Sucden Financial

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Daily Base Metals Report

US stocks continued their downward trend from Friday, and risky assets were hit as the bond market sold off. However, that momentum slowed down following lawmakers' deal to avoid a shutdown, which provided some relief for the market. At the same time, the US factory activity gauge contracted by the least in nearly a year in September. Yields once again jumped higher, with the 10-year US yield now back at the recent high of 4.68%. Yields jumped higher once more, with the 10yr US yield now back at the recent high of 4.68%. Still, with the 10yr gaining as much as 139bps since May, we expect yields to retrace some of these gains in the near term. In our view, there is still a 10-15bps upside left to cover into the year-end, so we expect yields to edge marginally higher over the longer term.

Base metals pulled back from their highs made on Friday, as the upside appetite exhausted itself. The depletion of LME stocks drove the short-term momentum across the complex; however, we believe the effects to be short-lived, and prices tend to follow a mean-reverting strategy. Aluminium struggled above the $2,350/t level before edging back to $2,321/t. Nickel once again struggled below $18,650/t, closing at $18,749/t. We expect nickel downside to be limited as markets struggle to extend their short positions in an already short market. Copper settled at $8,053/t. Lead and zinc weakened to close at $2,146/t and $2,600.50/t, respectively.

Oil futures continued to moderate. Gold and silver sold off for the sixth consecutive day in response to higher US yields, with both metals now trading at this year's lows of $1,830/oz and $21.25/oz, respectively.

All price data is from 02.10.2023 as of 17:30