



Monday, July 14, 2025

Base metals faced a volatile and pressure-filled week, driven by escalating trade tensions, rising global inventories, and policy shifts in the United States. The dominant theme this week was President Donald Trump's announcement of new tariffs on copper imports into the United States. The administration shook markets with a 50% import duty, effective August 1, as part of a broader initiative to reduce U.S. dependence on foreign copper and strengthen domestic supply chains. The new copper tariffs align with previously imposed 50% tariffs on steel and aluminum. This policy move, aimed at reducing U.S. dependence on foreign supply and boosting domestic production, sent ripples across global commodity markets.

This announcement sent immediate ripples through the market:

- COMEX copper futures surged, responding to expectations of tighter U.S. supply and stronger domestic demand.
- LME prices, however, remained relatively stable, as the impact was seen to be more localized to the U.S.

In addition to U.S.-China tensions, the Trump administration's tougher trade stance included:

- Formal warnings to 14 countries of tariff hikes (25%-40%), also effective from August 1
- A threat of 10% additional tariffs on BRICS nations (Brazil, Russia, India, China) if they pursued "anti-American" policies

Commodity	Copper	Aluminum	Zinc
Open	886.5	248.85	261.7
Close	883.55	249.75	258.60
Change	-21.85	-0.80	0.15
% Change	-2.41%	-0.32%	0.06%
Open Int.	7258	3269	2633
Change	-1303	-1023	-849
Pivot	883.6	249.4	259.6
Resistance	887.2	250.4	261.0
Support	880.0	248.8	257.1

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	97400	202470	371150	110600
Close	108725	206178	400275	105250
Change	11325	3708	29125	-5350
% Change	11.63%	1.83%	7.85%	-4.84%

- Proposed 30% tariffs on Mexican and European Union goods, both of which are major U.S. trading partners

This divergence between COMEX and LME prices created a notable arbitrage opportunity for traders, particularly due to the growing premium of COMEX over LME, which peaked midweek.

Meanwhile, London Metal Exchange (LME) warehouses also saw a consistent rise in inventory. By last week, stocks were up by 19% MoM to 108725 tons, continuously rising just before Trump threatened the 50% tariff on copper imports.

While the new tariffs aim to boost domestic production, their short-term effectiveness remains limited due to lacking capabilities of U.S. copper market:

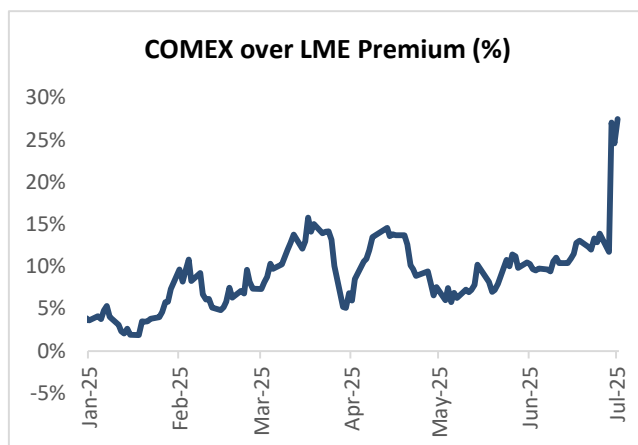
- The U.S. imported approximately 900,000 tonnes of refined copper in 2024, accounting for half of its consumption.
- Chile remains the top supplier, followed by Canada and Mexico.
- The U.S. currently lacks the capacity to quickly ramp up domestic refined copper output to offset imports.

Short-term supply shocks and potential cost increases, particularly for sectors like electronics, defense, and automotive manufacturing are expected.

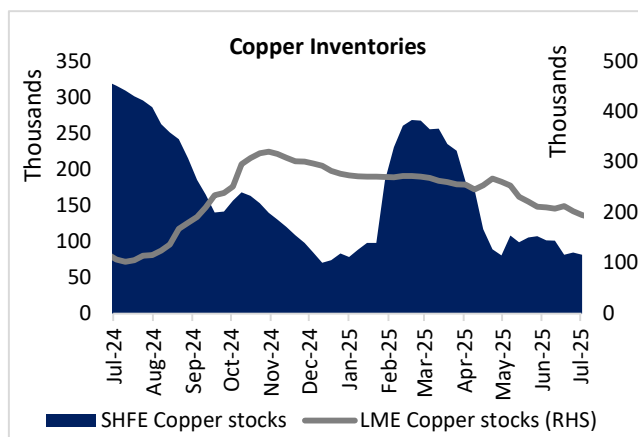
From the demand side, China's June trade data provided a partial cushion to the weaker sentiment:

- The trade surplus widened to \$114.77 billion, surpassing expectations.
- Exports grew 5.8% year-on-year, above the forecast of 5.0%.
- Imports rose 1.1%, rebounding from a previous decline.

Though import growth was modest, the overall improvement in Chinese trade activity gave markets some hope for potential demand recovery, especially if infrastructure and green energy investments pick up pace in the second half of 2025.



Source: Reuters



Source: Reuters

Zinc prices remained rangebound as further upside remained clouded by persistent demand concerns. Dollar Index was supported by the new tariffs implemented by Pres. Trump this week, threatening to impose a 30% tariff on imports from EU and Mexico and also US Fed officials indicating latest tariff threats might delay interest rate cuts. Prices remain supported slightly by modest declines in LME inventories, down to 105250 tonnes last week being 8% down MoM. Aluminium prices also remain pressured, with inventories on the LME up 16% MoM to 400275 and SHFE also up 9% MoM.

Outlook

This week, copper prices were under pressure due to rising inventories, ongoing trade tensions, and the U.S. government's announcement of a new 50% import tariff. While the tariff aims to support local production, short-term supply concerns and rising costs are likely. Going forward, market participants will closely watch for further trade developments and signs of demand recovery, especially from China in support of copper prices.

Technical Outlook:

Copper:

In the last week, copper gave a negative close, with a fall of around 8 rupees or a%. The 14- period Relative Strength Index (RSI) is currently trading at 51, positioned above the midpoint mark of 50, signalling market strength. Prices are expected to remain in the sideways to higher range. Key immediate support can be identified at Rs. 865 mark whereas immediate resistance is observed at Rs. 905. There is a possibility for it to trade with a positive bias with any dips likely to be viewed as a buying opportunities.



Zinc:

In the last week, zinc gave a positive close, with a gain of around 2 rupees or 0.75%. The 14- period Relative Strength Index (RSI) is currently trading at 55, positioned above the midpoint mark of 50, signalling market strength. Immediate support can be identified at Rs. 253 mark whereas resistance is observed at Rs. 265. There is a possibility for it to trade in a broader consolidation range indicating congestion and any breach on the either side seems likely to decide the tone of market.



Aluminium:

In the last week, aluminium prices gained by nearly a rupee or 0.50%. The 14- period Relative Strength Index (RSI) currently dwelling around the overbought zone of 70 signalling neutral to positive bias. We expect it to trade in a broader range indicating sideways move. The overall congestion zone seems to be 254 – 242. One can expect directional move on the break of the same.



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