

Article | 14 February 2025

# The markets think copper is next on Trump's tariff hit list

The threat of tariffs on copper imports to the US has driven the difference between the CME copper contract price and the LME to record highs



#### A tariff bost

The markets are already pricing in tariffs on copper shipments to the US, despite President Trump saying it will take a little longer to implement than those on <u>aluminium and steel</u> announced earlier in the week.

## Copper in New York shoots above London

Profit/loss buying LME copper and selling Comex

1400
1200
1000
800
600
400
200
0
-200
4/24 5/24 6/24 7/24 8/24 9/24 10/24 11/24 12/24 1/25

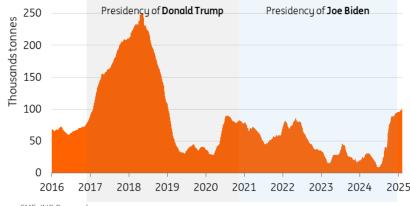
Source: LME, CME, ING Research

The arbitrage between the CME and the LME contracts has widened, with the CME premium now standing at over \$1,200/t - more than 10% of the LME price. Prices in the US are up more than 20% this year, having hit their highest level since 2024, while the benchmark LME price is around 10% higher year-to-date. There is a further upside risk for copper prices in New York if tariffs are applied; however, the spread risks a pullback if any potential tariffs fall short of expectations.

## **US** copper rush

The threat of tariffs has led to expectations of a temporary tightness in the US copper market, with traders shifting metal from the global LME warehouses to the US to take advantage of the arbitrage. We have seen this before - under Trump's first term, CME stocks surged, driven by tariff uncertainty, which was then followed by a destocking cycle. CME copper stocks have been steadily rising since Trump's US presidential election win and are now over 100,000 tonnes.

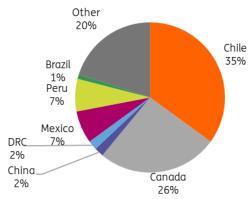
## CME copper stocks surge amid tariff threats



Source: CME, ING Research

The US is reliant on around 45% of copper imports for its domestic consumption (according to data from the US Geological Survey). Chile is the country's biggest supplier at 35%, followed by Canada at 26%. The US imported around 800,000 tonnes of refined copper in 2024, while its domestic production last year totalled 850,000 tonnes.

## US copper imports by country



Source: US Census Bureau, ING Research

#### **Doctor Copper**

If implemented, US tariffs on copper might drive an initial, short-term price surge, reflecting front loading of inventories ahead of any tariffs coming into effect; a global trade war would be bearish for copper prices. Copper, often referred to as "Doctor Copper", holds a reputation as a barometer for global economic health. Tariffs are bearish for copper and other industrial metals in the context of slowing global growth and keeping inflation higher for longer.

If US inflation remains persistent or rebounds, it could prompt the Federal Reserve to delay or increase interest rate cuts. This would further hinder the recovery in the building and construction sectors and be bearish for copper demand. With growth in the US likely to slow on the back of tariffs and China already struggling to revive its economy, demand for copper and other industrial metals is likely to weaken. On the other hand, the prospect of a prolonged trade war has raised expectations for Beijing to unveil more aggressive stimulus measures, which would cap the downside to copper and other industrial metals prices.

#### **Author**

#### Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

#### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.