

Base Metals Weekly

Monday, October 20, 2025

Optimism in the metals space last week was short-lived as renewed geopolitical tensions between the United States and China quickly unsettled markets. Copper, which had been on track to set new highs, slipped after U.S. President Donald Trump signaled plans for a significant tariff hike on Chinese imports, reigniting fears of a prolonged trade war between the world's two largest economies. Although his remarks focused mainly on rare earth elements, the market interpreted them as a warning sign for the broader industrial metals sector.

In response, China announced an expansion of its rare earth export limits, adding five new elements and increasing oversight over semiconductor-related exports. The move highlighted Beijing's intent to tighten control over strategic materials in advance of the expected meeting between Trump and Chinese President Xi Jinping. Nevertheless, some of the market jitters eased later in the week when Trump, in a social media post, suggested that "trade relations with China will all be fine," indicating a willingness to meet and negotiate with Xi later this month.

Despite the trade war back and forth, copper's fundamental picture remained robust. LME Copper rose above \$10,800 per ton as investors reacted to clear signs of tightening supply. A series of production setbacks reinforced expectations of a physically constrained market. Freeport-McMoRan's Grasberg mine in Indonesia remained under force majeure following disruptions in late September, while output from Chile's state-owned Codelco plunged 25% in August, its weakest monthly production in more than two decades. The decline was tied to operational difficulties and a deadly collapse at one of its most profitable sites. Production at BHP's Escondida mine, the world's largest copper operation, held steady at around 105,100 tons, though output at Collahuasi, a

Commodity	Copper	Aluminum	Zinc
Open	993.85	264.05	290.8
Close	983.1	261.95	290.45
Change	14.10	0.45	-1.45
% Change	1.46%	0.17%	-0.50%
Open Int.	5382	2462	2572
Change	-1802	-1310	-678
Pivot	985.2	262.2	289.9
Resistance	992.4	263.8	292.0
Support	975.8	260.4	288.3

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	139350	242094	506000	37475
Close	137225	250530	491225	38025
Change	-2125	8436	-14775	550
% Change	-1.52%	3.48%	-2.92%	1.47%

major mine jointly owned by Glencore and Anglo American fell 27% due to lower-grade ore.

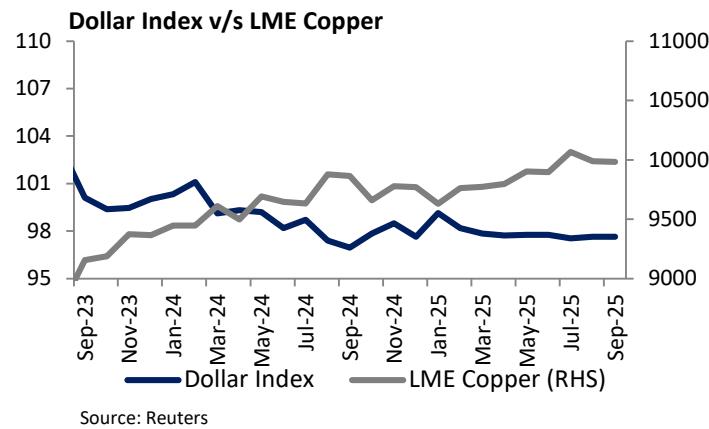
These supply disruptions drove a notable tightening in market spreads. Spot copper prices moved to a premium over forward contracts, signaling scarcity of immediate supply. A similar pattern appeared in zinc, where the cash-three-month spread widened to USD 89 per ton, its highest level since 2022, when smelting output dropped sharply during the energy crisis.

Volatility remained persistent after China imposed limitations on five U.S. Hanwha Ocean subsidiaries in response to Washington's investigation into its shipbuilding and logistics sectors. Both countries subsequently levied additional port fees on ocean transport companies, although Beijing exempted domestically built vessels. The tit-for-tat measures rattled investor sentiment, and copper and zinc gave up part of their earlier gains. However, downside pressure was partially offset after U.S. Treasury Secretary Scott Bessent confirmed that President Trump would still meet Xi in South Korea later this month, a sign that dialogue remained possible.

On the macroeconomic side, data from China showed that consumer prices fell 0.3% year-on-year in September, extending deflationary pressure but also strengthening expectations for additional policy easing. Markets were further supported by a softer U.S. dollar after Chair Powell hinted at more interest rate reductions. Lower rates, combined with prospects for Chinese stimulus, boosted confidence in future metals demand. Total social financing rose 8.7% year-on-year in September, only slightly slower than August's 8.8%.

Trade tensions over rare earths continued to simmer as U.S. officials criticized Beijing's export restrictions, warning they could disrupt global supply chains. China defended the measures, arguing that they were necessary to protect national industrial security. Despite the rhetoric, Bessent suggested that the current trade truce could be extended beyond its three-month window if progress was made on lifting export curbs.

Attention shifted back to China's economic data. Industrial production rose 6.5% year-on-year in September, beating expectations and accelerating from August's 5.2%. However, overall economic growth slowed, with GDP expanding 4.8% in the third quarter—down from 5.2% in Q2 and the weakest pace since late 2024.



The People's Bank of China kept its key lending rates unchanged for a fifth straight month, balancing support for growth with the need to maintain currency stability amid a global shift toward looser monetary policy.

Copper has been supported by a weaker dollar, easing trade fears, and persistent supply-side tightness. Investor focus remained on the upcoming Trump–Xi meeting, which could determine whether the current phase of trade tension escalates or stabilizes. Despite intermittent volatility, the broader trend remains one of resilience: constrained mine supply, falling refining margins, and supportive policy signals all point to a structurally firm market.

Zinc prices remained supported by production cuts in northern China, although mixed economic data from China capped gains. Several zinc mines in China are expected to reduce or halt production starting in November, tightening near-term supply. Cash-3M spread remained in backwardation throughout the month, confirming tight market conditions. Historically low inventories at LME also supported prices. Stocks of high-grade zinc plummeted to ~40,000 tonnes, compared to 171,500 at the start of the year.

International Lead and Zinc Study Group noted that mined zinc production rose 6.3% annually in the first half of 2025, but bottlenecks in refiners drove output of refined metal to drop over 2%. That was consistent with output curbs among smelters in Kazakhstan. Smelter output was also due to drop in Japan with the closure of the key Toho Zinc Annaka plant, while output for Mitsui Mining expects a 6.6% annual decline in refined zinc output during the second half the financial year.

Outlook:

While political developments drove short-term sentiment, supply constraints, dovish monetary policy, investor focus remains on the upcoming Trump–Xi meeting, which could determine whether the current phase of trade tension escalates or stabilizes. At the same time, markets are watching the risk of a potential US government shutdown, which could create short-term uncertainty and delay key economic data. For now, tight supply conditions and renewed restocking as Chinese markets reopen are keeping sentiment broadly positive across the non-ferrous metals space.

Technical Outlook

MCX Copper concluded the week with a 1.46% gain, sustaining its bullish price structure marked by a series of higher highs and higher lows. The technical setup remains positive, with the price consistently trading above the 21-period EMA, confirming persistent upward momentum. The RSI is positioned above the 50 thresholds, indicating continued buying pressure. Critical support levels are established at ₹968 and ₹950, while resistance is observed at ₹1010 and ₹1035. Given these technical parameters, the prevailing bias is likely to remain bullish, provided these support and momentum conditions persist.



MCX Zinc declined by approximately ₹1.45, or -0.50%, over the past week. Despite this, the daily chart reflects a bullish structure characterized by higher highs and higher lows, with the price currently testing the support zone—potentially presenting a short-term buying opportunity. The price remains above the 21-day EMA, confirming sustained upward momentum. The 14-period RSI has reclaimed the 50 level, indicating strengthening bullish momentum. A buy-on-dips strategy is recommended within the ₹289–₹287 support zone, targeting resistance levels at ₹300–₹303, while critical support is positioned at ₹284 and ₹279.



MCX Aluminium closed the week largely unchanged. On the daily timeframe, the price has broken above the recent consolidation range, establishing a bullish structure marked by higher highs and higher lows, and is currently retesting the breakout zone. The metal is trading above the 21-day EMA, reinforcing the prevailing bullish bias. A buy-on-dips strategy remains preferred under these conditions. Key resistance levels are noted at ₹267 and ₹272, while critical support is positioned at ₹254. A sustained close below ₹254 could signal a potential momentum shift, thereby negating the current bullish setup.



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