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DAILY BASE METALS REPORT

# Geopolitical De-Escalation Hopes Rise, but Conviction Thin

## Summary

- Equities gapped higher on the open, catching up with improved sentiment around recent US–Iran peace talks
- Base metals remain resilient, though upside momentum is becoming more tentative
- Oil rebounded modestly as markets track Middle East developments, with precious metals drifting lower

### Macro

US markets reopened after the holiday on the front foot, with prices gapping higher at the open as equities caught up with improving sentiment around US–Iran peace talks. The S&P 500 opened above 7,500, marking a fresh all-time high, while chipmakers led gains and the Nasdaq approached a record breakout.

Equity performance continues to decouple from broader macro signals, supported by resilient AI-led growth, even as oil recovers from Monday's sharp sell-off triggered by initial optimism on negotiations. The dollar rebounded, holding the 50-day moving average at 98.48, while the US 10-year yield moved lower, slipping below 4.5% amid signs that inflation concerns may be easing.

Overall sentiment has improved on cautious optimism surrounding Iran–US negotiations. However, conviction in a near-term resolution remains limited. Markets are now exhibiting more two-way flow and reduced panic relative to the early stages of the conflict. While safe-haven demand for the dollar persists, headline fatigue is emerging, suggesting volatility may struggle to reprice materially higher unless tensions escalate further or the Strait of Hormuz is directly disrupted.

### Base Metals

Base metals opened the week on a cautiously constructive footing, with the complex grinding gradually higher as dip-buying interest remained evident beneath the market. In our view, prices are likely to remain resilient near current highs rather than undergo a sharp correction in the immediate term, although upside momentum appears increasingly hesitant, with broader market sentiment waiting for a clearer macro or geopolitical catalyst before committing fresh risk.

COMEX copper remained firm yesterday, with the CME–LME arbitrage widening to above \$500/t, reinforcing the continued pull of material toward the US market. By contrast, LME activity was comparatively subdued, with copper drifting but retaining a modest bullish bias and holding comfortably above \$13,600/t today. Volatility

remains relatively contained at around 24%, but importantly is no longer being aggressively offered, despite prices stabilising near elevated levels. To us, this suggests the market remains directionally constructive, but participants are increasingly reluctant to sell volatility aggressively ahead of potential Middle East developments and next week's expiry-related positioning adjustments. As a result, we would expect activity and intraday volatility to increase into expiry as participants roll exposure and rebalance risk.

Aluminium briefly breached the key \$3,700/t level, reinforcing our view that the metal could continue grinding higher while geopolitical uncertainty persists. Absent a meaningful de-escalation, we would not rule out another retest of this level in the near term. Zinc, meanwhile, continues to look stretched at current levels after failing to sustain gains above \$3,580/t, while nickel momentum appears to be stalling below the \$19,000/t mark, suggesting upside appetite in the higher-beta metals is beginning to fade.

## **Precious Metals**

Oil futures recovered modestly, with markets continuing to monitor geopolitical developments alongside ongoing regional strikes. WTI and Brent rebounded toward \$94/bbl and \$100/bbl, respectively.

Precious metals maintained their inverse relationship with oil, with both gold and silver edging lower to \$4,515/oz and \$76.20/oz.

All price data is from 26.05.2026 as of 17:30

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## **Risk warning**

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