

Copper price nears record as market braces for tariffs

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Stock image.

Expectations that the US will add copper to the list of metals subjected to tariffs have sent its price near record highs. The key industrial metal crossed the \$5-a-pound mark for the first time in months, suggesting that supply concerns will outweigh headwinds from disruptions to the global economy.

Copper's rise is being driven "solely by supply concerns surrounding the potential for universal tariffs to be placed on all imports of copper into the US," said Natalie Scott-Gray, a senior metals demand analyst at StoneX, on Tuesday.

COPPER NEARS RECORD HIGH



Copper price nears record high.

The US is “heavily reliant on foreign copper, with imports accounting for [around] 45% of demand,” she added.

Record shipments

The US is about to be flooded with a massive wave of copper as a worldwide dash to front-run potential tariffs by US President Donald Trump comes to a head.

Between 100,000 and 150,000 metric tons of refined copper is expected to arrive in the US in the coming weeks, according to four people surveyed by *Bloomberg* with direct knowledge of some of the shipments. If the full volume arrives within the same month, it would surpass the all-time record of 136,951 tons set in January 2022.

Commodities traders including Trafigura Group, Glencore Plc and Gunvor Group are redirecting large volumes of metal earmarked for Asia to the US. The quantity is so big that

traders are booking additional warehousing space in New Orleans and Baltimore to accommodate the shipments, some of the people said. The three firms declined to comment.

The surge of foreign copper into the US has widespread ramifications as it drains supplies in other markets including China, the top consuming nation. Copper prices in the US are at levels well above other overseas markets, giving American manufacturers a taste of the kind of cost inflation and supply-chain disruptions that may be triggered by a full-blown trade war.

Trump late last month ordered the US Commerce Department to conduct a probe into possible copper tariffs on national security grounds, in a move that sent copper futures in New York surging above other global price benchmarks.

And while Trump's earlier musings on such levies sparked concerns on whether traders could get copper into the US before they take effect, a lengthy Commerce investigation opens a longer window to ship the metal.

The differential between prices on New York's Comex commodities exchange and the London Metal Exchange rose above \$1,200 a ton on Wednesday, approaching a record high reached in mid-February. That's a 12% premium, and it creates a huge incentive for traders and producers to keep moving copper to the US before tariffs are imposed.

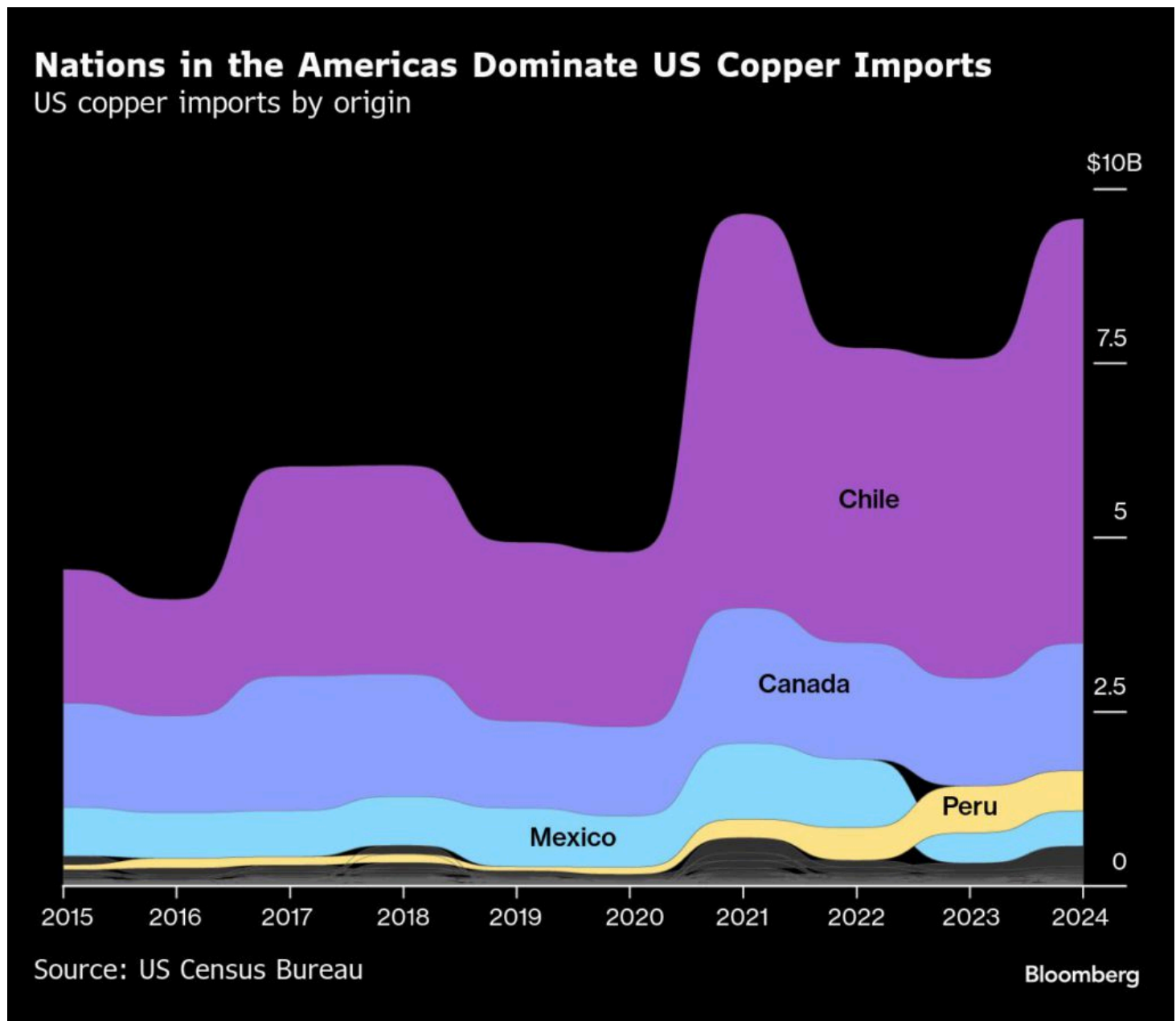
Goldman Sachs Group Inc. and Citigroup Inc. anticipate the US will impose 25% import levies on copper by year end. Even with tariffs, American copper buyers have little choice but to keep buying imported metal given that US consumes twice as much as it produces.



American buyers are already looking to source more from countries such as Chile and Peru amid a broader buildup of copper stockpiles. Some metal from Mexican and Canadian mines is likely to get diverted to Europe given Trump's sweeping tariffs on the key US trading partners. Chile's state-run producer Codelco — already the top shipper to the US — is striving to meet additional demand from its US customers after meeting them last month.

"Everyone sees demand for copper as very strong and they all ask Codelco for more copper," chairman Maximo Pacheco said in a March 13 interview. That's partly because "there's an open discussion about whether copper will have a tariff."

Potential US tariffs could also upend the copper trading dynamics between Chile and China, which is by far the world's largest metals consumer. In recent months, more Chilean metal than usual has headed to the US after buyers were caught in a short-squeeze on Comex last year. Tariffs could keep that flow elevated.



That marks a shift for China, which last year bought about 4 million tons of the metal and accounted for about 40% of the world's refined copper, according to the International Copper Study Group. For the time being at least, the US is usurping China as the preferred sales destination for the world's top producers and traders, leaving the Asian nation at a disadvantage.

That creates a lucrative environment for producers and traders, allowing them to exploit pricing differences between the US and other markets.

"There's a broader reshaping of supply chains that is potentially on the cards," Citigroup analyst Tom Mulqueen said in an interview.

Monthly shipments into Chinese ports for April and May could drop by as much as a third compared to the same period last year, according to one large trader active in the Asian market. Requests to move copper out of London Metal Exchange warehouses in Asia have surged to the highest since August 2017.



Goldman Sachs analysts expect all forms of copper shipped to the US to be hit with tariffs by the end of this year, keeping prices on Comex trading at a hefty premium over other benchmarks. Tariffs could cause China to refine less copper — to the tune of 10,000 to 20,000 tons a month within the first three months. That's in a global market that Goldman already expected to be facing a 180,000-ton deficit this year.

"The good news is that we see very strong and clear demand," Codelco's Pacheco said. "We see this turbulence and uncertainty, but we've lived with it many times before."