Monday, December 22, 2025

Base metal markets experienced heightened volatility, driven by shifting risk sentiment, mixed macroeconomic signals, and evolving supply-demand fundamentals. Prices initially softened after touching recent highs as fears of an AI-driven equity bubble triggered liquidation across risk assets. However, underlying structural support, particularly for copper and aluminium, helped limit downside pressure.

Despite few bumps in the road, copper prices remained relatively resilient and on upward trajectory. Earlier sell-off in technology stocks spilled over into metals, prompting liquidation of long positions. This pressure was short-lived, as copper quickly stabilised and moved higher, supported by a weaker dollar and expectations of tightening supply. The global refined copper market is projected to face a deep deficit in 2026, largely due to rising stockpiles and strong consumption in the United States.

Demand conditions for copper remained firm across key regions. In China, imports stayed elevated, driven by continued growth in electric vehicles, renewable energy, and power infrastructure, even as broader economic indicators pointed to slowing industrial activity and persistent weakness in the property sector. In the United States, an AI-related investment boom and infrastructure spending continued to boost copper consumption. At the same time, concerns over potential import tariffs encouraged physical copper flows into the U.S., tightening availability in international markets and raising fears of shortages outside the country.

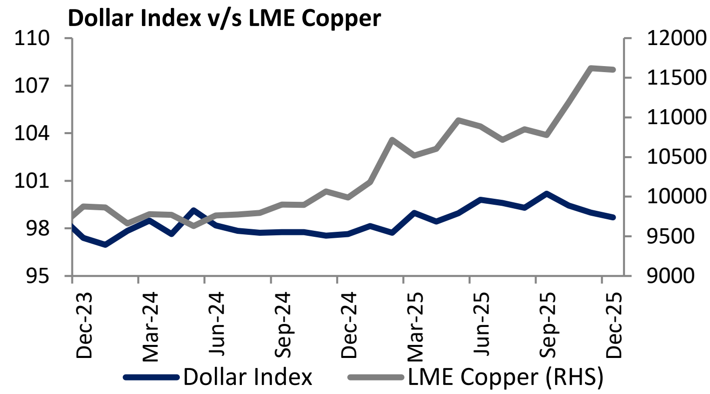
A Chinese smelter and Antofagasta Plc have set processing fees for copper concentrate at a record low for 2026, following tough negotiations. The treatment and refining charges were agreed at $0 per ton and $0 per pound, reflecting a market with ample refining capacity but limited global ore supplies.

Commodity	Copper	Aluminum	Zinc
Open	1110.05	282.25	302.35
Close	1114.85	283.90	301.40
Change	18.05	5.00	-15.30
% Change	1.65%	1.79%	-4.83%
Open Int.	6455	1996	2176
Change	-892	-918	-801
Pivot	1114.8	283.4	302.1
Resistance	1119.6	284.7	303.8
Support	1110.1	282.7	299.8

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	165875	253392	519600	64475
Close	160400	254550	519600	99900
Change	-5475	1158	0	35425
% Change	-3.30%	0.46%	0.00%	54.94%

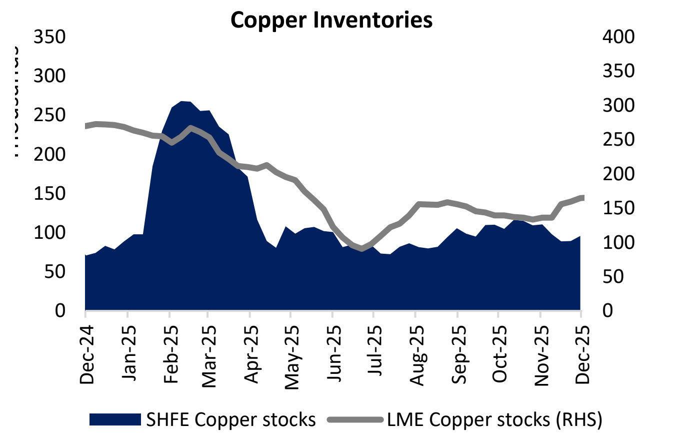
Zinc prices came under sustained pressure during the week as signs emerged that the earlier supply tightness was easing. A sharp rebound in inventories on LME was a key driver, with stocks rising significantly over a short period. Large single-day inflows pushed total inventories close to 100,000 tons from recent lows near 30,000 tons, signalling improved availability.

As inventories rebuilt, the market structure shifted rapidly. The steep backwardation between cash and three-month contracts, which had previously reached extreme levels, narrowed sharply and eventually moved back into contango. This easing of spreads improved conditions for buyers and reduced urgency in the physical market. The combination of rising stocks and a more balanced market structure weighed heavily on zinc prices, leading to the erosion of recent gains.



Source: Reuters

Aluminium prices edged higher over the period, supported primarily by renewed supply-side concerns. Market focus remained on Mozambique's Mozal aluminium smelter, which is expected to be placed under care and maintenance by March 2026 following difficulties in securing a power agreement. Additional disruptions emerged from the suspension of a potline at an Icelandic smelter due to equipment failure, adding to concerns about global supply reliability.



Source: Reuters

Tightening availability was reflected in the physical market, with global producers seeking sharply higher premiums for shipments to Japan for the January to March period. These elevated premiums signalled strong regional demand and limited spot availability, lending support to aluminium prices despite broader risk-off sentiment in financial markets.

Macroeconomic developments played a significant role in shaping market sentiment. In the United States, economic data showed unemployment rising to a more than four-year high, though interpretation was complicated by the impact of a recent government shutdown. Softer inflation data for November strengthened expectations that price pressures are easing, reinforcing the case for potential interest rate cuts. The Federal Reserve's decision to cut rates by 25 basis points and resume short-term bond purchases further weakened the dollar and supported commodity prices.

In China, trade data surprised positively, with exports rebounding and the trade surplus surpassing one trillion dollars for the first time. However, underlying economic indicators remained mixed. Industrial output slowed, retail sales disappointed, and new home prices continued their multi-year decline, keeping property-sector risks in focus. The central bank maintained key lending rates at record lows, signalling confidence in achieving growth targets while showing limited urgency for additional stimulus.

Looking ahead, copper is expected to stay well supported by strong structural demand, tightening supply conditions, and continued investment interest, with any near-term weakness likely attracting buying interest. Aluminium's outlook remains positive amid ongoing supply risks and firm physical premiums, while zinc may continue to face pressure if inventory build-ups persist and market structure remains in contango.

Technical Outlook

In the last week, copper gave a positive close with prices trading in a broader range. Prices are consistently trading above the 20 SMA on the daily chart. The 14- period Relative Strength Index (RSI) is currently trading at 82, positioned above the 70 overbought mark, signalling market strength. Prices are holding well above the rising wedge pattern breakout with the view targeting Rs. 1175 on the higher side. Key immediate support can be identified at Rs. 1075 mark whereas immediate resistance is observed at Rs. 1175. 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 negative close. It has convincingly given a cup & handle breakout on the daily chart. The 14- period Relative Strength Index (RSI) is currently trading at 61 suggesting a bullish momentum targeting Rs. 325 on the higher side. There is a possibility for it to trade in a sideways to higher range with buying on dips stance. Immediate support can be identified at Rs. 292 mark whereas resistance is observed at Rs. 325. The bullish undertone is intact as long as prices are trading above the 292 level.

In the last week, aluminium prices closed on a positive note. The 14- period Relative Strength Index (RSI) is currently trading at 70, 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 290 towards upside.

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