Sucden Financial

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DAILY BASE METALS REPORT

Physical Tightness Underpins Base Metals

Summary

- US equities opened stronger as chipmakers continued to support risk sentiment.
- Base metals were firmer, led by copper and zinc as front-end tightness supported prices, although limited volume leaves the move vulnerable without stronger follow-through.
- Oil softened on Iran-related headlines, while precious metals stalled as markets absorbed the bond buyback announcement.

Macro

US stocks opened higher, while oil prices continued to soften. Chipmakers once again drove the improvement in equity sentiment but focus now turns to Nvidia earnings. We expect even a modest disappointment on guidance, margins or AI-related costs to have a disproportionate impact on stock prices, given how much optimism is already priced into the sector.

From a macro perspective, markets are awaiting the Fed's preferred inflation gauge, which is forecast to tick slightly higher month-on-month. Jackson Hole will also be closely watched for guidance from central banks and policymakers on the interest-rate outlook, particularly after last week's bond buyback news put renewed pressure on the bond market. We suspect Warsh is unlikely to make any significant new statements, but both yields and the dollar remain vulnerable to any shift in narrative or tone. For now, the dollar remained suppressed below 99, while the 10-year US Treasury yield weakened to 4.63%.

Base Metals

A positive tone prevailed across the base-metals complex today. Copper and zinc continued to grind higher, with renewed tightening in nearby spreads adding support to outright prices. For copper, this marks a second bout of front-end tightness following the sharp squeeze earlier this month, suggesting that prompt availability remains vulnerable despite the subsequent easing in the curve. Importantly, the first squeeze did relatively little to lift outright prices, whereas the latest tightening is occurring with copper already testing the upper end of its recent range. This makes the interaction between physical tightness and speculative participation increasingly important: if tighter spreads begin to coincide with renewed fund buying, the move would carry considerably more conviction than a curve squeeze in isolation.

That said, today's advance has taken place on relatively limited volume, suggesting that incremental buying can have a disproportionate impact on price, leaving copper capable of extending higher but also vulnerable to sharp reversals if follow-through fails to materialise. The next significant technical level stands around $14,400/t; a sustained break above this area could encourage a fresh wave of momentum buying. Until then, we would treat the move as constructive but not yet fully confirmed.

Zinc followed suit, breaking above $3,800/t for the first time since June 2022, while the cash-to-three-month spread tightened to around $131/t, its strongest backwardation since December 2025. The combination of elevated outright prices and renewed prompt tightness provides stronger near-term confirmation than price alone. However, we remain more constructive on copper over a medium-term horizon. We believe that zinc's upside remains vulnerable to a positioning unwind once momentum stalls.

Elsewhere, aluminium held above support around $3,200/t, while lead remained comparatively subdued above $1,900/t.

Precious Metals

Oil futures edged lower after reports that the US is preparing to ramp up economic pressure on Iran, although investors continued to look for signs that tensions could ease. WTI and Brent weakened to $81/bbl and $88/bbl, respectively.

Precious metals' upside has stalled as markets continue to absorb last week's bond buyback developments. Gold has found support around $4,600/oz, while silver is still struggling to sustain gains above $70/oz, leaving the complex directionally contained for now.

All price data is from 21.08.2026 as of 17:30