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Daily Base Metals Report

US stocks rose at the opening following macroeconomic data showing inflation increasing in line with expectations. The PCE index, the Fed's preferred measure of price pressures, strengthened to 2.6% YoY in December, up from 2.4% in November. The increase was primarily driven by services spending, particularly in housing, transportation, and healthcare. While goods spending also rose, it was mainly in energy, food, and motor vehicles, with less significant gains. Consumers shifted away from restaurant spending but allocated more to essentials like energy, housing, and healthcare. Core PCE remained unchanged at 2.8% YoY. Disposable personal income increased by \$79.7 billion (+0.4%), leaving Americans with more money available to spend or save. Personal consumption expenditures increased by \$133.6 billion (+0.7%), suggesting that spending growth outpaced income growth, indicating that consumers are dedicating a larger share of their income to expenditures. The dollar index hovered around 108.0, while the 10-year US Treasury yield remained broadly unchanged at 4.5%.

Over the weekend, the Trump administration announced a broad 10% tariff on all imports from China. This new tariff will add an additional 10% to the existing tariffs on materials from the region, starting Tuesday. We believe that China's strategy of frontloading exports in the fourth quarter of 2024 should help the economy absorb the impact of these tariffs. However, market reactions may still be volatile. We anticipate that supply-sensitive materials, such as aluminium, will be particularly affected, and we expect its volatility to be more pronounced than for the rest of the complex.

The announcement of tariffs negatively impacted LME base metals on Friday, with prices dropping across the board. Aluminium fell below the \$2,600/t mark again. Copper dropped to \$9,038/t, while lead declined but managed to hold the \$1,950/t support level. Zinc, which had dropped below the \$2,800/t support level it had maintained throughout the month, continued its decline to 2,738/t—its lowest level since September.

The tariff announcement boosted gold's safe-haven appeal, pushing the metal to new record highs, trading at 2,809/oz. Silver, however, faced downward pressure from its industrial side and edged lower, trading at 31.45/oz. Oil prices softened, with WTI and Brent crude trading at 72.8/bbl and 76.8/bbl, respectively.

All price data is from 31.01.2025 as of 17:30

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