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Daily Base Metals Report

The US stock market strengthened today as the negative sentiment from yesterday's inflation print eased. Though the inflation data hinted at a continued drop in pricing pressures, it took the market by surprise and caused the forward swaps to reprice rate easing expectations further down the curve. We expect that macro-driven volatility will prevail in the coming months as the market evaluates the data to assess the start and scale of monetary policy easing. We think that the robustness of the US economy, with its low unemployment and strong consumer spending, will lead the Fed to cut rates between May and June, with a cautious approach to limited cuts of 25 basis points per meeting. The start of the hiking cycle highlighted the policymakers' hesitancy to increase the rates rapidly, and we expect that to remain the case for this year's cutting cycle. Inflation is expected to remain upwardly sticky, further supporting this narrative. The dollar had difficulty staying above 105, and the 10-year Treasury yield was mixed.

Base metals were mixed due to the uncertainty of the market today. Aluminium remained stable above \$2,200/t, while copper struggled above \$8,300/t. Nickel continued to gain ground, testing the \$16,500/t level and remaining within the trading range. Similarly, the downside of lead was exhausted, and the price bounced back to \$2,016/t. The market is currently quiet as China is celebrating the Lunar New Year, but we anticipate an increase in volatility next week.

Oil futures struggled to maintain their gains today and were trading lightly. Gold continued to weaken, following the recent CPI release, and remained below the \$2,200/oz level.

All price data is from 14.02.2024 as of 17:30

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