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DAILY BASE METALS REPORT

Tariff Doubts Drive Copper Lower

Summary

- Oil-driven inflation concerns remained in focus ahead of CPI, with markets still pricing a meaningful probability of another Fed hike next week.
- Copper weakened sharply as uncertainty around US tariff implementation triggered an unwind.
- Precious metals moved lower alongside the broader metals complex, led by a sharper pullback in silver.

Macro

US equities opened on the back foot as the continued move higher in oil prices kept inflation concerns in focus ahead of tomorrow's CPI print. While the release will not yet capture the latest leg higher in crude, any upside surprise would add weight to the case for another Fed hike next week. In the meantime, August PPI rose by 0.4% MoM, broadly in line with expectations, while the annual rate stood at 5.4%.

At the time of writing, markets are pricing in 17bps of tightening with a 71% probability, keeping pressure on policymakers to act before inflationary pressures regain momentum. Should the Fed deliver next week, we maintain the view that this is likely to mark the final hike of the year, given the growing economic and political constraints from sustained high rates. The 10-year US Treasury yield moved above 4.90%, marking a three-year high, while the dollar remained below 99.00 after a volatile session.

In Europe, the ECB delivered the expected 25bps hike to 2.5%, citing the impact of higher oil prices while signalling that further tightening remains on the table, with another move possible as soon as next month. Although the German 10-year yield rallied to test the 3.5% threshold, the euro's response was relatively contained, with EURUSD holding above support at 1.1600.

Base Metals

The base metals complex initially extended its recent grind higher before reversing sharply later in the day as concerns emerged around whether proposed US copper tariffs would ultimately be implemented. Given how important the tariff narrative has become in supporting recent copper strength, the possibility that these measures may not be imposed triggered a sharp unwind in stretched positioning, sending copper more than 3.5% lower towards \$14,250/t. Heavy volume on the decline suggests the move reflected meaningful risk reduction.

In our view, the underlying fundamental tightness has not disappeared, which should limit the extent to which today's move develops into a subsequent sell-off. With a sizeable amount of vulnerable length likely already cleared, we expect subsequent weakness to be less pronounced in both speed and scale, with dip-buyers and attempts to establish a new technical floor likely to leave price action choppy and less directional tomorrow. The main risk to that view would be a significant inflation surprise that injects fresh volatility into the dollar.

The rest of the complex followed suit, with zinc falling back below \$4,000/t towards \$3,925/t. However, nearby spreads remained deeply backwardated and tightened further during the session, suggesting the outright weakness was driven more by cross-complex liquidation than by any deterioration in zinc-specific physical tightness. Recent COT data also point to continued speculative interest, leaving room for upside momentum to re-emerge once broader selling pressure fades. Aluminium held support around \$3,290/t, while lead remained above \$1,900/t.

Precious Metals

Oil prices extended their move towards summer highs, with WTI testing the \$100/bbl area as concerns over global supply availability continued to support prices. Precious metals followed the broader metals space lower, with silver down nearly 6% from the open to \$64/oz, while gold's decline was more contained, slipping to \$4,350/oz.

All price data is from 10.09.2026 as of 17:30

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