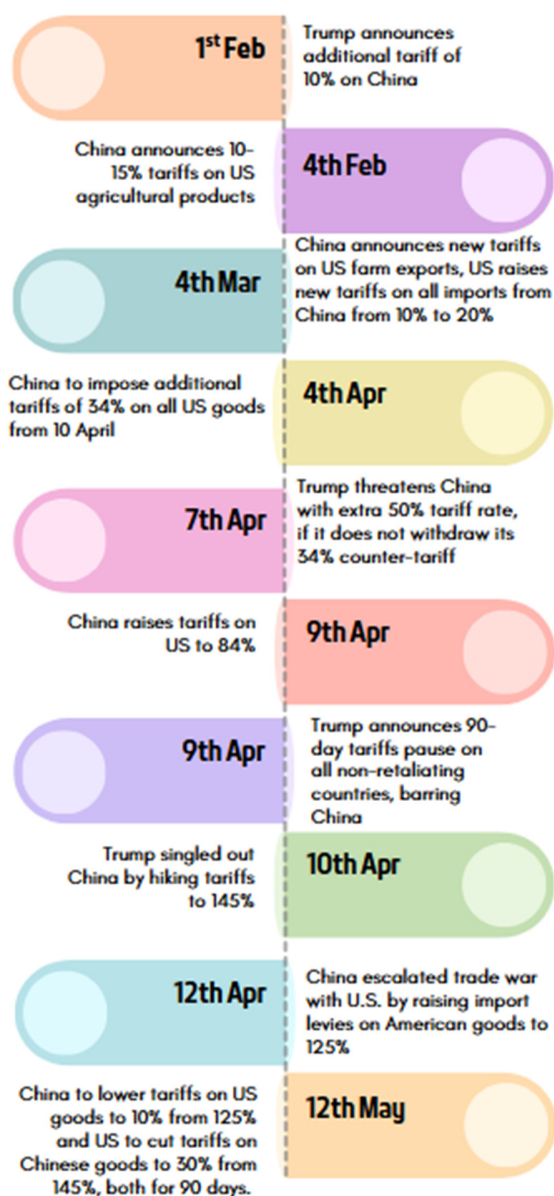


Commodities Insight

12th May, 2025

TARIFF TIMELINE



Copper at Crossroads

Base metals have been caught in between supply surplus forecasts for most metals, weakening PMI figures and constant updates on negotiations between US-China, keeping market participants on edge and uncertain about the future path.

US has been imposing tariffs continuously on its trade partners, while keeping rates high for Chinese imports- with tariffs on certain goods ranging upto 245%. However, China has been on the forefront for protecting its country's interests and is fighting back to the constant 'singling out' by US. After making progress with UK, the Trump administration also took notable de-escalation measures with China in order to ease the economic hardship that both countries are beginning to experience.

Copper has been witnessing high volatility, briefly touching levels above \$10000 in March, and then collapsing lower to around \$8000 in a week's time, and now rebounding back to \$9500. As the news of Trump signing an executive order directing the Department of Commerce to investigate whether copper imports threaten national security, potentially leading to a 25% tariff on these imports hit the market- price disparity between LME and COMEX prices emerged. This proved to be beneficial for arbitragers as they shipped metal to speculatively profit from the large price differential, as well as frontloading already-planned shipments in order to clear customs before any potential tariffs are imposed.

Supply Forecasts

The recent ICSG data estimates suggest that global copper market is anticipated to witness a considerable surplus over the next two years. The Group anticipates a global copper surplus of 289,000 tonnes in 2025, more than doubling the 138,000 tonnes recorded last year and higher than previous estimates of 194,000 tonnes.

According to ICSG, the growing surplus in 2025-26 is primarily due to increased mine supply and smelting capacity. Uncertainties surrounding international trade policy is projected to affect the global economic outlook and have a negative influence on copper demand, lowering this year's refined copper consumption to 2.4%, compared to its earlier projection of 2.7% and 2.8% in 2024. Copper usage growth is forecast to decrease further to 1.8% in 2026, mostly reflecting an anticipated loss of impetus in China, where copper usage is expected to shrink from 2% this year to only 0.8% the following year.

Central Bank Actions

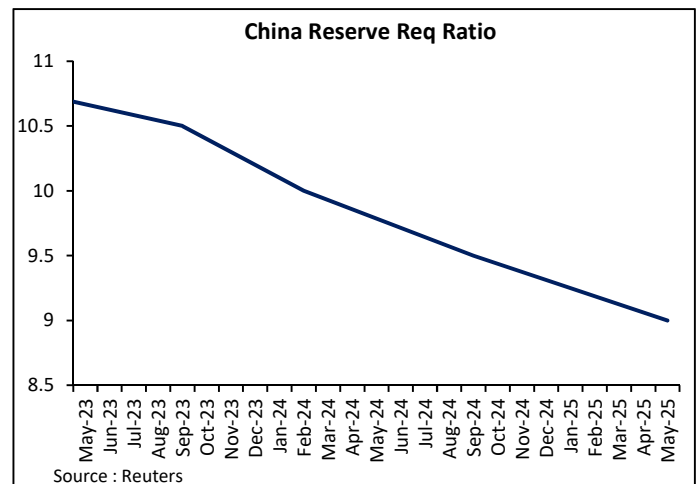
In recent months, China signalled monetary policy easing would come at an "appropriate time." It seems that time has come, and just around US-China meeting, China took a proactive step in order to decrease its policy rate and reduced the amount of cash lenders must hold in reserve, as Beijing steps up measures to assist an economy embroiled in a second trade war with the United States. Governor Pan Gongsheng announced that the People's Bank of China has reduced the seven-day reverse repurchase rate from 1.5% to 1.4%. The central bank would also reduce the reserve requirement ratio by half a percentage point, bringing the rate to 9%, effective 15th May.

The latest initiatives aim to slash borrowing costs and are part of Pan's ten-point plan, which also includes rate cuts on a variety of lending tools and policy bank loans. The RRR drop will release approximately 1 trillion Yuan (\$139 billion) of long-term liquidity. This marked Beijing's most aggressive monetary easing since the early COVID era.

Furthermore, the PBOC has proposed additional measures to boost consumption and the technology industry. They included establishing an RMB billion Yuan loan programme for consumption and senior care, as well as increasing an existing tech lending fund by 300 billion Yuan. The goal is to encourage banks to lend in these sectors. The real estate sector benefited from a reduction in the housing provident fund loan rate. The broad stimulus announcements showed the officials were acting with greater urgency to bolster the economy and the easing depreciation pressure on currency.

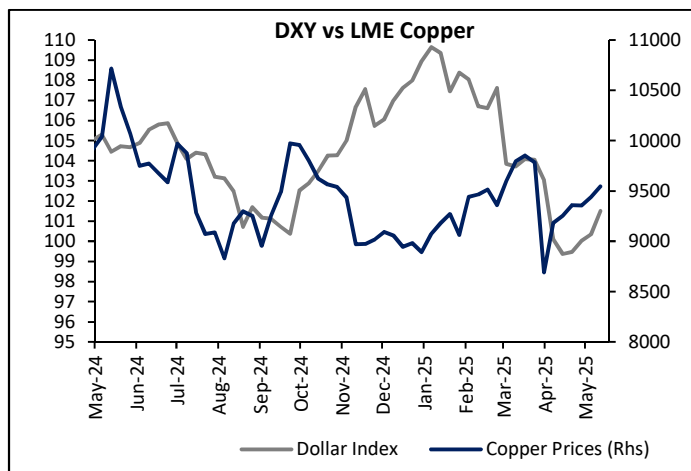
US-China Negotiations

The US has imposed 145% tariff on most Chinese imports, while China has reacted with a 125% tariff on some US products. After a lots of tussle, the first in-person meeting between China and American officials was held in Geneva, Switzerland. Both sides described the meetings as constructive, with Bessent stating that "substantial progress" had been made, and the Chinese Vice Premier calling the discussions "of great significance." In a joint statement released, both sides decided to reduce tariff rates levied on each other by a significant percentage. China is set to lower tariffs on US goods To 10% from 125% and US to cut tariffs on Chinese goods to 30% from 145%, both for 90 days each. US tariffs on China will include a 10% base + 20% fentanyl levy. China will modify application of additional ad valorem rate of duties by suspending 24% of April 2nd tariffs for 90 days. US and China will change the tariff rates on May 14th.



Conclusion

While the negotiations mark a positive beginning for the trade relations between US and China, providing a relief to base metal prices; it is important to take heed of dollar index strengthening after a long period of pressure on the back of optimism surrounding this tariff deal. The US-China discussions have only just begun, and there is still a lot of ifs and buts. Even though the tariff rates announced are lower than expected, they are still a big deal. The hit to global trade growth may be smaller than what the markets were worried about, but it could still hurt the demand for raw materials. Meanwhile, the dollar is strengthening, and if this trend continues, it might pose a challenge to metal prices. Prices are expected to see-saw on the LME between \$9000 and \$10200. With uncertainty being high, volatility is expected to stay persistent and a cautious approach is advised.



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