



Weekly Base Metals Insights

31st Aug to 04th Sep, 2026

Bluglance Consulting Pvt. Ltd.

Commodity Market Intelligence



Last Week at a Glance

Aluminium

Broadly flat WoW, Close Price \$3,242/MT; LME capped by unwinding Middle East risk premium and stable warehouse outflows, consolidation continues.

Copper

Up 0.70% WoW, Close Price \$14,285/MT; cancelled warrants surged and backwardation held firm, signalling tighter availability than headline inventories suggest.

Lead

Up 0.21% WoW, Close Price \$1,905/MT; \$1,910–1,920 resistance tested for the fourth time in three weeks without a decisive break.

Nickel

Down 1.61% WoW, Close Price \$16,770/MT; high exchange stocks and weak Chinese demand keep the metal under pressure, now down nearly 3% for August.

Zinc

Up 1.49% WoW, Close Price \$3,879.5/MT; Cash–3M backwardation widened sharply to \$200.96/MT as cancelled warrants surged, bias stays constructive.

Key Events

China Manufacturing PMI at 49.8 (Mon, 31 Aug), US ISM Manufacturing PMI (Tue, 1 Sep), and US Nonfarm Payrolls (Fri, 4 Sep) will be the key drivers of direction for base metals this week.



Economic Calendar



31st Aug to 04th Sep

Mon, 31st Aug

07:00 IST – China Manufacturing PMI, Aug (forecast 49.5 | previous 49.2)
19:15 IST – US Chicago PMI, Aug (forecast 57.8 | previous 57.6)

1

Tue, 01st Sep

19:30 IST – US ISM Manufacturing, Aug (forecast 55.2 | previous 55.6)
19:30 IST – US JOLTS Job Openings, Jul (forecast 7,313k | previous 7,359k)

2

Wed, 2nd Sep

17:45 IST – US ADP Employment Change, Aug (forecast 47k | previous 44k)
19:30 IST – US Durable Goods Orders, Jul F (forecast 1.10% | previous 1.10%)

3

Thu, 3rd Sep

18:00 IST – US Initial Jobless Claims, 29-Aug (forecast 205k | previous 203k)
19:30 IST – US ISM Non-Manufacturing PMI, Aug (forecast 54.1 | previous 54.1)

4

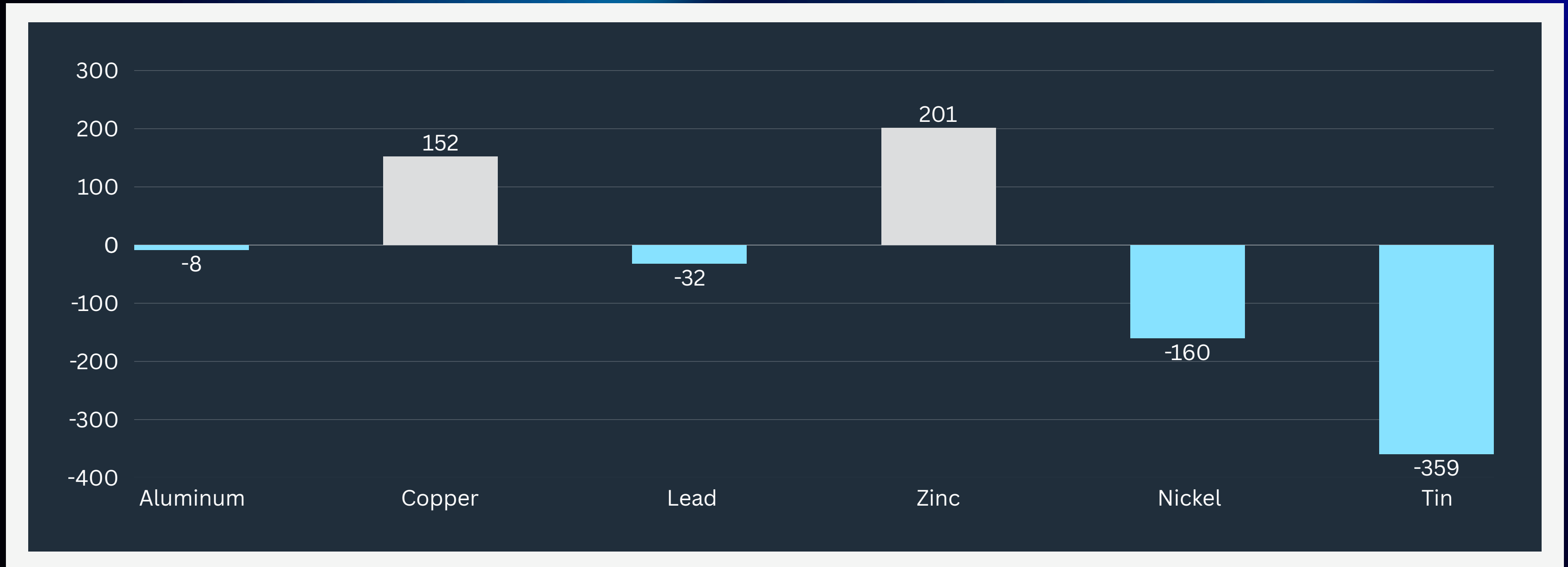
Fri, 4th Sep (Biggest Event of the Week)

18:00 IST – US Change in Nonfarm Payrolls, Aug (forecast 55k | previous -23k)
18:00 IST – US Unemployment Rate, Aug (forecast 4.10% | previous 4.10%)

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LME Base Metals: Cash-3m Spread Snapshot



Source: Bloomberg, 3 Month Forward price of LME

(-) number denotes Contango and (+) Backwardation

Note: The LME forward curve remained mixed, with Copper and Zinc in backwardation, signalling tight nearby availability, while Aluminium, Lead, Nickel, and Tin remained in contango.

LME Weekly Market Range (31st Aug to 04th Sep)

Asset	Weekly Closing (USD)	Expected Weekly Range (USD)	Directional View
Dollar Index (DXY)	99.64	98.80 – 100.00	Sideways to Bearish
Copper	14,285	14,000 – 14,500 (<i>Extension 14,750</i>)	Bullish
Aluminium	3,242	3,170 – 3,300	Sideways to Bullish
Lead	1,905	1,885 – 1,930	Bullish
Zinc	3,879	3,750 – 3,950 (<i>Extension 4,070</i>)	Bullish
Nickel	16,770	16,700 – 17,300	Sideways

Performance Snapshot: All Metals

Asset	Aug 28, 2026	Aug 21, 2026	WoW %	YTD %
Dollar Index (DXY)	99.64	98.81	0.84%	1.38
Copper	14,285	14,185	0.70%	14.44
Aluminium	3,242	3,242.50	-0.02%	8.17
Lead	1,905	1,901	0.21%	-5.01
Zinc	3,879	3,822.50	1.48%	24.09
Nickel	16,770	17,045	-1.61%	0.12

Price Action & Market Divergence

LME Aluminium 3M Forward closed last week at \$3,242/MT, broadly flat WoW, while MCX aluminium closed at ₹346/kg, down 0.55% WoW, and SHFE aluminium closed at RMB 23,920/MT, up 0.42% WoW. The divergence was mainly driven by local factors, LME remained capped by the unwinding Middle East risk premium and stabilising warehouse outflows, MCX was pressured primarily by the appreciating rupee reducing the INR value of dollar-denominated aluminium, while SHFE strengthened as Chinese inventories fell 12,299t alongside expectations of seasonal demand improvement and limited scope for further Chinese primary production growth.

LME traded within a relatively narrow \$3,194–3,267/MT range, a \$73 spread, confirming consolidation after the recent rally and staying broadly within last week's projected range,

Global Fundamentals & Geopolitical Risk

The major development was the partial unwinding of the Middle East risk premium. Strait of Hormuz transit has recovered to around 75% of pre-war levels, while Iran-Oman mediation has raised expectations that Gulf aluminium production cuts may be less severe than initially feared, the Gulf represents approximately 8–9% of global aluminium capacity, so easing expectations of a prolonged blockade, feedstock disruption and reduced finished-aluminium exports has limited LME upside. However, geopolitical risk remains significant, the US struck Iranian rocket launchers on Larak Island, followed by Iranian retaliation against US positions in Jordan, and visible commodity-vessel traffic through Hormuz reportedly fell to only five vessels per day over the weekend. A renewed or prolonged disruption could quickly restore the geopolitical premium and tighten physical aluminium availability, particularly in Europe and Asia.



Inventories, Spreads & Macro

LME stocks stayed essentially stable, down only around 200t WoW, suggesting non-Russian aluminium still isn't moving aggressively out of warehouses, limited evidence of immediate physical tightness. SHFE inventories fell 12,299t to 391,498t, supporting Chinese prices alongside improving seasonal demand and limited room for further production growth. The LME cash-3M spread narrowed to -\$8 from -\$12, indicating slightly tighter nearby conditions, while the SHFE 1st-2nd month spread widened to -\$10.

On MCX, inventories rose from 261t to 958t, pointing to improving domestic availability, though the stronger rupee remained the main drag on MCX despite firmer SHFE prices. On macro, the Dollar stays a headwind as Warsh reiterated the Fed's 2% inflation commitment and signalled further hikes, with Fed-funds futures pricing roughly 56% odds of a 25-bp September hike. Separately, Canada will impose counter-tariffs of 15-50% from September 8, covering \$27.6bn of US imports.

Outlook

Technically, aluminium remains range-bound with a mildly positive bias, but momentum is consolidating, LME is above its 20-day MA of \$3,234, while RSI around 50 indicates balanced momentum.

The market remains supported by low inventories and geopolitical uncertainty, but immediate upside is being restrained by the unwinding Gulf premium, stable LME stocks and a stronger Dollar.

Expected Weekly Range: 3,170 – 3,300

Bias: Sideways to Bullish



Aluminum Chart



Price Action & Market Structure

LME Copper 3M Forward closed last week at \$14,285/MT, up 0.70% WoW, after trading in a \$14,137–14,437/MT range. Copper moved higher through the week but settled slightly below its weekly highs as the Jackson Hole meeting and hawkish Fed comments pushed the Dollar sharply higher, prompting some profit-taking and weighing on copper into the week's close. LME inventories declined by around 4,300 MT to 234,275 MT, more importantly, cancelled warrants rose sharply, indicating a significant amount of warehouse metal is being earmarked for withdrawal, suggesting available copper is tighter than headline inventory levels indicate.

The Cash-3M spread remained in backwardation, reinforcing nearby tightness, with around 55% of LME stocks on cancelled warrants, highlighting limited availability of immediately deliverable metal. Chinese copper social inventories also fell 12,100 MT WoW to 102,100 MT as of 31 August, mainly on restricted domestic and imported arrivals, while steady consumption also supported destocking.

US Copper Flows

US demand remains an important driver of the current market structure. US refined copper cathode imports reached almost 885 kt in H1 2026, around 3% higher YoY and more than double H1 2024 levels. COMEX inventories have also risen sharply, with stocks recently moving above 750,000 tons.

The continued flow of copper toward the US is creating a regional imbalance, earlier forecasts pointed to a 639 kt global surplus for 2026, but strong US-bound flows are reducing availability elsewhere and making the market appear much tighter outside the US.



Supply, Demand & Macro

Physical availability remains relatively tight, though high copper prices continue to limit downstream buying, Chinese consumers remain largely focused on immediate requirements rather than aggressive inventory building. Longer-term demand remains supported by grid investment, electrification, EVs and transmission infrastructure, while China's property sector continues to weigh on consumption.

On macro, the backdrop turned less supportive toward the end of last week, Kevin Warsh's hawkish comments at Jackson Hole reinforced the higher-for-longer narrative, pushing the Dollar and US Treasury yields higher, with markets subsequently increasing expectations of a September Fed rate hike, adding pressure to copper and other base metals. China's August Manufacturing PMI improved to 49.8 from 49.2, but remained below the 50-point expansion threshold, indicating manufacturing activity is still contracting.

Outlook & Strategy

Copper enters the 31 August–4 September week with a cautiously bullish bias. Falling LME and Chinese inventories, elevated cancelled warrants, persistent backwardation and strong US import flows continue to support nearby prices. However, high prices are limiting demand, while a stronger Dollar and rising expectations of a September Fed hike could restrict further upside.

Physical tightness continues to support prices, but macro and demand concerns are likely to keep volatility elevated.

Expected Weekly Range: 14,000 – 14,500 (Extension 14,750)

Bias: Bullish

Copper Chart



Price Action & Inventory

LME Lead 3M Forward closed last week at \$1,905/MT, up 0.21% WoW, while MCX lead C1 closed at ₹197.60/kg, up 0.87% WoW, and SHFE lead C1 closed at 16,170 yuan/mt, essentially flat at +0.15% WoW. LME traded within a \$1,894–1,919.5/MT range, the weekly high touched Thursday before Friday's pullback, the \$1,910–1,920 resistance zone tested for the fourth time in three weeks without a decisive close above it. LME Lead stocks fell 10,600 MT to 406,250 MT, though the cancelled warrant ratio held unchanged at 0.13, suggesting fresh withdrawal demand hasn't increased significantly even as metal leaves warehouses.

China's five-region social inventory also declined 6,400 MT to 69,300 MT, reflecting tighter regional supply amid smelter maintenance. Meanwhile, the LME Cash–3M contango narrowed from \$48.6/MT to \$32.2/MT, the tightest since early July, indicating some improvement in near-term market balance alongside the inventory draw.

Global Fundamentals & Supply-Demand

ILZSG data (released 26 Aug) showed global refined lead supply exceeded demand by 49,000 MT in H1 2026, with mine output down 3% and usage down 0.6%, softer demand continues to outweigh supply cuts, a challenge for sustained price strength. China's net refined lead imports surged to 190,000 MT from just 9,000 MT a year ago, as the reopened Shanghai/London import window reflects tight domestic scrap availability, though much of the imported material falls short of battery-grade specs, limiting its ability to replace tight primary supply.

Supply conditions tightened during the week, some smelters withdrew spot quotations while others raised premiums to 100–150 yuan/mt from 0–50 yuan/mt. Secondary lead operating rates recovered to 35–40%, though gains stayed limited amid ongoing losses and tight scrap availability, with several smelters raising purchase prices 50–100 yuan/mt to compete for feedstock. Demand remains the weaker side, battery consumption improved only modestly this peak season, with buyers sticking to just-in-time procurement.

Fund Positioning & Macro

Investment fund long positions fell 5,884 lots to 34,656 lots, while shorts declined 2,585 lots to 58,372 lots, longs down 15% WoW versus a 4% decline in shorts. On a YTD basis, longs are down 17.6% while shorts are up 44.6%, fund positioning remains bearish overall, despite the recent tightening in China's physical market, reflecting the contrast between short-term supply constraints and the broader global surplus outlook. On macro, China's Manufacturing PMI, released Monday (31 Aug), came in at 49.8, remaining below the 50 mark and keeping manufacturing demand concerns in focus, which could continue weighing on Lead and the broader base metals complex.

This week, markets watch the US ISM Manufacturing PMI on Tuesday (1 Sep) and US Nonfarm Payrolls on Friday (4 Sep), both likely to influence Fed policy expectations and Dollar direction, with implications for LME metals.

(Source: SMM & LME)

Outlook

The near-term setup has improved, with tighter supply in China and falling inventories providing support. However, Lead continues to face weak downstream demand, a global supply surplus, and bearish fund positioning, which could limit further upside.

Imports will also remain important to watch, as higher inflows could gradually ease the current domestic supply tightness and influence Lead's near-term price direction.

Expected Weekly Range: 1,885 – 1,930

Bias: Bullish

Lead Chart



Price Action & Market Structure

LME Nickel 3M Forward closed last week at \$16,770/MT, down 1.61% WoW, now down nearly 3% for August as high exchange stocks, weak Chinese demand and comfortable supply continue to weigh on the market. Nickel is still up slightly YTD, but the recent trend has clearly softened. The Cash-3M spread remained in contango at around \$158/MT, continuing to point to a well-supplied nearby market with no immediate signs of physical tightness.

LME inventories rose 0.8% in August to 268,314 MT, with around 258,336 MT on live warrant and cancelled warrants at just 10,026 MT, a cancelled-warrant ratio of only 3.74%, the low level of cancellations suggests limited appetite to take metal out of the exchange system.

Supply & Physical Market

Indonesian supply stays comfortable for now, smelters hold roughly two months of ore feedstock, keeping spot needs low, while improved sulphur availability has let some HPAL operations resume. The bigger picture is tighter, Indonesia's 2026 ore quota of 260-270 Mt sits well below 2025's 379 Mt, and though extra quotas could go to smelters facing shortages, the lower overall allocation remains supportive medium-term. Producer margins are also under pressure at current prices, further cuts, especially at higher-cost operations, could put a floor under the market. The physical market has softened through August, premiums narrowing as sellers compete harder on price, a sign the weakness extends beyond futures. Indonesia's planned mineral exchange remains a longer-term watch point for regional price discovery.

Demand & Macro

Demand remains the main concern. Chinese stainless-steel activity hasn't shown the usual seasonal improvement, with futures falling below CNY 14,000, while nickel sulphate demand is also subdued, with consumers largely avoiding aggressive spot buying.

The macro backdrop added further pressure, a stronger Dollar, higher US Treasury yields and cautious expectations for China's manufacturing activity weighed on the broader base-metals complex.

Outlook: The market tone remains bearish, but the downside is becoming more dependent on supply. High inventories, weak demand and comfortable near-term availability are likely to keep nickel under pressure. At the same time, Indonesia's lower ore quota and potential production cuts could limit a deeper decline. **| Expected Weekly Range: 16,700 – 17,300 | Bias: Sideways**

Nickel Chart



Price Action & Inventory

LME Zinc 3M Forward closed last week at \$3,879.5/MT, up 1.49% WoW from \$3,822.5/MT, while SHFE Zinc also moved higher, closing at 26,325 yuan/MT, up 1.46% WoW. Zinc traded in a volatile range during the week, moving toward \$3,950/MT before facing selling pressure near the highs, the broader trend nevertheless stayed positive, supported largely by tightening LME conditions, though some profit-taking emerged at elevated levels. The key driver was tight nearby availability on the LME, a sharply backwardated curve and rising cancelled warrants continued to indicate stronger demand for nearby metal. LME inventory was broadly unchanged, rising marginally from 97,875 MT to 97,950 MT, however cancelled warrants jumped sharply from 4,550 MT to 22,350 MT, pushing the cancelled ratio from 5% to 23%, indicating growing withdrawal interest and suggesting headline inventory alone doesn't fully reflect available metal in the system.

The Cash-3M backwardation also widened significantly, rising from \$131.06/MT to a peak of \$231.75/MT before easing to \$200.96/MT by Friday. Meanwhile, SHFE Zinc remained in contango, with comparatively comfortable inventory levels, reinforcing that current tightness stays more concentrated in the LME market than in China.

Global Balance & Supply-Demand

The global zinc market recorded a surplus of around 120kt in H1 2026, despite mine output falling 2.6%, as Chinese smelters increased refined production by 5.9% while global demand grew just 0.6%, a weaker market balance than ILZSG's April forecast, which had projected a small deficit for the full year. This highlights a clear divergence, near-term tightness supporting LME prices, while the broader global balance remains relatively comfortable. Global mine supply remained under pressure, with several overseas producers reporting lower zinc concentrate output in H1 2026 due to operational disruptions and lower ore grades, though domestic Chinese production stayed comparatively resilient, helping offset some of that overseas weakness.

On the demand side, downstream activity remained subdued through August, high prices kept buyers cautious, with procurement largely focused on immediate requirements, the market will now watch September to see whether seasonal recovery improves consumption.

Fund Positioning & Macro

Investment fund longs rose to 113,752.17 lots, up 3,440.30 lots WoW (+3%), while shorts increased to 58,774.28 lots, up 3,888.57 lots WoW (+7%). On a YTD basis, longs are up 75.36% while shorts have risen 45.66%, keeping overall positioning supportive despite the rise in shorts. On macro, China's Manufacturing PMI, released Monday (31 Aug), came in at 49.8, remaining below the 50 mark and keeping manufacturing demand concerns in focus, which could continue to weigh on Zinc and the broader base metals complex.

This week, markets watch the US ISM Manufacturing PMI on Tuesday (1 Sep) and US Nonfarm Payrolls on Friday (4 Sep), both likely to influence Fed policy expectations and Dollar direction, with implications for LME metals.

Outlook

Zinc remains supported by tight nearby availability, reflected in the sharp backwardation and the significant increase in cancelled warrants. Fund positioning also remains constructive, supporting the broader trend. However, weak downstream demand and a relatively comfortable broader supply-demand balance could limit the pace of further gains, the market may see some consolidation around current elevated levels while traders assess whether physical tightness continues into the coming week.

Expected Weekly Range: 3,750 – 3,950 (Extension 4,070)

Bias: Bullish

Zinc Chart



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CONTACT US

Bluglance Consulting Pvt. Ltd.

- ✉ agayan@bluglance.com | commodity@bluglance.com
- ☎ +91 81319 94848 | +91 8876 557797
- 🌐 www.bluglance.com
- 📍 Mumbai & Hyderabad, India



@Bluglance Consulting Private Ltd

