Sucden Financial

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DAILY BASE METALS REPORT

Metals Stabilise After Liquidation

Summary

- Rising US yields and a firmer dollar signal tightening financial conditions, with energy-driven inflation risks reshaping rate expectations.
- The complex is attempting to stabilise after heavy liquidation, but macro headwinds continue to cap any meaningful recovery.
- Oil remains the dominant geopolitical trade, while precious metals stay under pressure as safe-haven flows favour energy over bullion.

Macro

US equities opened lower, with sentiment remaining fragile after the sharp cross-asset moves seen earlier in the week. Markets continue to focus on the evolving Middle East conflict and its implications for inflation and policy, although price action was more contained relative to previous sessions.

The dollar strengthened, with the index hovering around 99.6, while the US 10-year yield pushed higher towards 4.4%, breaking above the 4.3% level and reaching its highest levels since last summer. We see this move in yields as increasingly important. It signals that markets are pricing a more persistent inflation shock driven by energy, which in turn tightens financial conditions across asset classes.

Base Metals

Base metals edged lower, although trading conditions were calmer following the heavy liquidation seen in the previous session.

Aluminium opened firmer, briefly approaching $3,300/t, before drifting lower to find support around $3,200/t. Despite the recent pullback, the market remains structurally tight. The cash-to-three-month spread continues to hold in backwardation of around $40/t, while LME stocks have fallen to their lowest levels since July 2025. We see this as a key offset to recent macro-driven weakness.

Copper once again tested the downside, briefly moving below $12,000/t before stabilising near $11,900/t. Inventories remain elevated at multi-year highs, continuing to weigh on sentiment. However, recent price action suggests that the $11,800-12,000/t range is emerging as an important near-term support zone, with yesterday's sharp rejection from the lows accompanied by strong volumes, while today's move lower lacked follow-through participation. We see this as an early indication that selling pressure may be losing momentum at these levels, although confirmation is still needed.

Zinc tested support near $3,060/t, while nickel hovered around $17,000/t, with volumes easing after the previous session's spike. The LME announced that it will suspend deliveries of nickel from a major Finnish refinery into its warehouse system from June, covering both briquettes and cathodes. We see this as a potential tightening factor for deliverable supply on exchange, which could become more relevant if demand stabilises.

Overall, we see the complex attempting to stabilise following forced liquidation, but with macro headwinds, particularly higher yields and a firm dollar, continuing to cap upside.

Precious Metals

Precious metals edged lower but held above the extreme lows seen on Thursday. Gold struggled to maintain levels around $4,600/oz, while silver held near $70/oz. The inability to rebound more convincingly continues to reflect pressure from rising yields and reduced safe-haven demand, with oil remaining the preferred geopolitical hedge.

Oil prices were more contained, although still elevated. Brent held near the $110/bbl resistance level, while WTI traded just below $100/bbl. Brent remains the more relevant global benchmark in the current environment, particularly given the concentration of supply risk in seaborne Middle Eastern crude flows.

We see oil consolidation at elevated levels as a key near-term dynamic. As long as prices remain high, inflation concerns are likely to persist, keeping pressure on yields and, by extension, limiting upside across metals.

All price data is from 20.03.2026 as of 17:30