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Daily Base Metals Report

U.S. stocks opened lower today as investors are beginning to believe that interest rates will remain elevated for an extended period, causing them to reassess their expectations regarding the start of monetary easing. Forward swaps currently indicate approximately a 50% chance of a rate cut in March, pushing U.S. Treasury yields higher, surpassing 4.11%. Concerns about resurging inflationary pressures due to geopolitical uncertainty in the Middle East, combined with a robust economy, suggest that the Federal Reserve may not need to rush into implementing monetary policy easing. Today's release of retail sales data painted a picture of a resilient consumer, with a better-than-expected 0.6% MoM increase, compared to the 0.3% MoM recorded in November. A strong consumer and labour market are likely to influence the Federal Reserve's decision on when to initiate the first interest rate cuts. While at the start of January, we anticipated the first cut to materialize in March, we now believe that interest rates will remain elevated for longer, and the first cuts may not occur until June. Meanwhile, in the UK, the Consumer Price Index (CPI) revealed stronger-than-expected price pressures, with headline annual inflation increasing from 3.9% YoY to 4.0% YoY in December, while core inflation remained unchanged at 5.1% YoY. We anticipate that inflation will continue to fluctuate around these levels, contributing to the narrative of prolonged higher interest rates. While the U.S. dollar continued its ascent today, reaching 103.60, it weakened against the British pound, with the USDGBP pair trading at 0.7903.

The recent strength of the dollar has helped to keep base metals prices suppressed today. Especially aluminium and copper, which are more influenced by macroeconomic factors. The dollar's upside is largely driven by weakening expectations of an early cut from the Fed this year. We expect this narrative to continue into Q2 2024, keeping base metals trading at the lower end of recent ranges. Aluminium breached \$2,200/t comfortably today, falling to \$2,178/t; the support at \$2,110/t remains robust, and we expect this level to hold in the near term. Copper's downside has been slower in comparison, with prices edging lower to \$8,268/t. Zinc sold off today, given a combination of the macroeconomic impact alongside waning supply risks that materialised from Budel smelter suspension earlier this week; the metal closed at \$2,466/t.

Expectations of enduring higher interest rates weighed on precious metal prices today, with gold falling to \$2,008.19/oz and silver depreciating to \$22.58/oz. Oil prices also continued their decline, with WTI and Brent trading at \$71.64/bl and \$77.24/bl, respectively.

	Open	High	Low	5pm Close	PDC	Volume	Total O.I	Spreads	Conversion
								C-3M	USc/lb
Aluminium	2215	2217	2175	2178	2214	19700	687503	-47.25	98.86
Copper	8346	8350	8258	8268	8345	24948	276112	-92.00	375.33
Lead	2097	2101	2056	2064	2094	8850	141122	-33.48	93.37
Nickel	16230	16240	16000	16079	16240	4174	184674	-249.00	729.61
Tin	25250	25370	25035	25233	25280	545	16680	-210.00	1149.64
Zinc	2548	2550	2460	2466	2553	11295	208236	-17.75	111.95
Total:						69512	1514327		

Official Prices							Monthly Avg	
	Cash	3m	Dec Yr 1	Dec Yr 2	PD Cash	PD 3M	Cash	3M
Aluminium	2142	2189.5	2434.75	2554.75	2162.75	2214	2207	2253.833333
Copper	8230	8323	8482.25	8511.25	8268	8354.5	8315.291667	8416.166667
Lead	2033	2061	2104.75	2137.75	2077.75	2104	2046.458333	2076.041667
Nickel	15765	16010	17671	18491	15901	16150	16064.16667	16303.33333
Tin	25025	25250			24901	25175	24564.58333	24830.41667
Zinc	2487	2506	2508.75	2507.75	2527.48	2547	2519.458333	2542.083333

LME Stocks (tonnes)								Other Copper Markets	
	Opening	In	Out	Net Change	Closing	C-warrants	Open Tonnage	Last	% Change
Aluminium	558550	525	1400	-875	557675	203100	354575	Comex, USc/lb	
Copper	154725	425	1075	-650	154075	26800	127275	MAR 24	374.05 -0.95
Lead	116375	0	2025	-2025	114350	30975	83375	MAY 24	376.85 -0.89
Nickel	69012	498	0	498	69510	3660	65850	Shanghai, CNY/mt	
Tin	6995	70	50	20	7015	1320	5695	23-Jan	67940 -0.47
Zinc	207300	0	1600	-1600	205700	43750	161950	24-Feb	67850 -0.35

Global Markets	Currencies			Precious Metals			Previous Day's Fix			
Last	% Change		Last	% Change		Last	% Change	AM	PM	
DAX	16432	-0.84	GBP	1.2669	0.2532	Gold	2005.84	-1.1142	2039.75	2038.15
DJI	37288	-0.19	JPY	148.3500	-0.7819	Silver	22.56	-1.5821		2305
S&P500	4738	-0.58	EUR	1.0862	-0.1195	Gold Comex	2008.7	-1.059		
SSE	2834	-2.09	CNY	7.1963	-0.1195	Platinum	882.9	-1.9		
Hg Seng	15277	-3.71	AUD	0.6538	-0.6987	Palladium	924.64	-1.5544		
Brent	77	-1.53	CAD	1.3526	-0.2292					

Source: Bloomberg
Updated: 17/01/2024 17:30

All price data is from 17.01.2024 as of 17:30

Risk warning

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