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Weekly Base Metals Insights

23rd to 27th Nov, 2026

Bluglance Consulting Pvt. Ltd.

Commodity Market Intelligence



Last Week at a Glance

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Aluminium

Down 6.15% WoW, Close Price $2,825/MT; Cash-3M backwardation surged to $335/t despite sharp forward correction; combined exchange stocks fell to ~344,130t; SHFE stocks declined ~9,450t to 119,223t; Oct imports down 27% YoY.

Copper

Down 9.25% WoW, Close Price $12,160/MT; sharpest weekly decline across base metals; 30,000–80,000t of US-held metal potentially heading to Asia; SHFE inventories at ~30,000t; cancelled warrants in Asian warehouses doubled WoW; Yangshan premiums elevated.

Lead

Down 2.53% WoW, Close Price $1,846/MT; smallest decline across base metals; LME stocks fell 21,825t to 261,525t; SHFE stocks at 9,270t; Cash-3M contango widened to -$37/t; Oct refined imports surged 207% MoM.

Zinc

Down 5.55% WoW, Close Price $3,504/MT; combined exchange stocks fell ~9,415t to 257,268t; concentrate TCs still deeply negative at -RMB 2,350/t; Cash-3M backwardation at ~$139/t; Chinese smelter restarts may ease refined supply.

Nickel

Down 3.45% WoW, Close Price $15,434/MT; Lygend planning 50% output cut from Dec 1; Huayou, Harita, Tsingshan also considering reductions; LME stocks rose 2,460t to 275,184t; contango narrowed to $180/t; Anglo American's Brazilian ferronickel ops at risk.

Key Events

Core PCE (Wed 25 Nov) is the week's biggest event, survey 3.20% vs prior 3.10% — Fed's preferred inflation gauge ahead of Dec meeting. US GDP Q3 and Durable Goods also Wed. US PMIs (Mon) survey 54.5/55.6. Thanksgiving (Thu-Fri) may thin liquidity and amplify moves.

Economic Calendar

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23rd to 27th Nov

Monday, 23rd Nov

20:15 | US S&P Global Services PMI (Nov) – Survey: 55.6 | Prior: 56.1
20:15 | US S&P Global Manufacturing PMI (Nov) – Survey: 54.5 | Prior: 54.9

Tuesday, 24th Nov

02:30 | US FOMC Member Williams Speaks
20:30 | US CB Consumer Confidence (Nov) – Survey: 92.1 | Prior: 91.7

Wednesday, 25th Nov

19:00 | US Core PCE Price Index YoY (Oct) – Survey: 3.20% | Prior: 3.10% –
KEY EVENT OF THE WEEK
19:00 | US GDP QoQ (Q3) – Survey: 3.40% | Prior: 3.40%
19:00 | US Durable Goods Orders MoM (Oct) – Survey: 0.00% | Prior: 1.90%
19:00 | US Initial Jobless Claims – Survey: 201K | Prior: 203K

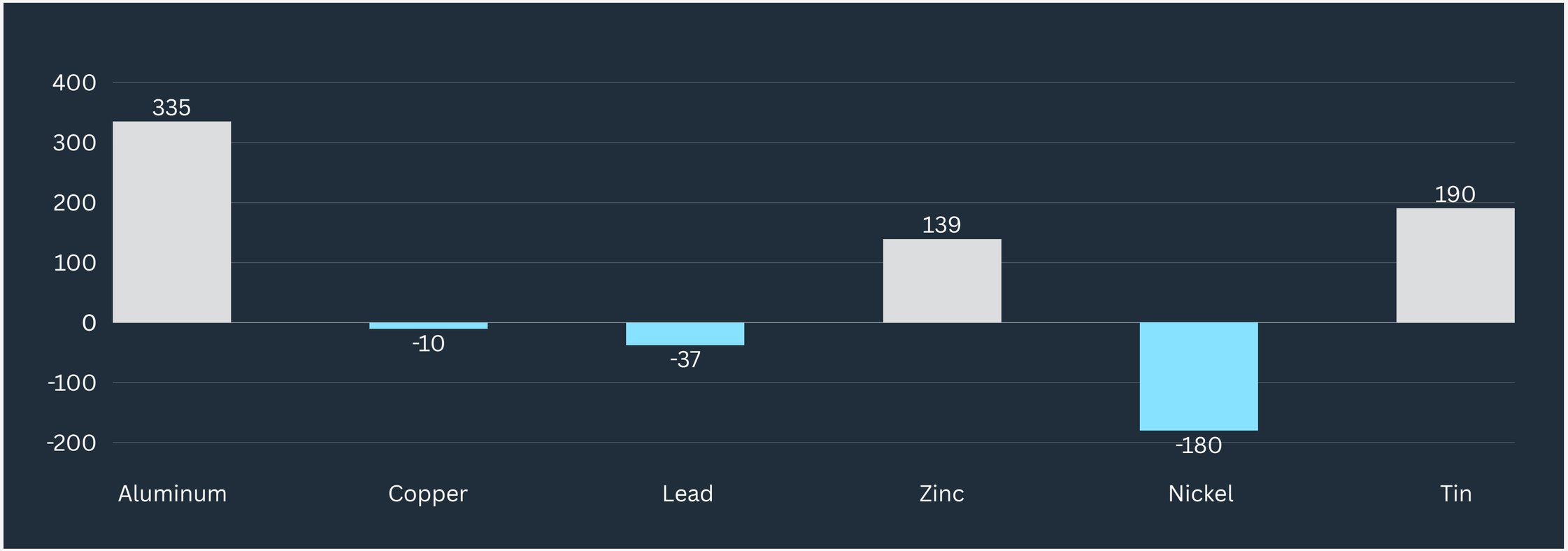
Thursday, 26th Nov

Holiday | US Thanksgiving Day

Friday, 27th Nov

Holiday | US Thanksgiving Day (early close at 13:00)
19:00 | US Goods Trade Balance (Oct) – Survey: -$134.40B | Prior: -$135.08B

LME Base Metals: Cash-3m Spread Snapshot



Source: Bloomberg, 3 Month Forward price of LME

(-) number denotes Contango and (+) Backwardation

Note: Three of six base metals remain in backwardation, led by Aluminium ($335), which nearly doubled WoW on concentrated warrant positions ahead of settlement. Zinc backwardation widened to $139 from $97. Copper flipped to contango (-$10) from $141 backwardation, a sharp reversal. Lead (-$37) and Nickel (-$180) remain in contango. Tin backwardation eased sharply to $190 from $671.

Performance Snapshot: All Metals

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Asset	Nov 20, 2026	Nov 13, 2026	WoW %	YTD %
Dollar Index (DXY)	103.84	103.4	0.43%	5.22
Copper	12,160	13,399	-9.25%	7.34
Aluminium	2,825	3,010	-6.15%	0.43
Lead	1,846	1,894	-2.53%	-5.56
Zinc	3,504	3,710	-5.55%	18.68
Nickel	15,434	15,985	-3.45%	-4.57

LME Weekly Market Range (23rd to 27th Nov, 2026)

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Asset	Weekly Closing (USD)	Expected Weekly Range (USD)	Directional View
Dollar Index (DXY)	103.84	102.75–104.00	Mildly bullish; correction risk at upper range
Copper	12,160	11,700–12,400/12,700	Highly volatile
Aluminium	2,825	2,750–2,955	Short covering from lower zone
Lead	1,846	1,837–1,872	Range-bound; breakdown risk below 1,837 (support 1,790)
Zinc	3,504	3,400–3,650	Range-bound with negative bias
Nickel	15,434	15,000–15,750	Range-bound expectation

Aluminum

Sharp Forward Price Correction Contrasts with Persistent Physical Market Tightness

Aluminium prices witnessed a sharp correction last week amid a broad-based sell-off across industrial metals and weakness in global equity markets. LME three-month aluminium declined by more than 6% week-on-week to close around $2,847/MT, while MCX aluminium corrected approximately 3% to settle near ₹317/kg. SHFE aluminium futures closed around CNY 22,200/MT. The relatively smaller decline in MCX was largely supported by the Indian rupee, which appreciated more than 1.6% against the US dollar to close below ₹92.70, cushioning the impact of international price weakness.

Despite the sharp correction in forward prices, nearby physical tightness remains a significant feature of the aluminium market. LME cash aluminium closed at $3,182/MT against the three-month forward price of $2,847/MT, keeping the cash-to-three-month backwardation elevated at $334.5/MT compared with $311.1/MT previously. On MCX, the first-to-second-month backwardation widened to ₹4.60/kg from ₹3.65/kg, while the corresponding SHFE spread increased to CNY 615/MT from CNY 495/MT.

Source: SMM, Bloomberg & Bluglance Consulting Research

The widening spreads indicate that immediate metal availability remains constrained, even as forward prices face considerable selling pressure. This divergence highlights the difference between near-term physical market tightness and the increasingly cautious outlook for forward demand and pricing.

China continues to provide an important fundamental cushion. SHFE aluminium inventories declined by approximately 9,450 tonnes to 119,223 tonnes, indicating continued inventory withdrawals. Meanwhile, October primary aluminium imports declined 27% year-on-year to approximately 181,000 tonnes, taking cumulative imports during January–October to 2.011 million tonnes, down 9% year-on-year. Elevated nearby premiums and import costs have reduced the attractiveness of overseas metal, potentially moderating incoming shipments.

Combined LME, SHFE, MCX and CME warehouse inventories declined to approximately 344,130 tonnes. LME stocks stood at 223,525 tonnes, while SHFE inventories declined to 119,223 tonnes. Continued exchange stock drawdowns and elevated backwardation reinforce the tightness in immediately deliverable metal, although expectations of additional global production capacity remain a medium-term concern.

Aluminum

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The macroeconomic environment, however, remains challenging. Persistent US inflation, expectations of restrictive Federal Reserve policy and a relatively stronger dollar are weighing on industrial metals. The Dollar Index is trading around 104, while weakness in global equities has triggered broader liquidation across commodity markets.

These developments could keep speculative positioning defensive, particularly if upcoming US economic releases reinforce expectations of tighter monetary conditions. The appreciation in the Indian rupee has provided some protection to domestic aluminium prices, although further currency movements will remain important for MCX valuations.

Markets will closely monitor US Manufacturing and Services PMIs, followed by Wednesday's Core PCE inflation, Q3 GDP, Durable Goods Orders and Initial Jobless Claims. Core PCE is forecast at 3.2% year-on-year against 3.1% previously. Thanksgiving and the early US market close could also result in thinner trading liquidity and potentially exaggerated price movements.

Weekly Perspective

We maintain a cautious near-term outlook on aluminium, with the sharp correction in LME three-month prices reflecting deteriorating macroeconomic sentiment and broader liquidation across industrial metals. However, low exchange inventories and elevated nearby backwardation suggest that the physical market remains relatively tight, potentially limiting the extent of further downside.

For the coming week, LME aluminium is expected to trade within $2,750–2,955/MT, while MCX aluminium may remain within ₹305–326/kg. Short-covering from the lower end of the range is possible, although sustained recovery will require improvement in broader risk sentiment. LME forward price movements, physical spreads and USD/INR will remain the key drivers for domestic aluminium.

Expected Weekly Trading Range: $2,750–2,955
Bias: Short covering from lower zone

Aluminum Chart

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Copper

A Critical Phase Ahead: US–China Metal Flows, Tightening Shanghai Supplies and Macroeconomic Uncertainty

Copper is entering a particularly interesting phase, with the market increasingly driven by the geographical imbalance of inventories between the United States and China. While Shanghai is experiencing tightness in nearby metal availability, the US continues to hold substantial quantities of copper accumulated on expectations of potential import tariffs. The next few weeks could prove critical in determining how these metal flows reshape regional premiums and exchange spreads.

US–China Copper Flows: The Changing Dynamics

The potential movement of approximately 30,000–80,000 MT (our estimates) of copper from the US towards Asia before January could significantly alter the regional supply dynamics. Although this volume is relatively small in the context of global copper consumption, it is substantial compared with SHFE registered inventories of approximately 30,000 MT.

Source: SMM, Bloomberg & Bluglance Consulting Research

The key consideration is the economics and timing of shipping

- **US West Coast:** Copper can potentially reach Asia at approximately $100/MT above LME, with shorter transit times.
- **US Gulf and East Coast:** Shipping economics are less attractive, requiring approximately $200/MT above LME and six to eight weeks of transit.
- At current elevated Yangshan premiums, selling US-held metal into China appears commercially attractive. However, the biggest risk is a decline in Chinese premiums during transit. If Yangshan premiums weaken before the cargoes arrive, the expected arbitrage could disappear, leaving traders with metal committed to a destination where the economics have materially deteriorated.

Yangshan Premium and Shanghai Nearby Spreads Under Pressure

The incoming US copper shipments are likely to impact Shanghai's nearby spreads and Yangshan import premiums more directly than outright LME prices.

A particularly important development is the increase in cancelled LME warrants in Asian warehouses, which have reportedly doubled within a week, while cancellations in US warehouses remain relatively subdued.

This suggests that metal movements out of Asian LME warehouses are gaining momentum, whereas substantial quantities of US-held metal have yet to begin moving.

Copper

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Consequently, the market could experience two opposing forces

- Near-term tightness in Shanghai as existing inventories remain constrained.
- Increasing supply pressure as West Coast shipments begin arriving between late December and January.
- We should therefore expect considerable volatility in Yangshan premiums and SHFE nearby spreads, with every shipment-related development potentially influencing the market.

US Tariff Policy: A Critical Variable: US tariff policy remains an important determinant of global copper flows. The continuation of refined copper tariff protection could discourage exports from the US, keeping metal within domestic warehouses.

Conversely, any relaxation or removal of tariff-related restrictions could encourage a gradual movement of US-held copper towards international markets, including Asia.

The West Coast route is likely to be the first beneficiary because of its relatively favourable shipping economics, while Gulf and East Coast shipments could follow depending on arbitrage profitability.

Macroeconomic Environment: Risk-Off Sentiment

Beyond physical copper fundamentals, the macroeconomic environment has become increasingly challenging. Global equity markets have witnessed aggressive selling amid concerns surrounding elevated AI valuations, crowded investment positions and broader financial market uncertainty.

Meanwhile, US 10-year Treasury yields have moved above 5%, while the US Dollar Index is approaching 104, creating additional headwinds for commodities.

The resulting risk-off sentiment has triggered widespread de-risking across equities, currencies and commodity markets. Aggressive unwinding of speculative positions and retail participation in short-selling have further amplified market volatility.

However, any eventual stabilization in financial markets, supported by a change in Federal Reserve policy expectations or renewed liquidity measures, could help restore confidence. A Fed stimulus package should not be assumed, but monetary policy developments will remain important for market direction.

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Perspective and Strategy

Copper is likely to remain volatile through the remainder of November, with the interaction between physical tightness in China and potential US-origin supply becoming increasingly important.

Our assessment is that the market is transitioning from a straightforward price-driven narrative to a more complex structure-driven environment.

Key factors to monitor

- Actual US copper export volumes towards China.
- SHFE inventory movements and nearby spreads.
- Yangshan premium sustainability and import arbitrage.
- Cancelled warrants across Asian and US LME warehouses.
- Developments in US refined copper tariff policy.
- US Treasury yields, Dollar Index and broader risk sentiment.

Weekly Perspective

The immediate outlook remains cautious, with further volatility and potential downside pressure possible as financial markets continue to unwind crowded positions. However, the underlying physical tightness in China should not be ignored. Any stabilisation in macroeconomic sentiment, combined with sustained Chinese demand and limited immediately available metal, could provide support to copper.

The strategy should be to avoid panic-driven decisions, closely monitor physical premiums and inventory movements, and remain disciplined on exposure. The next few weeks could be decisive in establishing whether the current correction develops into a deeper structural adjustment or presents an opportunity for the market to stabilize and recover.

Expected Weekly Range (USD): $11,700–12,400/12,700
Bias: Highly volatile

Copper Chart

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Lead

Relative Resilience Amid Broad-Based Base-Metals Weakness

Lead prices remained under pressure during the week, although the metal demonstrated relative resilience compared with the broader base-metals complex. According to comparative market performance data, Lead declined 2.53% WoW to around $1,846/MT, recording a comparatively modest decline against Copper, which fell sharply by 9.25%. Aluminium, Zinc and Nickel also registered losses of 6.15%, 5.55% and 3.45%, respectively.

The comparatively smaller decline in Lead highlights the influence of its underlying supply-side constraints, particularly continued LME inventory drawdowns and tight availability in China's physical market. However, this resilience has not translated into a sustained price recovery, as weak downstream consumption and deteriorating macroeconomic sentiment continue to weigh on the market.

In the LME market, Lead 3M closed at $1,841.50/MT on 20 November, compared with $1,893.50/MT in the previous week, registering a 2.75% decline. SHFE Lead C1 declined 1.46% WoW to ¥15,865/MT, while the C2 contract weakened more sharply by 3.86% to ¥15,450/MT.

Source: SMM, Bloomberg & Bluglance Consulting Research

Base-Metals Performance and Market Structure

The broader sell-off across base metals was led by Copper, which declined 9.25% WoW, reflecting weaker risk appetite, concerns over Chinese industrial demand and broader macroeconomic pressure. Aluminium fell 6.15%, followed by Zinc at 5.55% and Nickel at 3.45%.

Lead's relatively smaller decline suggests that its market dynamics are being influenced by factors beyond the broader macroeconomic sell-off. Persistent inventory withdrawals and tighter physical availability have provided some downside support, although the weakening forward structure indicates that immediate supply tightness is not uniform across the market.

The LME Cash-3M contango widened from $29.90/MT to $36.80/MT during the week. This indicates that cash prices weakened relative to three-month prices, suggesting limited immediate buying pressure despite the decline in exchange inventories.

Lead

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Exchange Inventories and Spreads

LME Lead inventories recorded a substantial weekly drawdown of 21,825 MT, falling from 283,350 MT on 13 Nov to 261,525 MT on 20 Nov. The continued withdrawal of metal from LME warehouses remains a supportive underlying factor.

SHFE inventories also declined marginally by 194 MT to 9,270 MT. In contrast, MCX warehouse stocks increased by 159.10 MT to 567.89 MT, indicating higher reported domestic exchange availability.

The divergence between falling LME and SHFE inventories and rising MCX stocks suggests that regional inventory conditions remain uneven. Furthermore, the widening LME Cash–3M contango indicates that exchange stock drawdowns have not translated into a stronger nearby pricing structure.

China: Import Availability and Weak Downstream Consumption

China's refined Lead market continues to face pressure from higher import availability and subdued downstream demand. Refined Lead imports surged 207% MoM to 29,514 MT in October, with India, South Korea and Russia accounting for approximately 84% of total imports. The increase in imported metal has added to domestic availability, although the Market expects Nov imports to moderate as import arbitrage narrows and seasonal demand weakens.

Demand from the lead-acid battery sector remains subdued, with downstream buyers maintaining cautious procurement and limiting purchases to immediate requirements. The seasonal off-season, alongside the impact of e-bike certification requirements and production adjustments, has further affected downstream activity.

Secondary Lead market conditions also remain mixed. Transactions have been limited, with some regional deals reported at discounts of around ¥20/MT. Finished-product inventories increased by approximately 560 MT to 9,500 MT, while secondary-smelter profitability moderated to around ¥469/MT for large-scale producers and ¥317/MT for small and medium-sized producers.

The combination of weak battery demand, higher refined-metal imports and secondary-lead availability continues to constrain the scope for a sustained recovery in Chinese prices.

Concentrate Supply and Smelter Economics: Despite weakness in refined Lead prices, the concentrate market remains relatively tight. Lead concentrate treatment charges stayed at deeply negative levels during the week, with domestic Pb50 TCs at -¥150/MT and imported Pb60 TCs at -$215/DMT.

Lead

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The persistence of negative treatment charges reflects limited concentrate availability and continued pressure on primary smelter economics. Weak sulphuric acid and other by-product prices have also constrained smelter margins, limiting the scope for a meaningful improvement in concentrate treatment charges.

This supply-side constraint remains an important factor supporting Lead relative to other base metals, although its impact on refined prices is being offset by weak downstream consumption.

Macro Environment and Economic Events: The US Dollar Index strengthened 0.43% WoW to 103.84, with hawkish Fed signals and expectations of further rate hikes weighing on base-metals sentiment. Meanwhile, the rupee appreciated to 92.70 against the dollar, potentially reducing the landed cost of imported metals and limiting MCX price gains.

This week, markets will focus on US Manufacturing and Services PMIs, followed by Wednesday's Core PCE inflation, Q3 GDP and jobless claims. Core PCE is forecast at 3.2% YoY, against 3.1% previously. These releases could influence Fed expectations, dollar movements and broader commodity sentiment. Thanksgiving-related market closures may also result in thinner liquidity towards the end of the week.

Weekly Perspective

Lead's relative resilience during the week reflects the support provided by continued LME inventory withdrawals and tight concentrate availability, which have helped cushion prices against the broader base-metals sell-off. However, the underlying refined-metal market remains constrained by weak Chinese battery demand, higher import availability and subdued secondary-lead transactions.The widening LME Cash–3M contango is also an important signal, indicating that inventory drawdowns have not translated into stronger nearby market conditions. Consequently, the current resilience appears to be driven more by supply-side constraints than by a meaningful improvement in consumption.

Directional Bias: Lead is likely to remain vulnerable to macroeconomic pressure and weak downstream demand, although continued inventory drawdowns and tight concentrate availability may limit further losses. Prices are expected to trade within a range of $1,837–1,872/MT, with a sustained break below $1,837/MT potentially exposing the next support near $1,790/MT. The near-term bias remains rangebound.

Expected Weekly Range (USD): $1,837–1,872
Bias: Range-bound; breakdown risk below 1,837 (support 1,790)

Lead Chart

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Nickel

Nickel Prices Slip as Weak Chinese Buying and Macro Headwinds Offset Emerging Indonesian Supply Constraints

Nickel prices remained under pressure during the week, as emerging supply-side concerns failed to offset weakness in downstream demand and the broader macroeconomic environment. Expectations of tighter Indonesian mining quotas and potential production cuts among major producers provided some underlying support. However, elevated exchange inventories and subdued procurement activity in China continued to weigh on the market. The inability of nickel prices to sustain their mid-week recovery reflects the continued dominance of weak demand and ample material availability over emerging supply concerns. As a result, the market has yet to see sufficient evidence of a tightening in fundamentals to support a sustained price recovery.

LME three-month nickel settled at $15,434/MT, declining approximately 3.45% week-on-week. December nickel futures on SHFE settled at ¥116,780/MT, down 3.51%, while MCX December nickel closed at ₹1,435/kg, registering a 5.84% decline.

Inventory and Spread Analysis

Exchange inventories showed divergent movements during the week. LME stocks increased by 2,460 MT to 275,184 MT, with cancelled warrants at approximately 5.69% and live warrants at 259,530 MT.

Source: SMM, Bloomberg & Bluglance Consulting Research

The LME cash-to-three-month contango narrowed from $196/MT to $180/MT, indicating a modest easing in the forward surplus structure. Meanwhile, MCX December–January contango widened from ₹22.80/kg to ₹24.10/kg, while SHFE's contango stood at approximately ¥150/MT.

The divergence in inventory movements across exchanges highlights differing regional stock trends. However, the increase in LME inventories, along with 259,530 MT of live warrants, indicates that a substantial volume of nickel remains available for delivery. Combined visible inventories across LME, SHFE and MCX remained elevated at around 380,000 MT, suggesting that despite the decline in SHFE stocks and marginal increase in MCX inventories, overall availability continues to weigh on the market and limit the potential for a sustained price recovery.

Supply-Side Developments

The Indonesian supply outlook remains a key source of uncertainty for the nickel market, with expectations of tighter 2027 RKAB mining quotas keeping future ore availability in focus. Additionally, the proposed requirement for the state to receive at least 70% of the benefits from mining permits has introduced uncertainty around the economics of mining operations and future investment decisions. The actual impact on physical supply will depend on the final policy framework, quota allocations and implementation.

Nickel

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At the producer level, reported output adjustments have added to expectations of a tighter supply environment. Lygend is reportedly planning a 50% production reduction from 1 December, while Huayou, Harita and Tsingshan are also reported to be considering output reductions during the coming year. If implemented, these measures could gradually affect the availability of nickel intermediates and feedstock. However, the impact on refined nickel supply may not be immediate, as existing inventories and intermediate stocks could cushion the initial effect. The market will therefore need to see actual production reductions and a corresponding tightening in material availability before these developments can provide stronger price support.

Brazilian Ferronickel Operations: Potential Supply Disruption

Separately, Anglo American's proposed sale of its Brazilian Barro Alto and Codemin ferronickel operations to MMG faces scrutiny from the European Commission. Anglo American has indicated that the assets could be placed under care and maintenance, with closure as a potential outcome, if the transaction is blocked. The two operations produced approximately 39,700 tonnes of nickel content in 2025. Any disruption would primarily affect ferronickel availability and stainless steel supply chains rather than representing an equivalent reduction in refined nickel supply. Nevertheless, the development introduces an additional supply risk, particularly for European stainless steel producers dependent on these operations.

China's Stainless Steel Procurement and NPI Market

China's downstream nickel market remained subdued during the week, largely reflecting the completion of raw material procurement by stainless steel mills for December. With immediate requirements largely covered, fresh buying interest in the NPI market weakened, keeping spot transactions limited and largely restricted to essential requirements. Despite relatively firm producer offers, the lack of active participation from downstream mills has restricted further improvement in NPI market activity.

With the current procurement cycle largely completed, the pace of subsequent restocking will be an important indicator of demand recovery. Until mills return with fresh purchasing requirements, NPI transactions are likely to remain subdued, limiting the extent to which downstream consumption can absorb available nickel units. This weak procurement environment has also reduced the market's ability to respond to emerging supply constraints, leaving prices vulnerable to the existing inventory overhang.

Nickel

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Global Market and Macroeconomic Developments

The global macroeconomic environment remained challenging for industrial metals. October US Producer Price Index (PPI) data and the Federal Reserve's October meeting minutes reinforced expectations that monetary policy could remain restrictive for an extended period. Weakness in technology-led equities also contributed to risk aversion across financial markets, while the US Dollar Index strengthened by approximately 0.44% to 103.86, adding pressure to dollar-denominated commodities. Meanwhile, US 10-year Treasury yields remained above 5%, reflecting elevated borrowing costs and reinforcing tight financial conditions. Together, a stronger dollar, high yields and cautious investor sentiment limited the scope for a recovery in industrial metals.

Key Macro Indicators to Watch

Key US releases include Flash Manufacturing and Services PMIs, Consumer Confidence, Core PCE inflation, the second estimate of Q3 GDP, Durable Goods Orders and Initial Jobless Claims. These indicators will provide fresh signals on economic growth and inflation, influencing expectations for Federal Reserve policy and the US dollar. The Federal Reserve's Beige Book will also be in focus. US markets will be closed on 26 November for Thanksgiving and will close early on 27 November, potentially resulting in thinner liquidity.

Weekly Perspective

LME nickel is expected to remain range-bound within $15,000–$15,750/MT in the near term. Elevated exchange inventories and subdued Chinese stainless steel procurement are likely to limit upside momentum, while Indonesian quota uncertainty and reported producer cuts may provide underlying support. A sustained move towards the upper end of the range would require clearer evidence of actual production reductions and an improvement in downstream buying activity. Conversely, a break below $15,000/MT could expose prices to further downside pressure.

The market's direction will largely depend on whether emerging supply-side adjustments translate into tighter physical availability and whether Chinese stainless steel mills resume fresh procurement. Until these developments become more evident, the combination of elevated inventories and cautious downstream demand is likely to keep nickel prices within the stated range.

Expected Weekly Range (USD): $15,000–15,750
Bias: Range-bound expectation

Nickel Chart

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Zinc

Recovering Refined Supply and Macro Headwinds Offset Tight Physical Market Conditions

Zinc prices remained under pressure last week, tracking weakness across industrial metals amid heightened macroeconomic uncertainty and a broad-based sell-off in global equities. LME three-month zinc declined 5.5% week-on-week to close at $3,504/MT, while LME cash zinc settled at $3,632/MT. SHFE zinc futures closed at CNY 24,020/MT, while MCX zinc futures settled at ₹387.85/kg, declining nearly 4% during the week. The correction reflects deteriorating risk appetite, dollar strength and concerns surrounding the outlook for global industrial demand.

Despite the weakness in outright prices, nearby physical market conditions remain relatively tight. LME cash zinc maintained a substantial premium over the three-month contract, with backwardation remaining elevated at approximately $139/MT. On MCX, the near-to-next-month backwardation stood at ₹17.25/kg, highlighting considerable tightness in the domestic nearby contract structure. These elevated spreads indicate that immediate metal availability remains constrained despite the correction in forward prices. However, MCX zinc continues to trade approximately $350/MT above import parity, making domestic prices relatively expensive compared with international replacement costs. This substantial premium could discourage fresh import interest, restrict incremental buying and limit the potential for domestic price recovery.

Source: SMM, Bloomberg & Bluglance Consulting Research

China remains central to the evolving zinc supply outlook, particularly at the concentrate and refined metal levels. Persistent concentrate shortages continue to pressure smelter economics, with imported zinc concentrate treatment charges falling to deeply negative levels. Seasonal mine shutdowns in northern China and winter stockpiling requirements are adding to raw material procurement challenges. However, the resumption of operations at several Chinese smelters is expected to increase refined zinc production during November, potentially offsetting some of the supply constraints at the concentrate level. This divergence between tightening raw material availability and recovering refined metal output remains an important consideration. Higher refined production could gradually improve metal availability even as concentrate procurement conditions remain challenging.

Exchange inventory movements provide some fundamental support. Combined LME, SHFE and MCX inventories declined by approximately 9,415 tonnes to 257,268 tonnes. LME stocks fell to 145,675 tonnes, while SHFE inventories declined sharply to 112,776 tonnes. The continued drawdown in exchange inventories suggests that physical availability remains relatively constrained, potentially limiting aggressive downside movements. Nevertheless, improving Chinese refined production could moderate the supportive impact of inventory withdrawals if additional output begins entering the exchange and commercial warehouse system.

Zinc

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The macroeconomic environment remains challenging, with persistent US inflation, expectations of restrictive Federal Reserve policy and a stronger dollar weighing on industrial metals. The Dollar Index is trading around 104, while weakness in global equities has triggered broader liquidation across commodity markets. The Indian rupee's appreciation has provided some cushion to domestic zinc prices, although the substantial import-parity premium remains a constraint.

Markets will closely monitor US Manufacturing and Services PMIs, followed by Wednesday's Core PCE inflation, Q3 GDP, Durable Goods Orders and Initial Jobless Claims. Core PCE is forecast at 3.2% year-on-year against 3.1% previously. Thanksgiving and the early US market close could also result in thinner trading liquidity and increased price volatility.

Weekly Perspective

We maintain a range-bound to bearish outlook on zinc for the coming week. Dollar strength, recovering Chinese refined production and subdued global risk appetite are likely to restrict sustained upside attempts. However, declining exchange inventories, deeply negative concentrate treatment charges and elevated nearby backwardation could provide a cushion against aggressive selling. LME zinc is expected to trade within $3,400–3,650/MT, while MCX zinc may remain within ₹365–400/kg.

The substantial domestic import-parity premium also warrants caution when assessing MCX recovery potential. Physical spreads, Chinese smelter production and movements in USD/INR will remain important determinants of the next directional move.

Expected Weekly Range (USD): $3,400–3,650
Bias: Range-bound with negative bias

Zinc Chart

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