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Daily Base Metals Report

US stocks jumped higher, once again led by tech shares, as stronger corporate earnings results counteracted concerns over inflation stickiness. The core PCE price index came in higher, growing by 4.6% y/y; whilst in line with expectations, this figure is also 0.3% higher m/m. At the same time, other measures pointed to a marginal growth in personal income while spending stagnated. We expect wage gains to remain robust in the coming months, especially given the traditional lag between inflation and wage growth of 1-2 years. The dollar lost most of the earlier gains, settling at 101.50, and the 10yr US Treasury yield remained unchanged at 3.50%. Elsewhere, the eurozone area managed to avoid a technical recession by growing marginally at 0.1% q/q. Meanwhile, inflation reading from Germany eased unexpectedly to 7.6% y/y, bringing the next meeting's expectations for ECB to 27bps but maintaining the 50bps worth of hikes from now until June.

The sentiment improved marginally across some metals on the back of softer economic data. Aluminium jumped back above \$2,330/t but struggled above \$2,360/t, settling at around \$2,356/t. Lead gained solid ground after testing the support level at \$2,100/t, closing higher at \$2,148/t. Zinc closed marginally higher at \$2,647.50/t. Zinc to lead premium continued to fall rapidly in recent months, touching summer 2020 lows of \$547/t given a sharper decline in zinc than in lead. There is currently a tighter balance seen in lead, given the traditional battery replacement off-season as well as scheduled maintenance from smelters. Meanwhile, near-record TCs for zinc that were announced during recent negotiations have signalled that more supply is coming, exemplified by cash to 3-month spreads at March 2022 lows. This dynamic is then further exacerbated by a slow recovery in demand for stainless steel, further weighing on zinc prices.

Oil futures once again found comfort above \$75/bl and \$79/bl. Gold and silver continued to test the robust resistance levels of \$2,000/t and \$25.00/oz, respectively.

All price data is from 28.04.2023 as of 17:30

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