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Daily Base Metals Report

China Under the Spotlight: Retaliations Unfold

Summary

- US stocks rose as trade tensions eased with Mexico and Canada, while new tariffs on China sparked retaliation.
- Metals had a moderate reaction, as they were not directly impacted by the latest tariff developments.
- Gold and silver hit record highs on safe-haven demand; oil prices remained stable.

US stocks opened higher today, recovering from Monday's volatile session triggered by concerns over escalating trade tensions. Market sentiment improved after the US agreed to postpone the implementation of 25% tariffs on imports from Mexico and Canada following last-minute negotiations. Mexico committed to providing additional border support, securing a one-month delay to allow further discussions, while Canada signalled its willingness to engage in talks, easing fears of an imminent trade war.

On the macroeconomic front, factory orders for December disappointed, falling by 0.9% MoM, worse than expected and following a -0.4% decline in November. This larger-than-anticipated drop signals a setback in manufacturing activity, likely influenced by reduced demand in key sectors towards the end of the year. The final print for durable goods orders confirmed a sharp decline of -2.2% in December, largely driven by a drop in transportation equipment orders, which can be volatile and significantly impact the headline figure. Despite this decline, broader manufacturing trends have shown resilience in other sectors, indicating that the weakness may be temporary rather than part of a sustained downturn. The US dollar softened against major currencies, notably the British pound and the euro, as easing trade tensions reduced safe-haven demand. The dollar index edged lower, hovering just above the 108.0 level. Meanwhile, the 10-year US Treasury yield remained relatively stable at 4.55%.

While tariffs on Mexico and Canada were postponed, an additional 10% tariff on China was implemented today. In response, Beijing retaliated by targeting several American companies and proposing their own levies on US goods, including a 15% levy on coal and LNG, as well as a 10% fee on American oil and agricultural equipment, which will take effect next week. Additionally, China announced export restrictions on metals essential for defence, clean energy, and various industries; however, none of the base metals was included on this list. Given the moderate tariff increases from both sides, markets are hesitant about the protracted impact on both economies, provided that the situation does not escalate further. As a result, the market reaction was moderately positive today; a softer dollar supported the risk-on appetite. Aluminium and copper remained above the key support levels of \$2,600/t and \$9,000/t, respectively. Lead remained broadly unchanged as zinc closed just below the robust \$2,800/t resistance level. Nickel held its nerve at \$15,208/t.

In the precious metals market, gold continued its rally, breaking new record highs at \$2,835/oz, driven by

persistent safe-haven demand amid geopolitical uncertainty. Silver also gained, surpassing the \$32.0/oz resistance level to trade at \$32.1/oz, supported by its recently strong correlation with base metals like copper. Oil prices were relatively flat, with WTI trading at \$73.0/bbl and Brent crude at \$76.4/bbl.

	Open	High	Low	5pm Close	PDC	Volume	Total O.I	Spreads	Conversion
								C-3M	USc/lb
Aluminium	2560	2634	2554	2623.0	2594	21409	680632	6.33	118.93
Copper	9008	9113	8915	9099.0	9064	20939	276358	-120.00	412.59
Lead	1945	1958	1935	1945.5	1950	6307	147679	-38.76	88.13
Nickel	15180	15255	15030	15208.0	15230	6792	225098	-214.43	691.28
Tin	29925	29990	29650	29924.0	30170	326	19698	-143.00	1358.52
Zinc	2737	2810	2707	2799.0	2748	11766	225940	-48.64	127.19
					Total:	67539	1575405		

Official Prices	Cash	3m	Dec Yr 1	Dec Yr 2	PD Cash	PD 3M	Monthly Avg	Cash	3M
Aluminium	2584	2580	2670.71	2685.71	2592.24	2594		2584	2580
Copper	8866.5	8986	9251.8	9501.5	8928.47	9048		8866.5	8986
Lead	1907	1946	2071.51	2126.51	1912.63	1949.5		1907	1946
Nickel	14900	15115	16554.5	17324.5	15003.12	15210		14900	15115
Tin	29565	29775			29944	30102		29565	29775
Zinc	2699	2746	2838.39	2799.39	2692.23	2742		2699	2746

LME Stocks (tonnes)	Opening	In	Out	Net Change	Closing	C-warrants	Open Tonnage	Other Copper Markets	Last	% Change
Aluminium	587850	0	650	-650	587200	341675	245525	Comex, USc/lb		
Copper	256225	625	1725	-1100	255125	22200	232925	MAR 25	430.75	0.57
Lead	221475	0	850	-850	220625	28575	192050	MAY 25	435.4	0.65
Nickel	172302	198	0	198	172500	10164	162336	Shanghai, CNY/mt		
Tin	4295	0	0	0	4295	295	4000	01-Feb	0	0.00
Zinc	180725	0	1450	-1450	179275	40250	139025	01-Mar	0	0.00

Global Markets	Currencies		Precious Metals		Previous Day's Fix					
Last	% Change	Last	% Change	Last	% Change	AM	PM			
DAX	21428	-1.40	GBP	1.2395	0.0000	Gold	2817.04	0.6657	2791.5	2812.05
DJI	44395	-0.34	JPY	154.6100	0.3751	Silver	31.50	0.6255		3160.5
S&P500	6004	-0.60	EUR	1.0284	-0.7528	Gold Comex	2857.2	0.783		
SSE	3251	-0.06	CNY	7.2446	-0.0483	Platinum	966.58	-1.6264		
Hg Seng	20217	-0.04	AUD	0.6179	-0.6272	Palladium	1014.67	-0.1653		
Brent	76	-0.04	CAD	1.4601	-0.4109					

Source: Bloomberg
Updated: 03/02/2025 17:30

All price data is from 04.02.2025 as of 17:30

Risk warning

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