Sucden Financial

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Daily Base Metals Report

US stocks saw slight gains despite a higher-than-expected producer inflation print. The market seemed to focus more on a less hawkish narrative from Fed speakers. In September, the PPI rose by 0.5% m/m, primarily due to higher energy costs. This suggests that the path to softer inflation remained bumpy. Tomorrow's CPI print is expected to reaffirm this, where we anticipate the core reading to remain upwardly sticky. The dollar headed towards its longest losing streak since March, reaching the 105.70 level. Meanwhile, the 10-year US Treasury yield lost 5bps, coming back to 4.60%. Despite continued softness in economic growth indicators, we believe the market will remain uncertain about whether the Fed will hike again in the November/December meeting. This could translate into elevated volatility for risky assets closer to the decision day. However, we see a number of potential headwinds until the end of the year that could avert the necessity for another hike.

A risk-on sentiment across the board helped to support base metals' trading today. Aluminium remained comfortably above $2,220/t, closing at $2,214/t at the time of writing. Likewise, copper held firm above $8,000/t at $8,024/t. Lead and zinc strengthened to $2,093.50/t and $2,476.50/t, respectively. This week, we are seeing greater interest in stockpiling from China, as downstream companies did not restock enough ahead of a week-long holiday. Traditionally, lower prices should boost some domestic demand in the meantime.

Oil futures continued to weaken while gold and silver jumped higher to $1,870/oz and $21.99/oz.

All price data is from 11.10.2023 as of 17:30