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# Daily Base Metals Report

## Risk-On Sentiment Fades in Base Metals Markets

### Summary

- European defence stocks surged on expectations of increased military spending amid rising pressure from the US.
- Copper's risk-on appetite has softened since last week, leading to a mean-reversion in prices.
- Gold recovered losses as geopolitical uncertainty continued to support safe-haven demand.

European stocks climbed today, led by record gains in defence sector shares, as investors anticipated higher military spending across the continent. With US markets closed for Presidents' Day, attention remained on geopolitical developments and defence policy shifts. Trump has intensified calls for European nations to increase their defence budgets beyond NATO's current 2% GDP target, suggesting a new benchmark of 5%—a level only Poland is approaching. This renewed pressure has fuelled expectations of rising government expenditure in the sector. In currency markets, the euro marginally strengthened against the dollar, with the EUR/USD pair trading just below 1.0500, while the pound reached a 8-week high of 1.2600 against the dollar. Investors are now looking ahead to the UK's inflation data release on Wednesday, which is expected to show a rise in price pressures.

Base metals opened this week with a mixed sentiment as prices continued to revert to their averages. In particular, copper softened to test the support level of \$9,400/t, driven in part by a softening COMEX/LME arb, which eased some of the upward pressure that had driven copper higher last week. The cash to 3-month spread reverted back to a contango of -\$77/t. Meanwhile, aluminium continues to trade sideways between the \$2,600/t and \$2,650/t levels, while the cash to 3-month spread, now at \$26/t, indicates growing tightness in the market. Lead and zinc remained broadly unchanged at \$1,991.50/t and \$2,872.50/t, respectively. Tin continued to gain momentum on the upside, finding support at the \$32,000/t level.

Gold rebounded above \$2,900/oz, recovering from Friday's pullback, as uncertainty surrounding the war in Ukraine continued to drive safe-haven demand. Silver edged higher, trading at \$32.3/oz.

All price data is from 17.02.2025 as of 17:30

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### **Risk warning**

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