# US Customs reclassification of 1kg gold bars risks 39% tariff and fragments global market



The U.S. Customs and Border Protection ruling that reclassifies one‑kilogram and 100‑ounce gold bars under a tariff‑bearing customs code has injected fresh uncertainty into an already volatile market. According to the original report, the change—interpreted to expose Swiss‑refined bars to a 39% tariff—has prompted Swiss refiners to pause shipments to the United States and sent U.S. futures to temporary extremes as participants reassess delivery, settlement and hedging norms. Reuters and the Financial Times both reported that the sudden policy shift has forced market participants to confront the prospect of materially altered cross‑border flows and higher transaction costs.

The immediate market consequence has been a widening dislocation between London spot and New York futures prices. Financial Times analysis described the premium on some COMEX contracts rising by more than $100 per ounce as traders priced in constrained physical availability and settlement risk. The original coverage notes that Switzerland’s central role as the world’s refining hub means a pause in shipments has an outsized effect on delivery standards and the physical channels that underpin paper markets, raising the prospect of a more fragmented global ecosystem centred increasingly on London and Hong Kong.

Industry bodies and market infrastructure providers have moved quickly to stem fragmentation. The London Bullion Market Association has been active behind the scenes, pressing for consistent customs classifications and for the preservation of market mechanisms that link venues. Preserving Exchange for Physical transactions is central to that effort: as explained by market operators, EFPs allow bilateral swaps between futures positions and equivalent physical holdings and are a key channel for converting paper exposure into metal without resorting to on‑exchange delivery, thereby supporting liquidity and price alignment when normal delivery routes are under strain.

The pricing gap has also opened short‑term arbitrage opportunities. Traders are reported to be buying London‑priced metal while shorting U.S. futures to lock in spreads, but practical barriers limit scale. Logistical hurdles—most notably the need to repackage bars into different weights to avoid new tariff classifications, and the added cost and time of rerouting metal through alternative hubs—have narrowed the arbitrage window and raised execution risk for larger positions.

Investor behaviour is shifting in response. AInvest reported heavy inflows into U.S. physical gold ETFs such as GLD and IAU, with roughly $44.8 billion added in July 2025 alone, signalling a flight to instruments that give bullion exposure without immediate physical settlement headaches. The World Gold Council’s Q2 2025 Gold Demand Trends report complements this picture: it shows total demand value reached a record US$132 billion for the quarter and documents strong investment flows and bar and coin purchases, underscoring broader appetite for liquid, non‑futures exposure.

Equities tied to production have outperformed the metal itself. Market analyses show the NYSE Arca Gold Miners Index has risen markedly year‑to‑date, outpacing bullion by a wide margin. Commentators attribute the gap to miners’ built‑in leverage to higher prices, earnings upgrades and the re‑rating of a sector that had been underweighted by many investors—making mining stocks a favoured route for those seeking leveraged exposure without wrestling with cross‑border physical logistics.

Central bank buying has added a further structural layer to demand. The World Gold Council notes that official sector additions were sizeable in the quarter, reinforcing a backdrop of steady reserve accumulation by a number of economies and supporting a constructive long‑term demand narrative beyond tactical flows into ETFs and equities.

Political and regulatory noise has not gone unanswered. Reuters and the Financial Times report that the White House moved to clarify the issue in early August, and statements from officials briefly dented the most extreme futures moves—suggesting a possible administrative correction or executive action could follow. Nonetheless, until formal, durable guidance is issued, market participants face a policy‑dependent landscape where legal challenges or subsequent clarifications by regulators could yet reshape the terms of trade.

For investors the practical takeaway is twofold. In the short term, liquidity and hedging frictions argue for a careful tilt towards liquid, ETF‑based exposure and selective mining equities that provide leverage to higher prices. At the same time, nimble arbitrage desks will continue to assess cross‑market spreads where logistics and cost permit. Market infrastructure preservation—most notably the EFP channel—remains critical to restoring closer alignment between London and New York, and market participants are watching both regulator statements and industry‑level interventions closely for signs of durable resolution.

The episode is a reminder that geopolitical and administrative decisions can rewire commodity market plumbing overnight. While the White House clarification temporarily eased pressures, resilience will depend on a return to predictable customs treatment or a credible legal and regulatory solution that restores the seamless links upon which global bullion markets have long relied.

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## Reference Map:

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## Bibliography

1. <https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/> - Please view link - unable to able to access data
2. <https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/> - Marcus Lee's AInvest article details how a CBP ruling reclassified one‑kilo and 100‑ounce gold bars under HTSUS 7108.13.5500, exposing them to a 39% tariff on Swiss exports and disrupting bullion flows. Piece describes Swiss refiners pausing shipments, a widening premium between U.S. COMEX futures and London spot markets, and arbitrage strategies that buy London metal while shorting COMEX. It highlights logistical hurdles such as repackaging bars, rising ETF demand for GLD and IAU, mining stocks outperforming bullion, and strong central bank purchases in Q2 2025. The article now urges investors to diversify across ETFs, miners and cross‑market trades amid regulatory uncertainty.
3. <https://www.reuters.com/world/us/gold-industry-hit-by-us-tariff-uncertainty-after-customs-service-ruling-2025-08-08/> - Reuters reports that on 8 August 2025 the White House moved to clarify confusion after U.S. Customs and Border Protection published a ruling suggesting one‑kilogram and 100‑ounce gold bars should be classified under HS code 7108.13.5500 and thus could face reciprocal tariffs. The story notes a 39% tariff implication for Swiss exports, that at least one Swiss refinery paused shipments, and that gold futures temporarily surged to record levels. Reuters quotes industry bodies including the Swiss association and highlights market concern about supply chain disruption, elevated COMEX inventories, and the potential for an executive order to resolve the classification uncertainty.
4. <https://www.ft.com/content/5f5206ab-6557-4421-b977-83d396734616> - Financial Times coverage explains how reports of a CBP ruling reclassifying standard kilobars prompted a sharp rise in U.S. gold futures and widened the gap with London spot prices by more than $100 per ounce. The FT analyses market mechanics, noting Switzerland’s central role as a refining hub and the strain on COMEX delivery standards. It describes industry alarm about disrupted hedging and physical settlement, LBMA engagement with regulators, and investors seeking ETFs and alternative markets. The piece assesses policy confusion, quotes market participants on potential long‑term fragmentation, and details how a White House clarification subsequently briefly tempered futures’ gains.
5. <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2025> - The World Gold Council’s Gold Demand Trends Q2 2025 report details global gold market dynamics to 30 June 2025, showing total demand value reached a record US$132 billion while volumes rose modestly to 1,249 tonnes. The report emphasises strong investment demand driven by ETF inflows and bar and coin purchases, and documents central banks adding 166 tonnes of official reserves in the quarter. It provides breakdowns by region and sector, charts ETF holdings, and notes the LBMA PM benchmark hit new records. The WGC analysis highlights supply, recycling trends and the implications of geopolitical and policy uncertainty for future demand.
6. <https://www.cmegroup.com/trading/equity-index/exchange-for-physical-efp-transactions.html> - CME Group explains Exchange for Physical (EFP) transactions as a market mechanism allowing bilateral exchanges between futures positions and equivalent physical holdings. The page describes how EFPs permit conversion between futures and physical bullion or related instruments, helping market participants manage inventory, hedge exposure and close arbitrage positions without intraday market execution. CME outlines reporting requirements and examples, and explains how EFPs support liquidity and price alignment between futures and cash markets. The description demonstrates why preserving EFP channels is critical when cross‑market delivery mechanics are stressed by tariffs or regulatory changes, maintaining a bridge between London and New York.
7. <https://sprott.com/insights/gold-miners-shine-in-2025/> - Sprott’s analysis highlights the exceptional performance of gold mining equities in 2025, reporting that the NYSE Arca Gold Miners Index (GDMNTR) had outperformed bullion substantially by late July. The commentary states GDMNTR rose over 50% year‑to‑date, while physical gold gained roughly 25.35%, and examines drivers including higher gold prices, ETF inflows and central bank demand. Sprott discusses earnings upgrades, understating of precious metals by markets, and why miners offer leverage to bullion. The piece provides data as of 31 July 2025, contextualises miners’ gains within broader macro conditions, and recommends diversified exposure to capture upside and offers risk‑management guidance too.