



# The Outlook For Base Metals in a Changing Trade Environment

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EMEA & Asia; Base Metals

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# Agenda

- Unpacking the Tariff Landscape
- The Impact of Tariffs on Key Price Drivers
- Aluminium, Copper & Automotive Case Study
- Summary and Conclusions

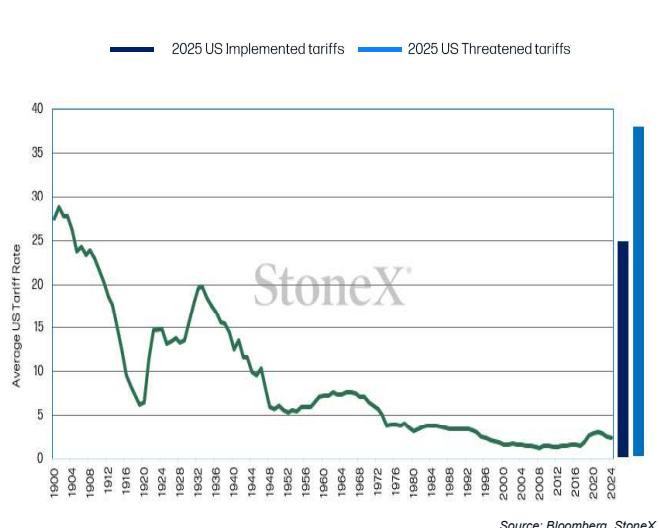


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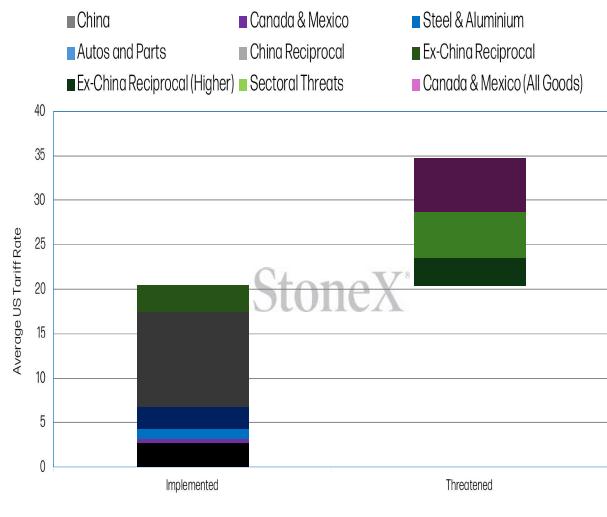
## Unpacking the Tariff Landscape

# US Tariffs Could Hit a Historical High in 2025

Historical Average Effective US Tariff Rate



Average Effective Tariff Rate By Sector/Geography

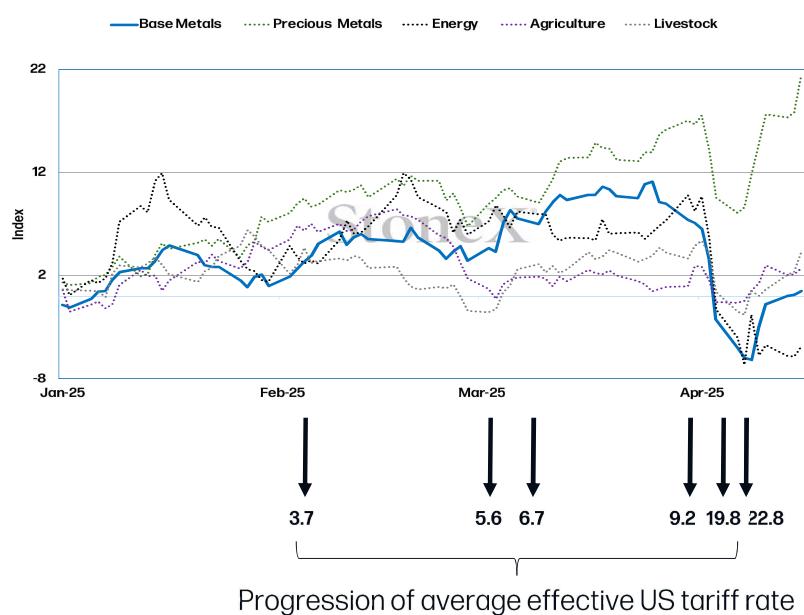


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## Current US Tariff Levels Have Wiped Out Base Metal Gains in 2025

YTD Price Performance of Bloomberg Commodities By Sector



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Source: Bloomberg, StoneX  
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## Understanding What Drives Base Metal Prices



### Impact of Key Drivers on Base Metal Prices

	2024	2025F
Macro	⬇️	?
Fundamentals	➡️	?
Investors'	⬆️	?

Source: Bloomberg, StoneX



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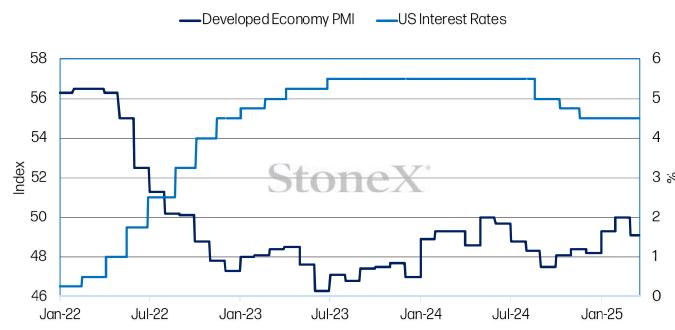
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The Impact of Tariffs on Key Price Drivers

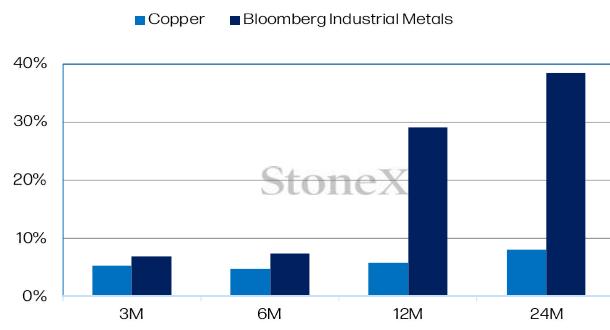
# Macro Drivers: Central in Forecasting Future Price Performance

## The Path & Pace of Monetary Policy

### Advanced Economies PMI Manufacturing Versus U.S. Rates



### Base Metal Index & Copper Prices Post 100bps Decline in US 2Y Yields



## Our View

**Pre-tariffs:** Synchronised advanced economy monetary easing should stimulate recovery in the global industrial cycle

**Post-tariffs:** Inflationary versus recessionary impacts of global trade disruptions will alter the path for the Federal Reserve

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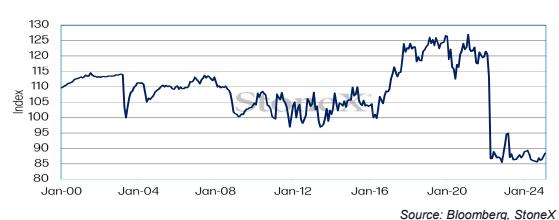
# Macro Drivers: Central in Forecasting Future Price Performance

## The Health of China's Economy, the Heart of Base Metal Demand

### Hard Economic Data YTD



### Chinese Business Confidence



### World Bank GDP Forecast for China



## Our View

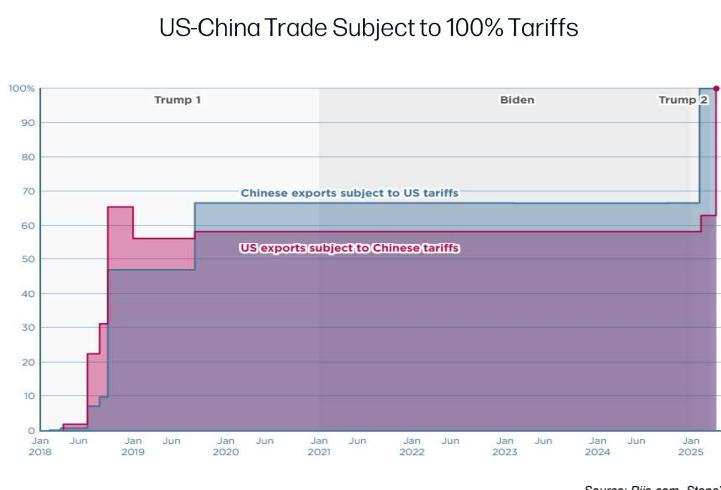
**Pre-tariffs:** Chinese economic growth will continue to be challenged in the years ahead, despite stimulus efforts

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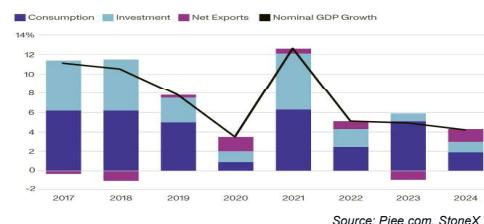
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# Macro Drivers: Central in Forecasting Future Price Performance

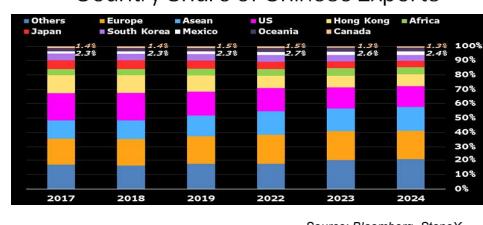
The Health of China's Economy, the Heart of Base Metal Demand



## GDP Growth Contributors By Sector



## Country Share of Chinese Exports



Our View

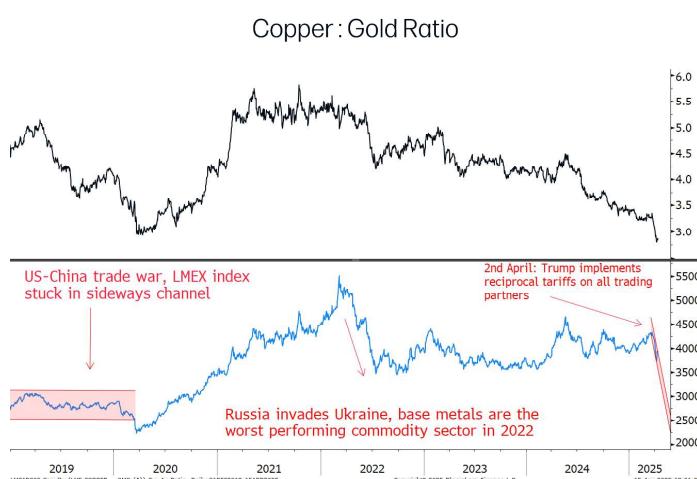
**Post-Tariffs: China's ability to reach 5% GDP Growth is dependent on the success of domestic policy**

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# Macro Drivers: Ongoing and/or Unknown Geopolitical Risks

A Net Negative for Base Metal Prices in the Longer-Term



Geopolitical tensions can impact a commodity market in two ways:

- **A risk channel:** Financial markets overestimate the impact on supply resulting in higher prices
- **An economic activity channel:** Shocks to economic growth, creating uncertainty in investment and demand, leading to lower prices

Our View

**Pre-Tariffs: We forecast (on average) the economic activity channel as having a longer lasting impact on base metals**

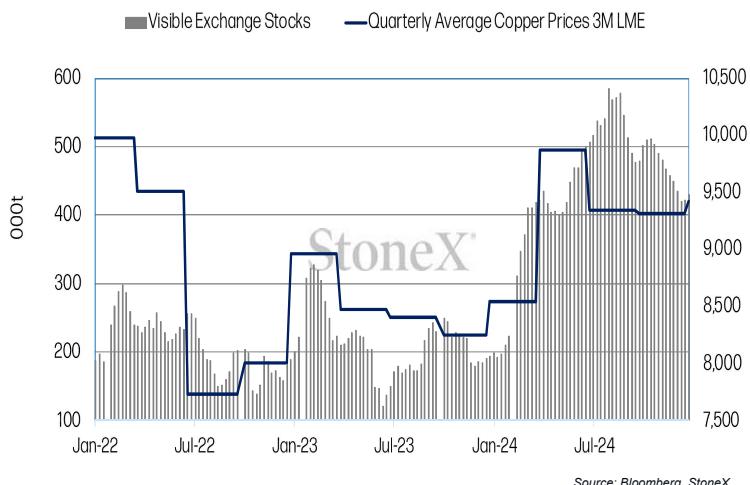
**Post-Tariffs: We forecast (on average) the economic activity channel as having a longer lasting impact on base metals**

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## Fundamentals: Forecast to Play a Larger Role in Price Direction in 2025

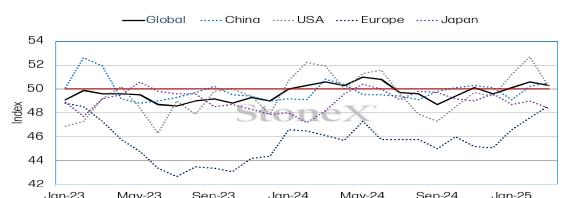
Visible Global Copper Exchange Stocks Versus LME 3M Copper Price



Copper, Lead and Zinc Treatment Charges



PMI Readings



Our View

**Pre-Tariffs:** Market participants will focus on demand signals in 2025, while supply risks remain elevated

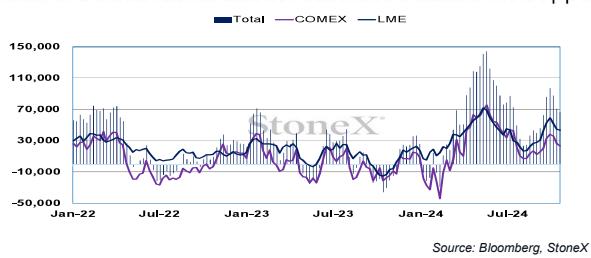
**Post-Tariffs:** Altered trade routes will encourage regional dislocations, tracking fundamentals will be critical

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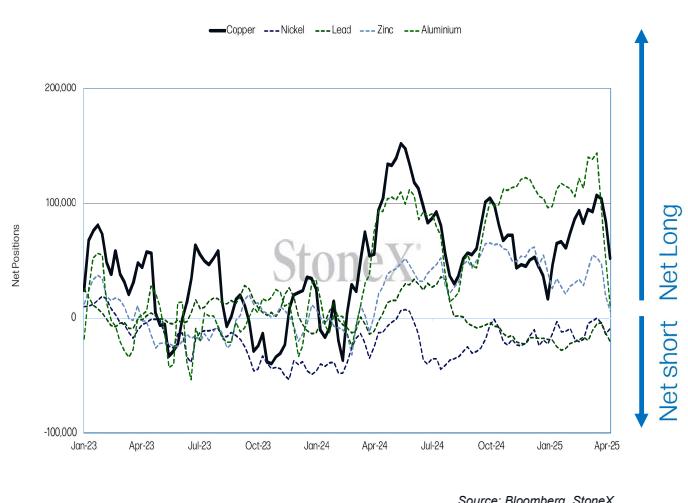
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## Investors: The Role of Speculators Not to be Overlooked

LME & COMEX Investment Firm Net Positions on Copper



LME, COMEX, SHFE Net Positions Combined



Our View

**Pre-Tariffs:** Speculative involvement in the base metal market is likely to increase in the years ahead

**Post-Tariffs:** Uncertainty for global industrial health may cause investors to stay on the sidelines

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# Copper, Aluminium & Automotive Case Study

## Section 232 Tariffs Applied to Aluminium – A Blueprint for Copper?

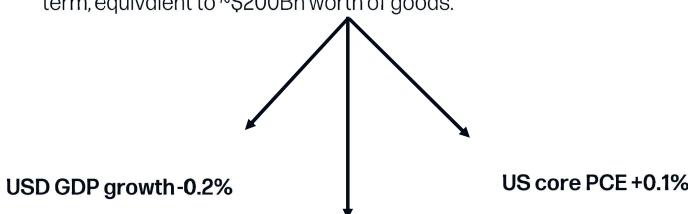
We Have Seen Repetition in Aluminium Price Action on Trump Tariffs 2.0

LME 3M Aluminium Price Performance



### Background:

- On 12th March, the US imposed blanket tariffs of 25% on all US aluminum and steel imports.
- Alongside a new North American standard, requiring all steel imports to be “melted and poured” and aluminium to be “smelted and cast” within the region.
- The action also include downstream products, including fabricated structural steel, aluminium extrusions and steel strand for pre-stressed concrete.
- This is a significant increase on aluminium tariffs from Trump’s first-term, equivalent to ~\$200Bn worth of goods.



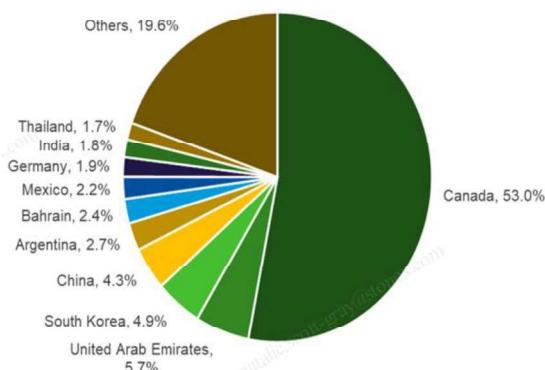
Average effective US tariff rate to lift 1.1

Source: Bloomberg, StoneX

## Section 232 Tariffs Applied to Aluminium – A Blueprint for Copper?

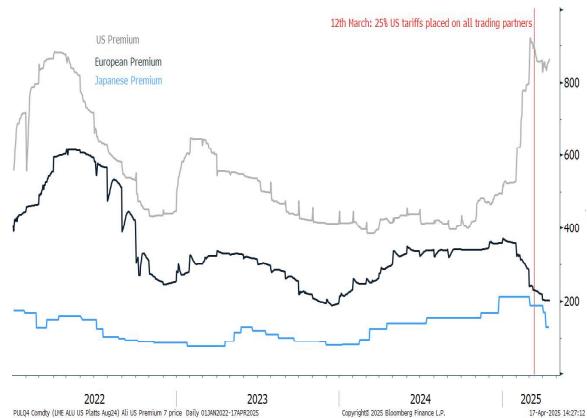
Initial Market Reaction is Supply Concern

US Aluminium & Semi-Finished Product By Import Country



Source: Bloomberg, StoneX

US Midwest Premium – The Forum Where Trade Tariff Concerns Are Played Out



Source: Bloomberg, StoneX

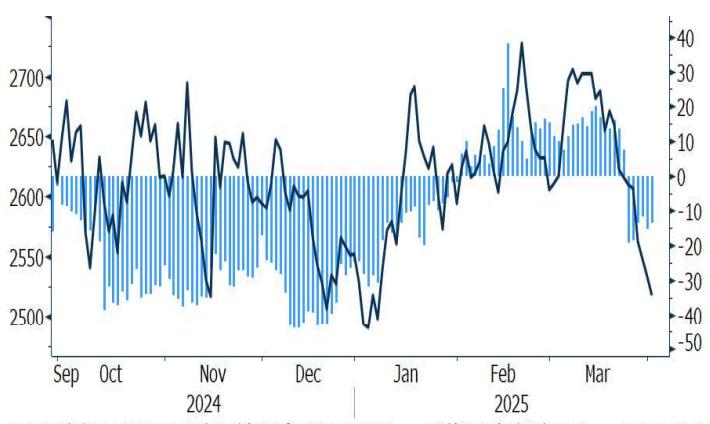
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## Section 232 Tariffs Applied to Aluminium – A Blueprint for Copper?

Once Tariffs Were Applied, Focus Turned to Demand Concerns

LME Cash-3M Spread Moves Out of Backwardation



Source: Bloomberg, StoneX

### Trade Re-Routing is the Next Step:

- Canadian aluminium could flood into Rotterdam to avoid tariffs, creating headwinds for domestic premiums (this occurred in Trump's first term). However, the EC has announced an investigation on the impact to the region from US tariffs and Brussels will impose countermeasures, if such an increase is recorded, based on defense law attached to the World Trade Organization.
- Indian, Middle Eastern and Australian material may be attracted into the US on elevated premiums.
- Current US sanctions on Russian material (and the implementation of a 16th package of EU sanctions), could see Russian aluminium flows increase into Asia

### High US aluminium prices will negatively impact demand

- Based on Federal Reserve verbatim reports of deliberations in 2019, as far as the tariffs imposed in 2018 on aluminium, steel and other Chinese goods are concerned, the net effect was higher prices and job losses and causing a calculated fall of \$8.2Bn in real income and a cost of \$14Bn on domestic consumers and importers in payments to the government.
- We forecast that LME aluminium will face headwinds on demand concerns, with a potential reduction in global trade and/or shock to global economic growth creating uncertainty in investment and demand. In the US itself, manufacturers will have little choice but to pass on higher costs from imports to consumers until the downstream industry (i.e. refining/smelting) has undergone suitable investment

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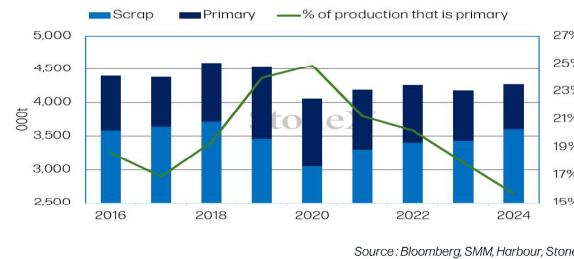
# History Teaches Us That US Tariffs on Aluminium Could be Highly Negotiable

Current US Primary Production Falls Short of Demand By a Long Way

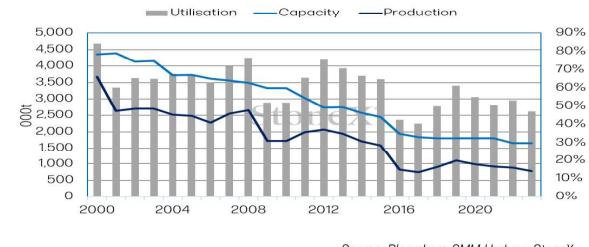
Timeline of US Tariffs on Aluminium Premiums



US Primary Aluminium Production



Primary Aluminium Production Versus Capacity Utilisation



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## Uncertainty on Future Copper Tariffs Has Resulted in Multi-Year High Price Volatility

At present there are NO US tariffs on copper imports

On 25th February, President Trump signed an Executive Order directing Commerce Secretary Howard Lutnick to start a national security probe under Section 232 of the Trade Expansion Act of 1962 on potential new tariffs on copper imports, to rebuild US production. The timeline of tariff implementation is unknown but can take up to 270 days.

Universal copper tariffs?

Country specific exemptions?

Tariff implementation timeline unspecified

Tariff level unspecified

Source: StoneX

Copper's Benchmark Price Posts Highest Level of Volatility Since 2022

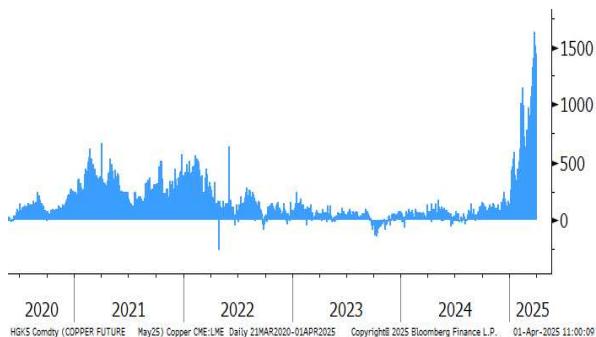


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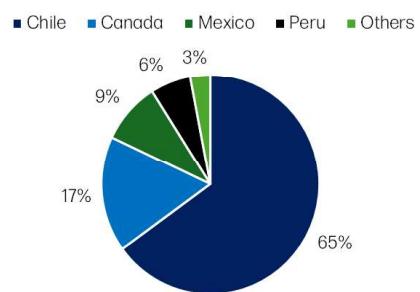
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## Supply Concerns Play Out on CME-LME Spread

CME-LME Spread - The Forum Where Trade Tariff Concerns Are Being Played Out



Refined Copper Imports into the US by Country



The LME copper contact is an international product with delivery locations around the world versus the CME copper contract, which is a US customs cleared contract (with only domestic delivery points).

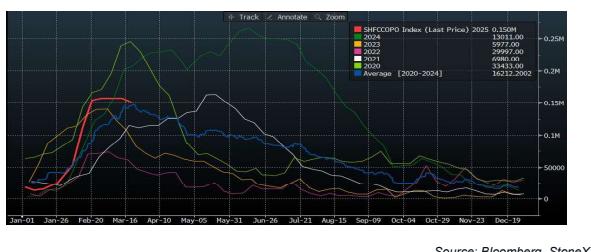
- US relies on refined copper imports for 45% of domestic consumption
- Canada and Mexico provide large quantities of copper scrap into the US
- Copper products cross the US-Mexican and US-Canadian border multiple times (automotive industries).

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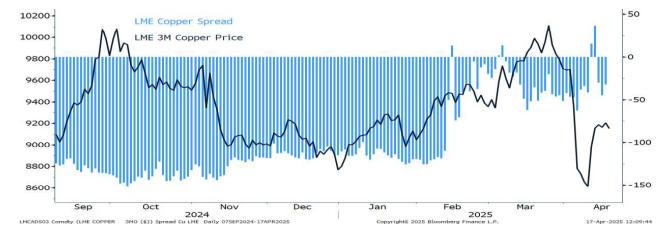
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## Threatened US Copper Tariffs Tighten Copper's Micro Fundamentals on Trade Re-routing

Seasonality Chart: SHFE Copper Deliverable Stocks



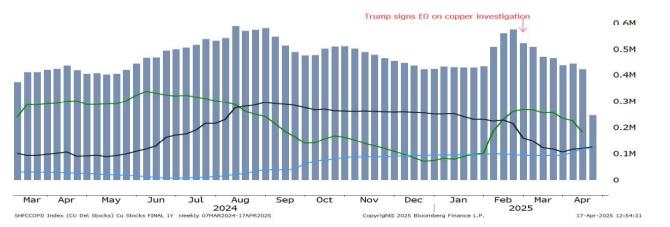
LME Cash-3M Spread Flirts With Backwardation



Seasonality Chart: LME Copper On-Warrant Stocks



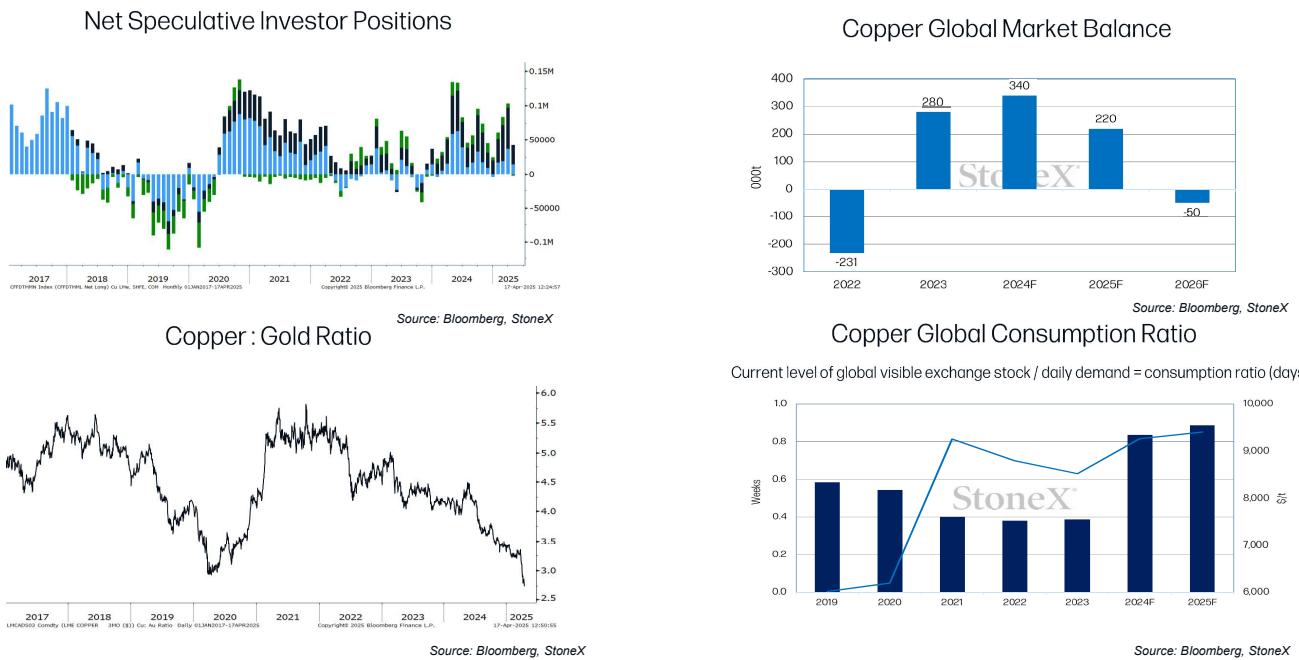
Global Visible Exchange Stocks



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# Dr. Copper Caught Between Impact of US Copper Tariffs Versus Global Trade War

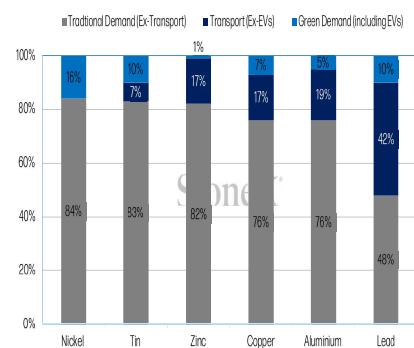


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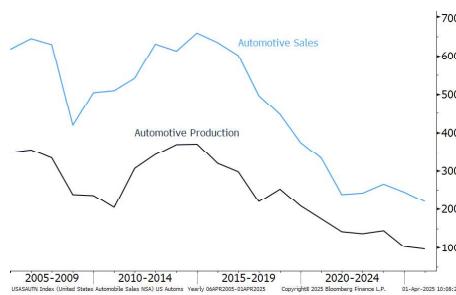
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## 25% Tariffs on All Imports of Automotives and Parts Into the US

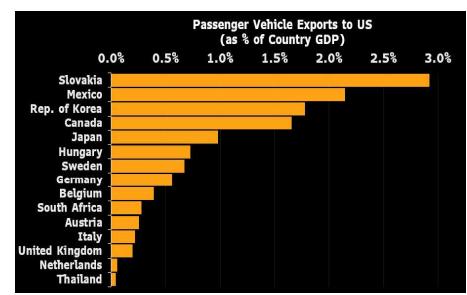
Automotives Are the Largest Combined End-Use Market for Base Metals



US Production & Sales Have Already Been Under Pressure



Slovakia, Mexico, South Korea and Europe Would Be Hit the Hardest



The US imports ~50% of all automotives as a percentage of consumption, accounting for 6.6% of all US imports (\$217Bn).

### Scenario of 25% tariffs on cars (\$217Bn):

- Effective tariff rate rise of 1.7ppt
- GDP could lower by 0.2%
- Core PCE up by 0.1%

### Scenario of 25% tariff on cars and light trucks (\$252):

- Effective tariff rate rise of 1.9ppt
- GDP could lower by 0.3%
- Core PCE up by 0.2%

If automotive parts are included (\$90Bn), the scenario would be further amplified (although it depends if goods that fall under USMCA are excluded \$55Bn)

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Source: Bloomberg, StoneX  
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## Summary & Conclusions

### Key Base Metal Price Drivers Tilt Bearish in 2025

#### Macro

- The outlook for industrial health is tilting bearish in a growing trade war landscape, with hard economic data yet to show impact

#### Fundamentals

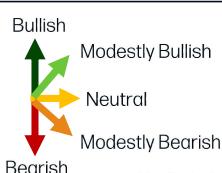
- Despite supply set to remain or rebound into growth across the suite, trade tariffs increase risks to supply forecasts
- A recovery in demand is required for higher prices, with growing trade barriers set to result in consumption forecast downgrades
- Regional market imbalances forecast to persist or get worse

#### Investors

- Role of speculators not to be overlooked
- Volatility is to be expected

Impact of Key Drivers on Base Metal Prices in 2025

	2024	2025	
		Pre-Tariff	Post-Tariff
Macro	↘	↗	↘
Fundamentals	→	↗	↘
Investors'	↑	↗	↓



# StoneX Base Metal Ranking for 2025

## StoneX LME 3M Base Metal Price Outlook

	\$/t		% Change Y/Y		
	2023	2024	2025	24/23	25/24
Tin	25,912	30,239	31,588	16.7%	4.5%
Copper	8,523	9,266	9,362	8.7%	1.0%
Zinc	2,651	2,811	2,891	6.0%	2.8%
Aluminium	2,288	2,458	2,466	7.4%	0.3%
Lead	2,128	2,103	2,080	-1.2%	-1.1%
Nickel	21,688	17,256	16,265	-20.4%	-5.7%

These tables includes predictions/forecasts. Past performance may not be a reliable guide to future performance.

Source: Bloomberg, SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

Price = average annual price level.

## StoneX Base Metal Ranking for 2025

Base Metal	Outlook
Tin	Best fundamentals of the suite, with demand supported by the green transition, versus only a handful of leading raw material supply countries, increasing natural resource protectionism risks. Stocks have been declining over 2024, tightening the refined outlook.
Copper	Medium-term outlook on copper's supply versus use in the green transition will support prices (despite a surplus market), with influx of speculative money on the horizon.
Zinc	Forecast improvement in steel demand in 2025 should underpin price gains for zinc, given the weak performance in 2024. Tight ore supply will similarly contribute to higher prices, with smelter output in Europe at risk of coming offline, while smelter's profits in China remain unfavourable.
Aluminium	Global consumption recovery (especially in construction and alongside green demand), will benefit aluminium's demand scenario, while increasing trade tariffs are likely to underpin regional premiums. In addition, supply is likely to become more fragmented, with China remaining a net importer, leaving Europe and the US to battle for alternative non-Russian aluminium.
Lead	Likely to remain in the middle-to-lower end of suite range in 2025, with weak investor appeal and long-term decline in demand (on the expansion of lithium-ion batteries), not to mention cushioned supply from secondary sources. Will Lead remain in the BCOM?
Nickel	Oversupplied market (despite mine closures on low prices ex-Indonesia and robust demand from lithium-ion batteries in years ahead). Note, inclusion of Indonesian and Chinese brands by LME will further add to negative price pressures. Indonesia plans to hold nickel in \$18,000t-\$15,000t range.

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Source: Bloomberg, SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

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100+ 140+ 180+

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Most Preferred

Least Preferred



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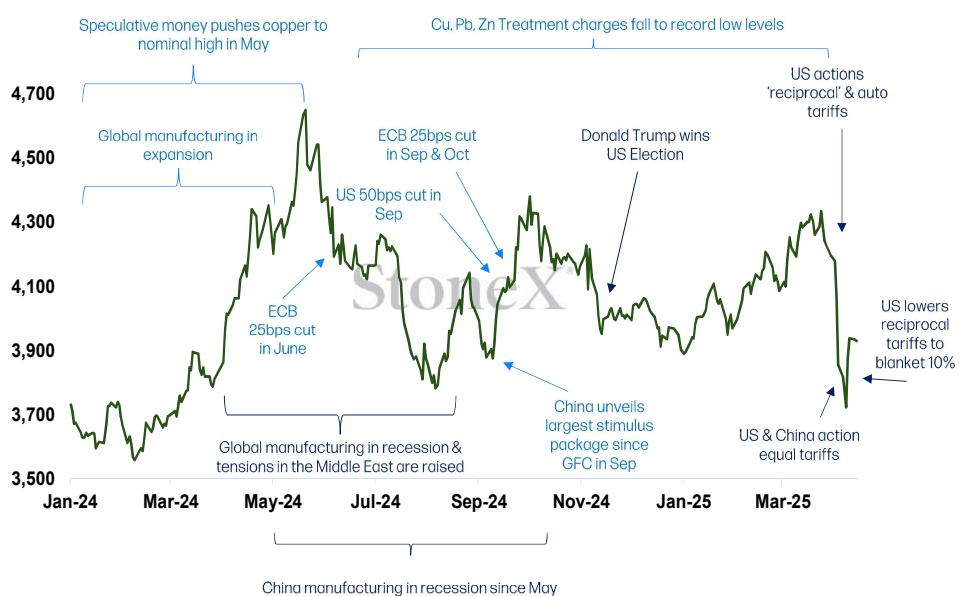
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## Understanding Base Metal Price Drivers

LMEX Index Price Performance



Impact of Key Drivers on Base Metal Prices

Macro		
Fundamentals		
Investors'	?	?