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# Daily Base Metals Report

## Tighter Copper Spreads Drive Price Volatility

### Summary

- Market focus remains on Trump's proposed reciprocal tariffs, with the EU's auto sector particularly vulnerable to potential trade disruptions.
- Copper attempted to breach psychological levels of \$9,500/t and \$9,600/t as nearby spreads flipped into backwardation. However, these pressures eased by the end of the day, prompting a correction back below these levels.
- The dollar weakened to its lowest level in 2025, while gold held above \$2,900/oz and silver posted modest gains.

US stocks opened slightly higher today as investors awaited further details on President Trump's proposed reciprocal tariff measures, following a strong performance in recent sessions. All three major indexes remained on track for solid weekly gains. On Thursday, Trump instructed his economic team to draft plans for reciprocal tariffs targeting countries that impose higher duties on US imports. The European Union could be particularly exposed, as it currently levies a 10% duty on car imports, compared to the US rate of 2.5%. With automobiles accounting for 8% of the EU's total exports to the US, the sector faces a potential hit if trade tensions escalate. Data published today showed the Eurozone economy expanding by 0.1% QoQ in Q4 2024, narrowly avoiding stagnation but still lagging behind US economic growth of 0.6% YoY. The report offered a little relief for the euro however, with the USDEUR pair dropping below 0.955 and trading at 0.9515 at the time of writing. The dollar index extended its decline, breaking below 107.0 to 106.6—the lowest level recorded in 2025. The 10-year US Treasury yield also dropped sharply, falling to 4.46%.

Despite the dollar's weakness, which typically supports stronger momentum across the base metals complex, the markets were primarily focused on copper today. LME copper prices opened higher, breaching the \$9,500/t level and reaching the highs of \$9,684/t. The cash to 3-month spread continued to tighten, experiencing a significant rally to the \$250/t level. However, this momentum did not last, largely due to a correction in the COMEX market, causing prices to drop back below these levels to \$9,477/t. The cash to three-month spread eased slightly but remained tight at \$100/t in backwardation.

We believe that market fears regarding the US tariff environment may be overextended at this stage, especially considering the absence of concrete announcements targeting copper products directly. As most significant tariffs are set to take effect in March and April, there is room for potential changes in trade dynamics. The rest of

the complex posted moderate gains, with aluminium testing the \$2,650/t resistance once again, as lead and zinc held firm at \$1,983/t and \$2,842.50/t, respectively.

Gold edged lower but held above the \$2,900/oz mark, maintaining its position near record levels. Silver, however, saw modest gains, climbing to \$32.8/oz. Oil prices fluctuated throughout the session, with WTI and Brent hovering around \$71.4/bbl and \$75.2/bbl, respectively.

All price data is from 14.02.2025 as of 17:30

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