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English Version

Insigneo Weekly Dispatch

Industrial Pressure

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Industrial Pressure

As U.S. midterm elections approach, potential tariff adjustments are becoming a key driver for industrial metals, with trade policy increasingly influencing the outlook for aluminum, steel, and copper amid economic pressure and weaker consumer sentiment.

Tariff adjustments are unlikely to significantly change aluminum and steel prices in the short term, but they could alter cost structures across supply chains and reshape competitive dynamics between domestic production and imported goods.

Copper continues to be supported by strong AI-related demand and constrained supply, but elevated inventories and uncertainty around future tariff decisions could increase volatility if stockpiled material is released back into the market.

Following this morning's ruling by the Supreme Court of the United States, which struck down the tariff framework promoted by Donald Trump, the decision reinforces how political volatility is likely to remain a key driver for industrial materials. Nevertheless, we maintain our views on aluminum, silver, and copper as outlined in the analysis below, as structural supply-demand dynamics continue to be the main drivers over the medium to long term.

Wake me up when November ends...

Have you ever felt like the days are moving faster than usual? Interestingly, the Earth has in fact been spinning slightly faster. At the same time, Washington is experiencing its own acceleration, with political and economic pressure building as midterm elections approach. In this environment, industrial metals have become a key part of the conversation, as tariffs and trade policy increasingly influence their outlook. Although there are still almost nine months until the midterms, last Friday, Jamieson Greer, U.S. Trade Representative, signaled that the government is open to renegotiating some of the tariffs imposed during the so-called "Liberation Day." During the midterm elections, voters will decide which party controls the U.S. House of Representatives and the United States Senate, directly affecting Trump's ability to pass legislation and push forward his agenda. These elections are widely seen as a referendum on the president's performance and will shape the governing environment for the second half of his term. In other words, the administration is feeling pressure, not because days are a few milliseconds shorter, but because business groups, trading partners, and consumers in general are becoming more sensitive to the economic consequences of these policies.

Trump's tariff policies have put pressure on multiple sectors of the economy, and the Administration's ongoing discussions about potentially adjusting or narrowing existing tariffs appear to be partly influenced by low approval ratings on economic management, particularly among lower-income Americans facing elevated living costs. The University of Michigan Consumer Sentiment Index showed that consumer sentiment dropped 29% in 2025 compared to 2024. So, how will the government attempt to ease the pressure? One escape valve might be the auto industry, where Trump announced an interim agreement to lower tariffs on Indian imports, including automotive parts as well as aircraft components. As part of a broader effort, Jamieson Greer also mentioned that the government is reviewing how broad tariffs on industrial materials are enforced. Last year, the Administration imposed a 50% levy on foreign steel and aluminum to counter China's oversupply. However, that measure not only raised domestic production costs but also created tensions with key trading partners such as Canada, South Korea, and the European Union. These materials, including copper, are essential for electronics, construction, energy transmission, and packaging, making them part of almost everything used daily.

Make steel and aluminum shine again

Are these tariff adjustments positive for the metals themselves? **Not necessarily for their market prices, but potentially for end consumers.** Under the current structure, for example, the aluminum used in a bicycle is subject to the aluminum tariff, and then the finished bicycle is also subject to the reciprocal tariff of its country of origin. The White House is reportedly considering narrowing the list of manufactured goods covered under industrial materials tariffs while keeping the overall steel and aluminum tariff rates unchanged. In other words, that could mean a bike manufacturer exporting to

the U.S. would only pay the reciprocal tariff of its country of origin, rather than facing the reciprocal tariff plus the steel/aluminum 50% tariff. Despite the U.S. importing close to 80% of its domestic aluminum needs, **officials have indicated that this 50% tariff itself is unlikely to be reduced.**

As November approaches and depending on who you ask, the midterm elections may feel closer than they seem. This situation recalls something often said about Chinese companies: they are structured primarily to serve consumers rather than shareholders. A similar shift in incentives could emerge in the U.S. While steel and aluminum prices may not react significantly in the short term, foreign companies selling finished goods into the U.S. could gain a competitive advantage over domestic manufacturers. **Foreign exporters would only face the reciprocal tariff tied to their country of origin, which in some cases may be lower than the 50% tariff U.S. manufacturers must pay to import raw materials.** As a result, local producers of aluminum and steel such as Alcoa and Gerdau could face medium-to-long-term challenges as manufacturers adjust to this new trade structure.

What about copper?

On the other hand, Copper presents a slightly different picture. For industrial metals, the physical demand-supply balance matters far more than for precious metals, and global copper inventories are quickly approaching 20-year highs. **Like other industrial materials, copper has benefited from the expansion of Artificial Intelligence, given its central role in data center construction, electrification, and grid upgrades. With capex from hyperscalers rising, demand has remained solid, and copper prices have responded accordingly,** even as inventories have doubled over the past year. The recent rotation out of technology stocks has also supported copper

in recent weeks, pushing it toward record levels. Although macro conditions remain supportive, with markets anticipating further Fed rate cuts, growing demand for real assets, and sustained AI-related capex, **it is important to watch how elevated inventory levels could eventually pressure prices.**

Just weeks ago, silver prices dropped more than 30% in a matter of days due to demand destruction and weak industrial performance. While a move of that magnitude is not necessarily expected for copper, current price levels are still heavily supported by expectations of continued AI capex execution. Copper is also likely to become part of tariff discussions by mid-2026, adding another layer of uncertainty. In response to potential tariff risks, some companies have been stockpiling copper as a hedge. However, if the U.S. government ultimately decides to rule out refined copper tariffs, those inventories could be released into the broader market, putting downward pressure on prices. Although inventories are near 20-year highs, supply growth remains constrained. Mine disruptions, environmental limitations, and the capital-intensive nature of new

projects mean that expanding supply takes time. According to estimates from economists at Morgan Stanley, if AI-driven demand continues at its current pace, 2026 could see a slight copper deficit.

Overall, while industrial metals have gained attention amid this year's technology selloff, they are increasingly being used as political tools around the world. After the sharp correction in silver, **copper now seems to be balancing strong structural demand against rising political uncertainty.** With elections on the horizon, metals are likely to remain at the center of policy debates and market volatility in the months ahead. Please consult with your financial advisor prior to pursuing investments in any of the materials mentioned above. ■



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