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DAILY BASE METALS REPORT

Oil Still in the Driver's Seat

Summary

- Markets rebounded on hopes of a potential de-escalation in the US-Iran conflict, but with shipping through the Strait of Hormuz still heavily disrupted, we expect energy-driven inflation risks to keep volatility elevated.
- Aluminium outperformed above \$3,400/t as cancelled warrants surged in Malaysia, signalling tightening physical availability, while copper remained macro-driven and vulnerable to swings in oil prices.
- Gold broke higher toward \$5,250/oz while silver lagged below \$90/oz; we see oil remaining the key cross-asset driver as geopolitical risk premium stays embedded in energy markets.

Macro

Global risk sentiment improved at the start of the session as equities moved higher following Monday's comments from President Trump suggesting the conflict with Iran could end soon. Markets interpreted the remarks as a potential signal that the most severe phase of the escalation may be nearing its peak, triggering a rebound across global equities after the sharp volatility seen earlier in the week.

Despite the improvement in sentiment, the macro backdrop remains fragile. The dollar softened, with the DXY finding support around 98.6, while US 10-year yields hovered near 4.1% after briefly trading higher during the previous sessions. We see this as a temporary stabilisation rather than a structural shift, as markets continue to reassess inflation risks stemming from elevated energy prices.

The broader geopolitical situation remains highly fluid. Shipping through the Strait of Hormuz, which normally carries roughly 20% of global oil supply, remains severely disrupted, with tanker movements and logistics still constrained. Even if the conflict de-escalates militarily, we expect shipping disruptions, higher insurance costs, and rerouted trade flows to keep energy markets volatile and inflation risks elevated for longer.

Looking ahead, we see markets increasingly trading on the expected duration of the conflict. While the financial burden of sustained military operations may eventually force a de-escalation, we expect cross-asset volatility to remain elevated until oil markets show clearer signs of stabilisation.

Base Metals

Base metals traded with limited conviction as macro forces continued to dominate price action.

Aluminium outperformed, climbing back above \$3,400/t as supply concerns remained firmly in focus. Cancelled warrants surged by 96,150 tonnes in Malaysia, the largest increase since May 2024, suggesting that market participants are increasingly moving metal out of LME warehouses. This may reflect concerns that incoming

supply could tighten in the near term, prompting consumers to secure available inventories while they remain accessible. We see this shift in warehouse dynamics as a sign that the physical market is becoming more cautious, which should help keep aluminium spread supported in the near term.

Copper remained largely macro-driven, maintaining a strong inverse relationship with oil prices. The metal held support near \$13,000/t, though it struggled to sustain upside momentum and drifted lower toward \$13,150/t by the close. Recent COT data showed a sharp reduction in investment-fund net longs, highlighting how positioning has already been partially unwound. We expect copper to remain highly sensitive to energy markets. If oil volatility persists, the metal could retest support near \$13,000/t.

Elsewhere, the complex remained mostly rangebound. Nickel traded around \$17,500/t, lead hovered near \$1,940/t, while zinc briefly approached \$3,380/t before easing back below \$3,350/t.

Precious Metals

Precious metals finally broke the recent range, with gold pushing higher toward \$5,250/oz while silver lagged slightly, hovering below \$90/oz.

Oil remains the dominant driver across markets. After the extreme spike seen earlier in the week, prices have retraced but remain elevated. We see the current environment as one where geopolitical risk premium remains embedded in energy markets, even as investors cautiously price the possibility of de-escalation.

Looking ahead, we expect oil volatility to continue dictating cross-asset correlations, particularly for copper and other macro-sensitive commodities. Until energy markets stabilise, metals are likely to remain heavily influenced by macro positioning.

All price data is from 10.03.2026 as of 17:30

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