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## Commodity Matters | Europe

# US Reportedly Considers Tariff Reduction on Some Steel & Aluminium Goods

The US is reportedly considering rolling back tariffs on the aluminium and steel content of some imported goods. However, as long as primary metal tariffs are unchanged, we see limited impact on the Midwest Premium and no impact on the LME aluminium price from this news.

## Key Takeaways

- The US applies 50% tariffs to imports of steel and aluminium, as well as on metal contained in derivative products.
- The list of derivative goods facing these 50% tariffs had been rising (e.g. appliances, furniture), complicating customs clearance and adding to costs.
- The proposed measures appear to seek to narrow this list of products, bringing down costs for consumers, but not to change the 50% on primary metal.
- The US is still likely to remain a large importer of primary aluminium. We see limited impact on the LME price or the Midwest premium.
- For steel, we see a bigger impact on flat steel producers than on long steel producers, but we'd expect steel prices to remain elevated with a 50% tariff.

**What's happened?** According to the [FT](#), the Trump administration is considering rolling back some tariffs on steel and aluminium goods with a focus on affordability. The US introduced 25% tariffs on steel, aluminium and their derivative products in early 2025, which was doubled to 50% in June. An additional ~400 customs codes were added in August, extending tariffs to a number of manufactured goods where the aluminium or steel contained would face a 50% tariff, while the rest of the item faces the reciprocal tariff level of its country of origin. US businesses have also been able to lobby for more goods to be included, expanding the list over time (e.g. the FT notes that manufacturers of mattresses, cake tins and bicycles have all lobbied for additional tariffs - see application requests [here](#)). The planned measures appear to be focusing on reducing the list of items covered by these tariffs and narrowing the focus on national security probes into specific goods. However, Bloomberg has since reported that White House trade advisor Navarro has said to CNBC that there is "no basis in fact the administration is planning to reduce steel and aluminum tariffs", bringing more uncertainty to the outlook.

**What's could this mean?** The US relies on primary aluminium imports for about 80% of its domestic requirements, importing 3.1 mln tonnes of primary metal in Jan-Nov 2025, as well as plates/foil, etc. Today's news implies no change here, in our

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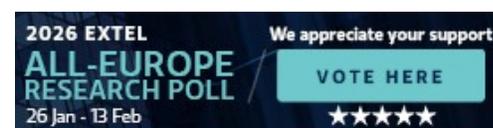
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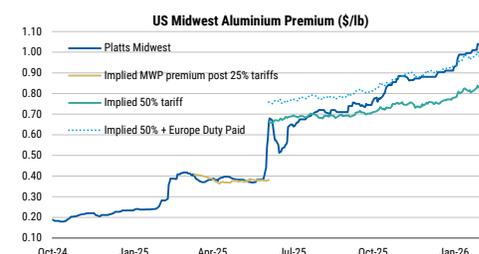
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**Exhibit 2:** The US Midwest premium has been rising to over \$1/lb (>\$2200/t), with the spread of the MWP over the tariff cost rising to around the European premium as the US competes for Canadian metal



Source: Bloomberg, Morgan Stanley Research. Note: Implied tariff is 10c + 50% of LME price. Canada can send metal duty free to Europe.

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view, with primary aluminium still facing a 50% tariff. However, for imported items, such as appliances, we would interpret the plans to mean the metal contained will no longer face a 50% tariff, but the whole item may still face the manufacturer's reciprocal tariff. This could have negative implications for manufacturing some items in the US though, with imported metal facing a 50% tariff, versus foreign manufactured items only facing the reciprocal tariff, which might be lower.

**What's the price impact?** If the administration were to go ahead and reduce tariffs on derivative products, we would see no impact on LME aluminium prices, and note US imports have already been weaker since the tariffs were introduced last March, suggesting some destocking/demand destruction. We also see little immediate impact on the Midwest premium, given the US is still likely to be very reliant on aluminium imports, with the premium rising recently to try to attract metal from Canada. We would only see downward pressure if any tariff reductions were extended to primary metal too.

**What is the impact on US aluminum and steel producers?** As noted above we would see limited impact to LME aluminum prices and Midwest Premium at this stage. As a result, Alcoa should be protected in the near term but longer-term impacts on manufacturing need to be monitored, if implemented. In steel, we think CMC and Gerdau NA are likely more isolated from this than flat steel producers like STLD, NUE and CLF. This is because long steel construction-related products have less exposure to imported derivative steel products than flat steels that go into manufacturing of consumer goods.

**What about copper tariffs?** Given these potential measures focus just on derivative products and suggest primary metal tariffs remain in place, we do not think there is readacross for the likelihood of the potential 15% copper tariffs, but we do note a growing focus on inflation. Currently the COMEX-LME spread is trading negative at the front, and COMEX copper is just 6% higher than LME for Dec 2027, meaning the market is pricing a lower likelihood of copper tariffs than previously. We expect to hear on copper tariffs in mid 2026.

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Underweight/Sell	592	16%	89	10%	15%	232	14%
Total	3,695		890			1631	

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