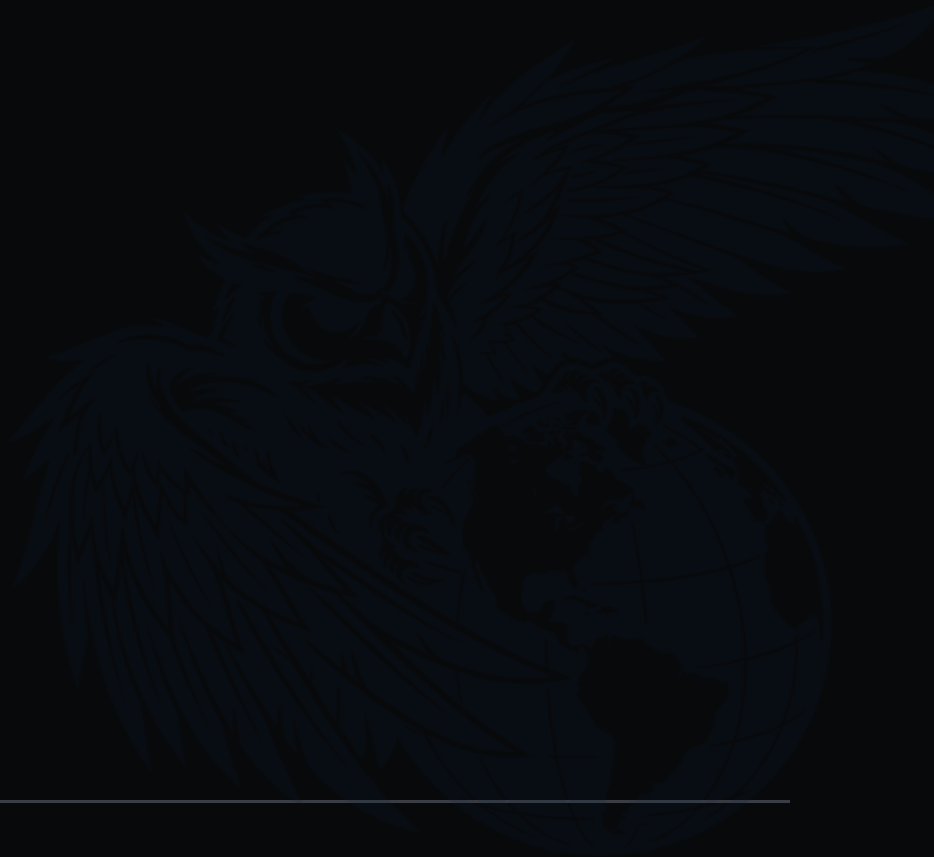

PUBLISHED MARKET RESEARCH

Steel, Aluminium and the 50 Percent Tariff Wall

How Section 232 holds US metals prices apart from the world, and what would move the wall

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Steel, Aluminium and the 50 Percent Tariff Wall

How Section 232 holds US metals prices apart from the world, and what would move the wall

The Section 232 wall on steel and aluminium is now a full-value, tiered regime that holds US metal prices far above world prices; we judge it will stand through the winter, with relief coming, if at all, through narrow producer and partner deals rather than a cut in the headline rate.

The tariff wall is holding, and it is holding prices apart rather than closing the gap. US hot-rolled coil trades at well over twice the Chinese export price, and the US aluminium delivery premium sits near record levels even after a sharp fall on deal hopes in late summer. The administration has widened the wall to the full value of derivative goods and is consulting on more, while offering relief only to named producers that commit to build in the United States. Domestic producers are running harder, but capacity use for aluminium remains far below the stated target, so the policy rationale for keeping the wall is intact. We expect the headline rate to hold through the first quarter of next year and the price gap to persist; the main swing factor is a partner deal with Canada.

HEADLINE INDICATORS

50 percent SECTION 232 DUTY ON STEEL AND ALUMINIUM ARTICLES, ON FULL CUSTOMS VALUE	1273 USD per short ton US MIDWEST HOT-ROLLED COIL FUTURES CLOSE ON 8 OCTOBER 2026	499.50 USD per tonne LME STEEL HRC FOB CHINA (ARGUS) PRICE FOR LATE SEPTEMBER 2026
50.4 percent US ALUMINIUM CAPACITY UTILIZATION STATED IN THE APRIL 2026 PROCLAMATION	95 US cents per pound SEPTEMBER MIDWEST ALUMINIUM PREMIUM CONTRACT AFTER AN 8.2 PERCENT FALL ON 20 AUGUST 2026	

DOCUMENT CONTROL

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CENTRAL JUDGMENT

The wall works as designed: it isolates the US steel and aluminium markets from world prices, and the isolation is now built into a full-value, multi-tier legal structure that is easier to adjust at the margin than to dismantle. Proclamation 11021 moved the duty base to the full customs value of covered goods and set a standard rate of 50 percent for steel and aluminium articles, effective 6 April 2026.¹ The question for buyers is therefore not whether the wall falls, but where narrow exceptions open in it, and the evidence points to producer-specific and partner-specific relief rather than a general cut.

KEY JUDGMENTS

KJ-1	The standard Section 232 rate on steel and aluminium articles will stay at its current level through the first quarter of next year. Two separate Federal Register proclamations since April adjusted the tiers and the content rules while leaving the top tier untouched, and the capacity target that justifies the rate is still unmet.	HIGH
KJ-2	The gap between US and world hot-rolled coil prices will persist at more than double through the end of this year. The US futures curve has risen into October while the Chinese export price stays low, and nothing in the policy path narrows the wall in that time.	MODERATE
KJ-3	Relief, where it comes, will be narrow: producer-specific rate cuts tied to US investment, and possibly a partner deal for Canadian aluminium, not a general cut. The only relief mechanism published so far is conditional on building primary capacity in the United States, and the Canada talks broke down over downstream products.	MODERATE
KJ-4	The US aluminium premium will stay elevated because domestic smelting cannot meet demand and imports must still pay the duty. Capacity use for aluminium sits far below the stated target, so the market must keep pricing in the duty on the marginal imported tonne.	MODERATE
KJ-5	The wall will widen further before it narrows, through the derivative-goods inclusion process opened in August. A request for comments is published but no final list is, and the timing of past inclusion rounds has varied.	LOW

KEY STATISTICS

50 percent Standard Section 232 duty on Annex I-A steel and aluminium articles on full customs value, 2026-04-06 ¹	77.2 percent US steel capacity utilization stated in Proclamation 11021, 2026-04-02 ¹	50.4 percent US aluminium capacity utilization stated in Proclamation 11021, 2026-04-02 ¹	80 percent Sustained capacity utilization target for steel and aluminium stated in Proclamation 11021, 2026-04-02 ¹
1273 USD per short ton US Midwest hot-rolled coil futures close, 2026-10-08 ⁵	499.50 USD per tonne LME Steel HRC FOB China (Argus) price valid from 25 to 28 September, 2026-09-25 ⁶	1079 USD per net ton Average domestic hot-rolled coil price in the second quarter as reported by Cleveland-Cliffs, 2026-06-30 ⁴	29 percent Year-to-date decline in total US steel imports through April against the same period of 2025, 2026-04-30 ⁴
144.2 million tonnes World crude steel output for August as reported from worldsteel data, 2026-08-31 ⁹	7.3 million tonnes US crude steel output for August as reported from worldsteel data, 2026-08-31 ⁹		

Scope and method

METHOD

This paper reads the Section 232 proclamations and notices published in the Federal Register through early October 2026, a listed steelmaker's quarterly filing, exchange price data for US and Chinese hot-rolled coil, and trade-press reporting on the US aluminium premium and world steel output, all read on 9 October 2026. Prices are compared as published; where we compare US and Chinese steel prices we convert short tons to tonnes and say so. Sources outside the firm's Source List are marked as unverified and carry no high-confidence judgment. No client-attributable material is used.

SECTION 01 • ASSESSMENT

The Wall Itself

The legal structure is now tiered and value-based.

Proclamation 11021, signed on 2 April 2026 and effective from 6 April 2026, applies Section 232 duties to the full customs value of covered articles regardless of metal content, with a standard 50 percent rate for Annex I-A steel and aluminium articles and a 25 percent rate for Annex I-B goods.¹

The same proclamation sets a temporary reduced treatment for Annex III goods through 31 December 2027, under which the combined duty is held at 15 percent, and keeps Russian-origin aluminium at a 200 percent rate.¹

A further proclamation published on 4 June 2026 lowered the US-content threshold for the reduced rate on goods made from US metal from 95 percent to 85 percent and adopted a lowest-rate rule for overlapping provisions, from 8 June 2026, without changing the Annex I-A list.²

ASSESSMENT • HIGH CONFIDENCE

The wall has become harder to remove and easier to tune: each adjustment since April has changed the edges, the content rules and the tiers, never the top rate. Two separate proclamations in the Federal Register show the same pattern of marginal change while keeping the top tier list unchanged.

SECTION 02 • ASSESSMENT

Steel Prices Held Apart

US steel prices have decoupled from the seaborne market.

The US Midwest hot-rolled coil futures contract closed at 1273 USD per short ton on 8 October 2026, up from 1235 USD per short ton on 28 September 2026.⁵

The LME Steel HRC FOB China (Argus) contract showed a price of 499.50 USD per tonne for data valid from 25 to 28 September 2026.⁶

Converting the US price at 0.907185 tonnes per short ton gives about 1403 USD per tonne, roughly 2.8 times the Chinese export price, before freight and duty.^{5,6}

Cleveland-Cliffs reported that domestic hot-rolled coil averaged 1079 USD per net ton in the second quarter of 2026, a 19 percent increase on the second quarter of 2025.⁴

UNKNOWN: the exact freight and quality adjustments that separate a Chinese export coil from a delivered Midwest coil are not in the sources read, so the gap above overstates the true arbitrage by an amount we cannot state.

ASSESSMENT • MODERATE CONFIDENCE

The US steel price is set by domestic mills behind the wall, not by world prices, and the gap will persist while the top rate holds. The futures curve and a producer's own reported prices point the same way, but the comparison rests on exchange data rather than delivered transaction prices.

SECTION 03 • ASSESSMENT

Aluminium and the Midwest Premium

The aluminium premium is where the wall shows most clearly.

Platts assessed the US Midwest aluminium transaction premium at 90.30 US cents per pound on 15 December 2025, the first time it reached 90 cents.⁷

The premium rose above 1 USD per pound for the first time in late January 2026.⁸

On 20 August 2026 the September Midwest premium contract fell 8.2 percent to 95 US cents per pound after the administration signalled a lower tariff on some Canadian aluminium, according to Platts data as reported.¹¹

Proclamation 11021 states that US aluminium capacity utilization was about 50.4 percent, against a sustained target of 80 percent.¹

UNKNOWN: the Midwest premium level for early October 2026 was not found in a source on the Source List.

ASSESSMENT • MODERATE CONFIDENCE

The premium will remain far above its pre-wall level because US smelting covers only part of demand and every imported tonne must still clear the duty. The low capacity use stated in the proclamation itself means the domestic gap cannot close on a one-quarter horizon, though the late-summer drop shows how quickly the premium reacts to deal news.

SECTION 04 • ASSESSMENT

Volumes and Production

Imports have fallen and domestic output has risen.

Cleveland-Cliffs reported that total US steel imports through April 2026 were 29 percent lower than in the same period of 2025.⁴

Proclamation 11021 states that US steel capacity utilization rose from about 72.3 percent in 2017 to about 77.2 percent at the time of signing, against a sustained target of 80 percent.¹

Trade reporting of worldsteel data put world crude steel output at 144.2 million tonnes in August 2026, down 1.2 percent on a year earlier, with China at 74.6 million tonnes, down 3.7 percent, and the United States at 7.3 million tonnes, up 3.0 percent.⁹

UNKNOWN: the official worldsteel release for October 2026 production, due on 24 November 2026, is not yet published.

ASSESSMENT • MODERATE CONFIDENCE

US output is growing against a falling world total, which is the wall doing what it was built to do, and that success strengthens the case for keeping it. The import decline comes from a producer filing and the production figures from trade reporting of worldsteel data, which is not on the Source List, so we hold this at moderate.

SECTION 05 • ASSESSMENT

Where the Wall Could Open

Relief so far is narrow and conditional.

The Commerce Department published procedures on 23 April 2026 under which eligible Canadian and Mexican producers supplying US vehicle makers may request a 25 percent rate in place of 50 percent, limited to the projected annual output of a new US primary steel or aluminium plant they commit to build.¹⁰

Reporting on 20 August 2026 said the US could cut the tariff on some Canadian aluminium from 50 percent to 25 percent under a tentative deal, and that the deal was not expected to apply across the board.¹¹

A Federal Register notice published on 6 August 2026 requested public comments on the proposed addition of further aluminium, steel and copper derivative articles to the Section 232 duties.³

UNKNOWN: whether the US and Canada resumed talks on metals after the late August breakdown, and whether separate duties on Canadian goods stack on top of Section 232 duties, is not settled in the sources read.

ASSESSMENT • LOW CONFIDENCE

A general Canadian aluminium deal is possible but less likely than not by early next year, while the derivative inclusion round is more likely to widen the wall. The only published relief mechanism is producer-specific, and the reporting on the Canada talks comes from sources outside the Source List.

SECTION 06 • DECISION

Decision

Decision	Owner	Trigger	Pre-authorized action
Price US steel and aluminium purchases on a domestic basis, not a world basis	Procurement lead	Federal Register notice keeps the top Section 232 rate unchanged	Keep US-indexed pricing in contracts and hedge on the Midwest futures curve
Reprice aluminium exposure on a Canada deal	Procurement lead	Federal Register publishes a lower rate for Canadian primary aluminium	Re-tender Canadian supply and reduce Midwest premium hedges
Review derivative-goods exposure	Trade compliance lead	Commerce publishes a final derivative inclusion list	Reclassify affected imports and update landed-cost models within one week

SECTION 07 • OUTLOOK

Outlook

Baseline. The top rate holds, the US hot-rolled coil price stays well above twice the Chinese export price, and the aluminium premium stays high, with relief limited to approved producers under the Canada and Mexico investment route.

Deterioration. Commerce finalises a wider derivative list and separate duties on Canadian goods stack on top of Section 232, raising landed costs for downstream buyers and pushing the aluminium premium back towards its highs.

Stabilization. A Canada deal lowers the rate on Canadian primary aluminium, the premium falls, and the steel price gap narrows slightly as domestic capacity grows, though the wall itself stays in place.

Claim C-1. The standard Section 232 rate of 50 percent on Annex I-A steel and aluminium articles of all origins remains in force through 7 January 2027. Probability 0.88. Resolves on 2027-01-07 from Federal Register: YES if no proclamation or notice published in the Federal Register on or before 7 January 2027 lowers the standard Annex I-A rate for steel or aluminium articles of all origins below 50 percent; reductions limited to named countries, named producers or named goods do not count. Horizon 90 days. Two proclamations since April have changed the tiers and content rules but not the top rate. The stated capacity target is unmet, so the policy rationale for the rate stands.

Claim C-2. A Section 232 rate below 50 percent for primary aluminium of Canadian origin, available to all Canadian producers rather than only approved investors, is published by 7 January 2027. Probability 0.20. Resolves on 2027-01-07 from Federal Register: YES if a proclamation or notice published in the Federal Register on or before 7 January 2027 sets a Section 232 rate below 50 percent for unwrought primary aluminium of Canadian origin without a producer-specific approval condition. Horizon 90 days. A tentative deal was reported in August but talks broke down over downstream products. The only relief published so far is producer-specific.

Claim C-3. The US Midwest hot-rolled coil futures close on 31 December 2026 falls inside our range. Point and interval: lo 1100, central 1250, hi 1400, unit USD per short ton, level 80. Resolves on 2026-12-31 from Investing.com: the measure read is the US Midwest Domestic Hot-Rolled Coil Steel Futures closing price for 31 December 2026, or the last trading day before it, in USD per short ton, as first published. Horizon 90 days. The contract has traded in the twelve hundreds since late September. A steady tariff wall and firm mill pricing anchor the centre, while a policy surprise drives the tails.

Claim C-4. On 31 December 2026 the US Midwest hot-rolled coil futures price, converted to tonnes, is at least twice the LME Steel HRC FOB China (Argus) price. Probability 0.85. Resolves on 2026-12-31 from LME market data: YES if the Investing.com US Midwest Domestic Hot-Rolled Coil Steel Futures close for 31 December 2026, or the last trading day before it, divided by 0.907185, is at least 2.0 times the LME Steel HRC FOB China (Argus) price for the same date, or the last published before it, each as first published. Horizon 90 days. The ratio stood near 2.8 in late September. Only a large fall in US prices or a large rise in Chinese export prices within one quarter would bring it below two.

Claim C-5. Commerce adds further derivative articles to the Section 232 duties following the August 2026 request for comments, published by 7 January 2027. Probability 0.50. Resolves on 2027-01-07 from Federal Register: YES if a notice or proclamation published in the Federal Register on or before 7 January 2027 adds derivative articles to the Section 232 steel, aluminium or copper duties in response to the request for comments published on 6 August 2026. Horizon 90 days. The comment process is under way and past inclusion rounds have led to additions. Their timing has varied, so we hold this at even odds.

Indicators.

- Federal Register notices or proclamations amending Section 232 steel, aluminium or copper duties
- Commerce approvals under the Canada and Mexico producer investment route
- Any resumption of US and Canada metals talks
- US Midwest hot-rolled coil futures against the LME FOB China contract
- The Platts US Midwest aluminium premium
- The worldsteel October production release on 24 November 2026

SECTION 08 • SCORECARD

Scorecard

No earlier firm claim is resolved or advanced by this draft.

SECTION 09 • WHAT IS NOT KNOWN

Unknowns

- UNKNOWN: the Midwest aluminium premium level for early October 2026 from a source on the Source List.
- UNKNOWN: whether separate duties on Canadian goods stack on top of Section 232 duties.
- UNKNOWN: the official worldsteel October 2026 production figures, due on 24 November 2026.
- UNKNOWN: delivered transaction prices for imported coil, as distinct from exchange prices.

SOURCE REGISTRY

1. Federal Register, Proclamation 11021: Strengthening Actions Taken To Adjust Imports of Aluminum, Steel, and Copper Into the United States, 91 FR 18201, signed 2026-04-02, published 2026-04-09, text read 2026-10-09.
2. Federal Register, Further Adjusting the Tariff Regimes for Imports of Aluminum, Steel, and Copper Into the United States, document 2026-11314, 91 FR 34085, signed 2026-06-01, published 2026-06-04, read 2026-10-09.
3. Federal Register, Request for Public Comments on the Proposed Implementation of Duties on Additional Aluminum, Steel, and Copper Derivative Articles Under Section 232, document 2026-15961, published 2026-08-06, read 2026-10-09.
4. SEC EDGAR filings, Cleveland-Cliffs Inc. Form 10-Q for the quarter ended 2026-06-30, read 2026-10-09.
5. Investing.com, US Midwest Domestic Hot-Rolled Coil Steel Futures historical data, closes from 2026-09-28 to 2026-10-08, read 2026-10-09.
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7. S&P Global Commodity Insights, Aluminum US Midwest premium reaches 90 cents/lb for the first time, 2025-12-15, read 2026-10-09.
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9. SteelOrbis, World crude steel output down 1.2 percent in August 2026, 2026-09-24, read 2026-10-09 [UNVERIFIED].
10. Supply Chain Dive, US offers lower steel and aluminum tariffs for Canada and Mexico producers, 2026-05-11, read 2026-10-09 [UNVERIFIED].
11. Aegis Hedging, Aluminum's Midwest Premium Ticks Lower on Hopes That Tariff Will be Reduced, 2026-08-21, citing Platts and Bloomberg data, read 2026-10-09 [UNVERIFIED].



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contact@aegeanintel.com · aegeanintel.com

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