



Authors

Daria Efanova
Head of Research

Viktoria Kuszak
Research Associate

THU 06 FEBRUARY 2025 00:10

Daily Base Metals Report

Improving Market Activity Supports Base Metals Momentum

Summary

- The US trade deficit widened significantly in December as businesses accelerated imports ahead of potential tariffs. The dollar weakened, falling to 107.4 as a result.
- We anticipate a moderate strengthening of base metals as Chinese participants gradually return to the market after the holidays.
- Gold extended its record-breaking rally as safe-haven demand remained strong, while silver held firmly above \$32.0/oz. Oil prices declined amid concerns over weaker global demand.

US stocks opened lower today as markets reacted to a sharply widening US trade deficit, signalling increased pressure on external balances. The trade deficit surged to \$98.4 billion in December, a 25% increase from November, marking the largest monthly gap since early 2022. This jump was primarily driven by a surge in imports, as businesses front-loaded purchases to mitigate potential cost increases ahead of Trump's proposed tariffs. The rush to secure foreign goods ahead of policy uncertainty led to an artificial inflation of import volumes, exacerbating the trade imbalance. For the full year, the US trade deficit reached \$918.4 billion in 2024, reflecting persistent structural trade imbalances and the challenge of reducing reliance on foreign goods. Labour market data showed continued resilience, with ADP employment change surpassing expectations at 183k in January, up from an upwardly revised 176k in December. The stronger-than-expected payroll figure suggests that hiring remains steady despite concerns over slowing economic momentum and ongoing trade policy uncertainty. The US dollar weakened significantly, with the dollar index falling to 107.4, pressured by the widening trade deficit and shifting market sentiment following recent economic data. Meanwhile, the 10-year US Treasury yield dropped to 4.4%, the lowest level since mid-December, as investors moved into bonds amid growing uncertainty over trade policy and its potential economic impact.

Base metals experienced moderate risk-on sentiment due to a weaker dollar and the gradual return of Chinese participants to the market after the holidays. We expect that a continued increase in liquidity will further support the complex on the upside in the coming days. Copper is approaching the resistance level of \$9,200/t. Aluminium remained subdued, staying above the \$2,500/t mark, even though the cash to three-month spread is in backwardation, indicating fundamental tightness in the market. Lead surged higher, testing a key resistance level of \$2,000/t; we believe that a break above this level could lead to further gains. Nickel also rose above \$15,500/t.

In the precious metals market, gold extended its record-breaking rally, reaching \$2,871/oz as safe-haven demand remained strong. Silver also gained, holding firmly above \$32.0/oz and trading at \$32.3/oz at the time of writing. Oil prices declined, with WTI at \$71.5/bbl and Brent crude at \$74.9/bbl, reflecting concerns over weaker global demand.

	Open	High	Low	5pm Close	PDC	Volume	Total O.I	Spreads	Conversion
								C-3M	USc/lb
Aluminium	2630	2638	2592	2616.0	2629	22200	685624	2.88	118.66
Copper	9178	9292	9124	9240.0	9174	22214	280316	-125.49	419.12
Lead	1971	2007	1970	2003.0	1970	9802	154188	-31.78	90.86
Nickel	15350	15610	15240	15535.0	15340	7008	223669	-223.54	704.66
Tin	30220	30880	30220	30800.0	30270	1080	19861	-115.00	1397.08
Zinc	2809	2826	2756	2780.0	2813	11641	225960	-53.60	126.10
					Total:	73945	1589618		

Official Prices

	Cash	3m	Dec Yr 1	Dec Yr 2	PD Cash	PD 3M	Cash	3M
Aluminium	2610	2607	2654.42	2679.42	2647.7	2637.5	2609.333333	2603
Copper	9025	9159	9609	9704	9024.7	9150.5	8961.5	9084
Lead	1954	1985	2120.63	2173.63	1935.18	1970	1922.5	1958.333333
Nickel	15180	15380	16860	17615	15048.41	15270	14991.66667	15210
Tin	30285	30500			30148	30267	30008.33333	30178.33333
Zinc	2718.5	2771	2833.16	2794.16	2754.9	2807.5	2725.833333	2776

Monthly Avg

LME Stocks (tonnes)

	Opening	In	Out	Net Change	Closing	C-warrants	Open Tonnage	Last	% Change
Aluminium	581200	0	4500	-4500	576700	331175	245525	Comex, USc/lb	
Copper	254950	0	2625	-2625	252325	28800	223525	MAR 25	430.75 0.57
Lead	220875	500	200	300	221175	32400	188775	MAY 25	435.4 0.65
Nickel	172584	0	0	0	172584	11574	161010	Shanghai, CNY/mt	
Tin	4265	0	15	-15	4250	405	3845	01-Feb	0 0.00
Zinc	176425	0	2275	-2275	174150	36175	137975	01-Mar	0 0.00

Other Copper Markets

Global Markets

Global Markets			Currencies		Precious Metals			Previous Day's Fix	
Last	% Change		Last	% Change	Last	% Change	AM	PM	
DAX	21586	0.37	GBP	1.2511	0.2484	Gold	2867.67	0.878	2813.2 2843.55
DJI	44823	0.60	JPY	152.4400	1.2464	Silver	32.40	0.7203	3159.5
S&P500	6053	0.25	EUR	1.0413	0.3276	Gold Comex	2888.1	0.428	
SSE	3229	-0.65	CNY	7.2721	-0.3782	Platinum	986.66	1.8141	
Hg Seng	20597	-0.93	AUD	0.6288	0.5437	Palladium	996.93	0.1296	
Brent	75	-2.01	CAD	1.4305	0.1258				

Source: Bloomberg
Updated: 05/02/2025 17:30

All price data is from 05.02.2025 as of 17:30

Risk warning

This is a marketing communication. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views.

A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience.

Please contact the author should you require a copy of any previous reports for comparative purposes. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy.

This report is not subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, the information may have been acted upon by us for our own purposes and has not been procured for the exclusive benefit of customers. Sucden Financial believes that the information contained within this report is already in the public domain. Private customers should not invest in these products unless they are satisfied that the products are suitable for them and they have sought professional advice. Please read our full risk warnings and disclaimers (www.sucdenfinancial.com/en/risk-warning-and-disclaimers).