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DAILY BASE METALS REPORT

Oil Shock Keeps Markets on Edge

Summary

- Escalating US-Iran tensions continue to dominate markets.
- Base metal complex remains highly macro-driven, with copper trading in line with gold and US equity futures while moving inversely to oil.
- Gold and silver remain choppy and rangebound.

Macro

US stocks opened lower as markets continued to digest the escalating conflict between the US-Israel alliance and Iran. Energy markets remain the centre of attention. The spike in energy prices triggered significant cross-asset volatility. The dollar initially strengthened, pushing the DXY above 99, though it later eased back as the session progressed. US 10-year Treasury yields followed a similar pattern, briefly trading above 4.2% before drifting closer to 4.1%.

Markets are rapidly unwinding expectations for aggressive central-bank easing as higher energy prices feed into inflation expectations. European and Asian assets have been particularly sensitive given their heavy reliance on imported energy. Meanwhile, disruptions to shipping and airspace across the Middle East are already affecting logistics and trade flows, raising concerns that inflation in transported goods could remain elevated even if the conflict itself de-escalates.

Looking ahead, we see the key question shifting from the immediate military developments to the economic sustainability of the conflict. The financial cost of prolonged military operations is significant for both sides, which could ultimately shorten the duration of hostilities. However, even if tensions ease, we expect disruptions to shipping through the Strait of Hormuz and higher insurance costs to keep energy markets volatile.

Base Metals

Base metals traded with elevated volatility as macro funds continued to use commodities as part of broader cross-asset positioning.

Copper remained the focal point, trading largely in line with gold and US equity futures while maintaining a strong inverse relationship with oil prices. After the sharp drop in the early morning, copper reclaimed the \$12,900/t area. Intraday moves often mirrored shifts in macro sentiment, highlighting how closely copper is currently tied to cross-asset flows. We see macro funds actively using copper as part of broader positioning strategies.

Elsewhere, aluminium and zinc have been the most directly exposed to the Middle East conflict, reflecting both energy-intensive production and emerging supply disruptions in the region. With Bahraini exports halted and

Qatalum shutting production, the market is pricing in genuine supply loss.

Aluminium's cash-to-three-month spread moved into sharp backwardation of \$59/t as the outright price weakened overnight on selling out of China. The 3mth contract closed below \$3450/t.

Overall, we see the complex continuing to trade primarily as a macro-driven asset class, with cross-asset positioning and energy developments dominating short-term price action.

Precious Metals

Precious metals remain choppy and rangebound. Gold briefly dipped to \$5,015/oz before recovering toward \$5,100/oz, while silver saw a sharp washout below \$80/oz followed by a rebound toward \$84/oz.

Oil remained the dominant market driver. After the initial spike toward \$120/bbl, prices retraced but stayed elevated, with WTI below \$96/bbl and Brent around \$99/bbl. Markets are clearly pricing geopolitical risk premium, though the scale of the early move also reflects concerns over potential disruptions to shipping through the Strait of Hormuz, a critical artery for global energy flows.

For now, we expect energy markets to remain the primary macro driver, with cross-asset correlations continuing to shift rapidly as funds adjust exposure to the evolving geopolitical situation.

All price data is from 09.03.2026 as of 17:30

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