

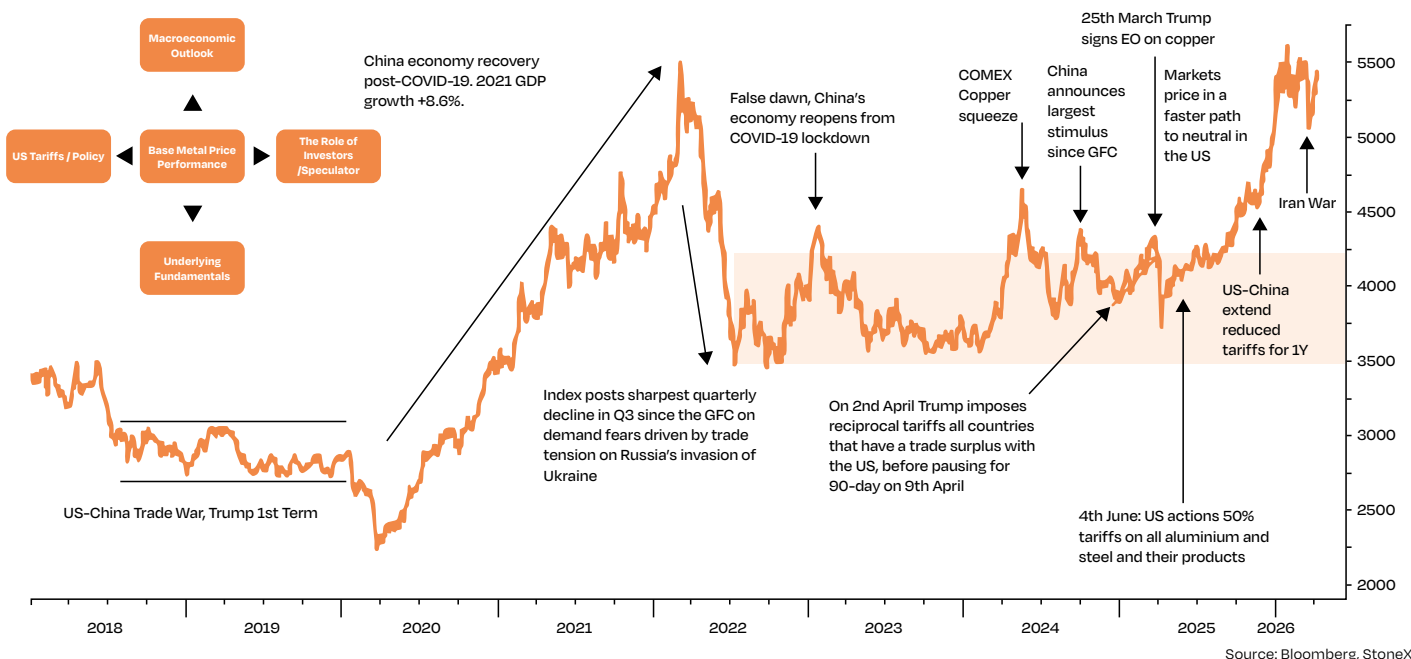
# The Suite Divides: Base Metals at a Crossroads

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## Price Performance of LME Index



The base metal suite entered 2026 divided, and by the end of Q1 it had fractured entirely. Aluminium trades at its highest level since 2022. Copper has surrendered a record-breaking January. Tin has given back 42% gains in a matter of weeks. Nickel now trades in a new higher range, while lead and zinc closed the quarter in the red. Understanding why these metals have diverged so sharply and where they go from here requires working through four interlocking forces simultaneously: the macroeconomic pivot, the underlying supply-demand picture for each individual metal, the role of speculative positioning and the impact of US trade policy.

### The Macro Landscape Darkens

At the start of the year, StoneX's house view was for two 25-basispoint rate cuts in the US in 2026. That expectation has now been revised

to zero. The implications for base metals are considerable. Falling yields historically carry a net positive for the complex, in which they compress the opportunity cost of holding real assets, weaken the dollar, and lend support to global manufacturing activity through cheaper credit. A higher-for-longer rate environment does the opposite on all three counts. Compounding the monetary policy shift, the onset of the Iran war at the end of February has driven investors into US dollar-denominated assets, pushing the currency into a bull run and applying additional pressure on metal prices denominated in dollars. The two effects, fewer rate cuts and a stronger dollar reinforce one another as headwinds for the complex.

China adds a third layer of difficulty. The Two Sessions meeting in March confirmed that economic targets Y/Y were to be left unchanged, with

the exception of GDP growth which was lowered to 4.5%-5%. Meanwhile, no additional stimulus measures were outlined. This is set against a backdrop of structural property weakness, deflationary pressures, record low consumer confidence, weak investment demand and increasing concerns for external demand (with exports accounting for one-third of GDP growth last year). Given this, the probability of China generating the demand impulse needed to tighten most base metal markets in 2026 appears low.

### A Suite at War With Itself

Investor positioning data captures the degree of disagreement across the complex. On western exchanges (the LME and COMEX), net long positions prevail across most metals. On the Shanghai Futures Exchange, the picture is inverted: net short positions in copper, nickel, aluminium, tin and lead

# Base Metals Fall Into the Red on the Start of the Iran War, Aluminium the Exception

## LME 3M Base Metal Price Performance

2026 YTD – 28th February								
	USD	Brent	Copper	Nickel	Lead	Zinc	Tin	Aluminium
\$/t	98	72	13,444	17,844	1,962	3,317	57,728	3,140
\$/t	-0.7	11.6	921	1,198	-49	200	17,172	145
%	-0.7%	19.1%	7.4%	7.2%	-2.4%	6.4%	42.3%	4.8%

28th February – Current								
\$/t	98.7	95.2	12,845.5	17,241.0	1,922.0	3,333.0	47,987.0	3,498.5
\$/t	1.0	22.7	-498	-603	-40	16	-9,741	359
%	1.1%	31.3%	-3.7%	-3.4%	-2.0%	0.5%	-16.9%	11.4%

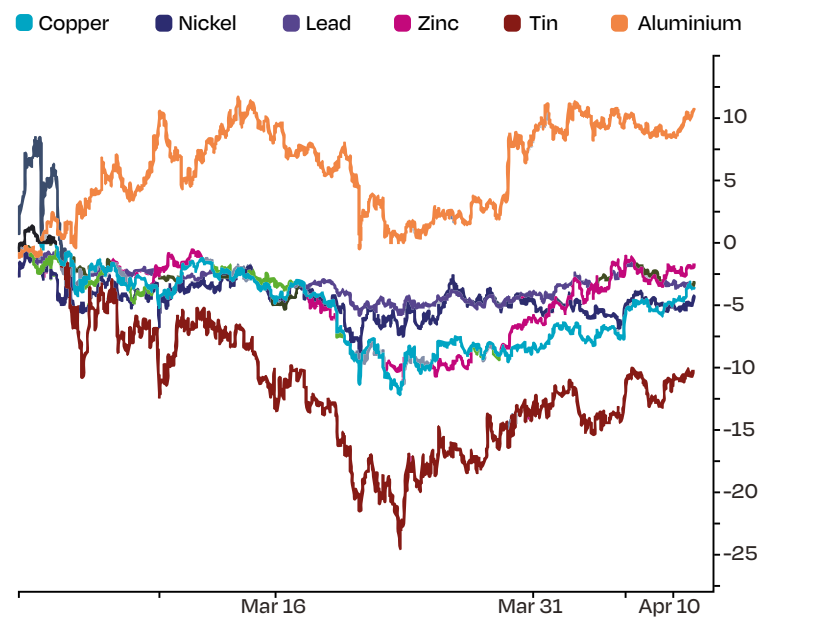
22nd March – Current								
\$/t	98.7	95.2	12,846	17,241	1,922	3,333	47,987	3,499
\$/t	-1.0	-17.0	916	222	26	266	4,708	284
%	-1.0%	-15.1%	7.7%	1.3%	1.3%	8.7%	10.9%	8.8%

have reached multi-year extremes. This East-West divergence is not a sign of market health, but instead reflects a suite that lacks a coherent global narrative, and extreme positioning in either direction raises the risk of sharp corrections once that narrative reasserts itself. Understanding the underlying fundamentals of each individual metal is therefore not a discretionary exercise, it is essential.

### Aluminium: The Exception That Proves the Rule

Aluminium is the standout performer of 2026, up 9.1% on a year-to-date basis through Q1, and uniquely the only metal to have sustained gains since the start of the Iran war. The reason is structural rather than speculative: the Middle East accounts for 9% of global refined aluminium output and 23% of ex-China production, with a minimum of 75% of domestic production exported. In addition to this, the region is highly dependent on imported raw materials, with domestic alumina and bauxite production standing at just 9% and 1.2% respectively. As it stands, ~31% of Middle Eastern smelter capacity has already been taken offline, which has moved the market from a relative balance in 2026, to a deficit exceeding 1Mt (note this excludes damage to Aluminium Bahrain's operation from 28th March, which holds the potential to move the deficit past 2Mt, taking total smelter capacity

## LME 3M Base Metal Price Performance (27th February 2026=0)



outages past 51%). In the near term, while ingot inventories are building in the region; the longer-term risk lies with future damage to smelters (as seen for Aluminium Bahrain and Emirates Global Aluminium), in addition to reducing smelter run rates as raw material imports are curtailed. Two factors limit the extent of the price move. Chinese aluminium production remains healthy, and growing exports of semi-fabricated products help absorb some of the regional tightness. This will not, however, materially moderate the surge

in regional physical premia, particularly in Europe and the US, where stocks have already been depleted (in the US by the imposition of import tariffs and in Europe by the long-running shift away from Russian material and high energy costs). Here it is worth noting, that aluminium is the most energy intensive metal in the suite to produce, which means higher energy prices (another consequence of Middle Eastern instability), will apply additional pressure on producer margins outside the conflict zone. The length of the

Iran conflict is the pivotal variable, with downgrades to global growth holding the potential to weaken demand expectations for the year, however, we remain of the view that aluminium is the most supply-constrained metal in the suite.

## Copper: The Crowded Trade Unwinds

Copper's Q1 trajectory tells a cautionary tale about what happens when a highly consensus trade meets a changing fundamental picture. On 29th January, copper posted its highest nominal price on record \$13,618/t on the LME, a year-to-date move of 9.6% and a year-on-year gain of 50.2%. By the end of Q1, the metal had closed down 2.2%, erasing all of those gains.

The outlook for copper has significantly dampened over the course of this year, with the central crux regarding low inventories reversing. In the US, the COMEX-LME arbitrage has inverted, resulting in material diverting away from COMEX warehouses and into LME sheds. Ex-US, SHFE stocks have been rebuilt at such a pace, that on a seasonality basis, they are at their highest level on record, while LME stocks have jumped 165% YTD. All-in-all, visible exchange stocks are up 76% YTD, posting their highest level on record. In turn, the LME forward curve has reverted to a contango structure, indicating no near-term tightness. While the longer-term outlook for copper remains bullish, with a concentrate market deeply in deficit, a clouded macroeconomic outlook, rising stocks and pullback in investor appetite is likely to see copper prices correct. Having said this, near-term support is arising from concerns over the future availability of sulphuric acid, which is a leaching agent used to create refined copper via solvent extraction and electrowinning (SX-EW), responsible for ~17% of global copper supply.

Tin closed Q1 as the second strongest performer in the suite, up 8.8%, a figure that appears modest against the extraordinary 42% year-to-date gain recorded on 27th February, when the metal reached an all-time high of \$57,728/t, just before the US and Israel struck Iran. Tin's robust performance was driven by compounding supply-side concerns. Indeed, in 2025 more than 40% of global mine production

faced a form of disruption (including within major producing countries such as the DRC, Indonesia, Bolivia and Myanmar), resulting in refined output coming in flat (+0.3%). At the start of this year, the announcement from Indonesia (the second largest tin miner in the world) vowing to close 1,000 illegal mines in the country, while also moving to a one-year, from three-year RKAB license requirement, further inflamed concerns. In Myanmar (the third largest producing country in the world and largest importer to China), faced armed conflicts in the Guogai region (although no mining disruption were mentioned).

Despite this fragile-supply side outlook for tin, and steady demand projections, with consumption supported by tin's use in high-tech, defense and digital applications. We believe that tin has peaked for this year, with a notable exit from net long positions across key exchanges (LME, SHFE), attached to building global stocks, up 38% YTD, hovering just below all time-record highs. Meanwhile, Chinese trade imports have rebounded, with tin ore imports up 88% over the January-February period Y/Y. Looking ahead, ongoing approval for Indonesia RKAB licenses and Myanmar's move to cost-share on deep-mine shaft dewatering, should see tin ore trade with China expand further, moving refined output in the country back into the green.

## Nickel to Find a New Price Floor?

Nickel has established a new trading range, \$16,820/t to \$19,545/t, a meaningful improvement on the \$14,084/t to \$16,828/t range that characterised most of 2025. The key driver has been Indonesia's decision to tighten its nickel ore RKAB production quota for 2026 to 260-270Mt, down from 379Mt last year, alongside a crackdown on non-compliant operations. Even PT Weda Bay, the world's largest nickel mine has faced investigation. In addition to this, on 1st April, Indonesia revised its formula for the Nickel Ore Benchmark Price (HPM), effectively increasing the cost of raw materials, while disruption in the Middle East has resulted in the cost of sulfur more than doubling this year – a key input for HPAL producers in the region, sending breakeven costs towards \$17-20,000/t, from \$9-11,000/t previously.

As a result of increasing supply side risks, nickel is set to find a new price floor this year.

## Zinc and Lead: The Quieter Stories

Zinc is the second weakest performer of the year. The metal's largest end-use, galvanising steel for construction remains under pressure from China's structural property market decline and broader global growth uncertainty. Supply dynamics could turn considerably more bullish if flagship mines such as Red Dog and Antamina underperform against expectations, but healthy Chinese output is expected to partially offset that risk, keeping the market in a modest surplus. Lead closed Q1 as the weakest performer, down 5.9%, continuing to reflect a subdued backdrop for traditional industrial demand. Its unique fundamental structure, with two thirds of supply coming from secondary sources, provides a degree of protection on the supply side, but this offers limited upside in a demand constrained environment.

## The Months Ahead

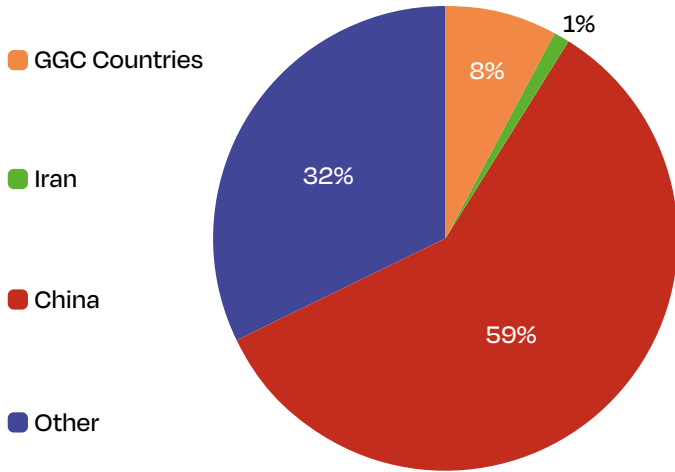
What unites the suite, despite its internal divisions, is the absence of a clear directional catalyst in either direction. The macroeconomic picture has deteriorated but not collapsed. China is slowing but has not entered crisis. The Iran conflict has created real structural disruption and tariff uncertainty continues to generate noise without yet producing a definitive demand shock.

Aluminium stands out as the metal most directly affected by structural supply disruption, with the deficit widening in real time. Copper faces both near-term bullish and bearish parameters. Tin appears to have exhausted its supply-driven premium. Nickel supply risks are materializing at pace, while zinc and lead are largely rangebound stories with idiosyncratic risks on either side.

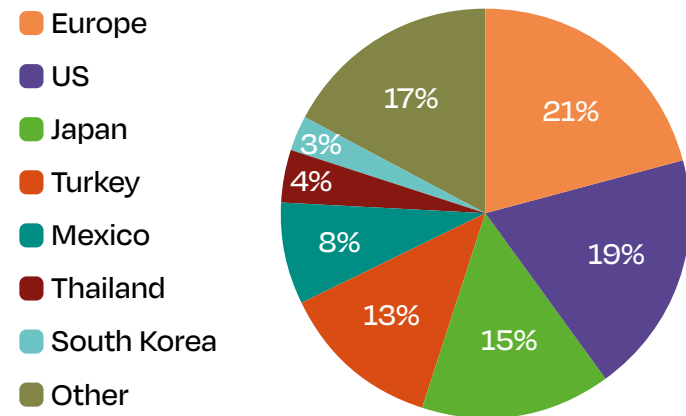
The sharp divergence in speculative positioning between eastern and western exchanges is itself a signal: the market is not in agreement, and when extreme positions unwind, they tend to do so quickly. The months ahead will test the conviction of investors on both sides of that divide.

# The Impact of the Iran War to be Felt Across the Entire Aluminium Supply Chain

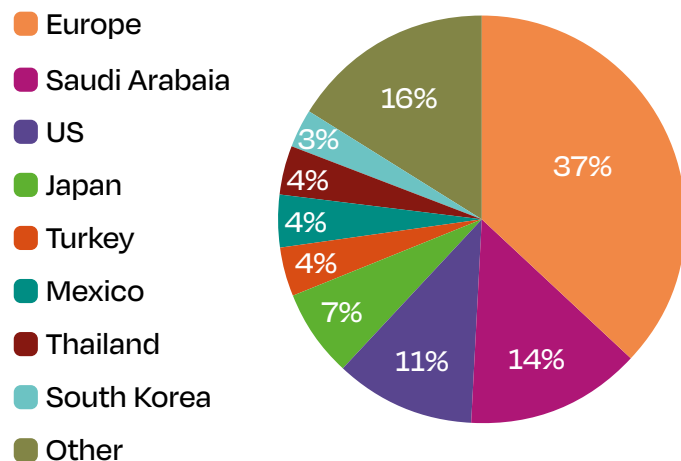
## Global Refined Aluminium Production



## UAE Exports of Primary Aluminium



## Bahrain Exports of Primary Aluminium



Source: UNCOMTRADE (HS Code: 7601. Europe = EU27, EFTA + UK Bloomberg, StoneX

