

Base Metals Weekly

Monday, December 29, 2025

Base metals complex saw super moves over the past week, shaped by a combination of tight physical market signals, policy developments in China, and shifting macroeconomic expectations. While prices fluctuated day to day, the underlying tone across copper, aluminium and zinc stayed broadly supported, driven by persistent supply-side constraints and improving demand visibility into early 2026.

Copper continued to dominate the base metals complex, with prices climbing to fresh highs across multiple exchanges. The metal remains underpinned by persistent supply constraints, aggressive investment demand, and confidence in long-term consumption growth. Refined copper markets are increasingly focused on forecasts showing a global supply shortfall of around 150,000 tonnes in 2026 (ICSG), largely driven by inventory concentration in the United States and insufficient mine supply growth elsewhere. Continuous disruptions at key mining operations, combined with years of underinvestment and restricted new project development, have severely limited supply flexibility.

Stress in the copper concentrate market became increasingly visible as treatment and refining charges fell to unprecedented levels after a major Chilean miner and a Chinese smelter agreed to zero processing costs for 2026, the lowest ever recorded in annual negotiations. This development underscored the severe shortage of concentrate and highlighted the growing imbalance between mining output and smelting capacity. Chinese smelters continued to refrain from setting benchmark processing fees for the Q1 2026, marking the fourth consecutive quarter without guidance. Spot charges have remained deeply negative, meaning smelters are effectively paying miners to process material, an unsustainable situation that raises the risk of production curtailments going forward.

Commodity	Copper	Aluminum	Zinc
Open	1178.95	288.85	305.35
Close	1277.95	300.95	312.95
Change	152.40	14.05	11.40
% Change	13.54%	4.90%	3.78%
Open Int.	13077	4486	5015
Change	6847	1764	2218
Pivot	1245.0	298.1	310.5
Resistance	1311.0	307.4	315.8
Support	1212.0	291.7	307.7

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	157750	254388	519600	99250
Close	157025	255696	521050	106875
Change	-725	1308	1450	7625
% Change	-0.46%	0.51%	0.28%	7.68%

The metal's critical role in power grids, electric vehicles, renewable energy, data centers, and cooling infrastructure linked to artificial intelligence investment continues to drive structural demand growth. Trade uncertainty and fears of prospective US tariffs prompted preemptive stockpiling, particularly for shipments destined for the United States, further reducing availability in other regions. A weaker US dollar and expectations of further Federal Reserve rate cuts supported speculative inflows into the market, reinforcing the upward momentum.

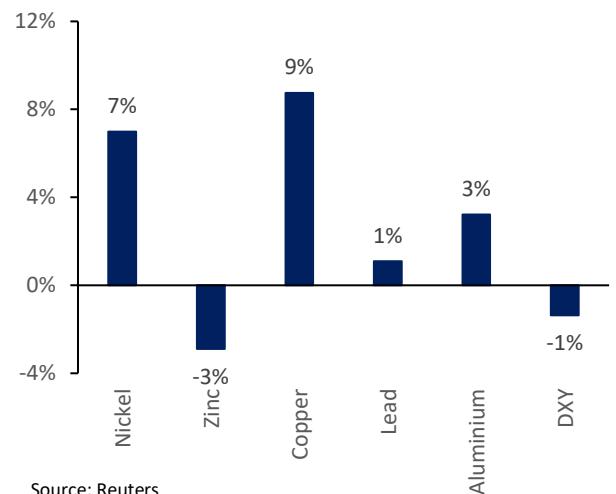
Aluminium prices edged marginally higher, supported by fresh supply-side concerns across multiple regions. Mozambique's Mothal aluminium plant, which is scheduled for maintenance in March 2026, rose questions around future availability. Additional disruptions emerged after a potline at an Icelandic smelter was halted due to equipment failure, further tightening near-term supply expectations. These developments contributed to rising regional tightness, with global manufacturers seeking significantly higher premiums for shipments to Japan.

Zinc prices, in contrast, gave up recent gains as inventory dynamics shifted. After weeks of tightness, significant stock inflows were reported, with LME inventories rising sharply bringing total LME zinc stocks above 100,000 tonnes from recent lows near 30,000 tonnes. This rapid restocking eased immediate supply concerns and triggered a shift in the forward curve. The backwardation that had peaked near USD 300 per tonne last month softened, with the structure slipping back into contango.

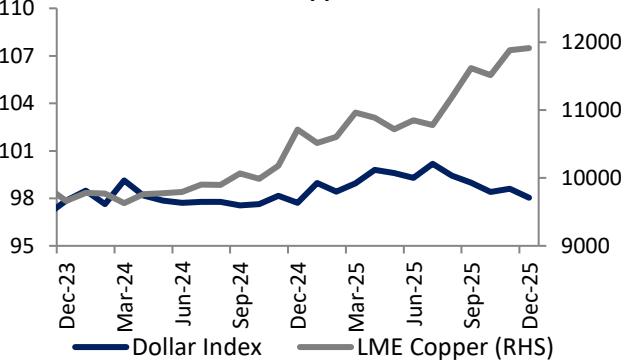
On the macroeconomic front, policy developments provided a broadly supportive backdrop for metals. People's Bank of China maintained key lending rates at record lows for a seventh consecutive month in December, in line with market expectations. The central bank also kept the seven-day reverse repo rate unchanged at 1.4%, which now serves as the primary policy rate. Officials signaled less urgency for additional monetary easing, citing confidence that the economy remains on track to meet this year's growth target. Stable policy settings helped underpin industrial sentiment and supported demand expectations across base metals.

In the United States, economic data added to the constructive tone. GDP growth exceeded expectations at 4.3%, with the economy expanding at its fastest pace in two years during the third quarter, supported by strong consumer spending, exports, and industrial activity. These trends are particularly supportive for copper-intensive sectors such as construction, manufacturing, and infrastructure.

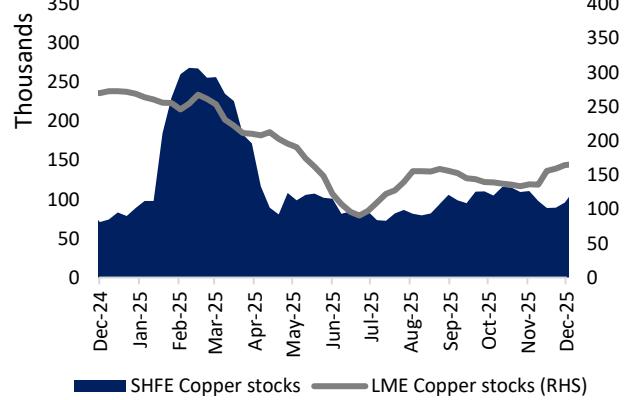
Change in LME Metals MTD



Dollar Index v/s LME Copper



Copper Inventories



Source: Reuters

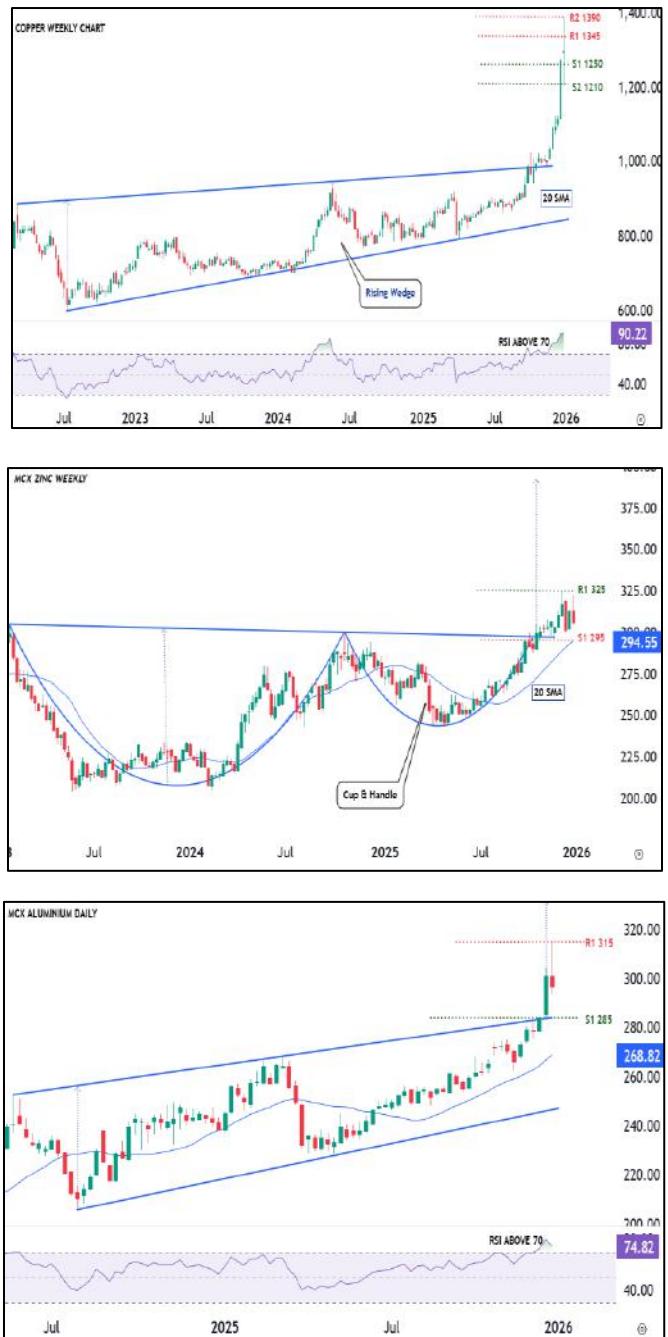
Overall, the base metals complex remains driven by diverging supply dynamics. Copper stands out as structurally tight, with record-low processing charges, persistent mine disruptions, and robust long-term demand supporting prices at elevated levels. Aluminium is increasingly influenced by supply-side risks and rising premiums, while zinc faces near-term pressure from inventory rebuilds despite an uncertain medium-term supply outlook.

Technical Outlook

In the last week, copper gave a positive close by 14.63% forming a long towering candle with prices trading in a broader range. Prices are consistently trading above the 20 SMA on the weekly chart. The 14-period Relative Strength Index (RSI) is currently trading at 90, positioned above the 70 overbought mark, signalling market strength. Prices are holding well above the rising wedge pattern breakout with the view to remain in a broader consolidative phase of 1210 - 1390. There is a possibility for it to witness zig zag price action in the above-mentioned range.

In the last week, zinc gave a positive close by 3.83%. It has convincingly given a cup & handle breakout on the weekly chart. There is a possibility for it to trade in a broader sideways range. Immediate support can be identified at Rs. 295 mark whereas resistance is observed at Rs. 325. The erratic move seems likely to remain and any breach on the either side might initiate directional move.

In the last week, aluminium prices closed on a positive note by 6%. 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 frenzied price run in a broader range 315 - 285.



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