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SAT 21 DECEMBER 2024 10:30

Daily Base Metals Report

US stocks opened lower today as markets continued to react to recent data and signals from the Federal Reserve. The latest report on the Personal Consumption Expenditures (PCE) price index—one of the Fed's preferred measures of inflation—showed a slight increase in November, rising from 2.3% to 2.4% YoY. This uptick underscores the hawkish tone expressed by Federal Reserve Chair Jerome Powell on Wednesday, as inflationary pressures remain persistent. Meanwhile, both personal income and personal spending for November rose less than expected, with gains of 0.3% and 0.4%, respectively. The dollar index softened slightly, trading just below the 108 level. The 10-year US Treasury yield edged lower but remained elevated, holding above the 4.5% mark, as markets digested the Fed's cautious stance on monetary easing in 2025.

Earlier this week, the base metals complex weakened, given the prevailing strength of the US dollar, which weighed on prices. As we approach the end of the week, mean reversion strategies are coming into play, bringing prices to their recent averages. Aluminium and copper edged higher to \$2,534.50/t and \$8,941/t, respectively. Nickel rebounded but struggled to gain momentum back above \$15,500/t, prompting it to remain at \$15,356/t. Lead closed the day on the front foot, slightly below \$2,000/t at \$1,980/t. We expect this trend to hold in the coming days, with prices across the complex edging slightly higher. In particular, we expect copper to strengthen back above the \$9,000/t mark, though the resistance at \$9,200/t is likely to remain strong in the meantime.

However, given the thinning liquidity over the holiday period, we are cautious about the potential price choppiness until the year-end, which could exacerbate price volatility. In particular, moves that directly impact the dollar could result in sharper fluctuations in the base metals market. While it is unlikely that we will break significantly out of the current ranges, we are mindful of this possibility.

Precious metals saw gains today. Gold rose above \$2,620/oz, while silver jumped to \$29.40/oz. Conversely, oil prices softened slightly, with WTI trading at \$68.70/bbl and Brent crude at \$72.20/bbl, as concerns over demand dynamics weighed on the markets.

All price data is from 20.12.2024 as of 17:30

Risk warning

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