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Daily Base Metals Report

US stocks opened higher today following the release of the Producer Price Index (PPI), which indicated that wholesale prices increased by less than expected in December. The PPI rose to 1.0% YoY from 0.8% YoY in November, falling short of the estimated 1.3% YoY. This decline has been received positively by the markets, as changes in the PPI can provide insight into future shifts in consumer prices, raising hopes of easing inflation. However, it's important to note that this optimism may be premature, as supply chain issues stemming from the conflict in the Red Sea have not yet been factored into the index. Next month's data will likely show producer inflation accelerating. The US dollar remained relatively stable at 102.23, while the 10-year US Treasury yield decreased, standing at 3.94%.

Growing geopolitical pressures from the Red Sea have kept the risky assets on the back foot today. This was especially evident through more macro-sensitive metals, like aluminium and copper. Both have remained below the near-term resistance levels of \$2,250/t and \$8,400/t, causing them to edge lower to \$2,219.50/t and \$8,339/t, respectively. Nickel remained on the back foot, below the \$16,500/t level. The downside in nickel performance was driven largely by a growing supply glut, especially from Indonesian production. This trend shows little sign of abating. We expect the momentum to carry on into 2024, with rising output from Indonesia flooding the market. Indonesian mining output is set to grow to above 2.3mt in 2024, with the trend continuing until 2026 when the supply for the coming decade will peak.

The intensifying conflict in the Red Sea has kept oil prices elevated, with WTI and Brent prices rising to \$73.91/barrel and \$79.35/barrel, respectively. Concerns of further escalation in the conflict have highlighted the safe-haven qualities of precious metals, driving the prices of gold and silver up to \$2,053/ounce and \$23.32/ounce, respectively.

All price data is from 12.01.2024 as of 17:30

Risk warning

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