



Monday, February 23, 2026

Base metals traded in a narrow and cautious range over the past week, with copper consolidating after its recent rally and aluminum responding to shifting U.S. tariff signals. The predominant themes were rising exchange inventories, subdued Chinese demand amid the Lunar New Year holidays, and evolving U.S. monetary and trade policy expectations.

Copper: Consolidation Amid Swelling Inventories

Copper prices edged ~3.5% lower last week, pressured by a stronger U.S. dollar and a continued build in visible inventories. Combined stocks across the London Metal Exchange (LME), Chicago Mercantile Exchange (Comex), and Shanghai Futures Exchange (SHFE) surpassed 1 million metric tons for the first time in more than two decades. The milestone underscores the extent of recent stockpiling, particularly in the United States, and softer near-term demand from China.

More than half of global visible inventories—around 600,000 tons—are now held in Comex warehouses. Large volumes have flowed into the U.S. over the past year amid concerns over potential import tariffs from 2027, incentivizing pre-emptive shipments. Meanwhile, LME copper inventories climbed to an 11-month high, reaching approximately 235,000 tons by week's end. Cancelled warrants on the LME are also falling, signaling limited immediate demand for physical withdrawal.

SHFE inventories also rose to roughly 280,000 tons, matching levels seen a year ago and reinforcing the view of muted Chinese consumption. The widening discount of LME cash copper to the three-month contract further indicated ample nearby supply and limited tightness in prompt availability. Stocks on MCX have also risen significantly to ~12,000 tonnes.

Trading volumes remained thin as mainland Chinese participants were largely absent due to the Lunar New Year holiday. The temporary closure of the SHFE dampened liquidity and curtailed directional conviction.

Commodity	Copper	Aluminum	Zinc
Open	1155.05	307.1	323.65
Close	1168.15	307.25	326.30
Change	-41.35	-2.00	2.70
% Change	-3.42%	-0.65%	0.83%
Open Int.	13728	1936	870
Change	-2481	-1244	-961
Pivot	1165.9	306.9	325.5
Resistance	1176.8	308.3	327.7
Support	1157.3	305.9	324.1

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	211850	286920	479550	102175
Close	235150	287706	475550	101575
Change	23300	786	-4000	-600
% Change	11.00%	0.27%	-0.83%	-0.59%

Despite the inventory overhang, copper did find intermittent support. Prices inched higher midweek after a broader rebound across the metals complex. However, gains were capped as macroeconomic factors came back into focus.

Macro Drivers: Dollar Strength and Fed Signals

U.S. monetary policy developments played a significant role in shaping sentiment. Minutes from the Federal Reserve’s most recent meeting suggested policymakers were more cautious about rate cuts than markets had anticipated. Some officials even hinted that further tightening could be warranted if inflationary pressures persist. This reduced expectations for monetary easing in 2026 and lent support to the U.S. dollar. Stronger-than-expected U.S. economic data, including resilient growth and a firm labor market backdrop, reinforced the hawkish sentiment.

Copper sought some support after the Supreme Court of the United States struck down broad reciprocal tariffs introduced under President Donald Trump. The ruling was interpreted as supportive of global trade and growth prospects, prompting a modest decline in the dollar. However, replacement levies valid for 150 days, along with lingering geopolitical uncertainties, limited the upside.

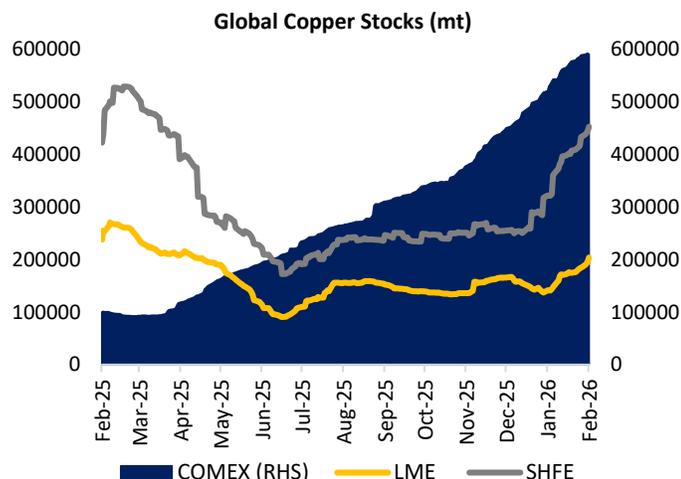
Overall, copper appears to be consolidating after a two-month rally that saw speculative buying drive prices to multi-month highs in late January. The combination of record visible inventories and cautious monetary expectations is tempering bullish momentum in the near term.

Aluminum: Tariff Adjustments and Supply Constraints

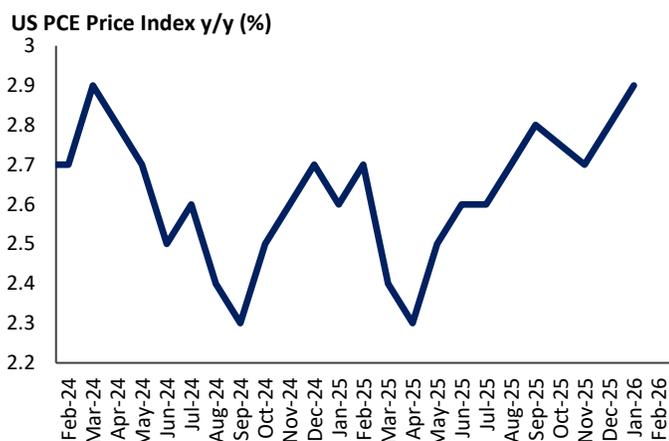
Aluminum prices remained unfazed, following reports that the United States may trim certain import tariffs. The Trump administration had previously increased aluminum tariffs to 50%, aiming to address persistent inflationary pressures in manufacturing. Prospects of partial reductions initially weighed on prices, though losses were later pared as investors judged the overall impact to be modest.

Subsequent sessions saw aluminum recover modestly, supported by structural supply considerations in China. The country’s aluminum output is expected to plateau this year after reaching its production cap of 45 million tons. Beijing’s ongoing campaign to curb excess manufacturing capacity reduces the likelihood of a near-term increase in the cap, limiting potential supply growth from the world’s largest producer.

While short-term sentiment remains sensitive to U.S. policy signals, the capped Chinese output provides a medium-term supportive backdrop. As with copper, trading activity was subdued during the Lunar New Year period, with fuller participation expected as Chinese markets reopen.



Source: Reuters



Source: Reuters

Outlook

Attention now shifts to China, with markets set to reopen on 24th February following the Lunar New Year break. Post-holiday trading activity will be critical in assessing real demand conditions, particularly whether fabricators and downstream consumers resume restocking or remain cautious amid elevated inventories. For copper, the immediate focus will be on SHFE price action and physical premiums once trading resumes. A pickup in demand could help absorb part of the inventory overhang, while continued stock builds would reinforce the consolidation narrative. Movements in the U.S. dollar and further signals from the Federal Reserve will remain key external drivers. In aluminum, clarity on U.S. tariff adjustments and confirmation that Chinese output remains capped will guide direction.

Technical Outlook

MCX Copper (4H) is trending within a well-defined descending channel, maintaining a consistent bearish market structure. The price action is currently attempting to stabilize near the immediate 1,210 support level, while the 20 EMA acts as a dynamic ceiling, capping recent recovery attempts. If the price manages to sustain above the 1,210 base and breaks above the 20 EMA, we could see a relief rally toward the first resistance level at 1,242. A decisive breakout above the channel's upper boundary would suggest a potential trend reversal toward the major resistance at 1,272. Conversely, any close below the 1,210 support would invalidate this stabilization thesis, shifting the technical focus toward the secondary support at 1,185.

MCX Zinc (4H) is showing signs of consolidation within a well-defined symmetrical triangle pattern. The price action is currently oscillating around the 20 EMA and the 330 psychological mark, suggesting an imminent volatility expansion as the range narrows. If the price manages to break above the upper trendline and the immediate resistance at 334, it could trigger a move toward the major supply zone at 340. Conversely, a breakdown below the 324-support level would invalidate this pattern, shifting the technical outlook toward the secondary support at 320.

MCX Aluminium (4H) is consolidating within a well-defined symmetrical triangle, reflecting a balance between buyers and sellers as the trading range narrows. The price action is currently hovering near the 20 EMA and the 311.45 pivot, indicating an imminent volatility expansion. A decisive breakout above the upper trendline and the immediate resistance at 315 would signal a potential move toward the major resistance at 320. Conversely, a daily close below the 306 support level would invalidate this consolidation setup, shifting the technical focus toward the secondary structural support at 300.



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