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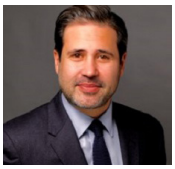

WHEN THE STRAIT CLOSED

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The outbreak of hostilities in the Persian Gulf has already reverberated through global oil markets with remarkable speed. Rather than attempt a full survey of supply-and-demand trends in both oil and natural gas—topics we will return to in a future letter—we will focus here on the more immediate consequences arising from the effective closure of the Straits of Hormuz. In our next quarterly commentary we intend to revisit the broader fundamentals: production trends, depletion dynamics, balancing items, and inventory behavior in both the global oil market and U.S. natural gas.

As we go to press on March 11, 2026, the Straits of Hormuz remain effectively closed, disrupting the transport of roughly 20 percent of global oil production and a similar share of seaborne LNG supply. In absolute terms, this represents approximately 20 million barrels per day of crude oil and about 10 billion cubic feet per day of liquefied natural gas. By the metric that ultimately matters most to energy markets—daily physical volume—the disruption may already rank as the largest shock the industry has ever experienced. The conse-

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quences have been immediate: refiners around the world have begun scrambling for alternative crude supplies, often at sharply higher prices.

China responded quickly by imposing export restrictions on refined petroleum products on March 11th, seeking to safeguard its own domestic supply. As rising U.S. shale production has dramatically reduced American reliance on imported oil, China has emerged as the world's dominant crude importer by a considerable margin. Much of these imports originate in the Persian Gulf and, increasingly, from Iran itself. Indeed, in many strategic war-game scenarios involving a hypothetical Chinese invasion of Taiwan, analysts have long assumed that one of the earliest moves by adversaries would be an effort to choke off oil shipments to China through the Straits of Hormuz and the Straits of Malacca. In a sense, a version of that scenario is unfolding today.

Refining margins—so-called crack spreads, which measure the difference between crude prices and refined product prices—have widened dramatically, reaching levels not seen since Russia's invasion of Ukraine in 2022. Brent crude, which had fallen as low as $59.96 per barrel on January 7 and averaged only about $70 per barrel in the days preceding the conflict, surged to an intraday high of $119.50 on March 9 before retreating to roughly $90 per barrel. Longer-dated Brent futures have moved far less dramatically. As of this writing, contracts further out on the curve are trading around $74 per barrel, suggesting that traders still view the present disruption as temporary—at least for now.

In response, the International Energy Agency convened an emergency meeting of OECD member states. Reports circulating in the market suggest that policymakers are considering a coordinated release of as much as 400 million barrels from government strategic petroleum reserves. If approved, the release would represent the largest drawdown of strategic stocks ever undertaken—more than double the volume released following Russia's invasion of Ukraine in 2022. Yet even this unprecedented measure would only partially offset the disruption. After several large drawdowns over the past five years, OECD strategic reserves stand at roughly 1.2 billion barrels, meaning the proposed release would amount to nearly one-third of the remaining stockpile. Even so, it would cover only about twenty days of supply lost as a result of the Hormuz closure.

Much will depend on how events evolve in the coming days. The implications are likely to extend well beyond the immediate crisis. In the near term, attention remains focused squarely on the Strait itself. Several producing countries—including Saudi Arabia, Iraq, and the United Arab Emirates—have already been forced to curtail field production temporarily as onshore storage facilities have reached capacity. Saudi Arabia does possess one important advantage: the East-West pipeline, which allows crude to bypass the Persian Gulf entirely by transporting it across the Kingdom to the Red Sea. Even so, the pipeline's capacity is roughly 2.5 million barrels per day below Saudi Arabia's recent production levels. Other producers in the region have no comparable outlet.

Over the medium term, the extent of damage to the region's energy infrastructure remains uncertain. Thus far, the United States and Israel appear to have avoided direct attacks on Iran's oil facilities, presumably to preserve the possibility of post-conflict economic recovery. Iran, by contrast, has reportedly targeted storage tanks, pipelines, and refining assets in Qatar, the UAE, and elsewhere in the region. The apparent logic behind these strikes is straightforward: by inflicting maximum disruption on oil markets, Iran may hope to place political

pressure on the United States and Israel as energy prices rise.

There is precedent for such tactics. In 2019, Iranian-backed Houthi rebels launched a sophisticated attack on Saudi Arabia's Abqaiq processing complex, a facility responsible for processing nearly six million barrels per day of crude. Many analysts later suggested the strike had been intended as a proof of concept—a rehearsal, of sorts, for more consequential attacks in the future. The Houthis targeted stabilization towers and storage tanks with remarkable precision, focusing on components that could be repaired relatively quickly. Saudi Aramco restored the facility to near-full operation within weeks. Whether Iranian forces will display similar restraint in the present conflict remains doubtful.

The turmoil has unfolded against a striking backdrop. At the beginning of 2026, crude oil was arguably the most disfavored major asset class in global markets. Energy equities accounted for only about 3 percent of the S&P 500's market capitalization—barely above their pandemic-era lows. Oil itself traded at record lows relative to gold and close to historic lows in inflation-adjusted terms. Among speculative traders, the dominant strategy had increasingly been to bet against the commodity. Net speculative positioning in WTI futures on the NYMEX exchange began the year at its most bearish level in fifteen years, and gross short positions had risen to their highest levels since 2016.

Much of this pessimism stemmed from the International Energy Agency's persistent narrative that the world was facing what it described as the largest oil surplus in history. We have long taken a different view. According to the IEA, global oil production exceeded demand by 2.2 million barrels per day in 2025, with the surplus expanding to roughly 3.0 million barrels per day during the fourth quarter. If those figures were correct, global inventories should have surged. In practice, they barely budged.

OECD inventories increased by only about 200,000 barrels per day over the course of 2025—far below what would have been expected if the market had truly been oversupplied by more than two million barrels per day. The discrepancy becomes even more striking in the fourth quarter. Instead of building by three million barrels per day, as the IEA's supply-demand balance implied, inventories actually declined by roughly 200,000 barrels per day. The agency accounted for the difference through a statistical category it labels "miscellaneous to balance"—a line item we have occasionally referred to, somewhat irreverently, as the "missing barrels." These are barrels that appear to have been produced but neither consumed nor stored. We will return to the subject in more detail next quarter. For the moment, it is sufficient to note that the oil market may be far tighter than commonly believed.

Against that backdrop—an already tight market, record-bearish speculative positioning, and now the closure of the Straits of Hormuz—short covering has been intense. We suspect that a substantial portion of the surge toward $120 per barrel reflected margin calls and the forced liquidation of speculative short positions. Several reports have circulated in recent days describing hedge funds shutting down their energy trading desks entirely, while large physical trading houses have reportedly raised tens of billions of dollars to reinforce their margin reserves and working capital. It is difficult to imagine a firm dismantling its energy trading operation at such a moment unless its positions had been severely wrong-footed.

Over the longer term, the most important consequence of recent events may simply be that investors are forced to look again at a sector they had largely ignored. The shale boom provided an enormous buffer of production growth during the past decade, but that growth

is now slowing and in many regions turning negative. Meanwhile, an entire generation of market participants has grown accustomed to approaching oil from the short side. Genuine oil bulls have become a rarity.

For years the prevailing view has been that the oil industry belongs to a bygone era—that it represents, in effect, a barbarous relic of the industrial past. The same sentiment prevailed toward gold in the late 1990s, shortly before the metal embarked on one of the most remarkable bull markets in modern financial history. It may be that the events of the past several weeks will serve as a reminder that the oil market, however unfashionable it may sometimes appear, remains one of the most consequential markets in the world—and one that investors ignore at their peril.

The Commodity Bull Market Has Barely Begun

Over the past year we have begun hearing the same question with increasing frequency: have we already missed the commodity rally? The concern is understandable. Gold has surged to record highs, silver has staged one of its strongest advances in decades, and resource equities have quietly enjoyed five strong years of performance. Yet beneath these headlines lies a curious fact: most commodities are nowhere near their historical highs. In fact, the data suggest something far more surprising. The commodity bull market may not yet have truly begun.

"THE COMMODITY BULL MARKET MAY NOT YET HAVE TRULY BEGUN."

Out of the forty-two commodities we track, only seven—gold, silver, platinum, copper, tin, tobacco, and beef—were trading at record nominal highs as of February. The remaining thirty-five commodities were still 46 percent below their historical peaks. When adjusted for inflation, the picture becomes even more striking: only gold trades at a real all-time high, while the other forty-one commodities remain roughly 73 percent below their real peaks.

The widely followed Goldman Sachs Commodity Spot Index paints a similar picture. Even after several years of rising prices, the index remains 32 percent below its nominal high reached in 2008 and 56 percent below its inflation-adjusted peak. Such figures hardly resemble the late stages of a commodity boom. If anything, they suggest something quite different: a bull market that may still be in its early innings.

In this essay we outline the framework that guides our thinking about commodity cycles—what drives them, how they evolve, and how investors can judge where we stand within them today. Our discussion will be intentionally top-down. We will not dwell on the detailed supply and demand dynamics of oil, copper, uranium, or agricultural markets, nor will we attempt to forecast inventories or geopolitics. Those fundamental analyses appear elsewhere in this letter.

Instead, we begin with a simpler question: why do commodity cycles occur at all?

Most investors accept that commodities are cyclical. Prices rise dramatically, collapse just as dramatically, and eventually recover again. Yet relatively few can explain why these cycles recur with such remarkable regularity.

In our experience, the answer lies in something far simpler than most people suspect.

"COMMODITY CYCLES ARE FUNDAMENTALLY CAPITAL CYCLES."

Commodity cycles are fundamentally capital cycles. Several years ago, at our 2022 investor day, the financial historian Edward Chancellor presented a compelling analysis of capital expenditure cycles. Chancellor, widely regarded as one of the leading authorities on the subject, argued that some of the most profitable opportunities in markets arise in industries that have been starved of capital for long periods of time.

Few industries illustrate this dynamic more clearly than commodities. To see why, imagine the typical commodity cycle. The cycle often begins with a shortage. Supply falls short of demand and prices begin to rise. At first producers earn extraordinary profits, while development companies see the value of their undeveloped projects climb dramatically. Eventually investors take notice. Capital begins flowing into the sector—initially cautiously, and then with increasing enthusiasm.

Yet unlike most industries, commodity supply responds only slowly. Building a mine, developing an oil field, or constructing a liquefaction facility can take a decade or more. In many sectors the delay between investment and first production stretches ten to fifteen years.

And the timeline is growing longer. Many of the easiest deposits have already been developed, forcing companies to pursue increasingly complex projects. Environmental permitting has also become more demanding. Baseline environmental studies—once rare but now routine—often require years before construction can even begin.

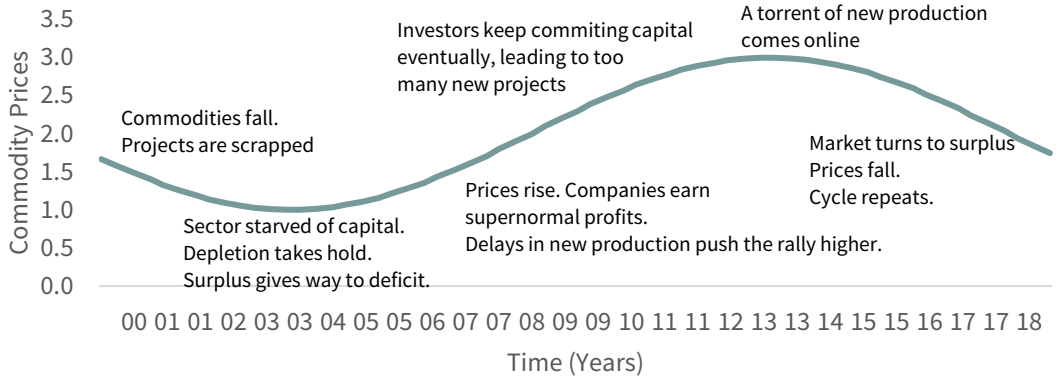
While the market waits for this future supply, commodity prices frequently continue to rise. The paradoxical result is that even as capital pours into the industry, prices keep climbing, since the additional production has not yet arrived.

Eventually, however, the pipeline of projects becomes overwhelming. The market reaches equilibrium while an enormous wave of future supply is still under construction. Investors, emboldened by years of rising prices, either ignore the coming production surge or assume they can exit before the downturn arrives. But the new supply inevitably appears.

The deficit becomes a surplus. Prices collapse. Projects financed under optimistic price assumptions become uneconomic. Development companies take impairments, and where project finance is involved, bankruptcies often follow. Investors flee the sector—usually vowing never to return. What follows is a long period of neglect. Capital spending collapses. Exploration budgets shrink. Projects are deferred.

Over time, depletion quietly takes hold. With investment scarce, supply once again falls short of demand. Inventories tighten. Prices begin to rise. And the cycle begins again.

FIGURE 1 Typical Commodity Cycle



Source: G&R.

The pattern is familiar across commodity markets. The last cycle alone produced several striking examples: the expansion of Australian iron ore production, the explosive growth of U.S. shale oil and gas, and the rapid development of Indonesian coal exports. In each case, an initial shortage attracted enormous investment that eventually produced a glut.

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The remarkable fact is not that commodity cycles occur. It is that investors appear destined to rediscover them every generation.

Once the mechanism behind commodity cycles is understood, the next question naturally becomes: where are we today? History provides some perspective. Since 1920, there have been three major commodity bull markets: 1929 to 1945, 1969 to 1980, and 1999 to 2011. Each lasted roughly fifteen years and saw the commodity spot index rise more than fourfold from trough to peak.

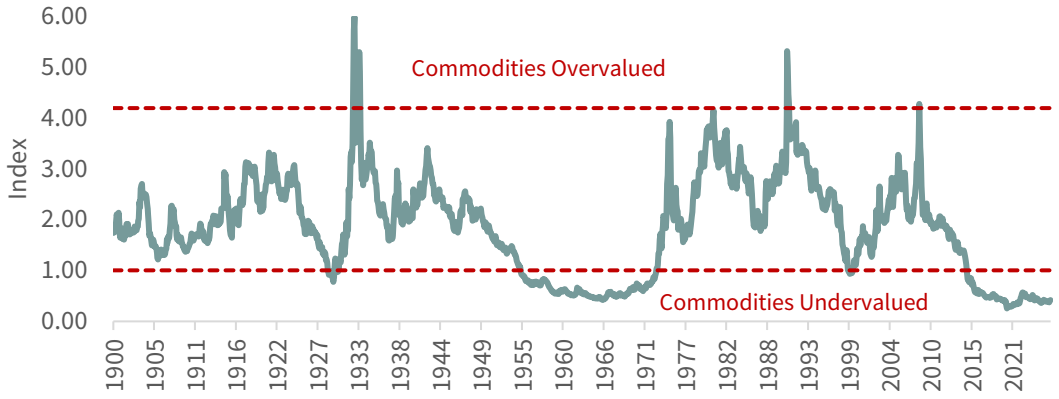
The current bull market began in April 2020. It has lasted just under six years and has produced a gain of roughly 140 percent.

Measured against historical precedent, the present rally appears only about one-third complete, both in duration and magnitude. While this comparison is useful, we believe an even more powerful signal exists—one that has quietly predicted commodity turning points for more than a century.

For nearly a decade we have included in our research a chart comparing commodity prices with equity prices.

The logic behind the ratio is straightforward. When commodities become expensive relative to equities, capital floods into the resource sector and new supply eventually drives prices lower. When commodities become cheap relative to equities, capital leaves the sector, starving the industry of investment and setting the stage for future shortages.

FIGURE 2 Commodity Total Return / Dow Jones Industrial Average



Source: Bloomberg, G&R Models.

In other words, the ratio captures the capital cycle itself.

We first encountered this idea in a presentation by Jeffrey Gundlach of DoubleLine. His analysis began in 1970, the year the Goldman Sachs Commodity Index was created. Curious about the longer historical pattern, we reconstructed the index using the same methodology and extended the data back to 1900.

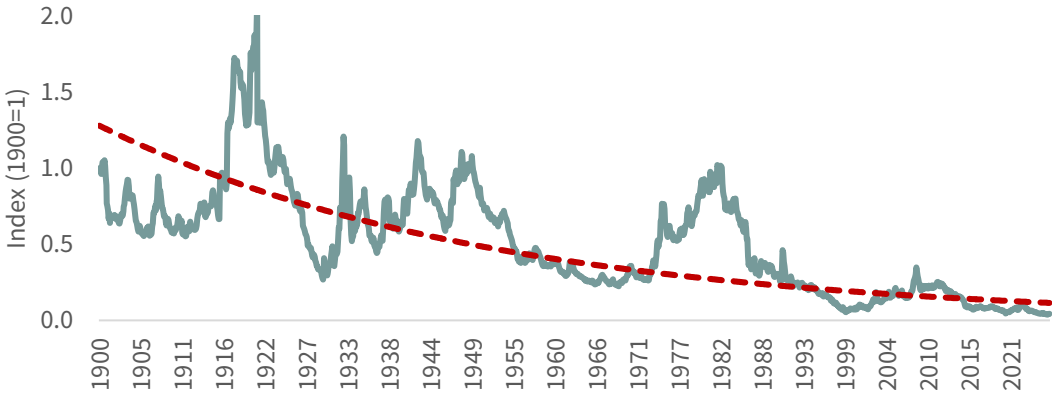
The results were striking. Periods when commodities were extremely cheap relative to equities reliably preceded major commodity bull markets. Moments when commodities were unusually expensive relative to equities marked the end of those rallies.

The chart appeared almost uncannily predictive. Then a client asked a simple question that forced us to reconsider everything. The client's observation was straightforward.

Why, he wondered, were we comparing a commodity total-return index—which includes roll yield and interest income—to the price level of an equity index?

At first the question seemed trivial. Nearly every published analysis used the same approach. When we attempted to compare a commodity spot index with equities, the ratio appeared to collapse steadily over time rather than oscillate around clear turning points.

FIGURE 3 Spot Commodity Prices / S&P 500



Source: David Jacks, Bloomberg, Schiller, G&R.

The total-return version worked better, so we adopted it and moved on. Yet the question lingered. Eventually we began to suspect that the collapsing trend might not be a flaw in the chart at all—but rather a clue.

The implication was subtle but powerful.

Equity markets participate in the growth of the economy. As productivity rises and output expands, corporate earnings rise with it. Over long periods, equity prices therefore grow with both real economic growth and inflation.

Commodities are different. Their prices are anchored by the cost of bringing new supply to market—the so-called incentive price. While that price may rise with inflation, it does not generally rise with the economy's productivity.

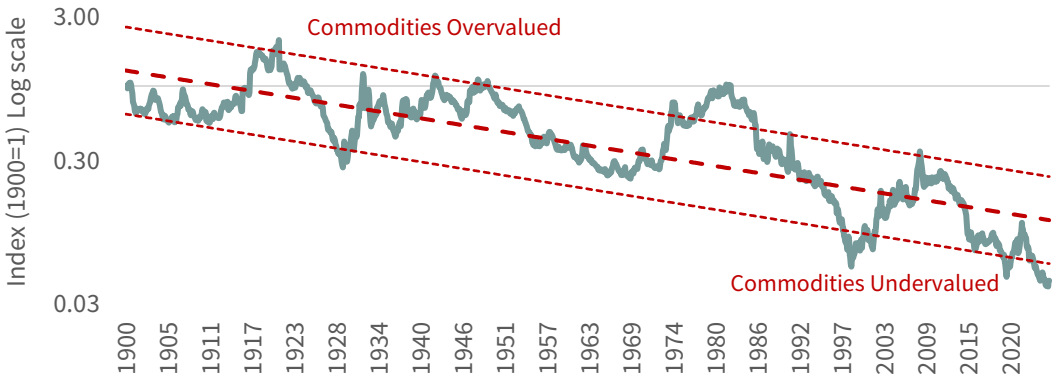
And suddenly the puzzle solved itself.

If equities compound at real growth plus inflation, while commodities rise mainly with inflation alone, then the ratio between them must decline steadily over time. The inflation terms cancel, leaving the ratio to fall roughly at the long-term rate of real GDP growth.

When we returned to the data with this insight in mind, the result was striking. The apparent collapse in the commodity-to-equity ratio was not a flaw in the chart at all.

It was exactly what economic theory predicted. The ratio indeed fell over decades by 2-3% per year – inline with long term real GDP growth.

FIGURE 4 Spot Commodities / S&P 500 (Log Scale)



Source: David Jacks, Bloomberg, Schiller, G&R.

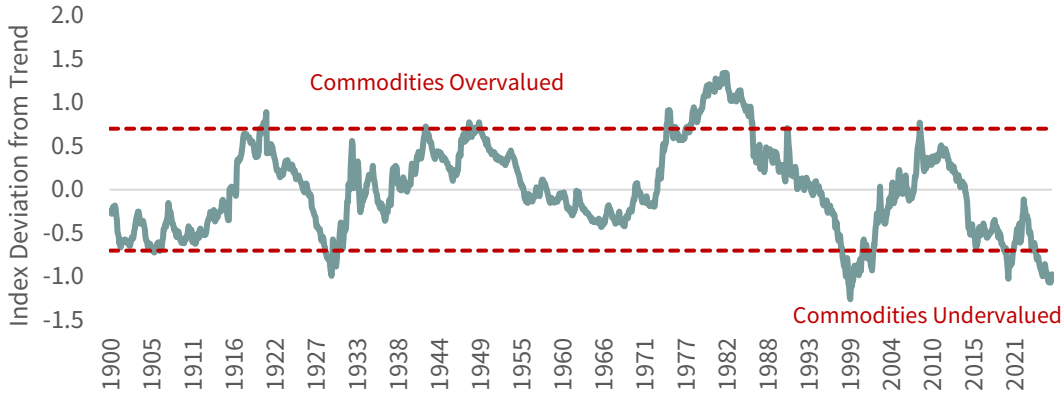
Once this structural relationship became clear, the solution was straightforward. By removing the long-term growth trend, we could isolate the cyclical fluctuations driven by the commodity investment cycle. The resulting detrended commodity-to-equity ratio reveals the true rhythm of commodity markets: long periods of capital starvation followed by waves of investment and oversupply. And when viewed through this corrected lens, the current signal is extraordinary.

"TODAY, COMMODITIES ARE ONCE AGAIN TRADING NEAR THE LOWEST LEVELS RELATIVE TO EQUITIES OBSERVED IN MORE THAN A CENTURY."

Today, commodities are once again trading near the lowest levels relative to equities observed in more than a century. This extreme undervaluation helps explain why investor interest—and more importantly investor capital—has remained scarce across the extractive industries. When commodities underperform equities for long periods, capital naturally flows elsewhere. Yet history shows that today's capital drought inevitably becomes tomorrow's supply shortage.

By our new measure, commodities today are actually cheaper relative to equities than they were at the depths of the pandemic panic in 2020. The ratio stands near the levels observed in 1929 and not far above the historic low reached in 1999 during the height of the technology bubble. Rather than signaling the end of a commodity boom, the data suggest the opposite. The commodity bull market may not yet have truly begun.

FIGURE 5 Spot Commodities / S&P 500 (Detrended)



Source: David Jacks, Bloomberg, Schiller, G&R.

Applying the same analysis commodity by commodity reveals clear differences within the sector. Energy commodities appear by far the most undervalued. Natural gas currently ranks in the 99.5th percentile of historical undervaluation, oil in the 97.5th percentile, and coal

in the 94th percentile relative to equities. Agricultural commodities and bulk materials also appear attractively priced.

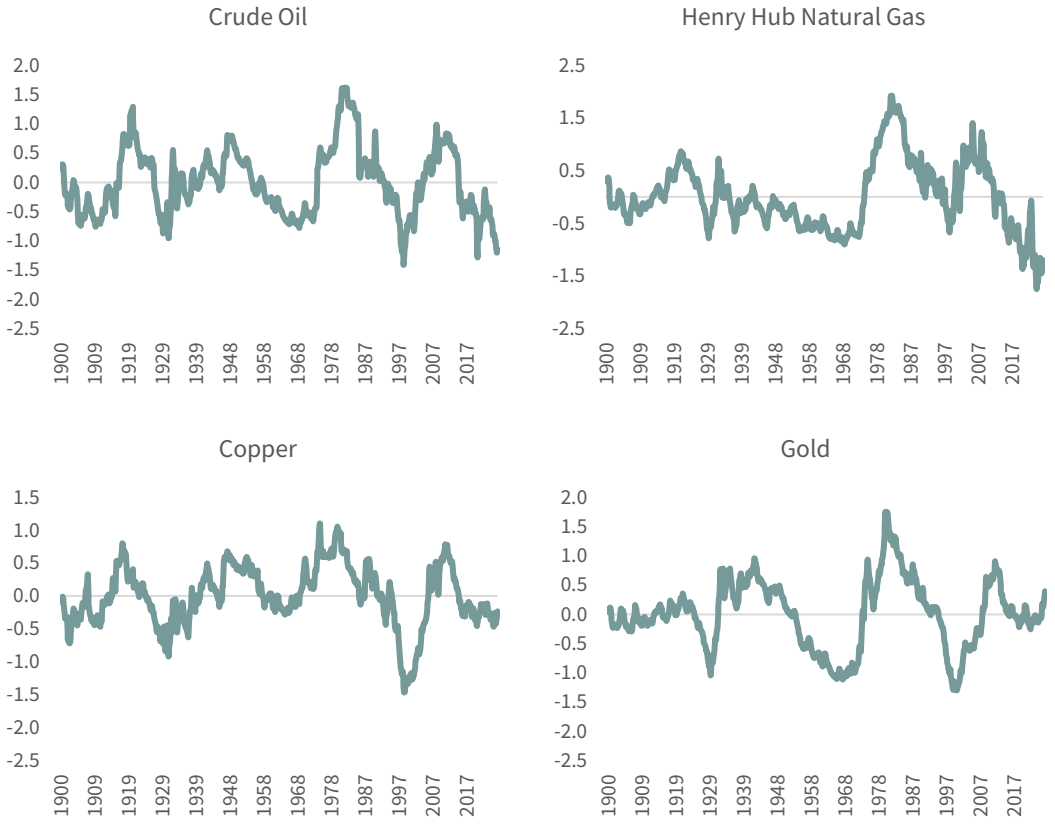
Precious metals, by contrast, now sit in the upper quartile of their historical valuation range relative to equities. Their strong performance over the past year helps explain why we have reduced our exposure to precious-metal equities in recent months.

Yet even this leadership pattern fits the historical script. Commodity bull markets tend to follow a surprisingly consistent sequence. Precious metals often lead the early stages of the cycle, responding first to monetary instability and declining confidence in financial assets. Energy markets typically assume leadership in the middle phase of the rally as tightening supply conditions collide with strong global demand. Precious metals frequently regain leadership near the end of the cycle when inflationary pressures reach their peak.

Viewed through this historical lens, the recent surge in gold and silver appears less like the end of a commodity boom than the closing scene of its first act. Eventually the present commodity cycle will run its course, just as its predecessors did. To estimate where that peak might lie, we examined the valuation levels reached at previous cycle highs.

If the commodity-to-equity ratio were to return merely to the 85th percentile of its historical range—similar to the peaks reached in 1920, 1945, and 2011—the implications for commodity prices would be dramatic.

FIGURE 6 Individual Spot Commodity / S&P 500 (Detrended)



Source: David Jacks, Bloomberg , Schiller, G&R

Even under conservative assumptions for equity market performance, the commodity spot index would need to rise three- to five-fold from today's levels. Oil prices would likely increase

four- to six-fold, while U.S. natural gas could require a nine- to twelve-fold advance to reach comparable valuation levels. These numbers may sound extraordinary. Yet they simply represent what would be required for commodities to return to the upper end of their historical valuation range relative to equities.

With gold making headlines and precious-metal stocks dominating the conversation, it is easy to assume the commodity rally has already run its course. History suggests otherwise.

Commodity bull markets tend to last more than a decade. The current cycle is only a few years old. Relative valuations remain near historic lows, and capital investment in the sector remains depressed.

"INVESTORS WAITING FOR LOWER PRICES BEFORE ENTERING THE RESOURCE SECTOR MAY DISCOVER THAT THOSE PRICES NEVER ARRIVE."

Investors waiting for lower prices before entering the resource sector may discover that those prices never arrive. In commodity cycles, the greatest mistake is rarely buying too early.

It is realizing—too late—that the cycle has already begun.

Fourth Quarter 2025 Market Commentary

Commodity trends that had taken hold in the first three quarters of the year continued with unusual force into the fourth. Metals—the strongest performers in both the second and third quarters—extended their advance. Leading the charge once again were the precious metals, with silver, gold, and the platinum group metals all posting outsized gains. Silver was the standout, surging 51% during the quarter. Platinum and palladium each rose more than 28%, while gold advanced 13%. Copper also continued its impressive climb, gaining another 17% in the fourth quarter and finishing the year up a striking 41%. Supply disruptions at two of the world's largest mines—Grasberg and Kamoa-Kakula—added further tightness to an already strained copper market.

Outside of metals, investor interest remained muted and prices generally languished. Oil markets continued to drift lower as the International Energy Agency doubled down on its bearish outlook for 2026. The IEA projects that oil demand will again disappoint while supply continues to surge—essentially repeating the scenario it had projected for 2025. Yet many of the agency's earlier forecasts, particularly those centered on rapidly rising global inventories, have failed to materialize. Even so, the IEA's persistently bearish projections—both short and long term—have cast a deep pessimistic shadow over global oil markets. Oil prices slipped another 7% during the quarter and finished the year down nearly 20%. Reflecting this deeply negative sentiment, the energy sector's weighting within the S&P 500 remains below 3%, a level briefly reached only during the depths of the COVID-related panic in April 2020. The lone bright spot within energy came from North American natural gas, where prices advanced nearly 15% in response to an early burst of cold weather in December.

Outside of energy, grain prices were mixed, coal prices continued to firm, and uranium prices were largely unchanged.

Reflecting the weakness across energy markets, the oil-heavy Goldman Sachs Commodity Index slipped modestly during the quarter, declining 0.3%. By contrast, the Rogers Inter-

national Commodity Index—which carries greater exposure to metals and agricultural commodities—rose nearly 3%.

Natural resource equities, on average, modestly outperformed the broader market. The S&P North American Natural Resource Sector Index, heavily weighted toward large-cap energy companies, gained 3.1% during the quarter. The S&P Global Natural Resources Index, which has greater exposure to metals and agricultural producers, rose 6.6%. By comparison, the S&P 500 Index advanced 2.4%.

Precious Metals

Leading the commodities complex in the fourth quarter was silver. Its roughly 50% advance made it the best-performing commodity of the period. For the year as a whole, silver's performance was even more remarkable, rising more than 140%—a gain rivaled only by platinum. Gold also continued its advance during the quarter, climbing 13% and finishing 2025 up approximately 65%.

Precious metals equities likewise remained among the market's strongest performers. The VanEck Gold Miners ETF (GDX) rose 12.3% during the quarter, while the Global X Silver Miners ETF (SIL) advanced nearly 17%. Over the full year, gold and silver equities were clear market leaders, surging roughly 140% and 166%, respectively.

In last quarter's letter, we noted that if silver's rally continued, it could generate a powerful sell signal for gold. Since then, silver prices have climbed another 50%, and we believe that signal has now been triggered—suggesting that, at least in the short term, investors should consider reducing their exposure to gold.

Over the past fifty years, silver has staged dramatic "catch-up" rallies relative to gold on only a handful of occasions, and we believe the market has now experienced a fifth such episode. In each prior instance—1973, 1979, 2011, and 2020—the surge in silver ultimately marked an important turning point. Gold, silver, and their related equities soon entered either a sharp correction within an ongoing bull market or an outright bear market.

Since bottoming in April of last year, silver has surged nearly 220%, surpassing the magnitude of the catch-up rallies seen in 1973 (up roughly 150%), 2011 (up about 175%), and 2020 (also near 175%). The only comparable move occurred in 1979, when silver likewise advanced approximately 220% in a final explosive rally—one that ultimately signaled the end of the great gold bull market and the beginning of a two-decade bear market.

For investors operating under performance constraints, we recommend reducing exposure to both gold and silver equities and recycling a portion of those profits into oil-related investments. By our analysis, oil today represents the cheapest major asset class in the world. Retail investors, by contrast, may wish to maintain their precious metals exposure and use any weakness that develops to add to positions over time.

In the gold and silver section that follows, we examine both the bullish and bearish forces now shaping the precious metals markets. We will discuss in greater detail the important message being sent by silver's extraordinary rally and why we believe it has triggered a meaningful short-term sell signal for gold.

Platinum Group Metals

Platinum group metals continued their powerful advance during the fourth quarter. Platinum and palladium prices each surged roughly 28%, while rhodium rose 19%. For the year as a whole, PGMs ranked among the strongest-performing commodities. Platinum prices climbed approximately 125%, palladium rose 80%, and rhodium advanced nearly 100%.

Equities tied to the PGM sector also performed strongly. Valterra—the former Anglo American Platinum—along with Impala Platinum and Sibanye-Stillwater gained 19%, 23%, and 27%, respectively, during the quarter. Over the full year the gains were even more striking: Valterra and Impala rose roughly 200% and 240% in U.S. dollar terms, while Sibanye-Stillwater surged nearly 330%.

Although the surge in gold and silver prices undoubtedly contributed to the strength in platinum group metals during the quarter, two important developments materially improved the fundamental outlook for PGMs. The prevailing bear case for these metals has long rested on the assumption that electric vehicle penetration would accelerate rapidly, leading to a steady decline in internal combustion engine (ICE) vehicle sales. Because roughly 65% of platinum group metal demand comes from auto-catalysts, many analysts concluded that PGM consumption would face a persistent and structural decline.

Recent policy developments, however, suggest that this narrative may be unraveling more quickly than previously expected. In the United States, the Trump administration—working with congressional approval—has repealed California's authority to impose stricter vehicle emissions standards under the Advanced Clean Cars II regulation. That rule had mandated that 100% of new passenger vehicles sold in California be zero-emission by 2035, a framework that seventeen other states had indicated they would follow. The repeal represents a significant setback for efforts to accelerate the phase-out of internal combustion engine vehicles in the United States.

The administration has also rolled back the Biden-era Corporate Average Fuel Economy (CAFE) standards from a planned 50 miles per gallon to 34.5 miles per gallon. The previous target—scheduled to take effect by 2031—was widely viewed by the auto industry as an extremely aggressive standard that would have forced manufacturers to shift a significant portion of their production toward electric vehicles. Reducing the CAFE requirement effectively removes what many had viewed as a "backdoor" EV mandate. In addition, the administration has repealed the $7,500 federal tax credit for new electric vehicle purchases and eliminated funding for the National Electric Vehicle Infrastructure (NEVI) charging program.

Finally, the administration has ended the long-standing practice that allowed automakers to trade Zero-Emission Vehicle (ZEV) credits. Under the previous system, companies that produced only electric vehicles—most notably Tesla—generated large quantities of credits that could then be sold to manufacturers falling short of their EV production targets, allowing them to avoid regulatory penalties. In effect, the system functioned as an indirect subsidy for EV producers. With the elimination of the ZEV credit program, this mechanism has now been dismantled.

A second important development occurred in Europe. At the end of 2025, the European

Commission signaled a significant shift in its automotive policy, moving away from the previously proposed strict ban on internal combustion engine (ICE) vehicles toward a more flexible framework aimed at preserving Europe's domestic auto industry. The EU has now proposed adjusting its prior mandate of 100% zero-emission vehicle sales to a more pragmatic target of a 90% emissions reduction. Although not explicitly stated, stepping back from a full ICE ban by 2035 reflects a growing recognition that forcing consumers toward electric vehicles too rapidly could produce serious unintended consequences—including the potential erosion of Europe's automobile manufacturing base.

Much of the bearish narrative surrounding platinum group metals has been built on the assumption that internal combustion engines were destined for rapid decline. As our readers know, we have long disagreed with that view. Now that both the United States and Europe have begun to unwind policies designed to accelerate the phase-out of ICE vehicles while heavily subsidizing electric vehicles, we believe demand forecasts for PGMs will need to be revised meaningfully higher from today's extremely pessimistic levels.

In our view, the prolonged bear market in platinum group metals was built on a flawed narrative—one that is now beginning to be rewritten. As that reassessment unfolds, we believe the bull market in PGMs is only in its early stages and could extend for many years

Copper and Base Metals

Base metals, led by copper, were strong performers during the fourth quarter. Copper prices rose 17% during the period and finished the year up an impressive 41%. Despite several bouts of volatility—largely tied to shifting tariff announcements from the Trump administration—copper markets proved remarkably resilient. Aluminum followed with a 12% gain during the quarter, while nickel prices also moved higher. Zinc was the lone base metal to decline, falling slightly by less than 1%.

Base metal equities were equally strong and significantly outpaced the broader market. Copper mining stocks, as measured by the COPX copper stock ETF, rose 20% during the quarter, while the XBM base metals equity ETF advanced 17%. For the full year, the gains were even more dramatic: the COPX ETF surged nearly 90%, and the XBM ETF climbed more than 50%, making base metal equities some of the strongest-performing resource stocks of the year.

Copper continues to command the market's attention, and bullish sentiment toward the metal remains widespread. In previous letters we noted that we were short-term bullish on copper while maintaining a neutral longer-term outlook. We have now shifted that short-term view to a more bearish stance. The reason is straightforward: our modeling, discussed in detail in earlier letters, suggests that the copper market has moved back into surplus—a shift that is now clearly reflected in the persistent rise in inventories held at the major trading exchanges.

Copper inventories at the three major exchanges—Shanghai, the London Metal Exchange, and COMEX—have now exceeded levels last seen in 2013, when copper prices were around $3.20 per pound and already beginning to decline. After peaking near 940,000 tonnes in the summer of 2013, copper prices fell roughly 35% over the following two years, eventually bottoming below $2.00 per pound in January 2016.

Today, exchange inventories have risen well beyond those earlier levels, reaching approximately 1.2 million tonnes—an amount last observed in 2003, when copper traded below $0.90 per pound. Even after adjusting for higher global consumption, these inventories represent roughly 17 days of global copper demand, placing them in the top 20% of observations over the past thirty years. The last time inventories covered approximately 17 days of consumption—back in 2018—copper prices averaged around $2.90 per pound.

We discuss the most recent developments in global copper supply and demand in greater detail in the copper section that follows. Our modeling strongly suggests that the copper market has entered a prolonged period of surplus—a conclusion now reinforced by the steady and significant rise in exchange inventories.

Oil

Oil prices continued to drift lower during the fourth quarter, declining an additional 7%. For the year as a whole, oil exhibited miserable performance, falling nearly 20%. Oil-related equities fared somewhat better. Exploration and production companies, as measured by the XOP ETF—which tracks the S&P Oil & Gas Exploration and Production Index—declined roughly 4%. Large-cap integrated oil companies held up better: the XLE ETF fell only about 1%. Oil service companies were the standout within the sector, with the Philadelphia Oil Service Index advancing approximately 12.5% during the year.

As oil prices drifted lower throughout the year, investor sentiment toward the sector deteriorated into complete despair. Nothing illustrates this despair more clearly than oil's valuation relative to gold. In the past 170 years, oil has been this cheap relative to gold only once before—during the height of the COVID-related panic in April 2020. At that time the global economy had effectively shut down, Saudi Arabia had launched an ill-timed price war with Russia, and investors feared that global storage capacity would literally overflow. Panic swept through oil markets, even forcing prices on the NYMEX futures exchange briefly into negative territory as traders rushed to exit contracts requiring physical delivery.

In our view, the Brent market provided a more representative measure of conditions at the time, given that it is cash-settled rather than physically delivered. On April 21, 2020—when Brent prices reached their lowest point—one ounce of gold could purchase roughly 87 barrels of oil, surpassing the previous record of 48 barrels reached during the OPEC market-share war that ended in early 2016, and only six weeks ago we almost surpassed this COVID panic level. On January 28th, an ounce of gold purchased 86 barrels of oil—about 70% higher than the 2016 peak and only 1 barrel lower than the extreme levels reached during the COVID panic of 2020.

What makes this comparison so striking is that underlying fundamentals in today's oil market bear little resemblance to the conditions that prevailed in either 2015 or 2020. There are no global COVID lockdowns suppressing demand, nor are there signs that an OPEC market-share war is about to erupt. In both of those earlier periods, supply significantly exceeded demand and global oil inventories were rising rapidly. Today, by contrast, inventories have barely moved—an indication to us that the global oil market is largely balanced rather than oversupplied.

In other words, oil's near-record cheapness relative to gold appears to reflect extreme bearish

"OIL'S NEAR-RECORD CHEAPNESS RELATIVE TO GOLD APPEARS TO REFLECT EXTREME BEARISH SENTIMENT RATHER THAN GENUINELY WEAK FUNDAMENTALS."

sentiment rather than genuinely weak fundamentals. The disconnect between perception and reality is precisely why we believe today's oil market offers such compelling investment opportunities.

Over the past twenty-five years, global oil markets have undergone a complete reversal. In the early 2000s, an ounce of gold could purchase only about six barrels of oil—a ratio seen only a handful of times over the previous 170 years. At the time, gold had become the "uninvestable" asset class—no matter how low the price went it could not be bought. Today the situation has flipped. That same ounce of gold now buys nearly thirteen times as much oil, and now oil il has become the new "uninvestable" asset class. No matter how low the price goes--it can't be bought.

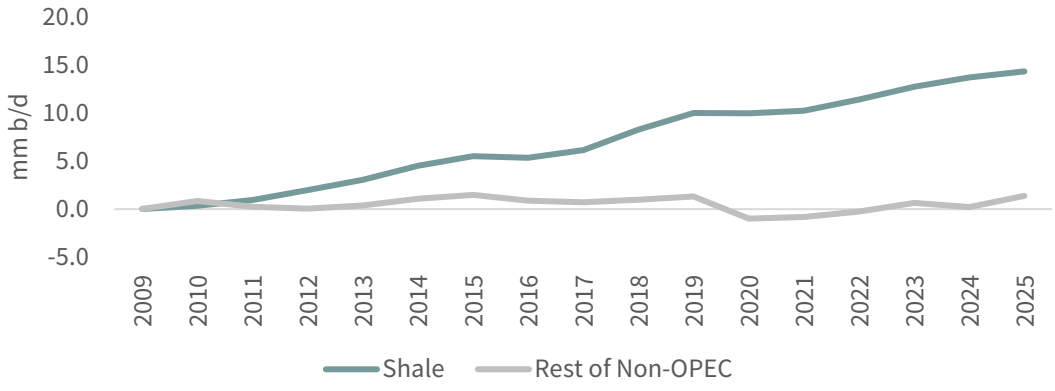
"BY OUR ANALYSIS, OIL TODAY REPRESENTS THE CHEAPEST MAJOR ASSET CLASS IN THE WORLD."

Twenty-five years ago we argued that gold was the cheapest asset class in the world and that it offered extraordinary opportunity for investors willing to look beyond prevailing sentiment. Today we are making the same case for oil. By our analysis, oil is now the cheapest major asset class in the world, and its valuation relative to gold strongly reinforces that conclusion. The opportunities emerging in today's oil market, in our view, are substantial.

Important positive developments may soon begin to reshape the oil market, though few analysts appear focused on them today. In our view, non-OPEC oil supply growth is likely to disappoint materially over the next several years—an outcome whose importance cannot be overstated. Historically, the greatest competitor to OPEC production has always been non-OPEC supply. When global demand growth exceeds the growth of non-OPEC production, OPEC inevitably regains market share and pricing power. This dynamic drove the powerful oil bull markets of the 1970s and again in the 2000s—and we believe it is beginning to emerge once more.

Over the past fifteen years, roughly 80% of all non-OPEC supply growth has come from U.S. shale production, as illustrated in the chart below.

FIGURE 7 Sources of Non-OPEC Production Growth Since 2009

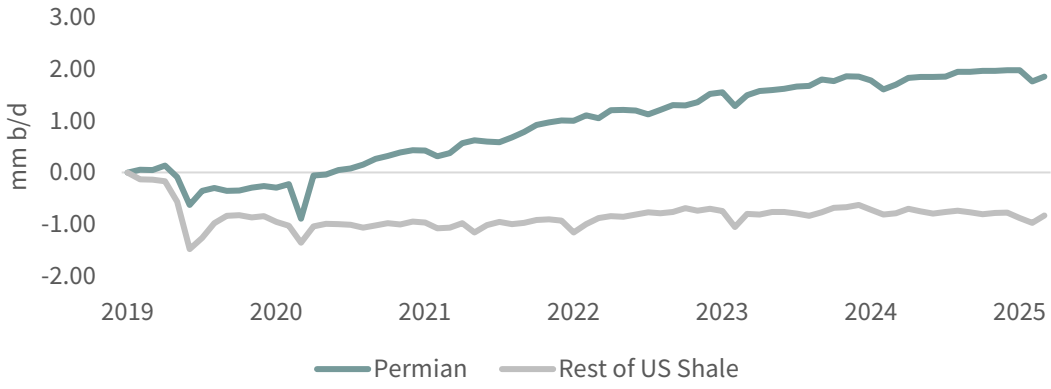


Source: EIA.

Outside of U.S. shale, non-OPEC supply growth has been essentially nonexistent. The modest increases that have occurred have come primarily from Canadian oil sands and biofuels. Equally important are the changing dynamics within the U.S. shale industry itself. Since 2019, virtually all shale production growth has come from a single basin—the Permian. Outside the Permian, shale production has effectively stagnated, as the following chart illus-

trates.

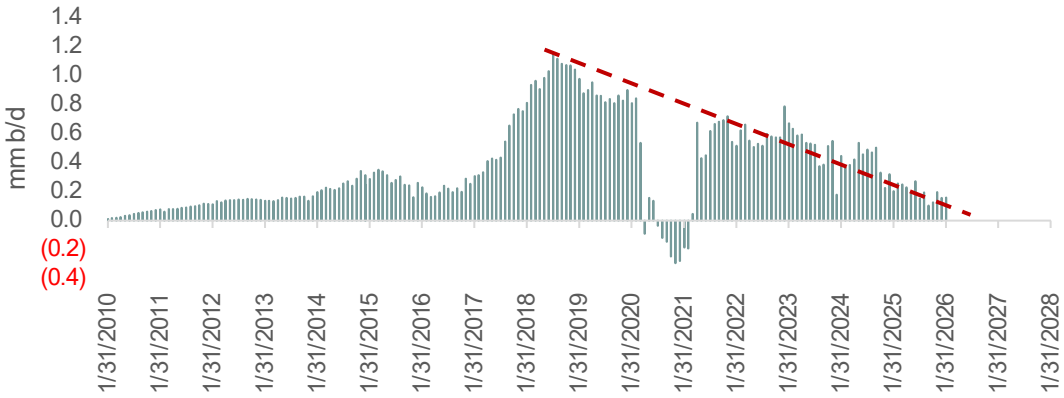
FIGURE 8 Shale Growth since 2019



Source: EIA.

The final piece of the non-OPEC slowdown story now appears to be falling into place. The Permian Basin—the last major source of non-OPEC supply growth—now appears to be approaching a plateau in production.

FIGURE 9 Permian Shale Oil Year-on-Year Growth



Source: EIA.

Natural Gas

North American natural gas was one of the few energy markets to buck the prevailing bearish sentiment. U.S. natural gas prices rose roughly 12% during the quarter. Conditions in Canada were far more volatile. In September, Canadian spot natural gas prices briefly turned negative as production continued to rise while the ramp-up of the country's new LNG export facility on the British Columbia coast proceeded more slowly than expected. With limited storage capacity available, producers were forced to pay buyers to take physical gas off their hands.

As colder winter weather arrived, however, prices recovered sharply. Canadian gas, which had effectively started the quarter near zero, finished the period around $2.00 per Mcf—a meaningful rebound. The episode of negative pricing nevertheless reinforced the deeply bearish sentiment that has weighed on North American natural gas markets for much of

the past six months.

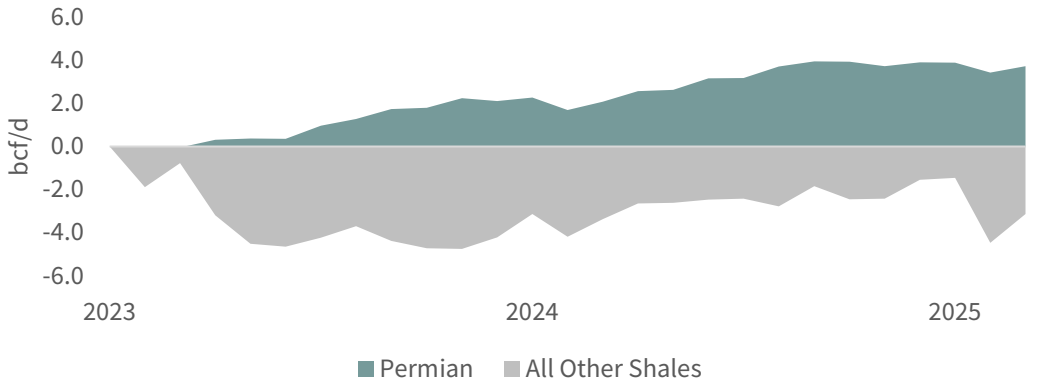
The strength in U.S. natural gas prices during the fourth quarter can largely be attributed to colder-than-normal weather. Temperatures were roughly 10% below seasonal averages, particularly during December, which led to a sharp increase in storage withdrawals. The impact is evident when comparing storage data across recent years. In the fourth quarter of 2023, roughly 175 bcf of gas was withdrawn from storage. In the fourth quarter of 2025, withdrawals totaled approximately 310 bcf—nearly double the prior level.

As a result, inventories entering 2026 now sit only modestly above their ten-year average. Much of the bearish sentiment surrounding natural gas has been built on the assumption that supply growth will continue to overwhelm demand. We believe that narrative may soon begin to unravel.

While recent Energy Information Administration (EIA) data show year-over-year production growth, we believe the underlying dynamics are more nuanced. The most recent surge in U.S. natural gas production effectively ended in December 2023. Since then, total dry gas supply has increased by about 1.7 bcf per day. Shale production accounted for roughly 3.1 bcf per day of that growth, implying that conventional gas production actually declined by approximately 1.4 bcf per day over the same period.

Even more revealing is the source of the remaining shale growth. Since December 2023, production from the Permian Basin has risen by roughly 3.7 bcf per day, while production from all other shale basins has declined by about 0.6 bcf per day. In other words, not only has essentially all recent growth in U.S. natural gas supply come from shale formations, but nearly all of that growth has been concentrated in a single region—the Permian Basin, as illustrated in the chart below.

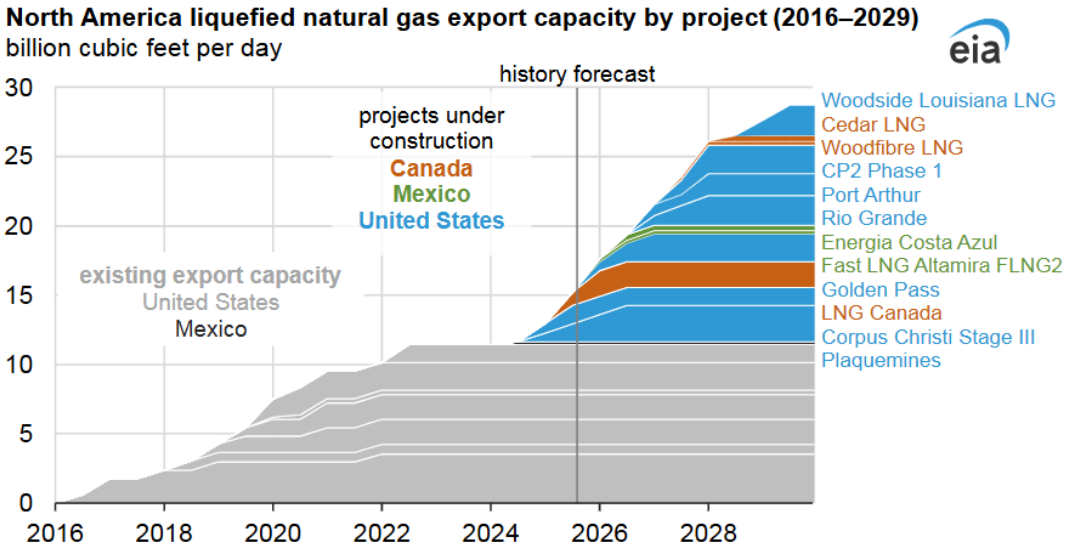
FIGURE 10 Sources of Shale Gas Growth since 2023



Source: EIA.

We believe that once the Permian's current "gas burp"—a subject we discussed in our last letter—runs its course, gas supply growth from the basin will begin to plateau and eventually decline. Oil production growth in the Permian has already slowed markedly, and we expect natural gas supply to follow a similar trajectory over the next six to twelve months. As supply growth slows and demand for North American LNG continues to expand, the balance in the gas market should tighten significantly—setting the stage for materially higher natural gas prices.

FIGURE 11 US LNG Export Capacity



Data source: U.S. Energy Information Administration, *Liquefaction Capacity File*, and trade press
Note: Export capacity shown is project's baseload capacity. Online dates of LNG export projects under construction are estimates based on trade press and do not reflect expectations for projects ramping to full production following initial shipment. LNG=liquefied natural gas; FLNG=floating liquefied natural gas

Source: EIA.

As we write, natural gas prices have already begun to rise in response to longer-range forecasts calling for significantly colder-than-normal temperatures across much of the United States. We therefore recommend that investors maintain their exposure to natural gas-related investments. At present, many natural gas equities appear to be valued using an assumed gas price of roughly $3.50 per Mcf—a level that, in our view, will likely prove far too conservative in hindsight.

Uranium

Uranium markets were relatively quiet during the fourth quarter. Spot prices were largely unchanged, finishing the quarter near $82 per pound. Term prices—those utilities pay when contracting for long-term supply—continued to move higher. According to data reported by Cameco, term prices rose roughly 7% during the quarter to $81.55 per pound, narrowing the gap with spot prices, which ended the quarter at $81.60.

In our previous letter, we outlined two powerful forces that we believe will drive uranium prices significantly higher in the years ahead: continued growth in demand from nuclear power generation and the mounting risk of supply disappointments across the uranium mining industry. The World Nuclear Association reinforced this view in its widely followed World Nuclear Performance Report 2025. In that report, the WNA raised its projection for global nuclear power generation in 2040 by roughly 10% compared with estimates published just two years earlier. The upward revision reflects both the extension of operating lives for existing reactors and a growing pipeline of new nuclear capacity under development.

On the fuel side, the implications are substantial. The WNA estimates uranium demand will increase from roughly 179 million pounds in 2025 to approximately 330 million pounds by 2040—an increase of about 85% over current levels.

In addition to discussing the outlook for demand, we also highlighted the growing risk of supply disappointments that could emerge between now and 2030. In the Uranium section of this letter, we examine how the recent difficulties encountered at the recently restarted Honeymoon uranium project in Australia provide a clear example of the types of operational challenges that may increasingly affect uranium mine supply in the years ahead.

We also review several high-profile developments that reinforce our thesis of strengthening nuclear-powered uranium demand. Finally, we discuss the re-emergence of investor demand for physical uranium—a frequently overlooked but potentially powerful source of demand. Investor accumulation played an important role during the first leg of the uranium bull market, and we believe that this demand source has begun to reappear over the past six months.

Agriculture

Grain and fertilizer markets were relatively quiet during the fourth quarter as the North American harvest season came to a close.

Grain prices were mixed. Corn and soybean prices rose 4% and 1%, respectively, while wheat prices declined 2%. Fertilizer prices showed a generally downward bias: urea rose modestly by 3%, but potash prices fell 7% and phosphate prices declined by more than 20%. Grain markets are now approaching their fifth year of a bear market. Since peaking in the spring of 2022, wheat, corn, and soybean prices have fallen between roughly 45% and 65%. Over the course of this prolonged decline, pessimism among grain traders has reached extremely elevated levels.

In 2024, speculative traders in corn, soybeans, and wheat established the most bearish positioning seen in more than thirty-five years of data. At the same time, commercial participants in these markets moved in the opposite direction, building significant long positions. Historically, this combination—record bearish positioning by trend-following speculators alongside bullish positioning by commercial participants, often considered the market's "smart money"—has frequently signaled that a major bear market may be approaching its end.

Although we have not yet seen a decisive reversal, grain prices have begun to edge gradually higher—even in the face of still-bearish fundamental data. Since speculative traders established their record bearish positions, corn, wheat, and soybean prices have risen between roughly 10% and 25%. Given the repeated bullish signals emerging from grain market positioning over the past twelve months, we believe a major bottom in global grain markets may already be forming. In the near term, however, fundamental conditions suggest that the bear market in grains could persist somewhat longer.

The most bearish data currently comes from the U.S. corn market. In its initial estimate for the 2025–2026 crop year, the U.S. Department of Agriculture's World Agricultural Supply and Demand Estimates (WASDE) projected corn ending stocks of roughly 1.8 billion bushels—placing inventories in the upper quartile of observations over the past thirty years. We believe, however, that the market could ultimately follow a pattern similar to what occurred in May 2024. At that time, the USDA initially projected very large 2024–2025

ending stocks of approximately 2.1 billion bushels. However, a hot and dry summer reduced yields, while export demand proved stronger than expected. As a result, ending stocks were eventually revised down to roughly 1.5 billion bushels—a much tighter and more supportive inventory level.

Had the hot, dry conditions of the summer of 2024 repeated in 2025, the relatively tight corn inventories entering the year would likely have produced significant upward pressure on prices. Instead, the opposite occurred. The 2025 growing season proved broadly favorable, with normal temperatures and precipitation across much of the U.S. Corn Belt.

Initial USDA projections had farmers harvesting approximately 87.4 million acres of corn with an average yield of 181 bushels per acre, producing a crop of about 15.8 billion bushels. In its most recent estimates, however, the USDA now believes farmers harvested roughly 91.3 million acres with a record average yield of 186.5 bushels per acre, resulting in a crop slightly above 17 billion bushels. Although corn usage and exports increased meaningfully, the surge in production more than offset those gains. As a result, corn ending stocks have risen to nearly 2.2 billion bushels—a level that remains fundamentally bearish for prices. For corn markets to move materially higher in 2026, weather conditions during the upcoming planting and growing season will likely need to turn significantly less favorable.

In soybeans, the underlying fundamental picture is somewhat more constructive. Initial projections for the 2024–2025 soybean crop placed ending stocks at roughly 445 million bushels—levels that ranked in the top 20% of observations over the past thirty-five years. However, the same hot and dry conditions that affected parts of the growing season also weighed on soybean yields. The USDA initially projected that farmers would harvest approximately 85.6 million acres of soybeans with a record yield near 52 bushels per acre. More recent estimates indicate that farmers planted about 86.2 million acres, but yields ultimately came in lower, averaging roughly 50.7 bushels per acre.

As a result, the USDA revised its estimate of the 2024 soybean harvest from about 4.45 billion bushels to roughly 4.37 billion bushels. That reduction lowered 2024–2025 ending stocks to approximately 325 million bushels—a considerably less bearish inventory level.

For the 2025–2026 crop year, the USDA initially projected ending stocks near 295 million bushels, representing a modest improvement relative to the prior year. Early forecasts assumed that farmers would harvest roughly 82.7 million acres with an average yield of about 52.5 bushels per acre, producing a crop of approximately 4.34 billion bushels. In its most recent WASDE update, however, the USDA reduced its estimate of harvested acreage to around 80.4 million acres while slightly raising the expected yield. The revised estimates imply a soybean crop of roughly 4.26 billion bushels—nearly 100 million bushels lower than earlier projections.

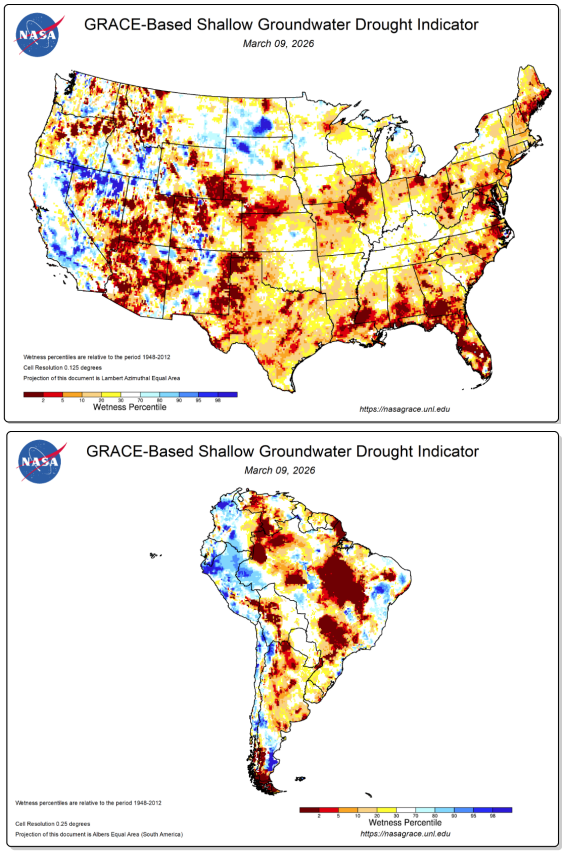
The most significant revisions, however, have occurred in the USDA's projections for soybean exports. Ongoing trade tensions have led China to reduce imports of U.S. soybeans. The USDA had originally projected U.S. soybean exports at roughly 1.815 billion bushels for the 2024–2025 marketing year. In its most recent update, however, the agency lowered that estimate to approximately 1.575 billion bushels. As a result, projected soybean ending stocks for the year have increased to roughly 350 million bushels—an inventory level that remains modestly bearish.

Taken together, the relatively large corn inventories and the somewhat elevated soybean stocks suggest that grain prices may continue to trade sideways in the near term, at least until clearer signals emerge from Northern Hemisphere planting conditions in 2026.

Over the longer term, we remain constructive on global grain markets. We continue to believe that weather patterns in several of the world's major grain-producing regions are entering a period of increasing stress—conditions that we believe may be linked to the Gleissberg sunspot cycle, a subject we have discussed in detail in previous letters. As evidence that this cycle may already be influencing global agricultural conditions, we have included maps showing subsurface soil moisture levels across North America, Europe, and South America. These maps, published by NASA, indicate that all three regions continue to experience persistent moisture deficits.

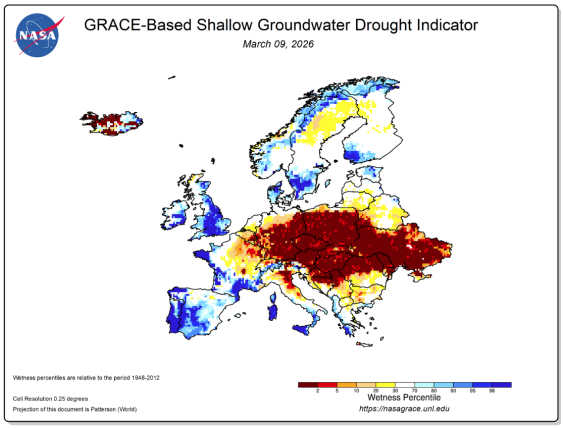
Despite these longer-term concerns, we believe that above-average grain inventories will likely prolong the current bear market. Now in its fourth year, the downturn in grain prices may therefore continue for some time before the tighter supply conditions implied by these weather patterns begin to assert themselves.

FIGURE 12a Drought Conditions



Source: NASA Grace.

FIGURE 12b Drought Conditions



Source: NASA Grace.

Coal

Coal prices moved modestly higher globally during the fourth quarter. In the United States, Powder River Basin thermal coal rose 2%, Appalachian coal increased nearly 4%, and Illinois Basin coal advanced about 5%. International prices also strengthened slightly, with Newcastle thermal coal gaining just over 1% and Richards Bay prices rising 2%.

Coal equities continued their steady advance as well. The Dow Jones U.S. Coal Stock Market Index—one of the few remaining indices that still tracks coal producers—rose roughly 5% during the quarter. For the full year, coal stocks dramatically outperformed the broader equity market, gaining approximately 65% compared with an 18% rise in the S&P 500.

Despite this strong performance, investor interest in coal equities remains extremely limited. Since the beginning of the current commodity bull market—using January 1, 2020 as a starting point—coal stocks have risen approximately 275%. That performance far exceeds the returns of both natural resource equities, which have gained about 143% as measured by the S&P North American Natural Resource Sector Index, and the broader equity market, where the S&P 500 has risen roughly 132%. As we have noted in previous letters, coal equities have historically led every major commodity bull market over the past 130 years, and the current cycle appears to be following that same pattern.

Despite the lack of investor interest, positive developments continue to emerge in the coal sector. Evidence is mounting that the long wave of coal plant closures in the United States may finally be approaching an end. Since 2010, roughly 390 coal-fired power plants have either been shut down or scheduled for closure, leaving fewer than 200 plants currently operating. As a result, U.S. thermal coal consumption has fallen dramatically—from a peak of nearly 1.1 billion tons in 2008 to an estimated 370 million tons by 2024, a decline of roughly 70%.

However, 2025 appears to have brought an unexpected shift. Coal consumption is estimated to have risen by approximately 7% to 8% during the year, supported by higher natural gas prices and rising electricity demand—particularly from energy-intensive data centers. Coal-fired electricity generation itself increased by roughly 13% in 2025. Most analysts have interpreted this rebound as a temporary deviation within a longer-term decline, viewing it as little more than a one-year interruption in what has otherwise been a steady downward

trend.

Recent developments, however, are beginning to challenge that widely held view. It now appears that at least 15 to 16 coal-fired power plants that had been scheduled for closure sometime after 2026 have either had their retirements delayed or cancelled. Supporting these decisions has been a series of emergency orders issued by U.S. Energy Secretary Wright under the Federal Power Act, requiring certain plants to remain operational beyond their planned retirement dates. On February 17, Secretary Wright issued his fourth such order, directing that the J.H. Campbell coal-fired plant in Michigan—originally scheduled to close on May 31, 2025, roughly fifteen years before the end of its expected operating life—remain open. Shortly after this announcement, the Tennessee Valley Authority (TVA) also indicated that it would pause the planned retirement of two of its largest coal-fired facilities. These actions suggest a growing policy shift aimed at maintaining coal-fired generation to support grid reliability and contain electricity costs.

The rapid growth in electricity demand from artificial intelligence and data center infrastructure has been cited as a key factor behind these decisions. Over the past fifteen years, the closure of U.S. coal-fired plants has played a major role in reducing global coal consumption. If those closures now slow or reverse, it would represent an important shift in the global coal outlook. Early signs suggest that U.S. coal consumption may have stabilized and could even be beginning to grow again—an important positive development for the global coal industry that has largely gone unnoticed by the few analysts who still follow the sector closely.

Outside the United States, coal fundamentals also continue to strengthen. In previous letters we discussed how mounting evidence suggests that coal is becoming increasingly embedded in China's long-term electricity strategy. Many energy analysts—including the International Energy Agency—have repeatedly argued that China's coal demand has already peaked and that renewable energy will soon begin replacing coal as the country's dominant fuel source. While this outcome may align with the aspirations of many energy policymakers, the available data continue to point in a very different direction.

In that context, we read with particular interest a Bloomberg article published on December 10, 2025 titled, "Tactics to Dump Coal Are Failing in Asia as Energy Demand Booms: Coal's Grip on Asia Strengthens as Early Phaseout Bid Stalls."

In that article, the Bloomberg reporter states: "Coal's future is looking bright, as the top-consuming region's efforts to shifter to clean energy suffer a series of setbacks." The article points out that China added 80 gigawatts of new coal-fired generating capacity in 2025, the highest level in a decade, with similarly capacity additions scheduled for both 2026 and 2026. The article also highlights that India remains committed to increasing it coal-fired electricity generating capacity by 87% by 2047—an estimated increase of almost 420 gigawatts.

And finally the article highlights how Indonesia continues to invest heavily in coal fired energy capacity while continuing to delay its promised retreat from coal-fired power generation. The Indonesian government, for example, has cancelled plans to retire the massive Cirebon-1 coal fired plant in West Java. Indonesian officials said the decision to keep the plant open was made because Cirebon's operating life remains extensive , and that promised United Nation's funding for the plant's closure had not been forthcoming.

"NO GLOBAL INDUSTRY HAS BEEN MORE CAPITAL STARVED."

We have long held that slowing the growth in Asia coal consumption, although a laudable goal, could never be achieved given the energy requirements of the region. Echoing this line of reasoning, the Bloomberg article quotes Jim Madan, a Wood Mackensie analyst who says: " ...It comes down to supply security and costs. Even with record wind and solar build-outs, new additions are still not keeping pace with massive increase in power demand from population growth, rising incomes and now the surge in date center capacity—that gap is being filled by fossil fuels like and gas." In previous letters, we have discussed these very same issues, and came up with the very same conclusions.

Coal stock are cheap, and we believe that they are about to resume leadership status both in relations to the general stocks market, and to natural resource stocks as well. For those that have the ability to invest, we would use any weakness as an opportunity to increase exposure. Coal prices have declined on average by 70% since they peaked mid 2022 in response to Russia invasion of Ukraine. No global industry has been more capital starved, and coal demand continues to surprise to the upside. A new bull market in coal prices, we believe has begun.

Surging Uranium Demand Meets a Fragile Supply Base

Since our last letter, another supply disappointment has emerged in global uranium markets. While the volumes involved are relatively small, the development illustrates a broader point: the kinds of operational and technical difficulties that are likely to plague uranium mine supply growth in the years ahead.

In December, Boss Energy announced a significant setback at its flagship Honeymoon uranium mine, leading the company to withdraw its 2021 "Enhanced Feasibility Study" (EFS). That study had projected production ramping to roughly 2.4 million pounds annually over a fifteen-year mine life, with a subsequent expansion potentially lifting output to 3.3 million pounds per year.

Since restarting production in 2024, however, the project has experienced material deviations from assumptions underlying the original study. The company now expects annual production of only about 1.5 million pounds, with the mine's life likely to be significantly shorter than originally anticipated.

The Honeymoon mine had previously closed in 2013, and its restart was widely viewed as a sign that Australia's uranium industry was returning to growth. That optimism now appears premature. The disappointment at Honeymoon offers a vivid example of how difficult it may prove to grow uranium mine supply sufficiently to meet the surge in demand that lies ahead.

On the demand side, positive developments continue to accelerate. In the third quarter, Google, Kairos Power, and the Tennessee Valley Authority announced a major collaboration centered on a novel power purchase agreement. Under the arrangement, Kairos Power's Hermes 2 reactors will deliver electricity into the TVA grid, ultimately supplying power to Google's data centers in Tennessee and Alabama.

The agreement calls for up to 50 megawatts of power to be delivered from these reactors, marking the first time a U.S. utility has contracted to purchase electricity generated by an

advanced "Gen IV" nuclear reactor. It also represents the first deployment under the broader partnership between Google and Kairos Power announced in 2024, an initiative that ultimately aims to supply roughly 500 megawatts of nuclear-generated electricity to support Google's growing energy requirements. These Hermes reactors will be constructed under permits issued by the U.S. Nuclear Regulatory Commission (NRC).

Regarding further positive news regarding SMR's and the NRC, Terra Power, another leader in the development of sodium based SMR's, received notification from the NRC that they were issued the first ever construction permit to build an advanced, commercial-scale nuclear power plant. The Terra Power SMR will be built in Wyoming, and is scheduled to come on line in 2030 Terra Power, backed by Bill Gates, is a leader in the development of sodium-based SMR's, and Their "Natrium" reactor, is being developed through the U.S Department of Energy's Advanced Reactor Demonstration program, and it will be the first utility scale advanced nuclear power plant to be built in the United States.

Both these developments, In our view, send a strong signal that salt-based small modular reactor technologies are rapidly gaining meaningful acceptance.

Google followed this announcement with another significant step forward. On October 27, Google and NextEra Energy announced plans to restart the Duane Arnold Energy Center, a 600-megawatt nuclear facility that had been shut down in 2020. Under the agreement, Google will purchase the plant's power output through a 25-year contract, while the two companies will also explore broader deployment of nuclear generation nationwide to support Google's expanding energy needs. The Duane Arnold plant is currently scheduled to restart operations in 2030.

By far the most intriguing—and potentially most important—announcement came shortly after the quarter ended. On January 9, Meta Platforms unveiled a new agreement with Vistra—the largest generator of competitive electricity in the United States—as well as with TerraPower and Oklo.

The announcement builds on Meta's agreement last year with Constellation Energy and positions the company to become one of the largest corporate purchasers of nuclear-generated electricity in the United States.

The agreement includes a 20-year power purchase arrangement under which Vistra will supply electricity to Meta Platforms from several currently operating nuclear facilities, including the Perry Nuclear Power Plant and the Davis-Besse Nuclear Power Station, as well as the Beaver Valley Nuclear Power Station.

In addition, TerraPower will fund and support the development of up to eight of its Natrium molten-salt-based reactors. Under the plan, TerraPower will initially deliver two reactors capable of generating approximately 690 megawatts of electricity by 2032, along with options for six additional reactors capable of producing a combined 2.1 gigawatts of power, targeted for deployment by 2035.

The announcement also included plans for Oklo—with financial backing from Meta—to install roughly 1.2 gigawatts of capacity using Oklo's Aurora small modular reactor technology. These reactors are expected to be deployed at Meta's planned data center campus in Pike County, Ohio, which is currently scheduled to begin operations around 2030.

Meta's announcement carries several important implications. The Davis-Besse Nuclear Power Station, Perry Nuclear Power Plant, and Beaver Valley Nuclear Power Station were originally scheduled for decommissioning in 2020 and 2021. Those closures were avoided only after both the Ohio and Pennsylvania state legislatures provided financial support to keep the facilities operating.

When the plants were acquired by Vistra in 2023, their long-term futures remained uncertain. Following Meta's agreement, however, Vistra has indicated that the outlook for all three plants is now secure. The company is pursuing license extensions of up to twenty years, which could allow these reactors to continue operating for as long as another thirty years.

When the World Nuclear Association significantly raised its uranium demand estimates in its 2025 study, it emphasized that extensions of existing nuclear power plant operating lives would be a major contributor to future demand—an observation that is well supported by Meta's recent announcements.

Meanwhile, the restart of Japan's nuclear industry continues to gather momentum. This month, Tokyo Electric Power Company restarted Unit 6 at the Kashiwazaki-Kariwa Nuclear Power Plant. Japan has now restarted fifteen of the fifty-four reactors that were shut down following the Fukushima nuclear disaster, with another ten reactors currently moving through the restart process. Nuclear power presently accounts for roughly 10% of Japan's electricity generation, but the government has made clear its intention to raise that figure to approximately 20% in the years ahead.

Japan has also shifted its official energy policy toward "maximizing the use of nuclear power" in order to meet rising electricity demand—particularly from artificial intelligence infrastructure and data centers. The plan not only involves restarting idle reactors but also building the next generation of nuclear plants. The government is encouraging construction of both large-scale reactors and small modular reactors (SMRs). For example, Kansai Electric Power recently announced plans to construct a next-generation reactor at its existing Mihama Nuclear Power Plant site.

Taken together, these developments suggest that the trajectory of utility-driven uranium demand continues to steepen. At the same time, the coming surge in utility demand may soon collide with a revival of investor demand for physical uranium.

When Sprott Asset Management took over the former Uranium Participation Corporation in July 2021 and relaunched it as the Sprott Physical Uranium Trust (SPUT), uranium prices were trading near $32 per pound and the trust held roughly 18.2 million pounds of uranium. Over the following two and a half years, the trust acquired approximately 45 million pounds in the open market—much of it representing the last remaining surplus inventory left over from the Fukushima era and still held by utilities and speculators. The return of both industrial and investor demand helped push uranium prices to $106 per pound, which in hindsight appears to have marked the end of the first leg of the uranium bull market.

Following that January 2024 peak, investor demand retreated alongside the declining uranium price. During the eighteen months that followed, the Sprott trust purchased only about 3 million additional pounds, offering little support to a uranium market that saw prices fall roughly 40%, from $106 to $65 per pound.

However, after resolving its liquidity constraints in June 2025, the Sprott Physical Uranium

Trust (SPUT) has once again returned as an active buyer in the physical uranium market. Since the end of June, the trust has purchased roughly 10 million pounds of uranium in the open market, bringing its total holdings to approximately 77.4 million pounds. We find it unlikely to be a coincidence that uranium prices have surged roughly 45% over the past seven months as investor demand has re-emerged. As we have emphasized in previous letters, investor participation in the physical uranium market is likely to play a major role in determining uranium prices in the years ahead, and the renewed accumulation of inventory is another signal that prices may be headed significantly higher.

At the same time, nuclear plant life extensions, reactor restarts, and new construction are all contributing to an increasingly steep demand trajectory. Yet the nuclear industry lacks the deep pipeline of new uranium projects required to meet this future demand. Even the projects currently under development will almost certainly encounter delays and operational disappointments—something well illustrated by the underwhelming restart of the Honeymoon uranium mine in Australia. That project was originally expected to produce roughly 3 million pounds of uranium annually for fifteen years; it now appears likely to produce only about half that amount and for a much shorter mine life.

At the same time, utilities—having significantly under-contracted their forward uranium requirements—may soon find themselves competing with investors who appear to be returning with renewed interest to the physical uranium market.

The uranium bull market, in our view, has only just begun and could run for many years. Investors should maintain their uranium positions.

Silver's Sell Signal

By far the most important development in the gold and silver markets over the past six months has been the sell signal generated by silver. As we have discussed in previous letters, the powerful rally in silver has placed both gold and silver in positions remarkably similar to those seen in 1974, 1979, 2011, and 2020. In each of these episodes, silver initially lagged the broader precious metals advance—sometimes for as long as two years—before staging a dramatic catch-up rally. That surge ultimately signaled one of two outcomes: either the gold bull market had reached its end, as occurred following the 1979 and 2011 rallies, or it was merely pausing before continuing higher, as was the case in 1974 and again in 2020.

In our third-quarter letter we included a chart under the headline noting that silver's advance appeared healthy and suggested the gold bull market still had considerable upside. Since then, however, silver has continued to rally with extraordinary force. Its price performance has far outpaced gold during this phase of the rally and now bears the hallmarks of a classic parabolic blow-off—one not unlike the dramatic surge silver experienced in 1979.

The psychological backdrop accompanying this move has been equally familiar. Reports circulated of lines stretching for blocks in cities around the world as investors rushed to buy physical silver. London dealers, heavily short the metal, struggled to meet surging retail demand. At the same time, headlines pointed to booming silver consumption from solar installations and repeated disappointments in mine supply.

To us, this type of news flow is precisely what tends to accompany a speculative blow-off in silver. When headlines begin to focus on shortages of physical metal, surging retail demand, and seemingly insatiable new sources of consumption, the market is often approaching a speculative extreme.

If history is any guide, both gold and silver may now enter a period of frustrating pullbacks lasting two to three years. We remain long-term bulls on precious metals. However, we believe the time has come to significantly reduce exposure to both gold and silver, including their respective equities.

And it now appears that the rollover in silver prices may already be underway. Silver peaked at the end of January at nearly $115 per ounce and has since declined sharply—falling roughly 40% from its high. At the same time, Western investment demand for physical silver also appears to have peaked and begun to turn lower.

The eight physical silver ETFs that we monitor suggest that Western investors may already be entering a liquidation phase. Buying activity reached its high point at the end of December, and since then investors have liquidated more than 1,000 tonnes of silver.

In the short term, bullish underlying conditions remain firmly in place, and investor sentiment has turned exuberant. Few indicators capture the near-euphoria currently surrounding the gold market better than the headline from the World Gold Council report "Gold Demand Trends—Q4 and Full Year 2025": "Groundbreaking year for gold. Demand volumes and gold price both smash records."

Central bank demand for gold remained strong in the fourth quarter, rising 6% year over year to reach 230 tonnes. For the full year, central banks added 863 tonnes of gold—down roughly 21% from 2024 levels. Even so, 2025 still ranks as the fourth-largest year for central bank gold purchases since the 1970s.

Among individual buyers, Poland once again stood out as the largest purchaser. In the fourth quarter alone, Poland added 35 tonnes, bringing its total purchases for 2025 to 102 tonnes. The National Bank of Poland now holds approximately 550 tonnes of gold and has reiterated its intention to increase total reserves to 700 tonnes.

China, by contrast, has largely remained on the sidelines. The People's Bank of China purchased only 3 tonnes in the fourth quarter, bringing total purchases for the year to 27 tonnes—suggesting that higher prices have likely discouraged further buying.

Also noteworthy was Brazil's purchase of 43 tonnes during the quarter. We find this particularly interesting given Brazil's increasing use of renminbi in invoicing its iron ore and soybean exports to China. With China maintaining a closed capital account, gold could play a useful role in settling trade imbalances that arise between the two countries.

Western investor demand has also remained robust. The eighteen physical gold ETFs we monitor continued to add to their holdings during the fourth quarter, purchasing a combined 63 tonnes of gold. While still a sizable figure, it represents a notable slowdown from the 180 tonnes accumulated during the third quarter—a decline of roughly 65%.

ETF demand across Asia has been even stronger. Gold ETFs in China, India, and Japan collectively added 215 tonnes during the fourth quarter, the second-largest quarterly accumulation ever recorded.

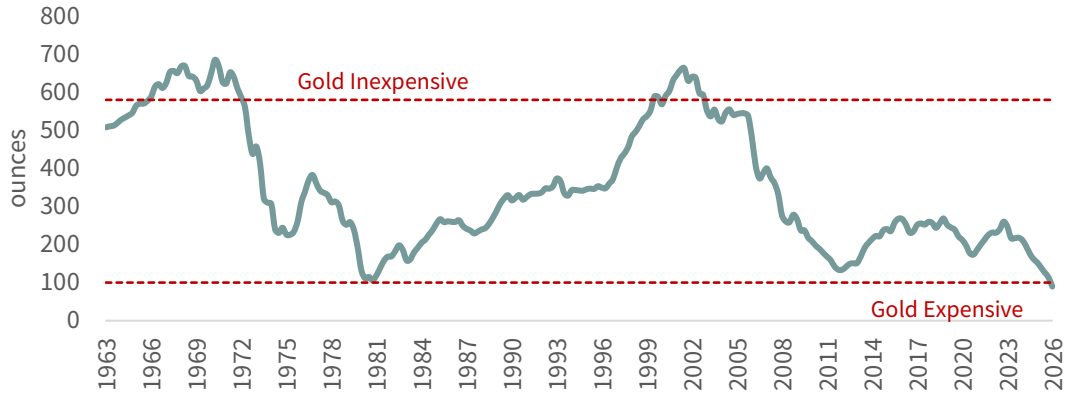
Also of interest is that Western investors have finally begun returning to the gold equity markets. For most of the recent gold bull run they largely stood aside, a trend clearly reflected in the number of shares outstanding in the VanEck Gold Miners ETF (GDX), the largest gold stock ETF. Between the fourth quarter of 2023 and the fourth quarter of 2025—during a period when the gold price surged nearly 200%—the number of GDX shares outstanding actually declined by roughly 30%.

That trend has now begun to reverse. The number of shares outstanding in GDX appears to have bottomed at the end of December and has since started to rise. In retrospect, the data lead to a simple conclusion: Western investors—both institutional and retail—have largely missed the current bull move in gold. Gold mining equities have been among the best-performing asset classes of the past three years, yet only now are investors beginning to take notice.

All of these data points, however, are backward-looking, and together they help explain the extraordinary surge in gold prices over the past three years. But that phase of the story is now largely behind us. The more important question is what happens to gold over the next several years.

To begin with, gold now appears expensive by several important measures. This is particularly evident when gold is compared to the prices of goods consumers actually buy. One of the most striking examples is the relationship between gold and U.S. housing prices.

FIGURE 13 Median US House Price in Gold Ounces



Source: Bloomberg, St. Louis Federal Reserve.

Only three times in modern history has gold been as expensive relative to the average U.S. home as it is today. In the late 1930s, in 1980, and again in 2011, it required only about 90 ounces of gold to purchase the average American home—and in each case it proved to be an excellent time to sell gold. With gold having reached $5,300 during this cycle, it now takes only about 80 ounces to buy the average U.S. house—an all-time low. If history is any guide, this may be an early warning sign that gold prices are vulnerable to a meaningful pullback. Combined with the recent sell signal generated by silver, we believe it prudent to significantly reduce exposure to both gold and silver, in both physical metal and equities.

What could cause a significant pullback in gold prices as we move through the remainder of this decade? Once again, history offers a clue. In each of the major corrections that followed the gold rallies of 1974, 1980, 2011, and 2020, a common factor emerged. After silver staged its dramatic catch-up rally, real interest rates began to rise—and it was the rise

in real rates that ultimately proved decisive in bringing the gold advance to an end.

At the beginning of 1974, the federal funds rate stood at roughly 10% while inflation was running near 9%, leaving real interest rates at about 1%. By the summer of that year, the federal funds rate had surged to 14.5%, while inflation reached 11%, pushing real interest rates up to roughly 3.5%. This sharp rise in real rates broke the back of gold's powerful bull market. After peaking in the first quarter of 1974 at $185 per ounce, gold eventually bottomed two and a half years later at $105 per ounce—a decline of roughly 45%.

A similar pattern unfolded at the end of the decade. In the summer of 1979, both the federal funds rate and inflation were running near 11%, leaving real interest rates close to zero. By the first quarter of 1980, however, Federal Reserve Chairman Paul Volcker had pushed the federal funds rate to 20%. With inflation running at 14.5%, real interest rates rose to approximately 5.5%—one of the highest levels recorded outside the Great Depression. Gold peaked at $850 per ounce in January 1980 and, two years later, bottomed near $285 per ounce—a decline of roughly 65%.

A similar dynamic emerged during the last major gold cycle. In the summer of 2011, real interest rates reached a low of roughly –3.7%. Inflation was running near 3.9%, while the federal funds rate stood at only 0.2%. By the summer of 2012, real interest rates had risen sharply—from about –3.5% to –1.2%. The federal funds rate remained close to zero, but inflation had fallen from nearly 4% to just 1.2%. Once again, the rise in real interest rates broke the momentum of the gold bull market. Gold peaked at $1,900 per ounce in August 2011 and eventually declined to $1,050 by December 2015—a drop of roughly 45%.

The same pattern appeared again in the most recent cycle. In the summer of 2020, real interest rates were roughly zero, as both inflation and the federal funds rate hovered near that level. By the summer of 2023, however, real interest rates had climbed to approximately 2.2%, as the federal funds rate rose to about 5.2% while inflation eased back to roughly 3%. Gold prices had peaked in the summer of 2020 at $2,100 per ounce. Over the following two years they declined, eventually bottoming near $1,630 in the fall of 2023—a decline of just over 20%.

Will rising real interest rates place similar pressure on gold prices in this cycle? That remains an important question. Although Kevin Warsh, recently appointed by Donald Trump to lead the Federal Reserve, has spoken about aggressively lowering short-term interest rates once he assumes the chairmanship, his past record suggests a different inclination. Warsh has long been regarded as a policy "hawk" on interest rates. Whether his recent comments reflect a genuine shift in his policy views or were simply a strategy to secure the chairmanship remains to be seen. It is a question investors will need to watch closely.

As our readers know, we believe the global economy has just entered a prolonged period of accelerating inflation. For a fuller discussion, we refer readers to the essay that appeared in our second-quarter 2025 letter, "The Next Inflationary Surge is About to Begin." If our thesis proves correct, the next move in real interest rates may well be higher rather than lower—an outcome that would likely place significant downward pressure on gold prices.

For long-term investors, we do not believe the bull market in gold is over—though the first leg of that advance may now be behind us. Three years ago, few investors spoke openly about currency debasement or a shift in the global monetary regime. Today, discussion of the gold

"debasement trade" has become commonplace across financial media. Investors have begun to recognize that currency debasement is likely to play an increasingly important role in monetary policy in the years ahead, helping to explain why gold has already pushed past $5,000 per ounce.

The next phase of the gold bull market, in our view, will be driven by a different dynamic: the "default trade." As multiple highly leveraged Western economies confront mounting debt burdens, the risk of sovereign and quasi-sovereign defaults is likely to grow. In that environment, gold could increasingly be viewed as a "must-own" asset class—one of the few financial assets that represents no one else's liability.

In the interim, we believe the present environment may resemble the period between the end of 1973 and the end of 1976, when gold experienced a sharp correction within the context of a much larger bull market. During that episode, gold declined roughly 45% before eventually resuming its advance.

For investors operating under performance constraints, we therefore recommend significantly reducing exposure to gold and silver while increasing allocations to oil-related investments. For a fuller discussion of this view, we refer readers to our essay from last quarter, "Gold vs Oil: A Changing of the Guard."

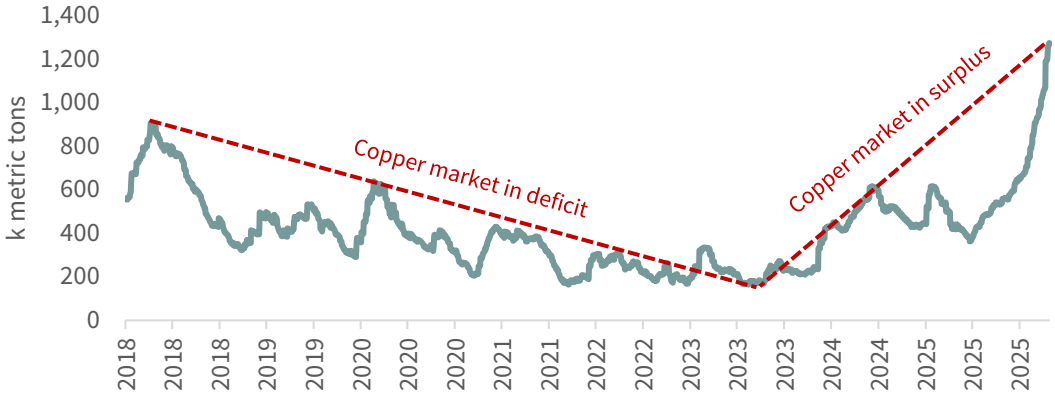
In the funds we manage, we have significantly reduced our gold exposure. Over the coming years, however, we fully expect to rebuild those positions as opportunities present themselves. In these letters we will continue to keep our investors informed about our thinking and the actions we are taking.

For long-term investors without performance constraints, we recommend maintaining existing precious metals exposure and looking to increase allocations during periods of price weakness. The market has just experienced the "debasement trade" in gold. The "default trade," in our view, lies not too far ahead.

Copper: Slowing Chinese Demand Meets Rising Supply

The copper market has quietly but decisively shifted from deficit to surplus. The clearest evidence lies in the sharp rise in inventories across the world's three major copper exchanges—London, COMEX, and Shanghai. For much of the past decade, falling inventories signaled a market struggling to keep up with demand. Today the opposite appears to be true: supply is beginning to outrun consumption.

FIGURE 14 Exchange Traded Copper Inventories



Source: Bloomberg.

This surplus reflects forces now at work on both the demand and supply sides of the market. On the demand side, the single most important driver of copper consumption over the past quarter century—China—has stalled. Chinese copper consumption in 2025 showed no growth, and since 2020 demand has increased by only 175,000 tonnes per year, a dramatic slowdown from the roughly 700,000 tonnes of annual growth recorded between 2010 and 2020.

For readers of Goehring & Rozencwajg, this slowdown should come as little surprise. Beginning in the third quarter of 2024, we warned that China, for the first time in more than twenty-five years, appeared to be overconsuming copper relative to our models—even after adjusting for the additional demand associated with renewable energy. At the time, we wrote:

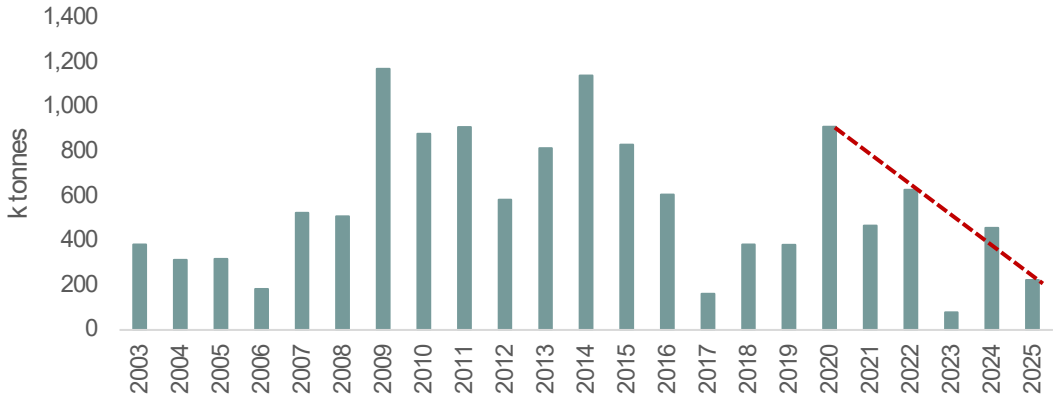
"...a twist in the plot may be upon us. Our models suggest China is indeed overconsuming copper. But let us not mince words: China's overconsumption relative to our models introduces a potentially bearish factor into global copper markets..."

In the following quarter's letter we returned to the subject:

"In our last letter we discussed how China—the dominant driver of copper demand for the past quarter century—had entered an era of overconsumption. As we look forward to 2025, it is clear that China has transitioned from under-consuming copper to over-consuming it. The shift carries significant implications and represents another bearish data point in the copper demand story."

The collapse of China's property market bubble, combined with slower economic growth, has undoubtedly contributed to the recent deceleration in copper demand. Yet our modeling suggests something more fundamental: the extraordinary era of Chinese copper consumption growth now appears to be behind us.

FIGURE 15 Chinese Copper Consumption Growth (3 Yr Mv Avg)



Source: WBMS.

To place this in perspective, between 2009 and 2020 total global copper consumption rose from 18 million tonnes to 25 million tonnes—an increase of 7 million tonnes. Remarkably, all of that growth came from China. Fifteen years ago, many copper analysts argued that China was overconsuming the metal—a view with which we strongly disagreed at the time. Today, however, the situation has come full circle. For the first time in twenty-five years, China does appear to be overconsuming copper, yet few analysts seem willing to address the subject.

The conclusion is both simple and important: if Chinese consumption growth slows, global copper demand will slow with it. Copper bulls frequently emphasize the demand potential from renewable energy and from emerging markets such as India. We believe, however, that these areas of growth are unlikely to compensate for the deceleration now underway in China's copper consumption.

On the supply side, copper mine output has continued to surprise to the upside. Since 2021—when exchange inventories reached their low point—global copper mine supply has increased by more than 3 million tonnes, or roughly 750,000 tonnes per year. Nearly all of this growth has come from Chinese-operated copper mines in the Democratic Republic of Congo.

Large expansions at Tenke Fungurume, Kisanfu, Sicomines, Mutoshi, and the Deziwa mines have lifted DRC copper production by approximately 1.7 million tonnes since 2021. Significant increases have also come from elsewhere. Expansions in Peru have added nearly 500,000 tonnes of production, while growth in Serbia has contributed close to 200,000 tonnes, further boosting global copper supply.

As in the DRC, most of the production increases in both Peru and Serbia have come from mines controlled and expanded by Chinese mining companies. These large expansions have more than offset lost output elsewhere, including the closure of the Cobre Panamá mine—removing roughly 330,000 tonnes of annual production—as well as the loss of more than 400,000 tonnes of copper production in 2025 due to flooding at Ivanhoe's Kamoa-Kakula project and at Freeport's Grasberg mine in Indonesia.

The surge in copper mine supply, combined with the slowdown in Chinese copper demand, largely explains the sharp rise in exchange inventories that began toward the end of 2023.

Between 2017 and 2022, global copper consumption increased by more than 2.5 million tonnes—from 23.2 million tonnes to 25.8 million tonnes—far outpacing the roughly 2 million tonne increase in total copper supply from both mine production and scrap recovery. The resulting market deficit was clearly reflected in the sharp drawdown of exchange inventories, which fell by approximately 850,000 tonnes between 2018 and 2022.

Since 2022, however, the picture has changed markedly. Total copper supply—combining mine output and scrap—has risen by more than 2 million tonnes, from 26.7 million tonnes to 28.2 million tonnes. Demand, now constrained by slowing Chinese consumption, has grown by only about 1 million tonnes. The result is a market surplus, confirmed by the rapid rise in exchange inventories over the past three years.

Our modeling suggests that the coming years are likely to bring a prolonged period of disappointing Chinese copper consumption. Because China has accounted for nearly 100% of global copper demand growth over the past fifteen years, the widespread assumption of continued rapid expansion in copper consumption is likely to prove overly optimistic.

As our readers know, we also take a highly skeptical view of the copper demand assumptions embedded in projections for massive renewable energy buildouts. We have repeatedly emphasized the poor energy efficiency associated with many renewable technologies, as well as the unintended consequences that often accompany large-scale renewable investment. Surging electricity prices and the partial deindustrialization of economies such as Germany and the United Kingdom are only two of the more visible examples of these effects.\

Disappointing demand—emanating from China, and combined with a meaningful slowdown in the pace of renewable buildouts now underway suggests that the structural surplus in copper market that has emerged over the past three years may persist for some time longer. With supply continuing to expand and demand growth increasingly uncertain, we have turned bearish on copper in the near term since 2016 and believe prices could face meaningful pressure over the next several years.

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