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DAILY BASE METALS REPORT

Europe Leads as Dollar Softens

Summary

- With US markets closed for the holiday, Europe took the lead, with equities pushing to fresh highs as tech outperformed.
- Base metals remained choppy, but aluminium, nickel and lead still look technically oversold and appear poised for a moderate rebound.
- Precious metals remain constructive as markets price out the hawkish Fed premium.

Macro

With US markets closed for the holiday, attention has shifted to Europe and Asia, where equities traded firmer, with Europe in particular pushing to fresh all-time highs as technology and utilities outperformed. For now, AI-related jitters have yet to translate into a meaningful loss of momentum, with the sector continuing to grind higher despite increasingly stretched valuations. The next major catalyst will be earnings season, where the focus will be firmly on whether heavy AI infrastructure spending can continue to translate into durable profit growth.

We would remain cautious, however, as expectations already look demanding; any disappointment in guidance, margins or monetisation of AI-related capex could trigger a sharper bout of selling pressure across broader tech valuations. The dollar softened back below 101, providing a more supportive cross-asset backdrop into the session.

Base Metals

Base metals responded positively to a softer dollar, strengthening during the overnight session. However, thin participation and a lack of strong directional conviction resulted in choppy price action, with gains struggling to extend. We view aluminium, lead and nickel as technically oversold, leaving room for moderate rebounds as mean-reversion strategies begin to take hold.

Indeed, today's price action in lead and zinc suggests that such a rebound may already be underway. Zinc, in particular, found support from tightening nearby spreads, with the cash-to-3-month spread moving back into a backwardation of \$20/t, the strongest since December 2025. We would, however, remain cautious of a further acceleration in nearby tightness. Historically, aggressive spread squeezes have tended to pull forward price gains and leave the market vulnerable to a subsequent correction once the physical stress eases. Given that zinc is not yet materially overstretched on the downside from a positioning perspective, a renewed squeeze could eventually set the stage for a sharper reversal in outright prices. Lead may mirror some of this sentiment, although the \$1,850/t area continues to look like a robust near-term floor.

Copper remains compressed within its recent ranges, with resistance around \$13,500/t continuing to cap upside

momentum. At the same time, uncertainty surrounding the timing and scope of potential US copper tariffs is keeping material flowing toward COMEX, supporting both COMEX and LME pricing and maintaining an elevated arbitrage until greater clarity emerges. As a result, we expect copper to remain broadly rangebound in the near term, with tariff developments providing the clearest directional catalyst, while the dollar and broader macro sentiment continue to dictate intraday price discovery.

Precious Metals

Precious metals jumped higher as markets repriced a less restrictive Fed narrative through a weaker dollar, with gold climbing back above \$4,150/oz and silver reclaiming the \$62/oz level. In our view, the precious complex continues to look constructive at current levels from a technical perspective, and the easing in hawkish expectations is once again improving the relative attractiveness of non-yielding assets.

We expect Fed Chair Warsh to maintain a broadly balanced policy stance, favouring a prolonged hold in interest rates rather than signalling either renewed tightening or an aggressive easing cycle. In our opinion, another rate hike would likely require a fresh inflationary shock, such as a renewed energy crisis or a materially more aggressive tariff regime, both of which currently appear low-probability outcomes.

At the same time, markets continue to price around 30bps of additional tightening by year-end. Should this residual hawkish premium continue to be priced out, it would limit the scope for a sustained dollar upside and provide a supportive backdrop for both gold and silver. Consequently, we continue to view dips in precious metals as opportunities for position rebuilding rather than the start of a structural bear phase.

All price data is from 03.07.2026 as of 17:30

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