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Daily Base Metals Report

US stocks edged lower today as investors continued to assess the macroeconomic outlook in the face of further tightening from the Fed. The rate cuts that were priced in at the start of the year have mostly disappeared, and now the cut has been moved to January 2024. We expect inflation to remain upwardly sticky, with service price growth still to catch up with the jump that we have seen in commodities and goods. This is especially prevalent in shelter costs that have started to grow on par with energy prices in the US, and we expect these to accelerate. Meanwhile, US leading economic indicator fell for a 10th straight month in January, as consumer expectations and factory orders declined, underscoring recessionary risks. The dollar tested the resistance of 104.60, and the 10yr US Treasury yield settled at 3.85%.

Base metals' market performance diverged today, with some metals struggling to recover the losses seen earlier in the day. Aluminium tested the support at \$2,375/t once again today, but subsequent gains were insufficient to break above the previous day's close, settling at \$2,387.50/t. Likewise, copper weakened to test the support of \$8,900/t before gaining some ground back to \$8,973.50/t. Lead and zinc settled higher at \$2,065/t and \$3,058/t, respectively.

Oil futures weakened sharply today on the back of the risk-off sentiment, with WTI and Brent falling back to \$76/bl and \$82/bl. European natural gas prices fell to test the august 2021 lows of EUR50/MWh, another significant marker that the energy crisis is not as severe as many thought at the start of the year. Gold and silver fluctuated, remaining broadly unchanged at \$1,835/oz and \$21.60/oz, respectively.

All price data is from 17.02.2023 as of 17:30

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