. We see this as a potential headwind for metals demand, particularly if Beijing prioritises financial stability over aggressive economic support.

Overall, we expect markets to remain highly headline-driven. Continued tensions in the Gulf could keep the dollar firm and risk appetite fragile.

### Base Metals

Base metals traded lower across the complex as the stronger dollar and weaker risk sentiment weighed on prices.

Aluminium eased toward \$3,300/t, giving back part of the recent rally. However, we see downside limited as supply risks from the Middle East continue to build. Aluminium Bahrain (Alba), the world's largest smelter outside China, has declared force majeure on shipments due to disruptions to shipping through the Strait of Hormuz, while the Qatalum smelter in Qatar has begun a controlled shutdown after gas supply interruptions.

Importantly, aluminium smelters cannot restart quickly once halted. The Qatalum shutdown alone, with capacity of roughly 648kt per year, could take six to twelve months to fully restart, reflecting the complexity of bringing

electrolytic cells back online after a full shutdown.

With the Gulf region accounting for roughly 8% of global aluminium supply, and much of that metal exported through the Strait of Hormuz, even temporary disruptions could tighten the physical market quickly. We therefore see aluminium remaining structurally supported, as logistical disruptions or further production curtailments could translate into prolonged supply losses rather than short-term outages.

Elsewhere, copper slipped toward \$12,900/t, nickel fell toward \$17,200/t while zinc dropped below \$3,250/t.

For now, we see the complex consolidating after recent macro-driven volatility. If the dollar stabilises after its latest surge, we expect metals to find support, particularly as geopolitical supply risks remain elevated.

### Precious Metals

Precious metals declined as the earlier geopolitical rally faded and markets shifted focus toward higher yields and a stronger dollar.

Gold slipped back below \$5,100/oz, trading closer to the \$5,000/oz area, while silver dropped toward \$82/oz. We see both metals consolidating after this week's volatility, with \$5,000 in gold and \$80 in silver likely acting as near-term support.

Oil continued to grind higher, with WTI near \$80/bbl and Brent approaching \$85/bbl. The move remains largely geopolitical risk premium, but any disruption around the Strait of Hormuz could quickly push prices higher.

All price data is from 05.03.2026 as of 17:30

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