



The Outlook For Base Metals in a Changing Trade Environment

24th April 2025

Natalie Scott-Gray
EMEA & Asia; Base Metals

Disclaimer

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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

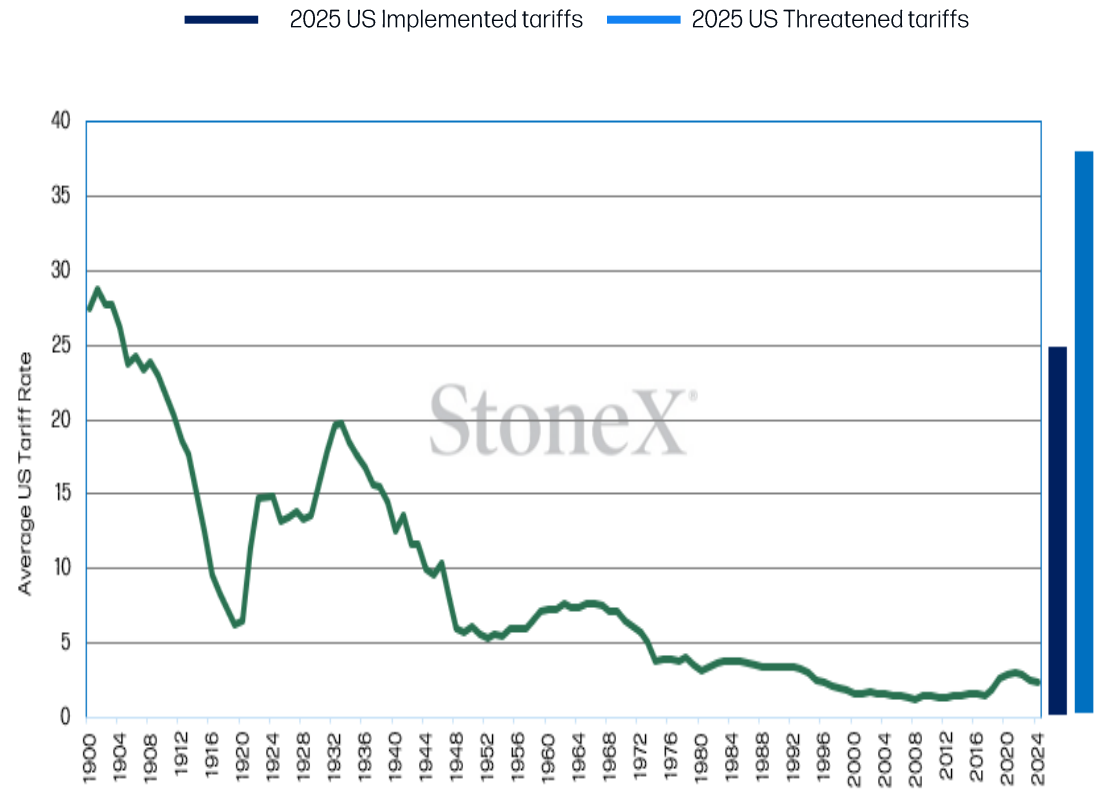


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Unpacking the Tariff Landscape

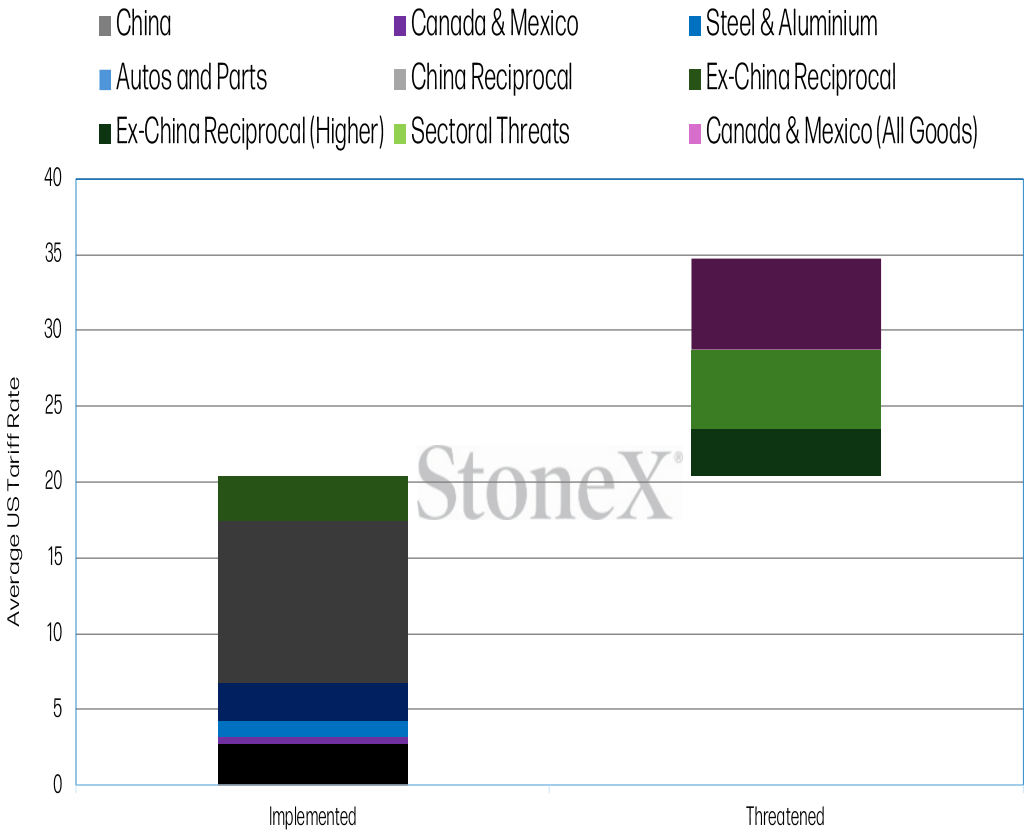
US Tariffs Could Hit a Historical High in 2025

Historical Average Effective US Tariff Rate



Source: Bloomberg, StoneX

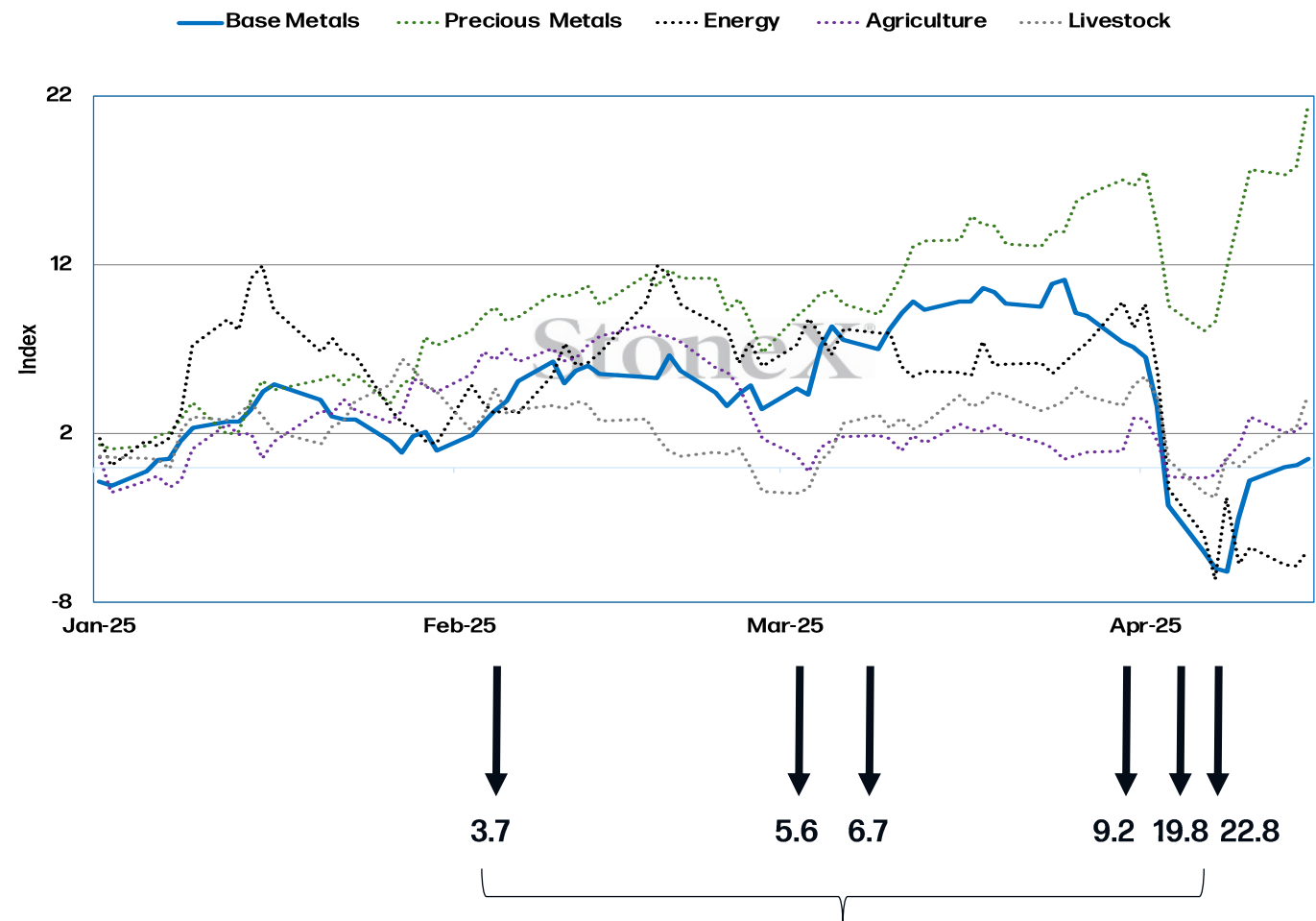
Average Effective Tariff Rate By Sector/Geography



Source: Bloomberg, StoneX

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

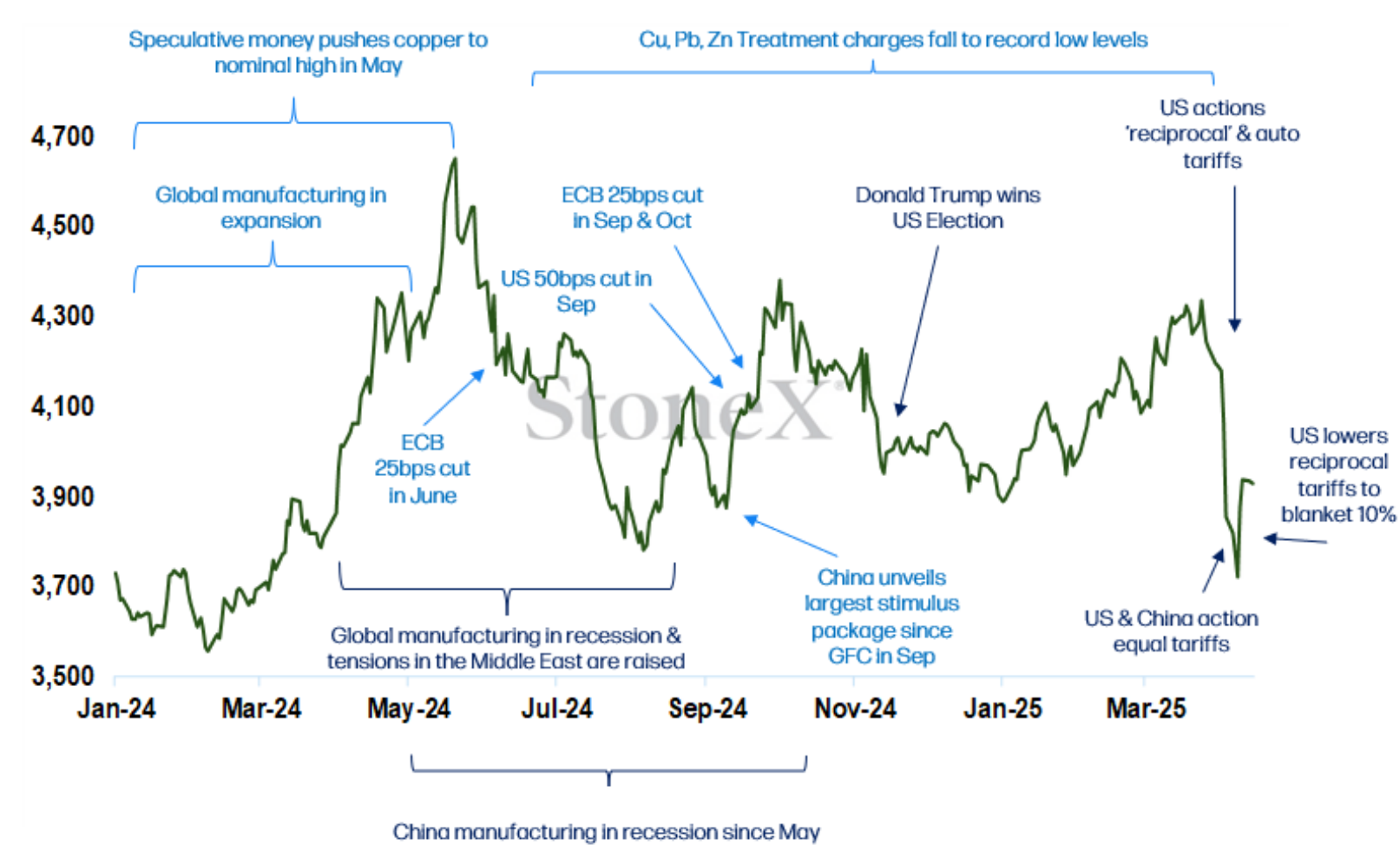
YTD Price Performance of Bloomberg Commodities By Sector



Progression of average effective US tariff rate

Understanding What Drives Base Metal Prices

LMEX Index Price Performance

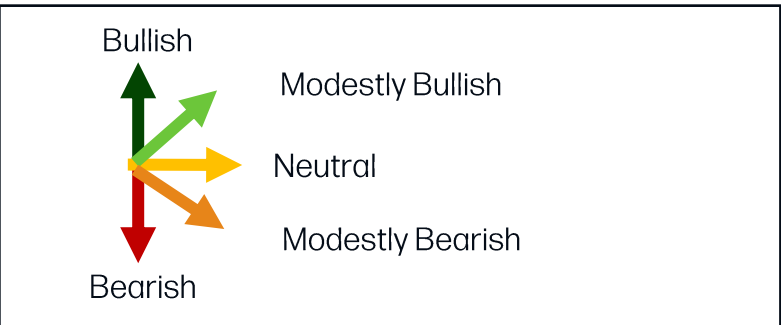


Source: Bloomberg, StoneX

Impact of Key Drivers on Base Metal Prices

	2024	2025F
Macro	↘	?
Fundamentals	→	?
Investors'	↑	?

Source: Bloomberg, StoneX





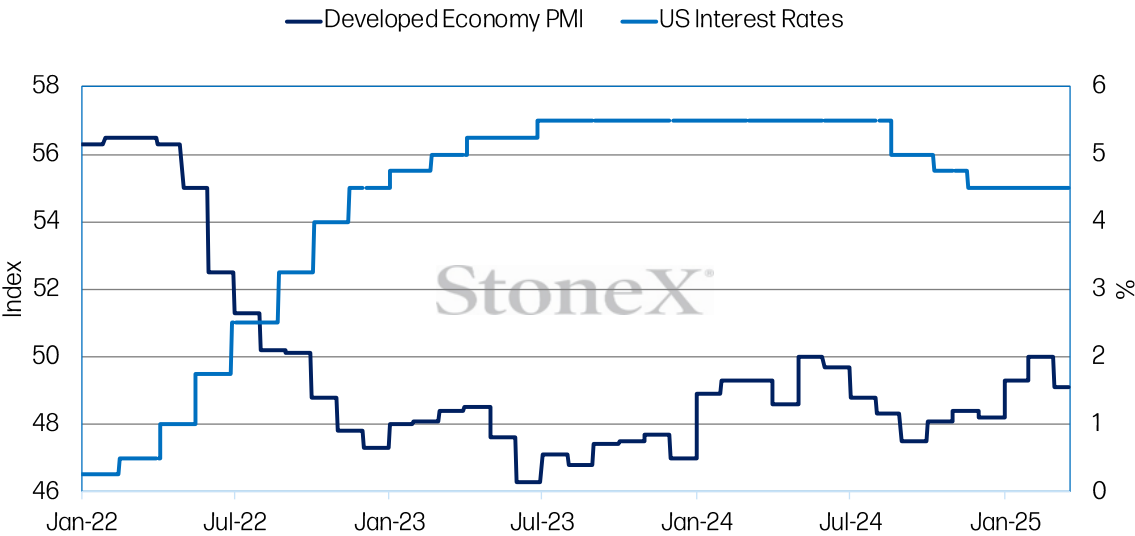
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The Impact of Tariffs on Key Price Drivers

Macro Drivers: Central in Forecasting Future Price Performance

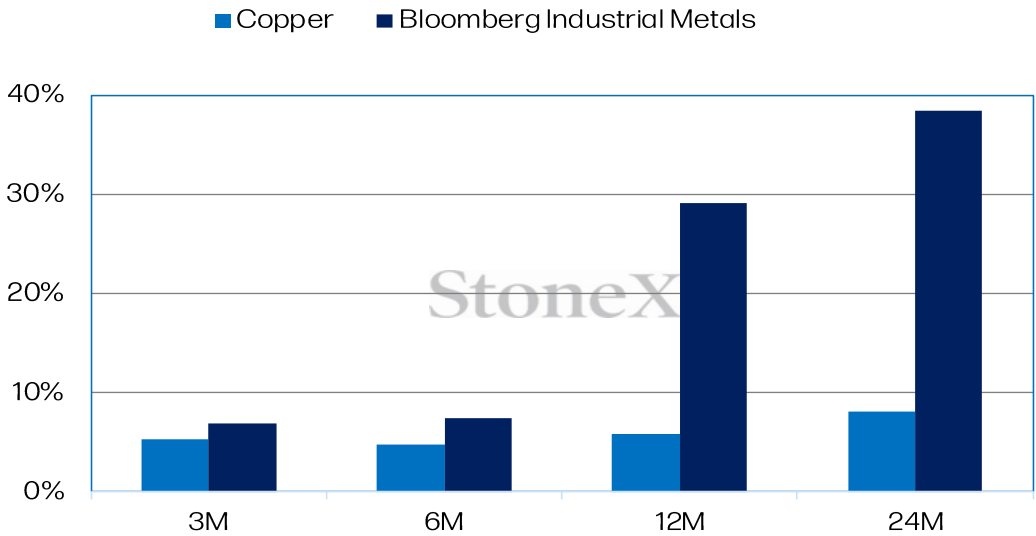
The Path & Pace of Monetary Policy

Advanced Economies PMI Manufacturing
Versus U.S. Rates



Source: Bloomberg, StoneX

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



Source: Bloomberg, StoneX

Our View

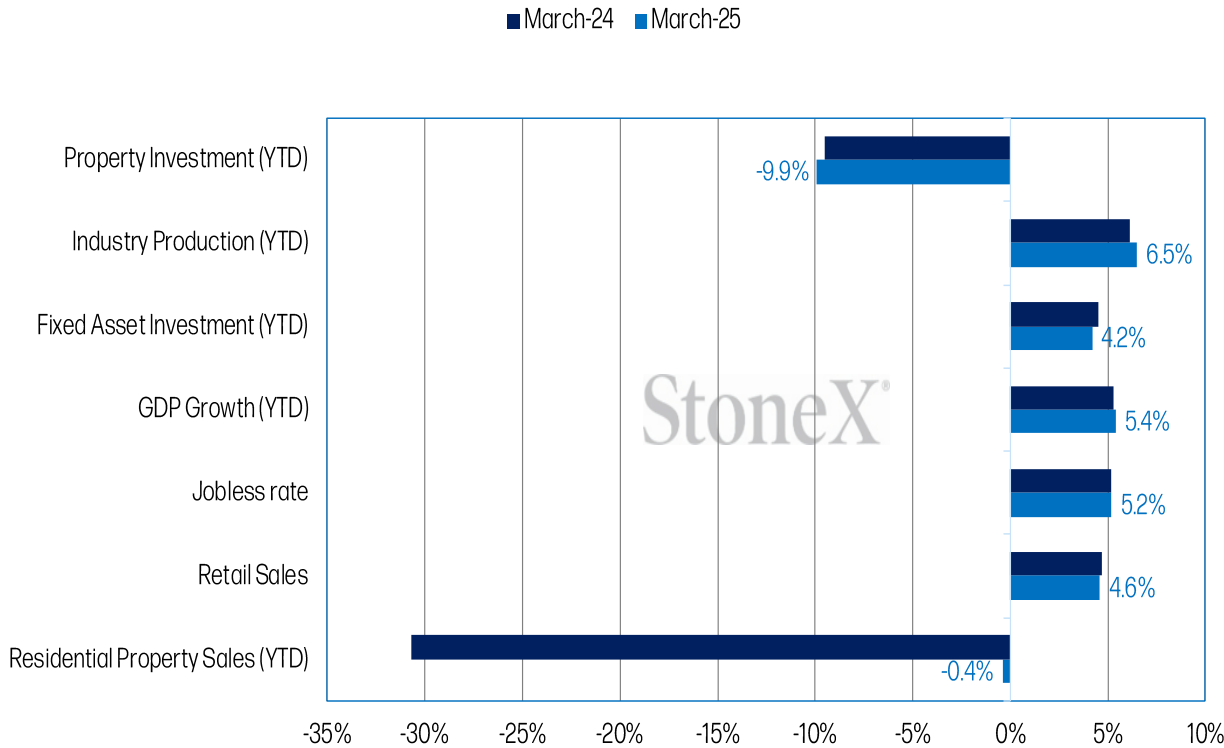
Pre-tariffs: Synchronised advanced economy monetary easing should stimulate recovery in the global industrial cycle

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

Macro Drivers: Central in Forecasting Future Price Performance

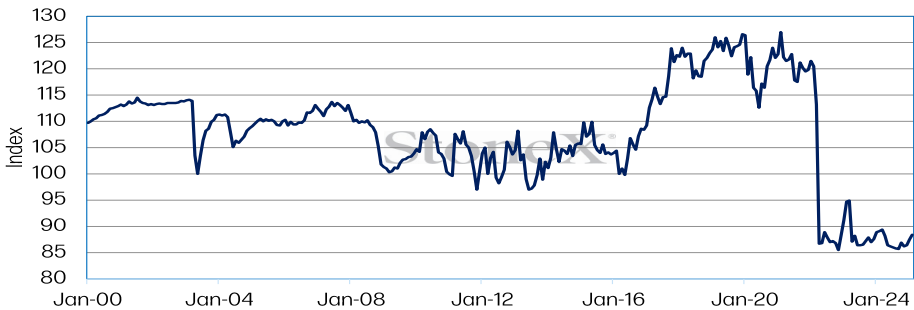
The Health of China's Economy, the Heart of Base Metal Demand

Hard Economic Data YTD



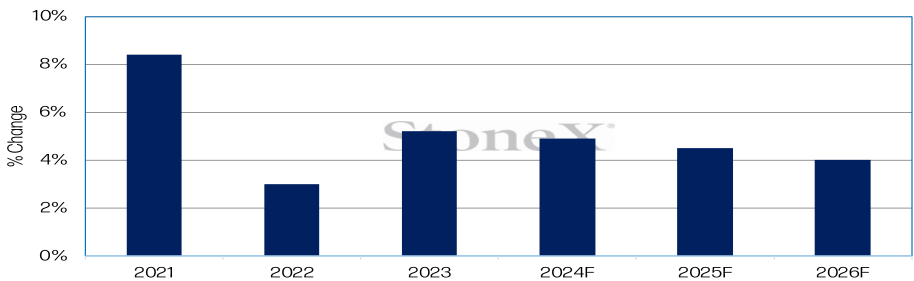
Source: Bloomberg, StoneX

Chinese Business Confidence



Source: Bloomberg, StoneX

World Bank GDP Forecast for China



Source: Bloomberg, StoneX

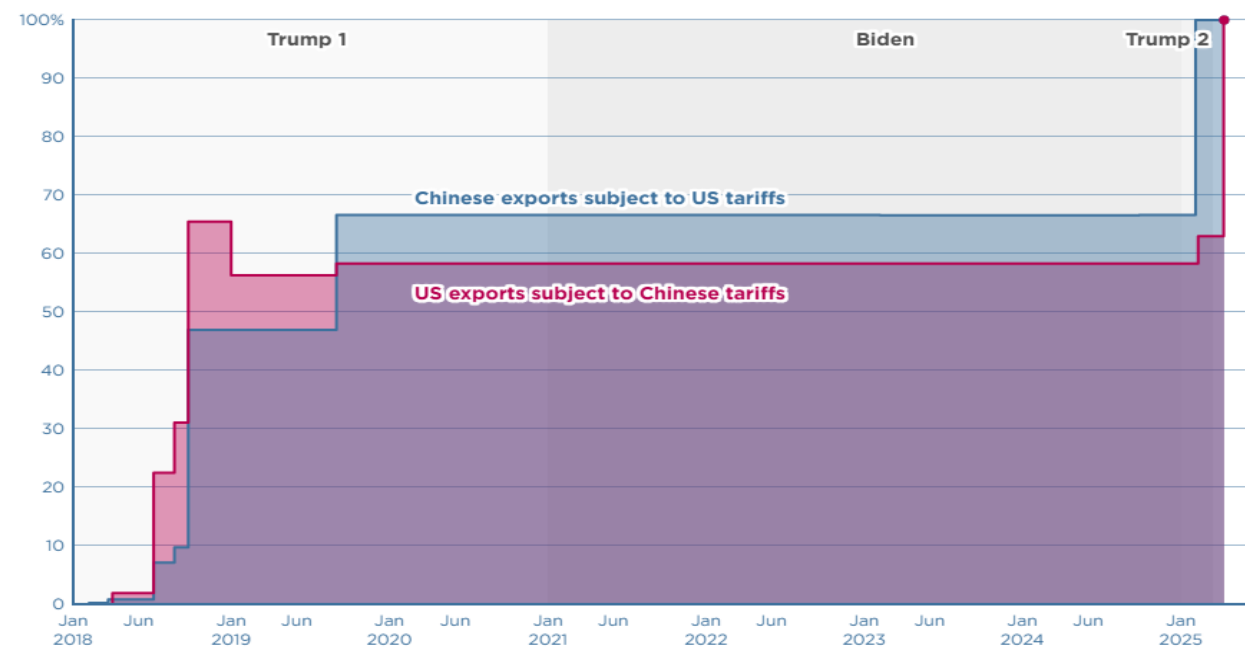
Our View

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

Macro Drivers: Central in Forecasting Future Price Performance

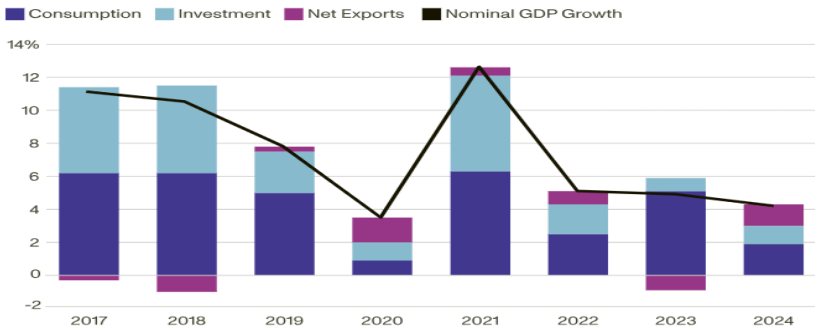
The Health of China's Economy, the Heart of Base Metal Demand

US-China Trade Subject to 100% Tariffs



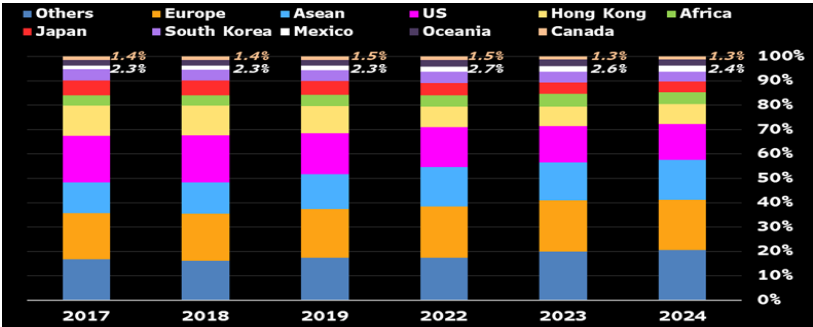
Source: Pii.com, StoneX

GDP Growth Contributors By Sector



Source: Pii.com, StoneX

Country Share of Chinese Exports



Source: Bloomberg, StoneX

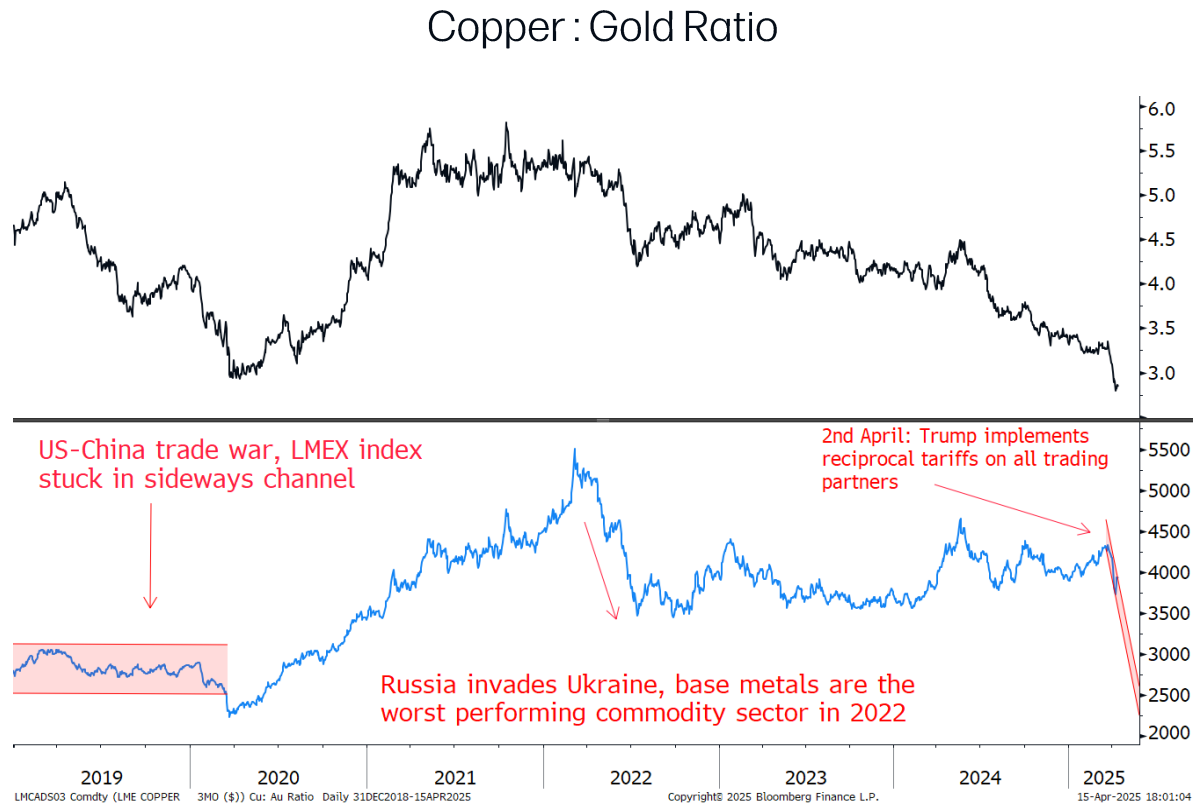
Our View

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

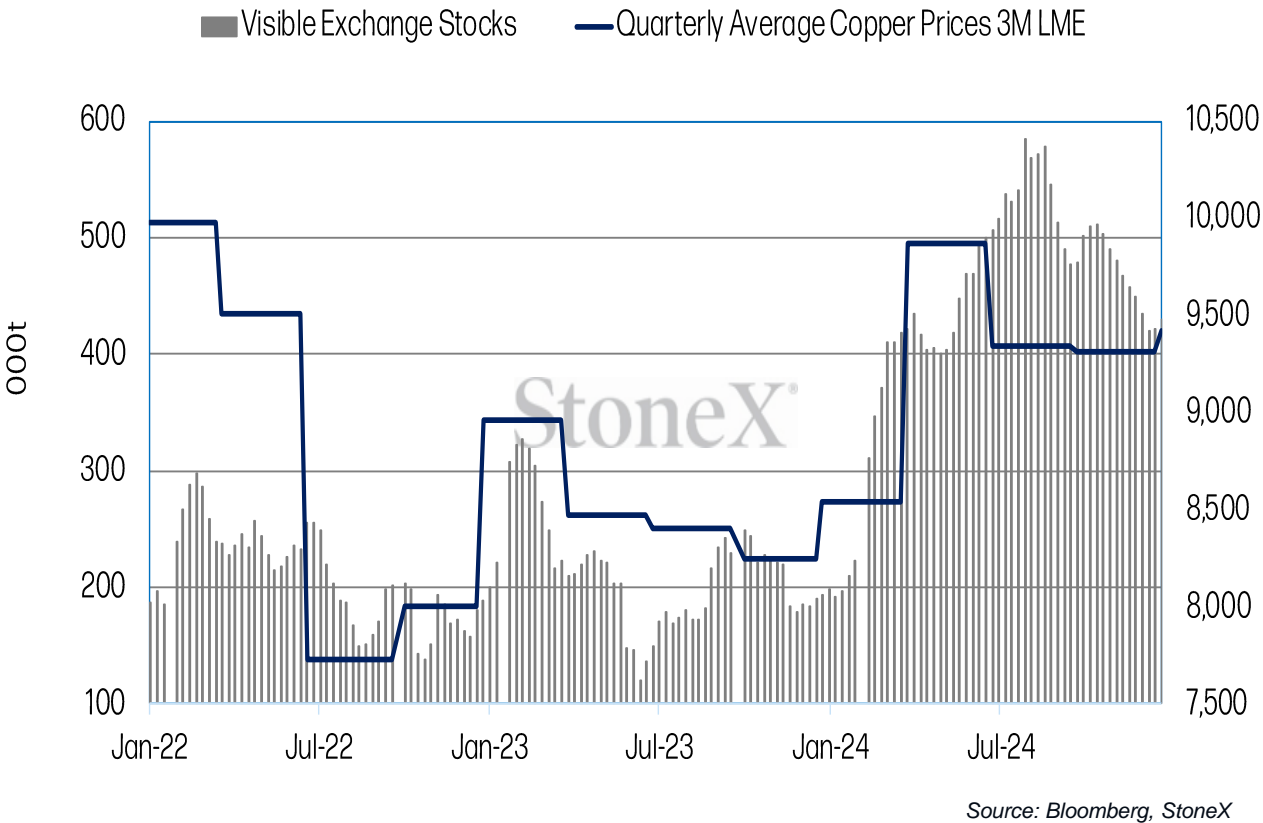
Our View

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

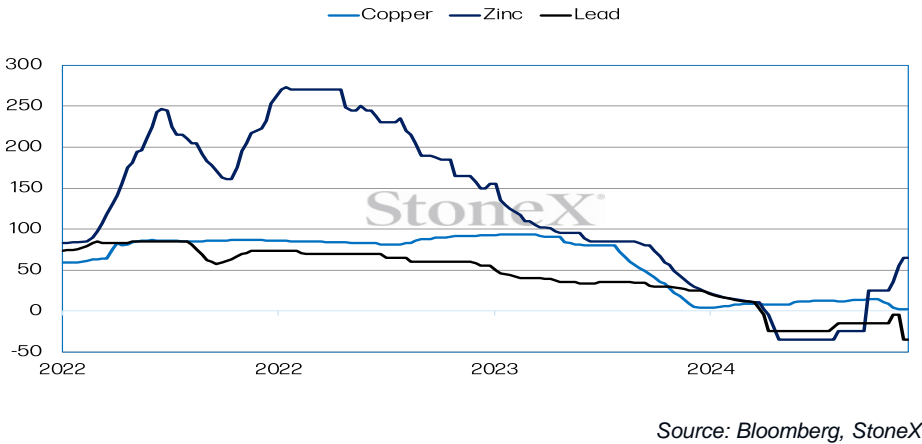
Post-Tariffs: We forecast (on average) the economic activity channel as having a longer lasting impact on base metals

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

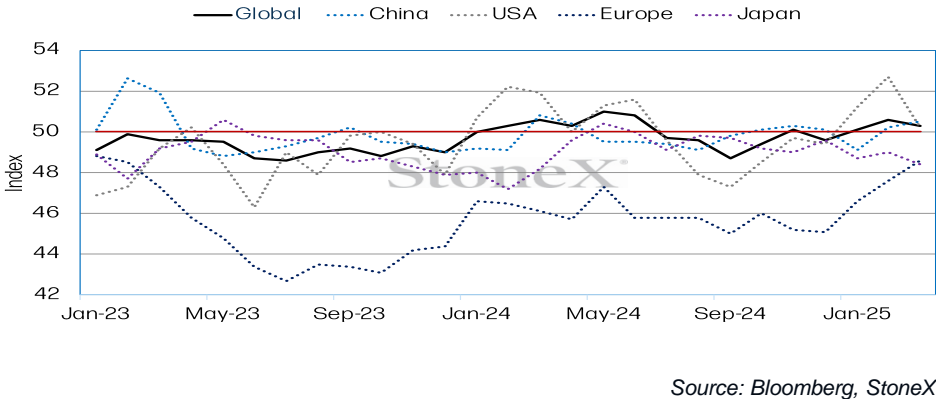
Visible Global Copper Exchange Stocks Versus LME 3M Copper Price



Copper, Lead and Zinc Treatment Charges



PMI Readings



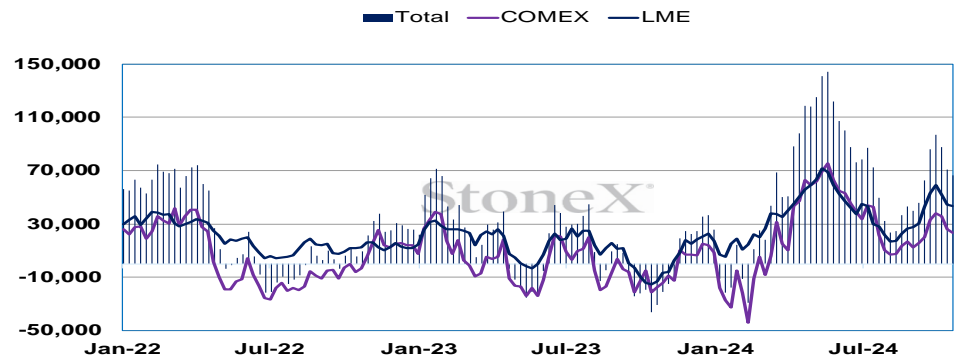
Our View

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

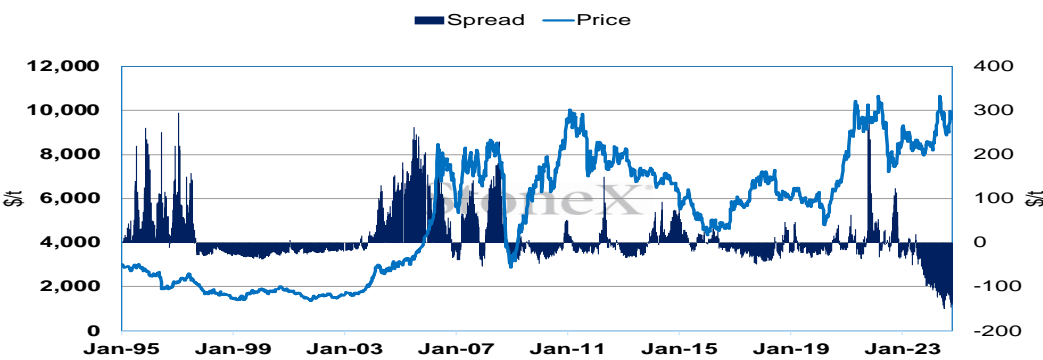
Investors: The Role of Speculators Not to be Overlooked

LME & COMEX Investment Firm Net Positions on Copper



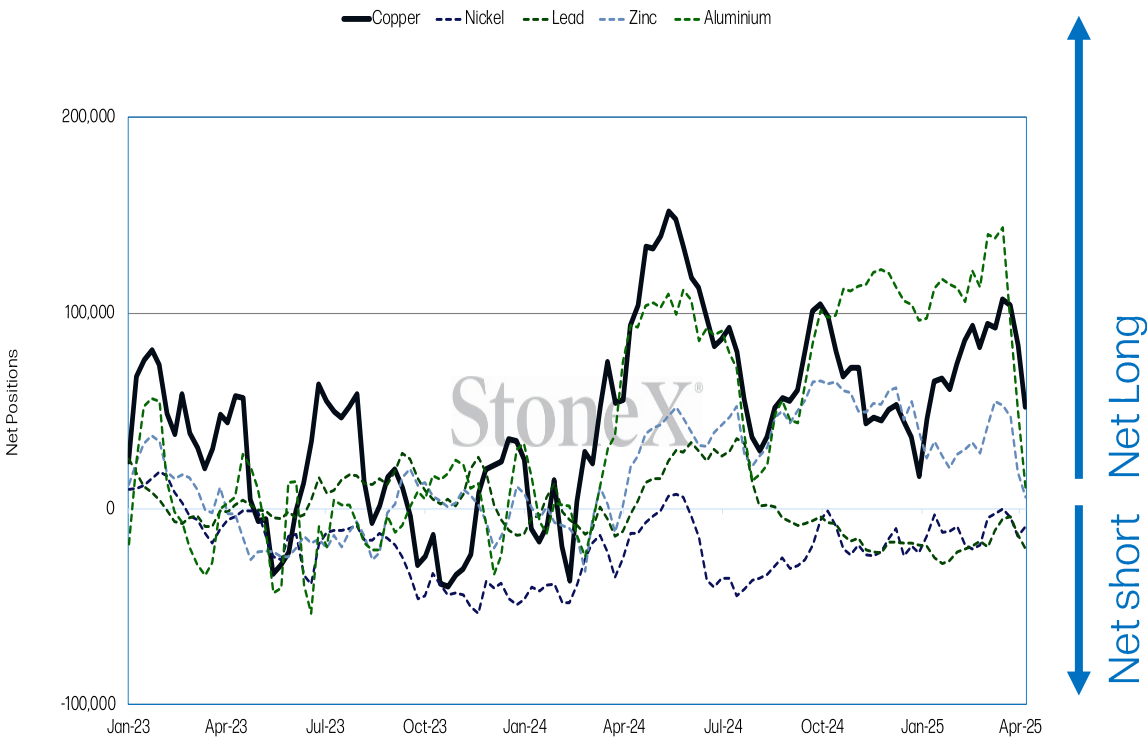
Source: Bloomberg, StoneX

LME 3M Cash-3M Copper Spread Versus LME 3M Price



Source: Bloomberg, StoneX

LME, COMEX, SHFE Net Positions Combined



Source: Bloomberg, StoneX

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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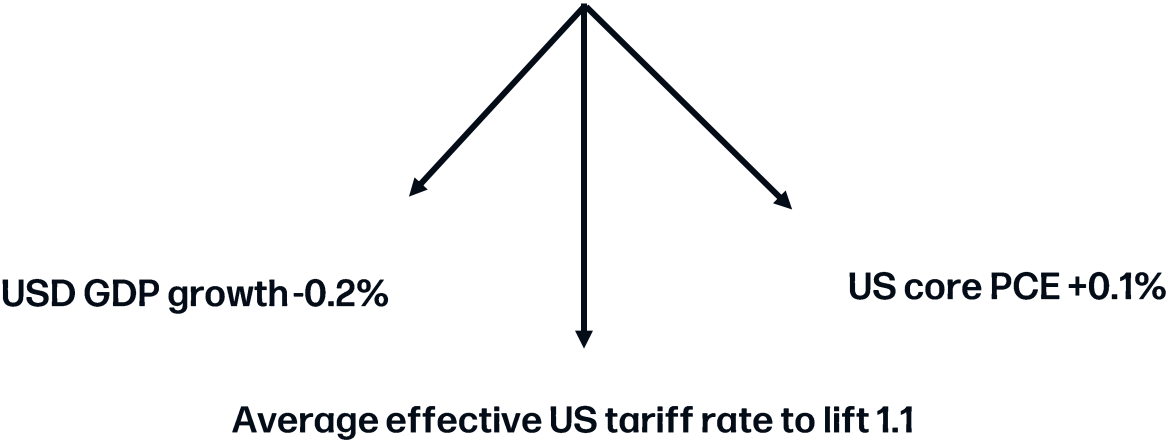
Copper, Aluminium & Automotive Case Study

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

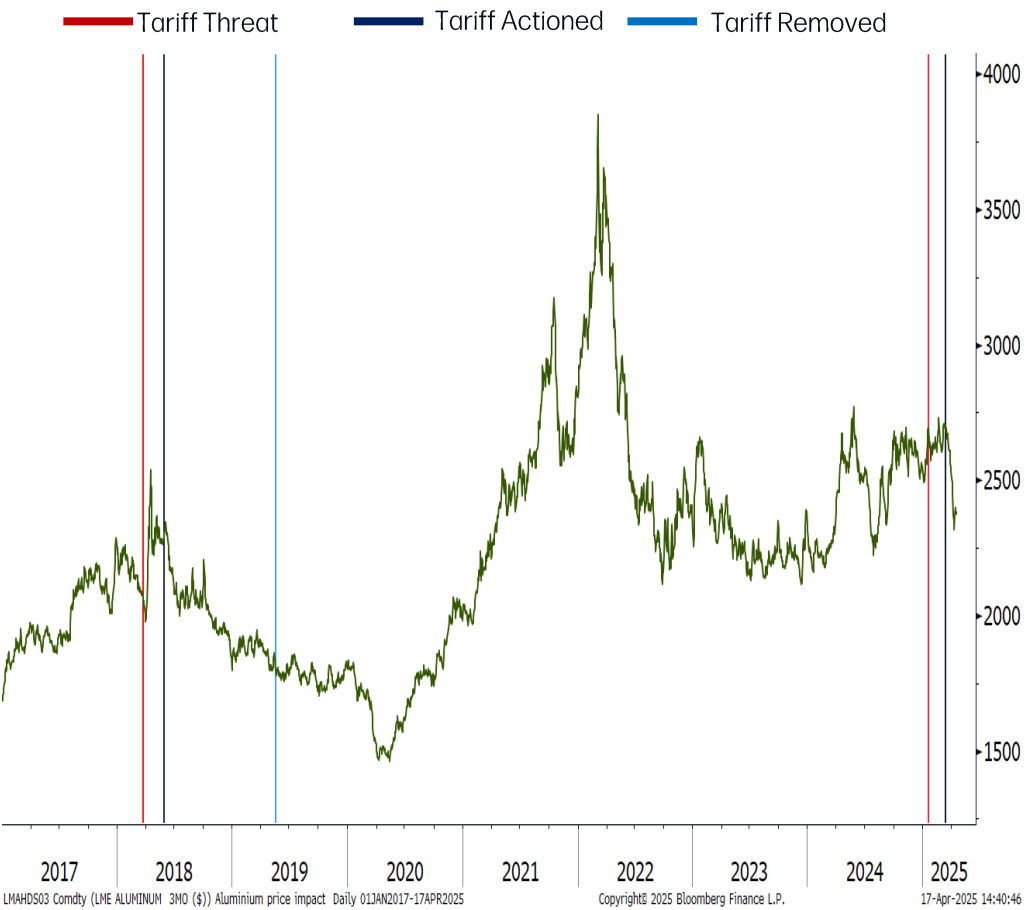
We Have Seen Repetition in Aluminium Price Action on Trump Tariffs 2.0

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.



LME 3M Aluminium Price Performance

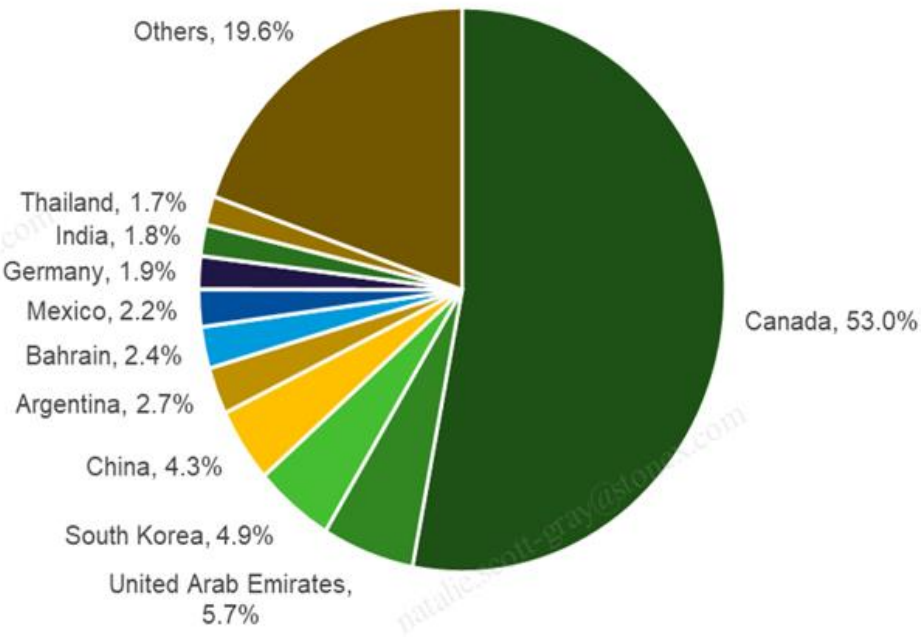


Source : Bloomberg, StoneX

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

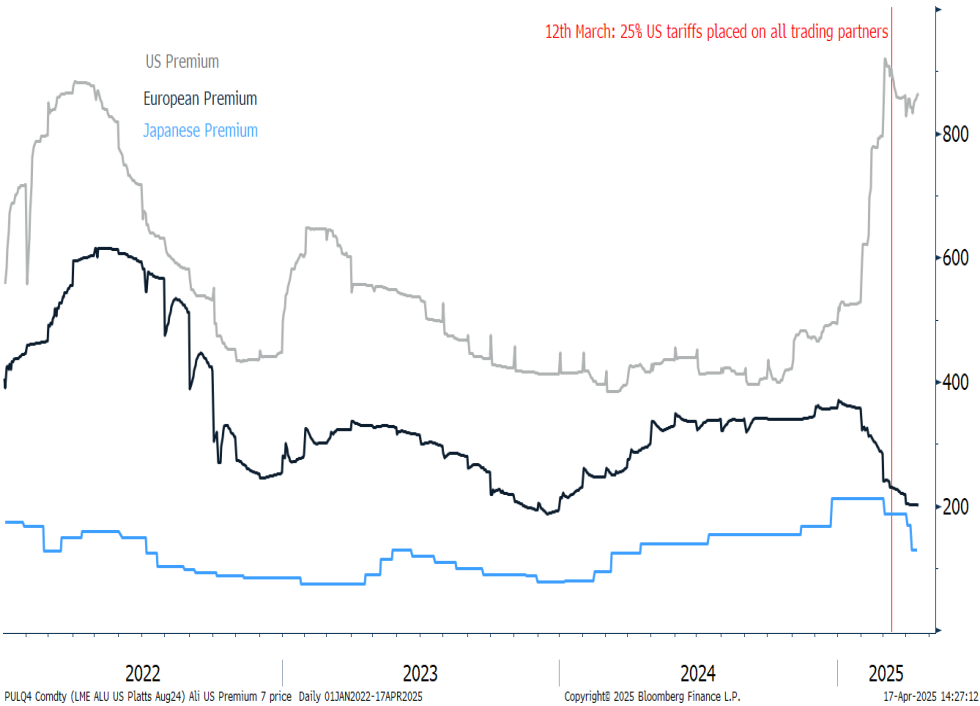
Initial Market Reaction is Supply Concern

US Aluminium & Semi-Finished Product By Import Country



Source : Bloomberg, StoneX

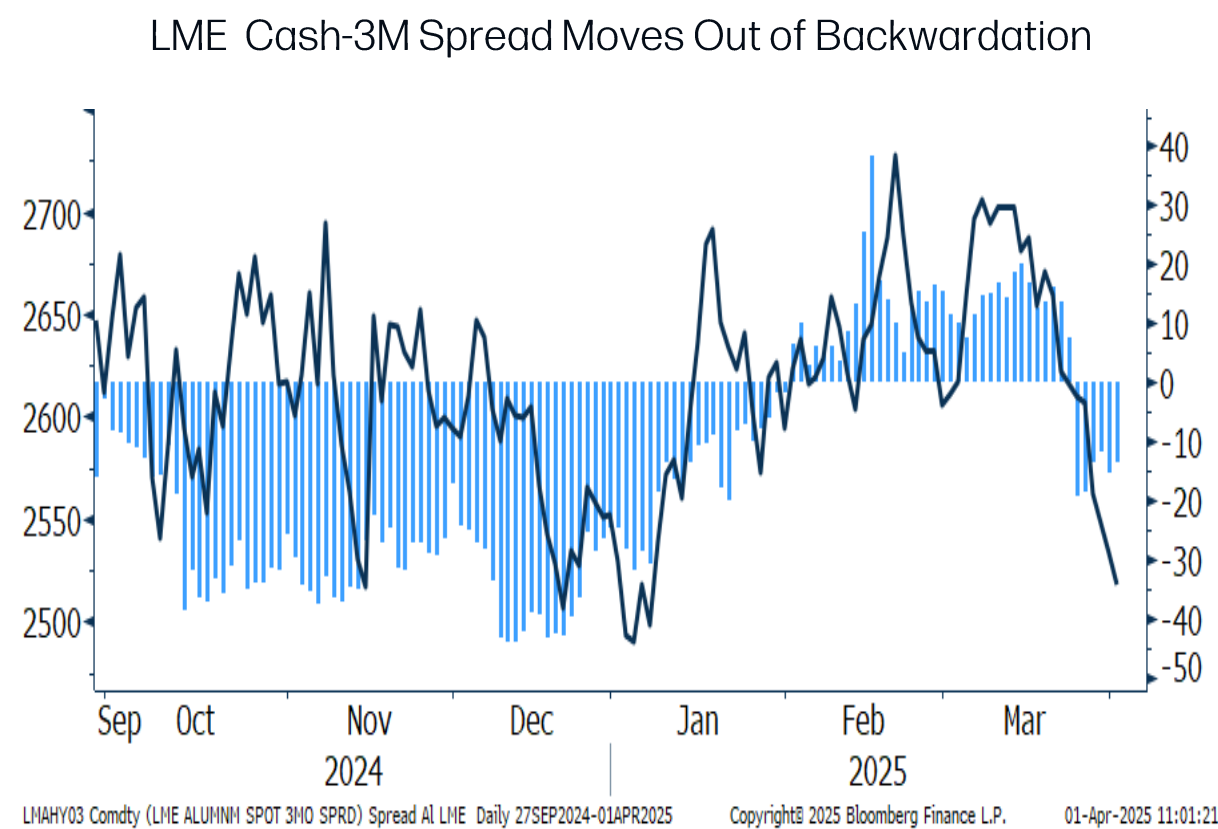
US Midwest Premium – The Forum Where Trade Tariff Concerns Are Played Out



Source : Bloomberg, StoneX

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

Once Tariffs Were Applied, Focus Turned to Demand Concerns



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

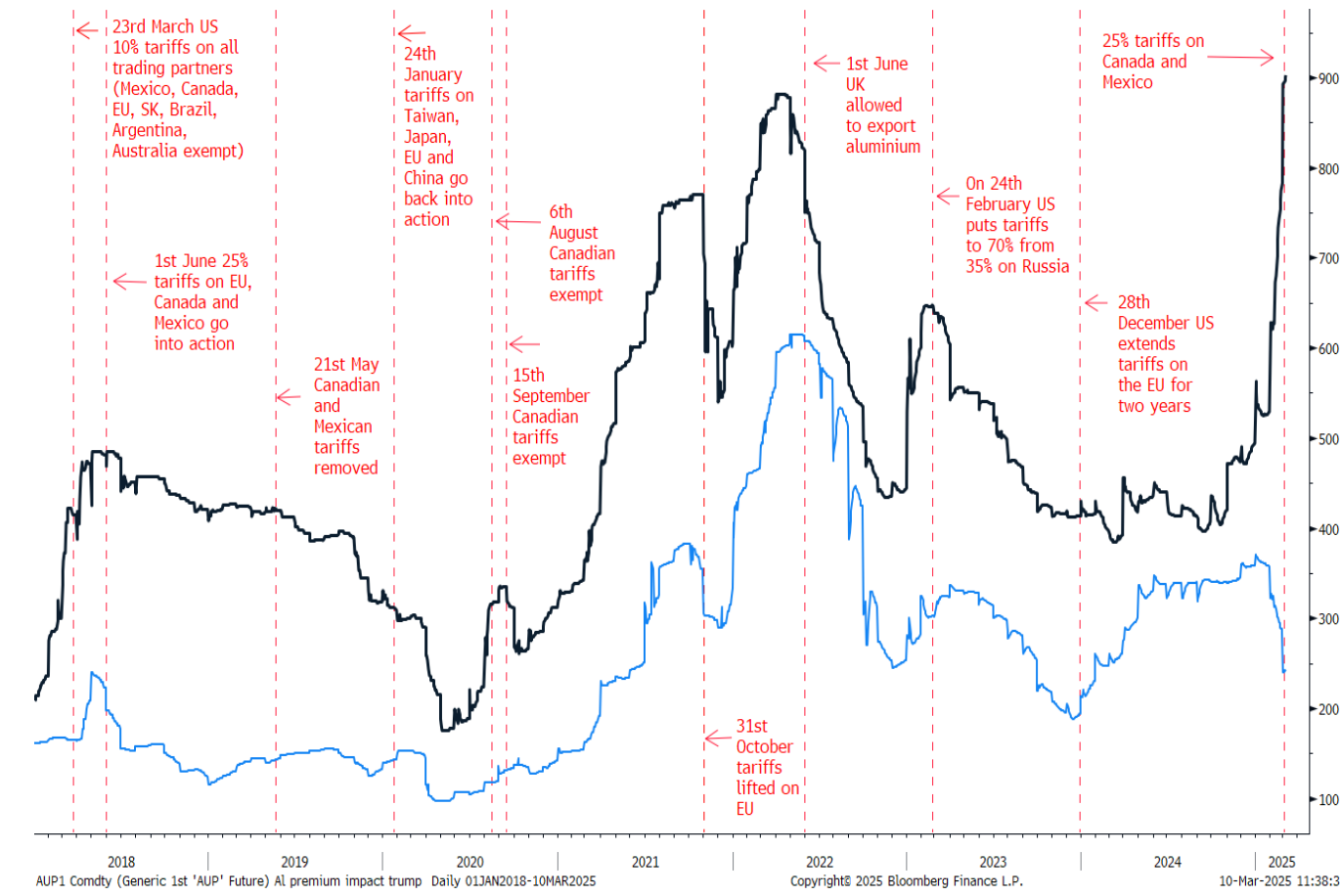
High US aluminium prices will negatively impact demand

- 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 aluminum 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

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

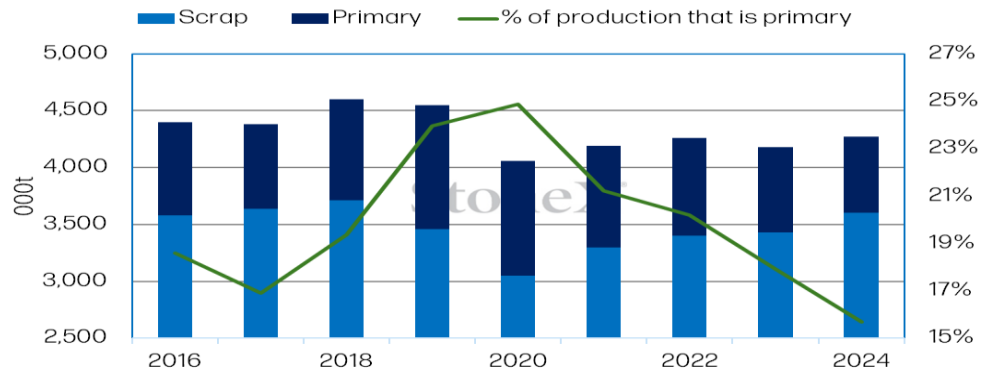
Current US Primary Production Falls Short of Demand By a Long Way

Timeline of US Tariffs on Aluminium Premiums



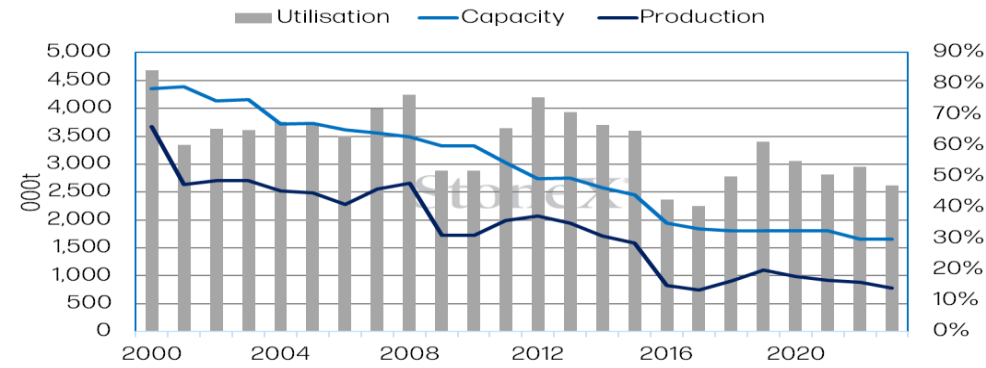
Source: Bloomberg, StoneX

US Primary Aluminium Production



Source: Bloomberg, SMM, Harbour, StoneX

Primary Aluminium Production Versus Capacity Utilisation



Source: Bloomberg, SMM, Harbour, StoneX

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

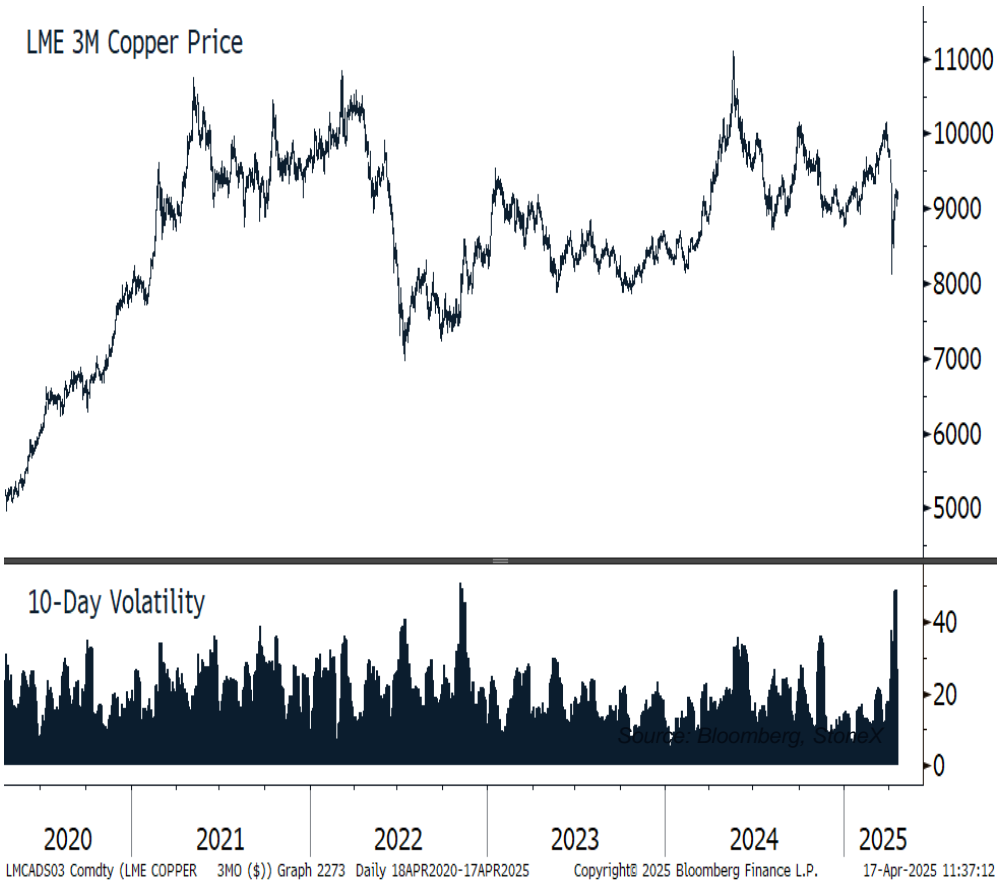


Tariff level unspecified

Source: StoneX

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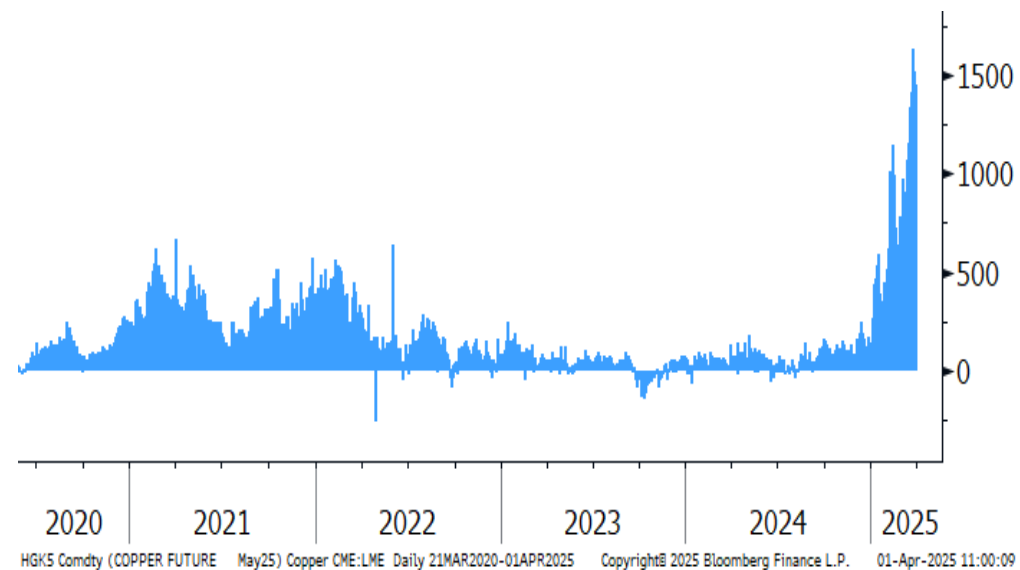
Copper's Benchmark Price Posts Highest Level of Volatility Since 2022



Source: Bloomberg, StoneX

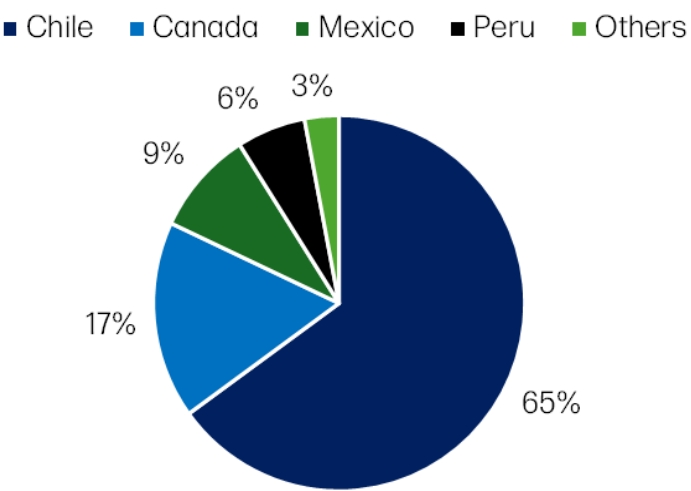
Supply Concerns Play Out on CME-LME Spread

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



Source: Bloomberg, StoneX

Refined Copper Imports into the US by Country



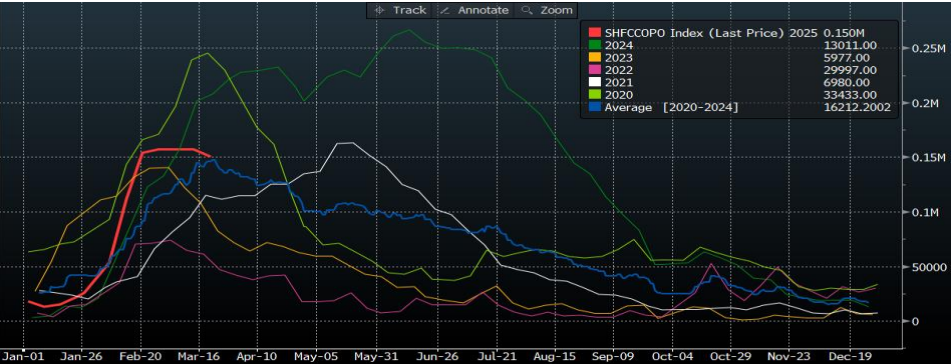
Source: Bloomberg, StoneX

The LME copper contract 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).

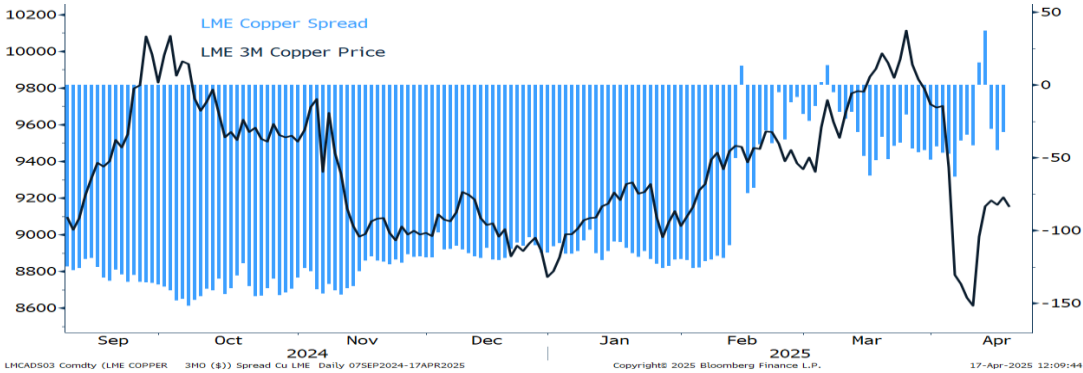
Threatened US Copper Tariffs Tighten Copper’s Micro Fundamentals on Trade Re-routing

Seasonality Chart: SHFE Copper Deliverable Stocks



Source: Bloomberg, StoneX

LME Cash-3M Spread Flirts With Backwardation



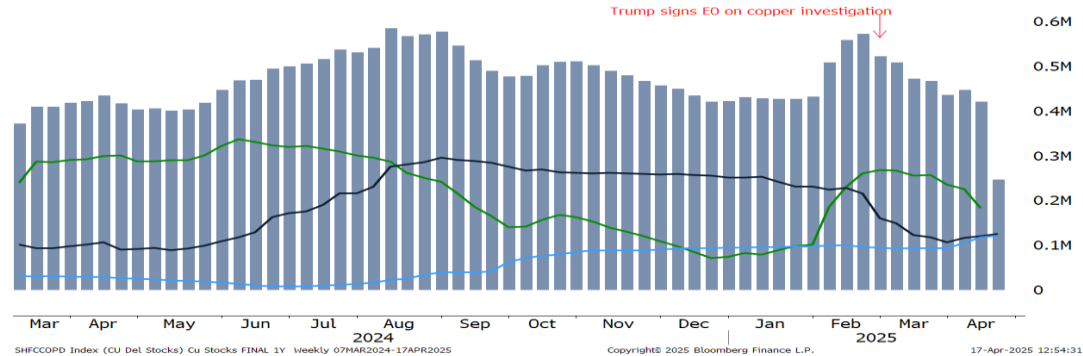
Source: Bloomberg, StoneX

Seasonality Chart: LME Copper On-Warrant Stocks



Source: Bloomberg, StoneX

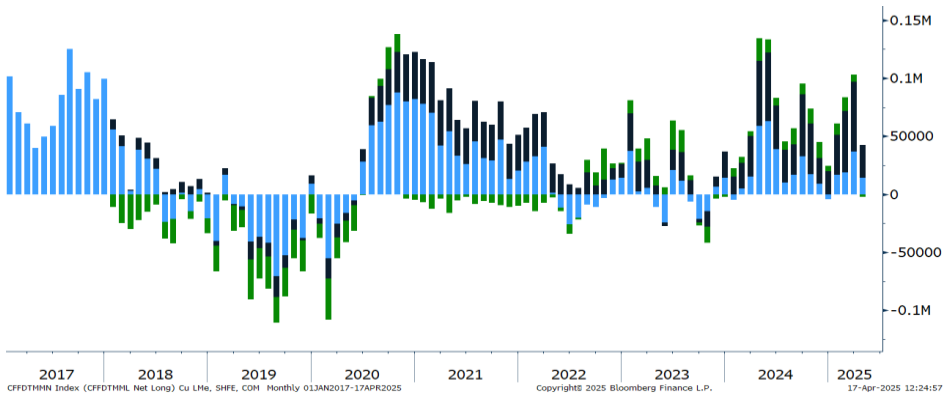
Global Visible Exchange Stocks



Source: Bloomberg, StoneX

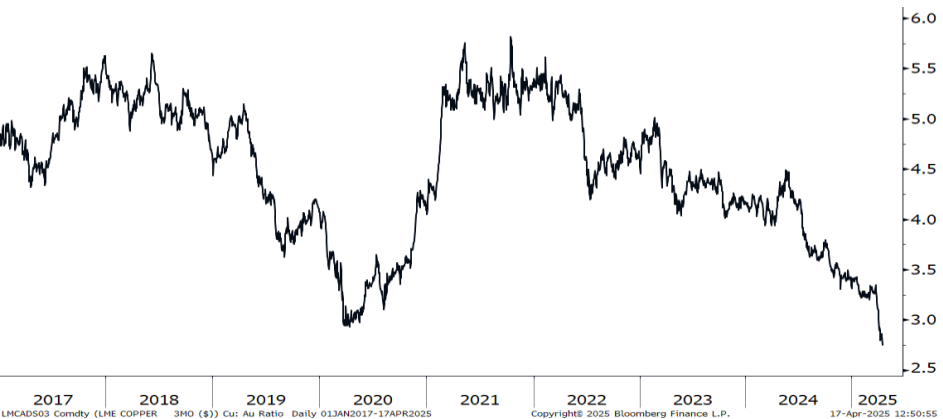
Dr. Copper Caught Between Impact of US Copper Tariffs Versus Global Trade War

Net Speculative Investor Positions



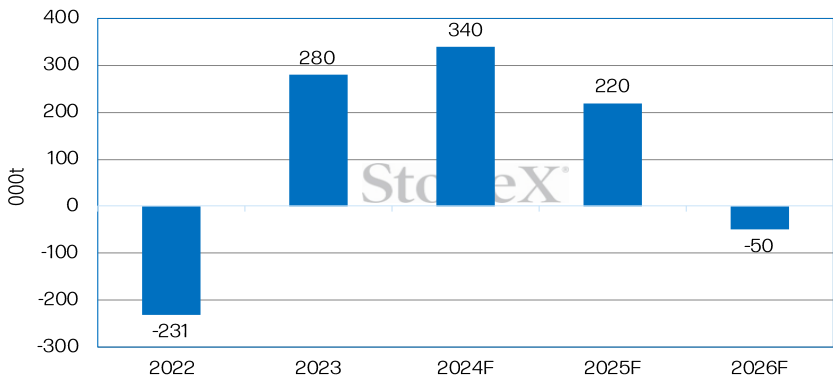
Source: Bloomberg, StoneX

Copper : Gold Ratio



Source: Bloomberg, StoneX

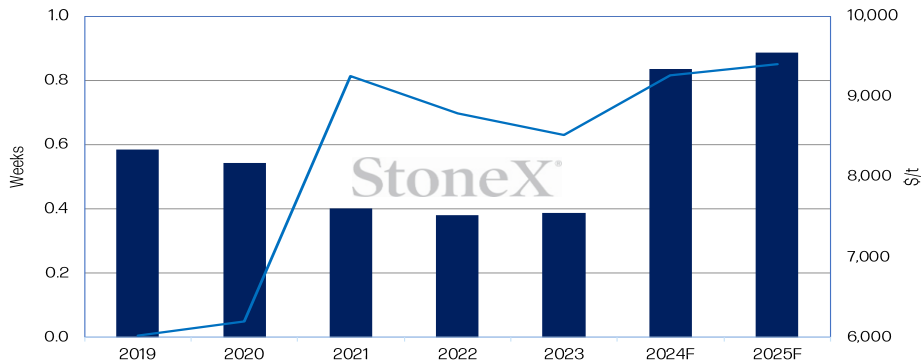
Copper Global Market Balance



Source: Bloomberg, StoneX

Copper Global Consumption Ratio

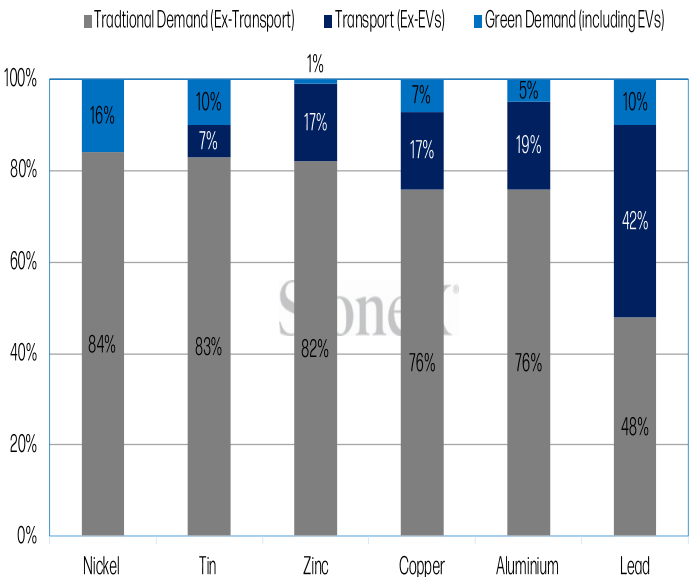
Current level of global visible exchange stock / daily demand = consumption ratio (days)



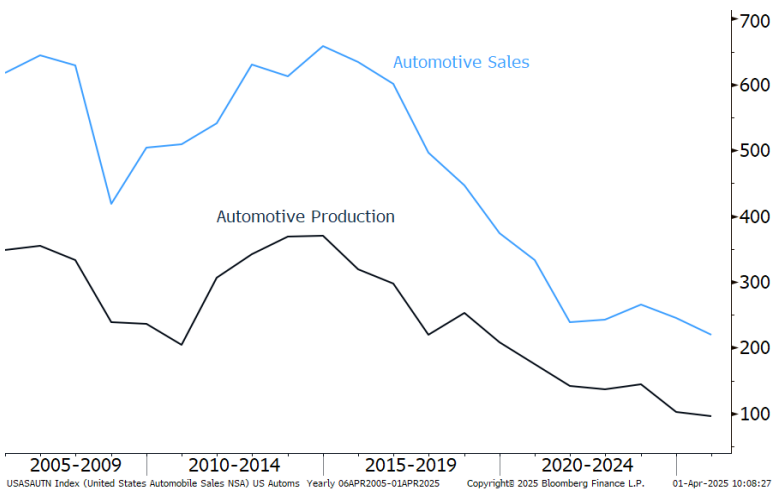
Source: Bloomberg, StoneX

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

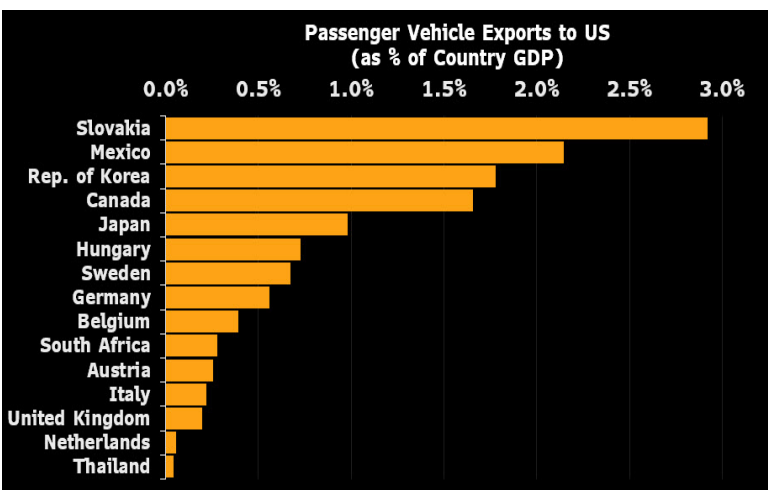
Automotives Are the Largest Combined End-Use Market for Base Metals



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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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

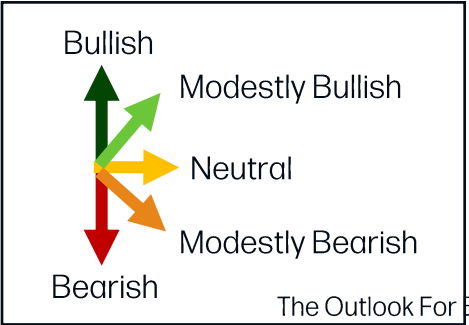
- Despite supply set to remain or rebound into growth across the suite, trade tariffs increase risks to supply forecasts
- A recovery in demand is required for higher prices, with growing trade barriers set to result in consumption forecast downgrades
- Regional market imbalances forecast to persist 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.
Price = average annual price level.
Source: Bloomberg; SMM, ILZG, ICSG, Harbor, BLC, ITA, StoneX

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 contruction 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.

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



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Natalie Scott-Gray
EMEA & Asia; Base Metals

Office: +44 (0)203 580 6544

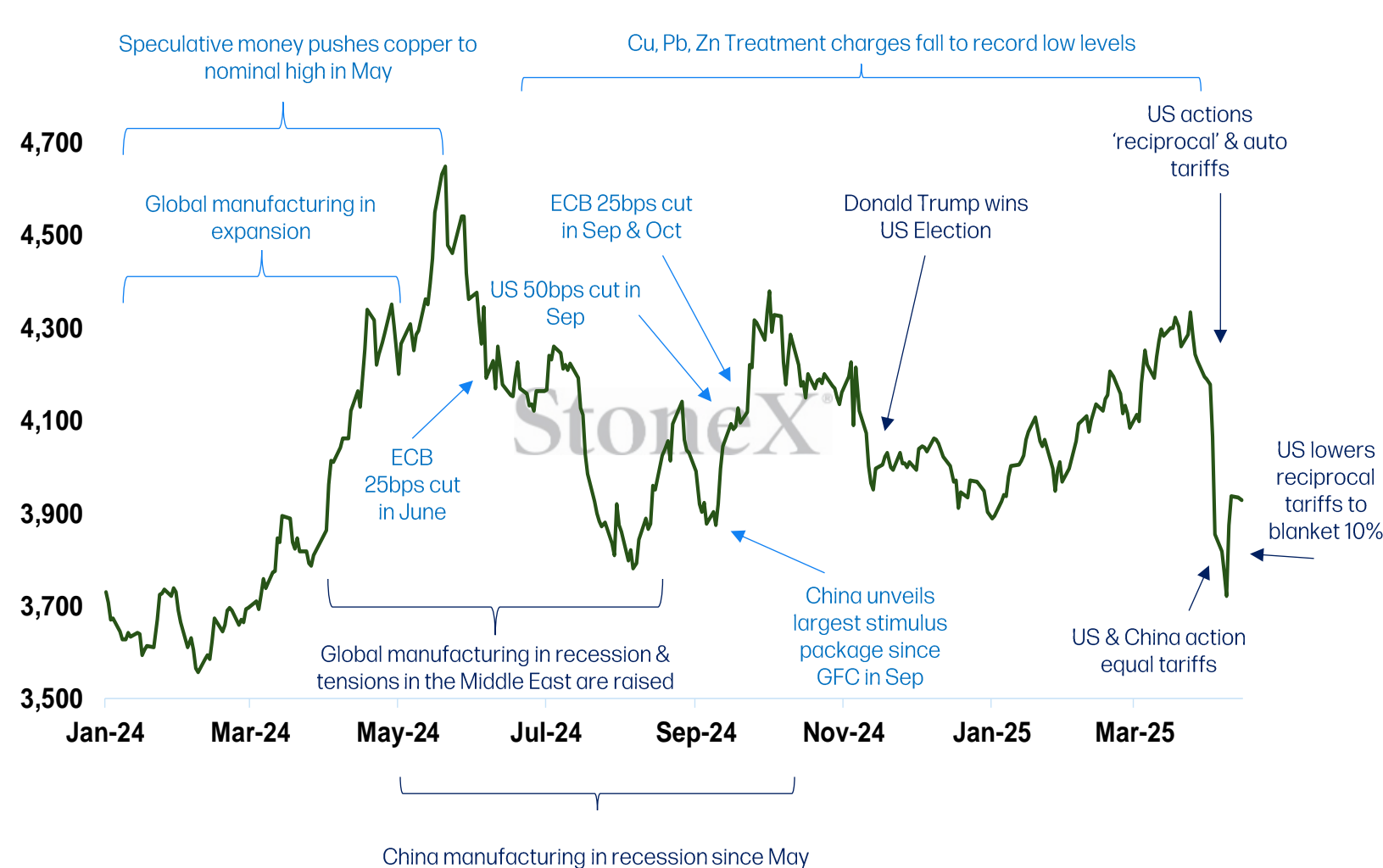
Mobile: +44 (0) 7384 833895

Email: natalie.scott-gray@stonex.com

Thank You

Understanding Base Metal Price Drivers

LMEX Index Price Performance



Impact of Key Drivers on Base Metal Prices

Macro			?
Fundamentals			?
Investors'	↑		?