

Base Metals Weekly

Monday, October 27, 2025

Base metal markets saw an eventful week, marked by wavering sentiment around the evolving U.S.–China trade relationship, fresh Chinese economic data, and a string of global supply disruptions. While copper dipped slightly on mixed economic data picture and back and forth between US and China; zinc spiked as stocks at LME sank 80% lower YTD, resulting in the sharpest cash to 3-month backwardation since 80s.

The back-and-forth in trade negotiations between the United States and China remained a key theme. Early in the period, copper prices edged lower as tensions resurfaced when U.S. officials sharply criticized China's restrictions on rare earth exports, measures Washington claimed could disrupt global supply chains. Beijing defended its stance, describing the curbs as necessary to safeguard national interests and ensure resource sustainability. However, diplomatic tone improved later in the week as U.S. President Trump signaled optimism over a potential "fair trade deal" with President Xi Jinping, to be discussed during their scheduled meeting at the upcoming APEC summit in South Korea. Subsequent reports of preparatory talks between senior economic officials from both sides lifted sentiment, especially after suggestions emerged that China may delay the implementation of its new rare earth export licensing regime by a year.

Economic data from China painted a mixed but mildly encouraging picture. Industrial production expanded by 6.5% year-on-year in September, accelerating from August's 5.2% and surpassing expectations of 5.0%. The figure indicated that manufacturing momentum remains resilient despite headwinds. Conversely, GDP growth slowed to 4.8% year-on-year in Q3 2025, easing from 5.2% in Q2 and marking the slowest pace since the third quarter of 2024. Still, markets were reassured by the People's Bank of China's (PBoC) continued accommodative stance. The central bank held

Commodity	Copper	Aluminum	Zinc
Open	997.85	267.8	295.5
Close	1002.65	269.30	296.30
Change	13.50	4.45	9.10
% Change	1.36%	1.68%	3.17%
Open Int.	7457	3176	1772
Change	1271	1572	457
Pivot	1001.2	269.2	296.3
Resistance	1007.7	270.5	297.6
Support	996.2	267.9	294.9

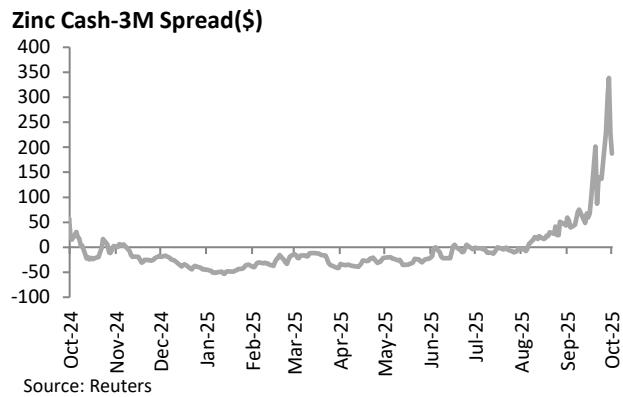
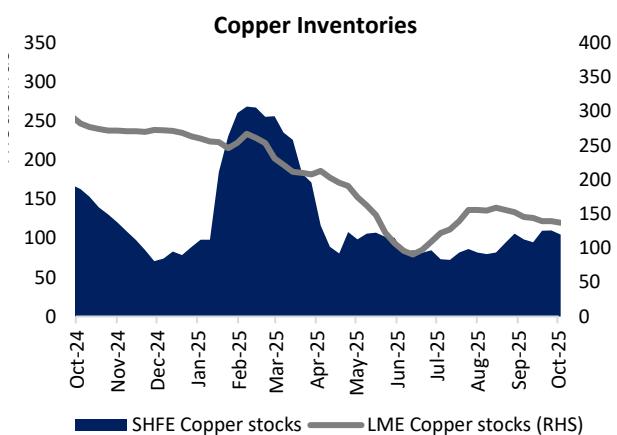
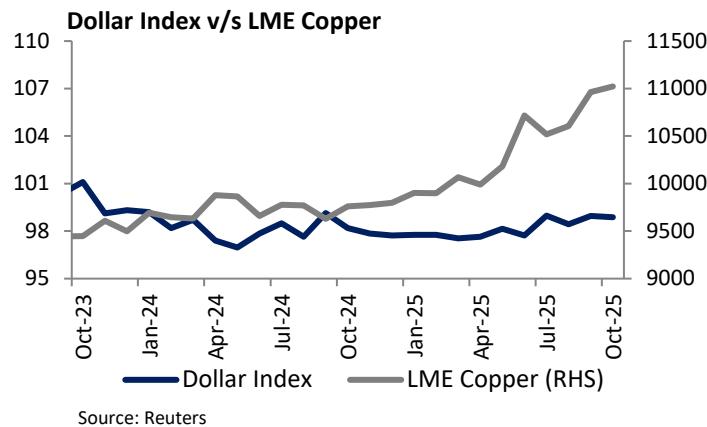
LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	137175	250476	487125	37325
Close	136350	250854	473125	37600
Change	-825	378	-14000	275
% Change	-0.60%	0.15%	-2.87%	0.74%

key lending rates at record lows for a fifth straight month, consistent with its broader effort to stabilize growth amid global monetary easing led by the U.S. Federal Reserve.

Copper prices traded on a cautious note but gradually recovered as optimism over policy stimulus and trade progress resurfaced. Initial declines were attributed to lingering uncertainty over U.S.–China tensions and cautious investor sentiment. Yet, as reports emerged that China's upcoming five-year plan emphasized developing a modern industrial system and strengthening domestic demand, prices found solid support and remained cushioned on the lower end. Copper's rally once again above \$11000 was driven by renewed confidence in trade negotiations and tightening supply dynamics. Freeport-McMoRan's Grasberg mine in Indonesia remained offline following a September incident, while Antofagasta revised its 2025 copper output forecast lower. Meanwhile, London Metal Exchange (LME) inventories dropped to their lowest since late July, and Shanghai Futures Exchange (SHFE) stocks stood at 104,792 tons, underscoring constrained availability. Data from the International Copper Study Group (ICSG) indicated that the global refined copper market posted an apparent surplus of 147,000 tons in the first eight months of 2025, down sharply from 477,000 tons a year earlier; highlighting a notable tightening in the supply-demand balance. ICSG also forecasted a 147000 tonnes surplus for 2025, although 3x times lower than that which was seen in 2024 of 447000 tonnes. 2026 forecasts still show deficit figures of 150,000 metric tons from the previously expected surplus of 209,000 tons due to slower production growth.

Aluminum prices rose through the week, supported by supply disruptions and sentiment spillover from the copper market. A major incident at Century Aluminum's Icelandic smelter, which forced a two-thirds reduction in production due to electrical equipment failure, fueled concerns about potential shortages. Despite these disruptions, global primary aluminum output still recorded a modest 0.9% year-on-year increase to 6.08 million tons in September, according to latest data. The increase came despite production caps in China, suggesting that non-Chinese smelters have marginally filled the supply gap.

Zinc prices traded higher, as ongoing bottlenecks at smelting facilities strained refined supply. Backwardation in the zinc forward curve spiked above \$300 per ton, the steepest since 1977, indicating a near-term supply squeeze.



Production issues in Kazakhstan and Japan particularly the closure of Toho Zinc's Annaka plant further exacerbated the deficit in refined material. International Lead and Zinc Study Group (ILZSG) however still shows a gradual build in global zinc surpluses. The refined zinc market posted a 47,900-ton surplus in August, up from 38,700 tons in July, bringing the year-to-date surplus to 154,000 tons, compared with 138,000 tons a year earlier.

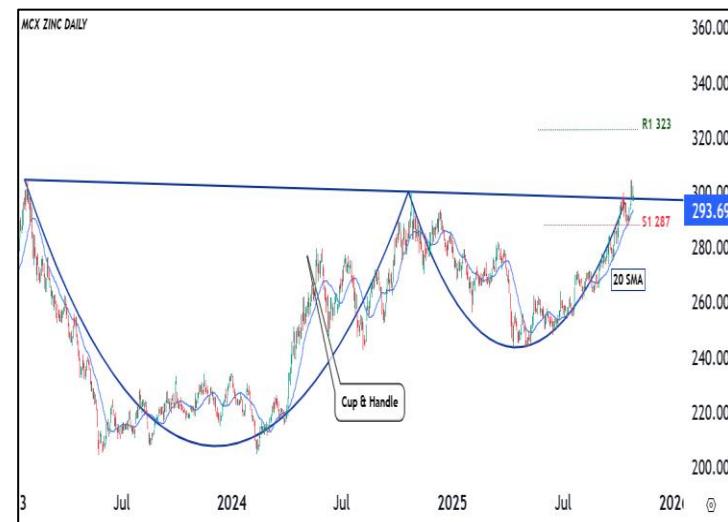
Market focus in the coming sessions will remain on the Trump–Xi meeting at the APEC summit and any subsequent clarity on China's industrial policy direction. A positive outcome could sustain the current rally, while renewed friction may quickly reverse sentiment. For now, easing trade tensions and resilient industrial data have lent support to metal prices and is expected to keep cautiously optimistic tone heading into November.

Technical Outlook

In the last week, copper gave a positive close with prices trading in a narrow range. Prices are consistently trading above the 20 SMA on the daily chart. The 14- period Relative Strength Index (RSI) is currently trading at 65, positioned above the midpoint mark of 50, signalling market strength. Prices are holding well above the symmetrical triangle pattern breakout with the view targeting 1025 on the higher side. Key immediate support can be identified at Rs. 980 mark whereas immediate resistance is observed at Rs. 1025. There is a possibility for it to trade with a positive bias with any dip likely to be viewed as a buying opportunity.

In the last week, zinc gave a positive close. It has convincingly given a cup & handle breakout on the daily chart. The 14- period Relative Strength Index (RSI) is currently trading at 64 suggesting a bullish momentum. Immediate support can be identified at Rs. 287 mark whereas resistance is observed at Rs. 323. There is a possibility for it to trade with the positive as the bullish undertone is intact as long as prices are trading above the 287 level.

In the last week, aluminium prices closed on a positive note. The 14- period Relative Strength Index (RSI) is currently trading at 73, positioned above the overbought zone of 70, signalling market strength indicating a pace in the momentum on the higher side. There is a possibility for the prices to trade with a positive outlook as prices are holding well above the rising channel break with the view targeting 280 towards upside.



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