The Commodities Feed: Trump's larger-than-expected copper tariff shocks market

Comex copper futures surged to a record after President Trump said he planned a 50% tariff on copper imports, more than the market expected

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Metals – Trump says he plans 50% tariffs on copper imports

US copper futures hit a record high yesterday -- surging as much 17% -- after President Donald Trump announced he plans a 50% tariff on copper imports. The magnitude of yesterday's spike also set a record for a one-day increase.

Commerce Secretary Howard Lutnick said the copper tariffs are likely to be in place by the end of July. This would be the first time copper has faced import duties into the US. While the move doesn't come as a surprise, the size of the levy is surprising. The market had expected a tariff of up to 25%.

In February, Trump ordered a Section 232 investigation into copper imports. However, the 270-day deadline for the investigation would have allowed it to continue until November. This is likely to be positive for Comex copper prices, at least for now. More buying is likely before tariffs come into effect. However, a 50% tariff on imports also risks demand destruction. Copper in the US is now up more than 40% this year, with prices continuing to benefit from the front-running of tariffs.

Yet this will be bearish for LME prices, with the wave of copper rushing to the US likely to stop once the tariffs are implemented. At that point, US buyers are likely to start working through their inventories. There is now more copper stored in Comex warehouses than there is in the LME and Shanghai Futures Exchange (SHFE) warehouses combined. This will likely improve the availability of copper, ex-US, which would weigh on LME copper prices. This will likely only play out once tariffs are implemented. For now, the Comex-LME arb has widened to more than $2000/t, which will support the strong flow of copper into the US.

The US is reliant on copper imports for domestic consumption. In 2024, the US imported around 850,000 tonnes of copper (excluding scrap), accounting for around 50% of domestic consumption. Chile is the largest import source, at around 40%, followed by Canada and Mexico. At least in the near term, it might be challenging to replace US copper imports with domestic production.

Energy- Brent creeps back above $70/bbl

Oil prices edged higher yesterday, with Brent settling back above $70/bbl. This is despite ongoing uncertainty over tariffs, along with OPEC+ recently announcing a larger-than-expected increase in supply for August. Increased tensions in the Middle East, in the form of Houthi attacks on vessels in the Red Sea, will provide some support. Also, the market remains tight in the near term, as reflected in the timespreads. This will likely persist through the northern hemisphere summer, when we see seasonally stronger demand. The oil market only starts to loosen from the fourth quarter, when we expect to see more sustainable downward pressure on prices.

Numbers from the API overnight were bearish for oil, with US crude inventories rising by 7.1m barrels, while Cushing crude oil stocks increased by 100k barrels. Changes in refined products were more constructive with gasoline inventories falling by 2.2m barrels, while distillate stocks declined by 800k barrels. The drop in distillate stocks will do little to help relieve concerns over a tightening middle distillate market.

The Energy Information Administration (EIA) released its latest Short Term Energy Outlook yesterday, revising lower US crude oil production growth estimates for this year. The EIA now expects US crude oil production to grow by around 160k b/d YoY to 13.37m b/d in 2025, compared to a previous growth estimate of around 210k b/d year on year. For 2026, the EIA expects US oil supply growth to be flat. However, the drastic slowdown in drilling activity suggests that there is downside for 2026 production.

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