

Commodity Morning View

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Index

• Key points	2
• Macro	2
• Base metals	3
• Bullions	4
• Energy	5

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Base metals advances on AI related demand optimism

Key Points

- Gold/Silver rallies on geo-political risk
- Aluminium drives on rise in substitution demand
- LME Copper hits fresh high
- Crude oil retreats on supply glut concerns
- US economic data in focus

Events to Watch

Data	Country	Event	Time	Previous	Forecast
07-Jan	GE	HCOB Germany Construction PMI	14:00	45.2	--
07-Jan	US	ADP Employment Change	18:45	-32k	48k
07-Jan	US	ISM Services Index	20:30	52.6	52.3
07-Jan	US	ISM Services New Orders	20:30	52.9	--
07-Jan	US	JOLTS Job Openings	20:30	7670k	7679k
07-Jan	US	Factory Orders	20:30	0.20%	-1.10%
07-Jan	US	Durable Goods Orders	20:30	-2.20%	-2.20%
07-Jan	US	Cap Goods Orders Nondef Ex Air	20:30	0.50%	--

Macro

- US stocks closed at a new record high on Tue amid optimism over the AI-led rally and expectations of a further easing in monetary policy from the US Fed. The S&P 500 finished up 0.6% to top a closing high hit in late Dec, while the tech- heavy Nasdaq climbed 0.6% and the small-cap focused Russell 2000 notched a 1.4% gain. The Dow gained 1% overnight.
- The US 2Y and 10Y yields edged up 1bp to 3.46% and 4.17% respectively. The German 10Y yield fell 3bp to 2.84%. The UK 10Y yield also dropped 3bp to 4.48%.
- Brent crude oil prices fell 1.7% to USD60.70 and erased all the gains made on Monday as the market weighed expectations of ample global supply this year against uncertainty around Venezuelan crude output. Gold gained 1% to USD4,495.
- Gold climbed more than 1% to close just a touch below the USD4,500/oz mark as the rally in precious metals extended, while silver rose 6%. The metal's dizzying 177% climb since the start of 2025-including 15% this year- bring the ratio to around a 13-year low of about 55. Sentimentally positive for gold load stocks.
- Geopolitical tensions are likely to remain elevated. As President Trump said that he won't rule out the use of military force to acquire Greenland. This may ramp up tension with fellow NATO member Denmark. Medium to long term positive for Gold.

- Focus now turns to the US Supreme Court, which has designated Friday as an opinion day, marking the earliest opportunity for a ruling on President Trump's global tariffs. A potential strike-down of IEEPA-based tariffs could revive fiscal concerns and temporarily pressure the USD.
- Data watch: US Dec's ADP employment change (est. 50k vs. -32k prior), Dec's ISM services index (est. 52.2 vs. 52.6 before), Nov's JOLTS job openings (est. 7,648k vs. 7,670k in Oct), Oct's factory orders (est. -1.2% vs. 0.2% in Sep), and Oct's final durable goods orders (est. unchanged at -2.2%).

Base metals

- Base metals had a broader rally on Tuesday and have seen a very strong start to 2026, with the LMEX Index that tracks the main six including copper surging to the highest level since March 2022, however metals are showing some weakness with copper down to \$13,181.50 a metric ton, aluminum declines 0.2%, nickel sheds 0.9%, and lead is off 0.4%
- Three-month futures surged as much as 3.1% to a record \$13,387.50 a ton on the London Metal Exchange on Tuesday, surpassing the peak set on Monday. Expectations that the Trump administration may introduce a tariff on refined metal have drawn huge volumes of inventory into the US, potentially leaving the rest of the world short as miners struggle to boost output.
- Global aluminum prices have moved 14% in last three months as higher copper prices have made industry switch for cheap alternatives, which could drive aluminum demand and prices this year. The global market remains in balance but could swiftly drift into deficit in 2026.
- LME Zinc trades around \$3200 but we expect prices to correct as Zinc supplies are expected to remain positive in 2026, while China's exports to European markets have jumped in last two months which has resulted in LME spread trading in discount, indicating a healthy supply.

Base Metals Monitor

Exchange	Commodity	Expiry	6-Jan-26	Daily Change	Daily % Change	5-Jan-26
LMEX	LMEX	-	5411	119	2.25%	5292
LME	Aluminium (\$)	-	3129	44	1.43%	3085
LME	Copper (\$)	-	13238	247	1.90%	12991
LME	Lead (\$)	-	2076	53	2.62%	2023
LME	Nickel (\$)	-	18524	1521	8.95%	17003
LME	Zinc (\$)	-	3251	56	1.75%	3195
MCX	Aluminium	Jan	315.2	8.85	2.89%	306.35
MCX	Copper	Jan	1336	23	1.75%	1313
MCX	Lead	Jan	195	10.55	5.72%	184.45
MCX	Nickel	Jan	1332	0	0.00%	1332
MCX	Zinc	Jan	315.7	5.15	1.66%	310.55

Outlook: The higher base metals prices of last six months, poses a risk of surging inflation in coming months that could turn the tap off on the easy monetary policies and adversely affect the global expansion affecting base metals demand. The long-term fundamental remains supportive by the supply constraints from mining disruptions and capacity shutdowns but we expect demand to face challenged in Q1-2026. The recent rally appears overstretched and ahead of real demand trends, signalling a likely correction in Q1 2026 as markets recalibrate to revised fundamentals

Bullions

Bullion Daily Change

Exchange	Commodity	Expiry	6-Jan-26	Daily Change	Daily % Change
Comex	Gold (\$)	Spot	4494	45	1.01%
Comex	Silver (\$)	Spot	81.27	4.72	6.17%
MCX	Gold	Feb	139040	892	0.65%
MCX	Silver	Mar	258000	11865	4.82%
Ratio	Goldsilver ratio	-	55.30	-2.82	-4.86%
Rupee	USDINR	-	90.120	-0.14	-0.16%
Dxy	Dollar Index	-	98.58	0.31	0.32%
Bond	US-10 T.Yield	-	4.17	0.01	0.24%

- Gold climbed more than 1% to close just a touch below the USD4,500/oz mark as the rally in precious metals extended, while silver rose 6%. The renewed geo-political concerns will likely keep gold prices elevated in coming months as White House saying President Donald Trump wouldn't rule out military force to acquire Greenland, China tightening exports to Japan, and prices showing gold up 0.1% to \$4,499.10, silver up 0.8% to \$81.91, and platinum and palladium also higher.
- The global silver lease rate eased to at 7.5%, that signals persistent short term supply tightness, but we expect silver rally is driven by FOMO and looked stretched and expect prices to see correction of 5-10% in coming weeks. Silver may test the resistance around \$82. A surge to \$85 is not ruled out should the US Dollar soften

Outlook:

Geopolitical developments over the weekend have heightened medium term risks, with muted responses from Russia and China potentially amplifying tensions across the Ukraine–Russia and China–Taiwan fronts. This backdrop is supportive for gold and silver. In 2026, both metals are likely to remain strong, underpinned by robust industrial demand for silver, sustained central bank buying of gold, and tightening global trade and protectionist policies for critical minerals.

Gold: Support at \$4420. Resistance is at \$4550

Silver: Support at \$76; Resistance at \$84

Energy

Energy Price Monitor

Exchange	Commodity	Expiry	6-Jan-26	Change	Daily % Change	5-Jan-26
Nymex	Crude (\$)	Feb	57.13	-1.19	-2.04%	58.32
Nymex	Natural gas (\$)	Jan	3.35	-0.17	-4.83%	3.52
MCX	Crude	Jan	5208	-64.00	-1.21%	5272
MCX	Natural gas	Jan	306.1	-14.90	-4.64%	321

- Brent crude unwound earlier gains, down almost 2% to settle at USD60.58/bbl. One of the largest US oil refiners sees a potential reopening of Venezuela's oil industry as a major boost to fuel-makers that rely on heavier crude grades. WTI nearest contract price slid more than 2% to close at USD57.13/bbl.
- Natural gas is expected to remain sell on rise market due to milder weather condition prevailing in US, which has somewhat eased the heating demand while production continued to remain elevated, resulting in prices retreating to 5 months low. We expect the current contract to slide towards Rs 280 level if weather conditions remain milder in US.

Outlook:

Global crude oil market dynamics are undergoing a structural shift as the US takes greater control over Venezuelan crude-oil affairs, enhancing its long-term energy security. This development reduces US dependence on OPEC+ and weakens the cartel's influence on global crude pricing. Improved access to heavy crude supplies also supports US refiners. However, the resulting increase in supply flexibility and pricing power is likely to cap upside risks, reinforcing a bearish long-term outlook for global crude oil markets.

Short term trading range \$55-\$59

Long term trading range \$48/- \$62.

Daily Price Monitor

Exchange	Commodity	Expiry	Daily trading range	Trend
MCX	Aluminium	Jan	296-310	Buy on dips
MCX	Copper	Jan	1300-1335	Sell on rise
MCX	Lead	Jan	195-210	Buy on dips
MCX	Nickel	Jan	2200-308	Buy on dips
MCX	Zinc	Jan	310-320	Sell on rise
MCX	Gold	Feb	136000-142000	Buy on dips
MCX	Silver	Mar	242000-262000	Sell on rise
MCX	Crude	Jan	4950-5250	Sell on rise
MCX	Natural gas	Jan	265-316	Sell on rise
Comex	Gold	Spot	\$4420-\$4551	Buy on dips
Comex	Silver	Spot	\$76-\$84	Sell on rise
Nymex	Crude oil	Feb	\$55-\$58	Sell on rise

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