

Q1

THE METALS
INDUSTRY INSIDER

METALIST

2026, Q1



QUARTERLY METALS REVIEW

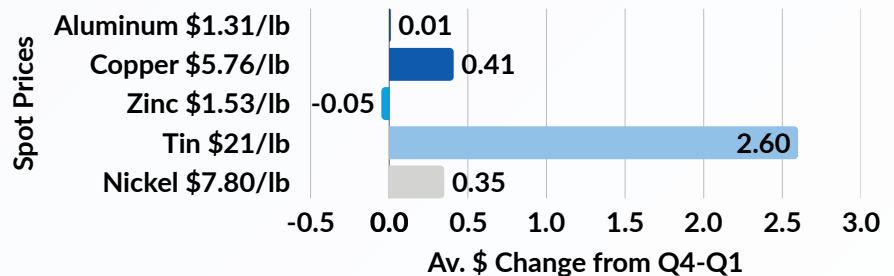
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OIL TRANSPORT: PLAN B

While Hormuz is under stress, Mideast countries still have transport options. Jeddah in Saudi Arabia and Port of Sohar in Oman are becoming tactical workarounds for base metal exports. Cargo can be transported via land bridge to other Gulf states such as Bahrain and the UAE, although availability would be curtailed because of logistical costs and limits on capacity. Still, supply challenges continue as exemplified by Aluminum Bahrain (Alba), which has idled about 300,000 tons of annual capacity because of shipping delays.

MARKET TRENDS: WAR CLOUDS

The Iran conflict and concern over safe passage through the Strait of Hormuz has not only rattled oil markets but metals, as well. Economists project ongoing high energy costs and rising prices for metals due to supply constraints. The World Bank predicts that aluminum, copper, and tin prices will remain elevated through 2027. In mid-March, aluminum shot up by ten percent to \$1.31 per pound. Copper reached \$5.76 per pound and is expected to have the greatest upside given the robust construction of new AI infrastructure with some analysts believing it could hit \$6.80. Tin, zinc, and nickel have remained relatively stable at \$21, \$1.53, and \$7.80 respectively. Lead hit 8-week lows during mid-February, trading around \$0.86 per pound due to high LME inventories.



PREMIUMS POP

As of March 19, aluminum premiums reached \$1.09, more than double early 2025 levels. The general sentiment is that there will be a prolonged disruption in the Strait of Hormuz, which will not only continue to drive up the price of oil, but aluminum as well. Some analysts believe millions of tons in annual aluminum production could be lost if the risks along the Strait are not resolved soon, creating a real shortage of the light metal on the world markets. BMO Financial Group reports that aluminum could be one of the most at-risk metals because the region accounts for 9 percent of global aluminum primary output and the key markets are Europe, U.S. and Japan.

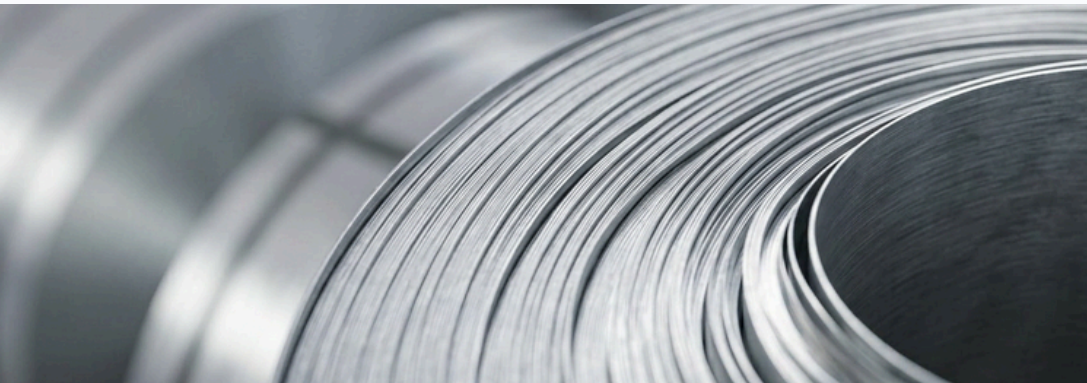
FED FEUD

For months, President Trump has argued that deep cuts are needed to stimulate the housing market and make things more affordable for the middle class, while Fed Chair, Jerome Powell, has countered that rate cuts would accelerate inflation. Powell will be leaving the Fed in May, and Trump has picked his successor, Kevin Warsh, who is in favor of deep cuts. But his nomination is on hold in the Senate. In an attempt, to remove Powell, Trump has initiated a criminal probe into Powell's \$2.5 billion renovation of the Fed headquarters. But Senator Thom Tillis, R-NC, a Trump foe, is holding up any further progress on the nomination until the investigation is completed. The nomination is stalled, but expectations are that the suit will be dropped. In the meantime, Minneapolis Fed President, Neel Kashkari, has indicated that the conflict in Iran could "justify an extended pause." In the face of so much uncertainty, the Fed left rates unchanged on March 18.



POWER SHIFT

A battery division of Korean electronics company, LG, is planning to produce cells for Tesla's energy storage business at a new factory in Lansing, Michigan. The original plan was to produce batteries for GM, but the U.S. automaker changed course on producing EVs, and sold its stake to LG in 2025. The move is part of a general repositioning of battery producers, moving away from automakers, who have experienced a dramatic drop in EV demand, to reorient to the utility-scale energy storage. The batteries produced in Lansing will power Tesla's Megapack 3 energy-storage system. Tesla's energy generation and storage business grew by 27 percent last year.



CHINA PINCHED

China has little domestic oil production capacity, making it highly dependent on Iran. With restrictions along the Strait of Hormuz, China is experiencing domestic fuel shortages, prompting the government to order refiners to halt fuel exports, including gasoline, diesel, and aviation fuel, and to focus on domestic supply. There are reports that gas lines at some stations there are miles long and that China is stockpiling as much oil as it can in the event that the Hormuz blockade is not resolved soon. China is also feeling the pinch in its metals industry. According to FastMarkets, the Middle East accounts for 14 percent of China's steel exports, and shipments have come to a halt.

MARKET GROWTH

While concerns over global aluminum supply remain, Kaiser Aluminum reports that their product shipments are expected to increase throughout 2026. Growth will come in three of their four target markets: packaging; aerospace and high strength; and general engineering, which includes plate, slab, bar, and tube. The company expects shipments to the automotive sector to decline because of planned outages. Kaiser is retooling to increase capacity in anticipation of more aggressive growth as aluminum demand for truck and SUV production is expected to continue its upward swing. Kaiser revenues grew by nearly 12 percent in 2025.

DEFICIT DROP

The U.S trade deficit declined January over December with imports dropping by 25.3 percent while exports expanded by 5.5 percent. A Wall Street Journal poll indicated respondents believed the deficit would settle in at \$67 billion, but the actual number was \$54.5 billion, well below expectations. The decline in imports was primarily the result of the U.S. purchasing fewer overseas pharmaceuticals.

TARIFF RE-BOOT

Argus reports that the Trump Administration is working to launch new tariffs intended to circumvent the U.S. Supreme Court's invalidation of the 15 percent tariffs which were imposed on several countries. Citing Section 301 of the Trade Expansion Act of 1974, the U.S. Trade Representative's Office (USTR) has stated it has legal authority to target the manufacturing sectors of specific countries because of "excess capacity and production." Sixteen countries are listed, including many in the EU and Southeast Asia as well as Mexico. President Trump immediately imposed 10 percent tariffs right after the Supreme Court decision, but these will expire on July 24. The president expects to apply the 301 tariffs beginning in May. The 301 tariffs would not affect those currently imposed on steel, aluminum cars and auto parts, according to Argus.

EATING PLASTIC

A startup company in Australia is moving forward on developing enzymes that are capable of eating plastic waste. The company, Samsara Eco, has employed AI to explore enzyme candidates that can attack common plastics capable of being reused for new products. Reduced plastics are then formed into monomers which are "indistinguishable from original materials," according to the WSJ. One focal point is electronic waste, which typically end up in landfills. The company believes that its technology might work to capture rare earths such as neodymium and dysprosium, alloys that are critical to magnets. If so, it could become an additional source of critical minerals, helping to ease concern over China's dominance.

PUSHING DOWNSTREAM

Most southeast Asian countries have limited aluminum fabrication capability, but of late, they are moving to more downstream production because of growth in major end-use industries, according to Argus. The historical pattern for many southeast Asian countries has been to export primary aluminum to other countries such as China, South Korea and Turkey, who fabricate higher value products. These products then come back to the country of origin but at increased prices. But growing local demand combined with expanding investment in southeast Asian industries is keeping more aluminum home for finished products, especially in the automotive, appliance and photovoltaic sectors. Argus notes that AMATA, a southeast Asian developer that operates industrial parks, has hosted more than 1600 factories in the region, including such tenants as Toyota, Honda, BMW, and Mitsubishi Electric among others.



CRITICAL MASS

Fastmarkets reports on policy adviser, Amanda van Dyke, whose recent book *The Mineral Imperative*, addresses issues related to an increased need for critical materials. She argues that "it will take at least \$1 trillion and at least another 10 years" for the U.S. to pull even with China in the critical minerals space. China is the "dominant refiner for 19 of the 20 critical materials" analyzed by the IEA with average market share of 70 percent. She writes that the Trump administration's approach to catching up is to develop and maintain trade agreements in favor of state-backed capitalism. President Trump's goal for the U.S. to be "dominant" in critical minerals by stockpiling as much as possible. A leading effort comes from the U.S. Defense Logistics Agency (DLA), which is exploring new ways to find and acquire such critical materials as pure chromium, lithium carbonate, nickel, and tellurium.



GERMANY: ECONOMY SAGS

The leading EU economy, Germany, is reporting a decline in industrial output and a significant drop in demand for the start of the year, despite an optimistic outlook. Output decreased by 0.5 percent in January with demand sagging by 11.1 percent the same month. The German manufacturing sector faces serious headwinds, first from President Trump's tariffs, and now the uncertainty coming from the Iran conflict, especially if gas and oil prices continue to spike. According to Bloomberg, the German economy is on track to see only a "modest" upturn for the first half of 2026 but continuing high oil and gas prices would impede further recovery.

INSIGHTS FROM MARC SCHUPAN

Hello Fellow Business Associates:

One of my favorite sayings that sure fits business today is, **“People who use crystal balls must learn to eat glass”**. Tell me when the Iranian war will be over and what the Middle East will look like after the war. We can only speculate.

Here is some macro information I hope you find valuable:

Between major tariffs on Canadian scrap and the disruption of aluminum coming from smelters in the Middle East, aluminum has been pushed to extremely high prices. Other factors include the Mozambique smelter that has been mothballed for lack of a profitable energy deal. That takes 560,000 metric tons out of the prime market. **I have never seen prices this high with the lack of demand for scrap.** Major consumers of aluminum for smelting are over-inventoried and delaying deliveries for various reasons. The Novelis Oswego plant, a larger smelter of aluminum, is still down from two major fires in the past year. They declared force majeure on many of their contracts. This has put a lot of aluminum scrap with no place to sell for prompt delivery or even the ability to get an order.

Another factor is a **drop in demand by the automotive industry**. However, we are hearing more positives for February.

The spread between scrap and prime aluminum has never been larger. If Trump lowers Canadian tariffs on aluminum, prices will drop quickly. The Midwest premium of almost \$1.09 on March 19th will keep global aluminum prices high. December 2025 aluminum prices for prime averaged \$2.19 while the March 2026 average is \$2.62. Quite an increase.

Worldwide oil pricing is certainly affecting so many areas. The cost of shipping and insurance rising in a major way also does not help the situation. The RV industry, because of the instability of fuel prices and employment, is certainly suffering, too. Dealers are reducing inventories until demand picks up. **There will be some plant closures and weeks of limited production for a number of companies.**

Copper prices have stayed strong. **The country needs more copper because we don't have enough energy to run all the data centers that will be constructed.** Steel has been a little stronger in pricing in the U.S. helped by tariffs safeguarding our own mill production. Scrap steel is fairly steady but still shows no strong demand. Stainless prices are very volatile, but again, there is not much demand for melting.

Schupan is still investing in production improvements. **There are challenges but also opportunities.** The hacking of Stryker Corporation and the total disruption caused by wiping all their data including personal cell phones has been a disaster. It shows how much we all can be affected. Stryker is a very good customer of ours but is not releasing any orders right now.

There will be a lot of unknowns in the next few weeks. It certainly would be positive to have a regime change in Iran--many conditions in Iran would have to change. No one knows if this will happen. The rest of the year is certainly uncharted territory. We can try to keep product moving and insuring receivables. We are also doing a lot of hedging to protect margins.

Wishing you a positive second quarter and healthy year. Try not to eat any glass

Marc Schupan



P.S. An Einstein saying that is one of my favorites is: **“The difference between genius and stupidity is there is a limit to genius.”** How can we not fund Homeland Security in a war situation?



TARIFF TRIMMING

A WSJ article reports that many businesses have developed strategies for trimming costs from the Trump administration's tariffs. The approach, which has a legal precedent set in the 1980's, involves basing the tariff not on the import cost, but on a condition called "first sale." First sale refers to the very first transaction involving the sale of a product, not how it may be valued when it is imported and purchased by a U.S. company. The Journal illustrates with an example of a sofa imported from a Chinese company at a \$300 price but having originally been sold by the manufacturer for \$200. Applying the current 50 percent duties, the tariff would amount to \$150, but the "first sale" application would reduce it to \$100. Companies are currently mining their supply chains to determine first sale pricing. But Congress is not on board: two U.S. Senators have introduced a bill to bring the first sale rule to an end.

DIRE STRAIT








U.S. and allied forces are committing to keeping the Straits open, but Iran has countered with new forms of attack in addition to traditional mines and drone swarms—remote-controlled "suicide skiff boats" loaded with explosives and disguised as fishing boats that are difficult to detect since they are made of wood. While there are other avenues that Mideast oil can pass through, they are slower and impact the timeliness of shipments. To compensate for problems in the Strait, President Trump has tapped into the oil reserve, the IEA has ordered the release 400 million barrels of oil and the U.S. has eased some Russian sanctions. There is also talk of stepping up Venezuela's production to offset shortages. These moves will help in the short term, but the only solution is to eliminate any threats to ships passing through Hormuz. The potential takeover of Kharg Island by the U.S. military, Iran's repository for 90 percent of its oil, may be the tipping point.

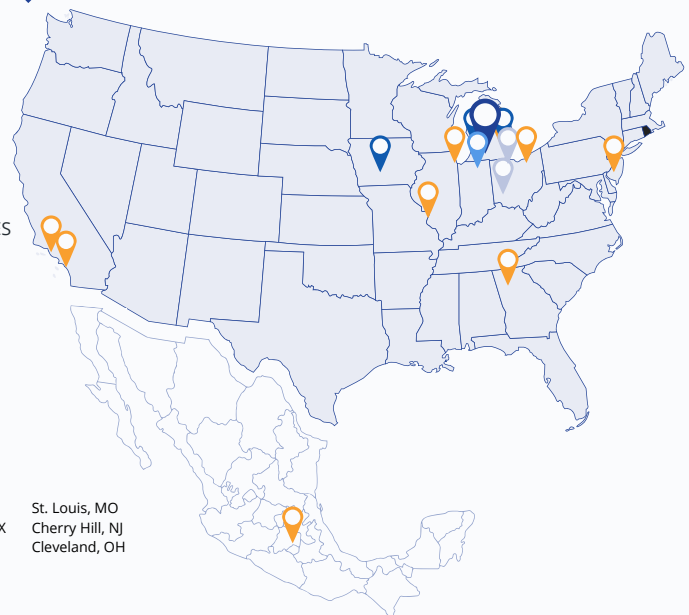
PING PONG PRICES


Before the Iran conflict began on February 28, Brent crude was hovering around \$65 per barrel. Then oil prices shot up as the missiles and drones started flying, moving the price of oil to \$112 on March 19 before retreating to \$99 on March 24. Uncertainty about future availability and fear over the scale of the conflict are continuing to drive prices up, now compounded by Iran's threat to close the Strait of Hormuz, the narrow 21-mile passageway through which 20 percent of the world's oil passes. Some analysts have predicted oil could rise to more than \$200 per barrel, which would be catastrophic for the global economy. Worth noting: Brent crude spiked to \$139 per barrel at the start of the Ukrainian war but eventually returned to \$65. Until the conflict has come to an end—defined by President Trump as a complete surrender by Iran--uncertainty will rule the day and prices will reflect accordingly.



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