MACRO AND URANIUM UPDATE

Welcome back to another update everyone and my apologies for being less active than usual to start the week. This had to do with a combination of there not being a lot of new stuff to discuss, as well as being being eyeballs deep into updating my piece on Swedish uranium after the recent news flow surrounding it. That piece will hopefully be done within the next few weeks, so stay tuned for that. Having said all that though, there were still a few things that I just wanted to briefly touch on, so let's get started and let me start where most of you are staring, which is the S&P 500. Believe it or not, it closed out its strongest quarter since 2020, up something like 14% across the quarter, and then promptly did nothing with it, which is why we see so much frustration in the market right now. We are chopping sideways and have been for a couple of weeks now, and the surface calm hides a fairly violent rotation underneath. Midweek the semiconductors, which I know I don't cover usually but still have an important part to play in the performance of the overall market as I noted in my recent macro pieces, got taken to the woodshed, with Micron, Intel and Applied Materials all down double digits in a single session on fresh worry that the AI buildout has run ahead of itself, although a few others big names ripped upwards and performed well. The index barely twitched because they offset each other, which is the whole point. When leadership narrows to a handful of names and everyone is crowded into the same trade, you get exactly this, a market that looks flat and feels like a knife fight taking down sentiment.

What is everyone waiting for as we chop sideways? Jobs, mostly, it seems. The private payroll read came in soft at 98,000 and the real number lands before the long weekend, pulled forward a day because of the holiday, so nobody wants to play hero going into it. Add a Fed chair who has torn up the old forward-guidance playbook and a move by Washington not to renew the trade arrangement with Canada and Mexico, and you have plenty of reasons to sit on your hands and keep that cash-long equity balance. Speaking of the Fed, Warsh stepped onto the stage at the ECB's get-together in Sintra and, for once, said something the gold market liked, at least that's how I viewed it. He repeated the hard-money sermon we have come to expect, prices are too high, 2% is the objective, the Fed will not get comfortable above it, independence is sacred and all that jazz, you know the drill by now. On paper that is hawkish, sure, but what moved the needle was a throwaway line that inflation expectations and inflation risks had eased over the past month, and coming from a man the market had penciled in as the second coming of Volcker, "eased" was plenty. Gold had been sliding for 2 straight sessions and turned on a dime, up close to 1% and a hair above that $4000 line again, because a less-hawkish-than-feared Warsh is, in this environment, a gift. That is the tell I keep coming back to. When a Fed chair that was seen as a bit hawkish can lift gold simply by sounding a shade softer than his reputation, the metal has stopped trading fully on rate math and started trading on something structural underneath, and I have written enough about central bank buying and the fiscal arithmetic to know which way that runs.

Now circling back to the part of the world that has been driving my oil coverage all year, the Persian Gulf. The story this week is quieter as the indirect talks in Doha went ahead, with Qatar and Pakistan playing go-between, and both delegations spent the session forming working groups rather than doing any real negotiating it looks like. Tehran is still insisting, loudly, that it is not talking to Washington directly at all, which the administration has waved off as a Persian negotiation tactic, and there is probably some truth in that. The memorandum signed in mid-June bought a 60-day ceasefire and toll-free passage through the strait, yet Iran keeps floating "service fees" it supposedly will not charge, and is waiting on $6 billion in frozen funds it expects released as a first gesture. Meanwhile the US slapped another round of sanctions on Hezbollah's money network, so nobody should mistake any of this for warmth. It's good to stay cautious.

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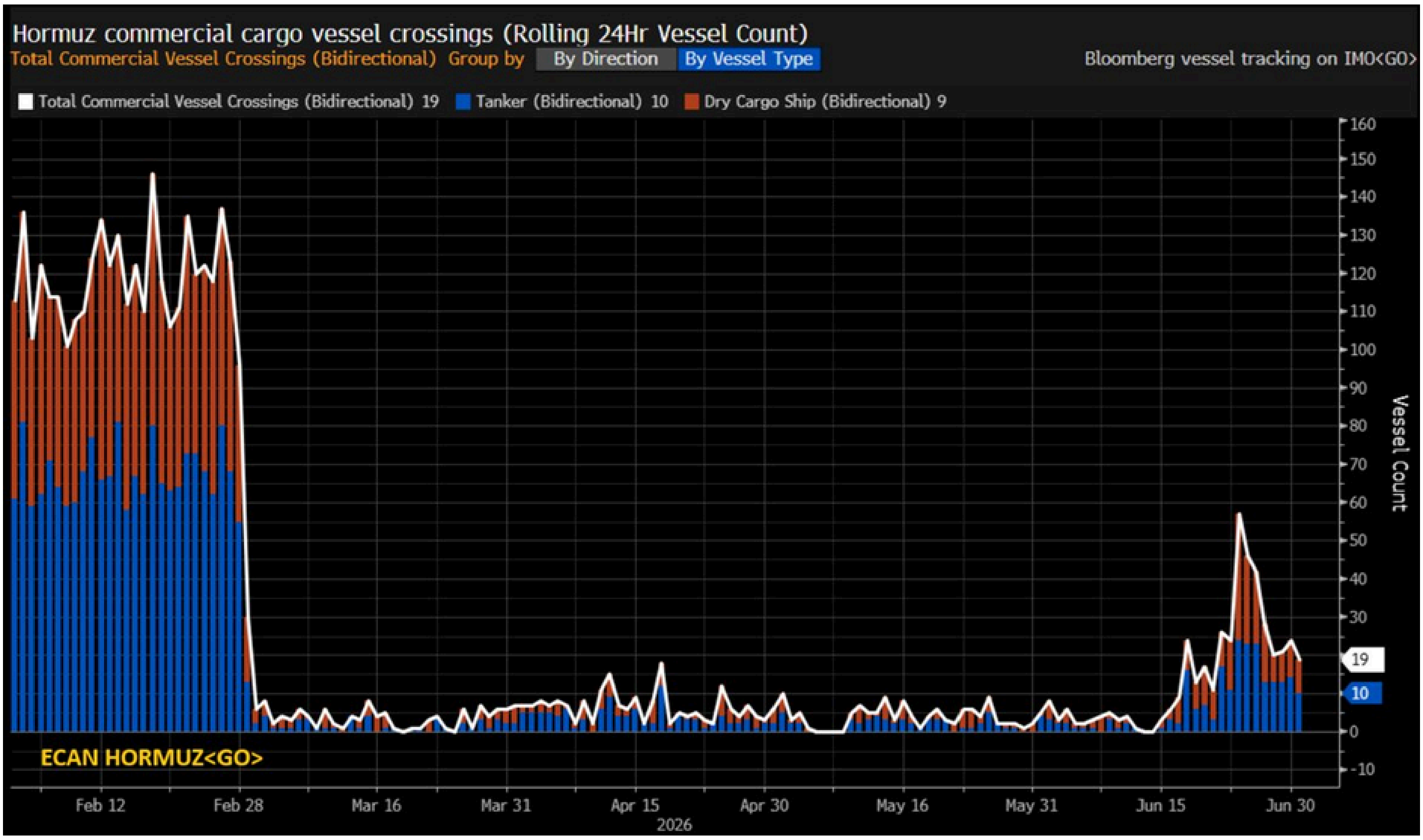
On the water itself, the picture is recovery with an asterisk. Tanker traffic is climbing back a bit as you can see below, Iran has pushed something like 40 to 50 million barrels out since the blockade came off, roughly 1.7 million barrels a day for June, and the shipping trackers are seeing continuity rather than a settled return to normal routing. That distinction tells you more than the raw barrel count does, at least in my opinion. There were fresh clashes recently that left a couple of vessels knocked around, Iran is still handing out transit privileges to its own list of "friendly" flags, which doesn't fit my definition of being open for business. Last count came in at a stalled recovery of 19 ships (10 tankers and 9 cargo I believe).



Which brings me to the restart everyone in gas has been watching and what I covered in last week's newsletter as well, Ras Laffan. Qatar has been massing empty carriers off the coast, 8 or 9 of them at last count, and the prime minister is telling anyone who will listen that undamaged production comes back to normal within a few weeks. That is the good news, but the bad news has not changed, the 2 trains that took missile hits back in the spring are written off for years, roughly 17% of Qatari capacity, call it 12 to 13 million tonnes a year, and full operations do not return before late summer at the earliest because the replacement turbines carry 2-to-4-year lead times. So the market gets partial relief now and a structural hole that lingers well past it. The way I see it, the gas market only rebalances into the back half of the year if Hormuz stays open for real, and that is precisely the condition nobody can underwrite yet. Sure, we have seen traffic go up a bit again, as you can see from the shipping data on the next page as well, but we are not yet at a point where 'back to normal' is not a label we can put on this waterway yet.

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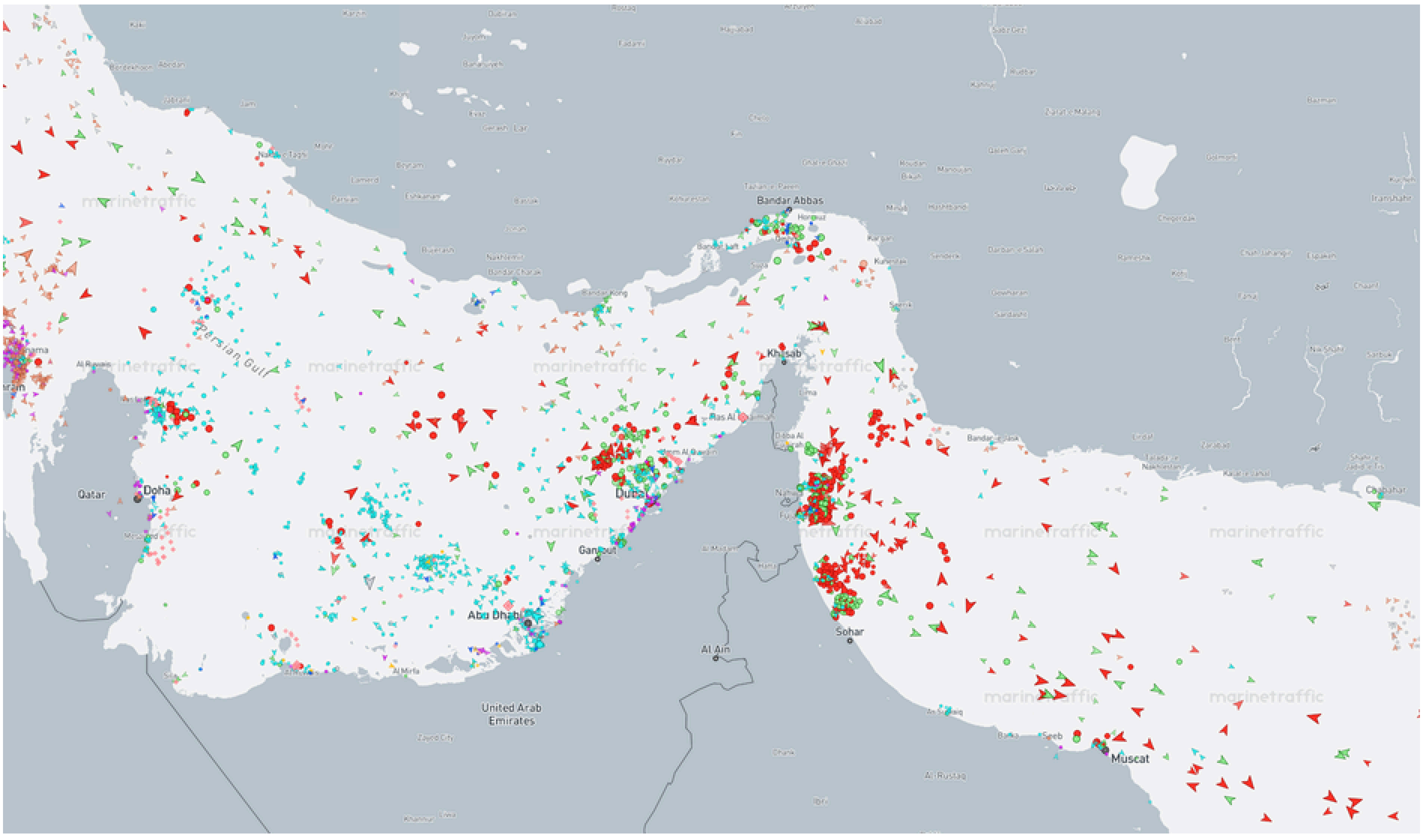

Last thing, and I want to hose down the panic on this one as I noted in the Discord server as well. Cameco pulled Cigar Lake offline yesterday and some of the more... enthusiastic accounts on X went straight to Defcon 1. The mine itself is fine, this is not a flooding drill folks. The problem sits downstream at Orano's McClean Lake mill, where the sulfuric acid plant needs repairs and because of that, Cameco parked the mine rather than dig ore it has no way to process. Cameco expects the mill back in roughly 2 weeks and does not see a hit to its 2026 Cigar Lake numbers, which sit around 17.5 to 18 million pounds on a 100% basis. Orano is chasing alternative acid supply while the replacement parts arrive, and I see no reason acid becomes the bottleneck over a 2-week window, specially not given that Canada likely has enough supply sitting around that could be moved over to the mill if it is needed.

So why am I telling you not to care (for now)? Because 2 weeks is noise. This is the second interruption at a Saskatchewan operation this year, after the spring flooding that clipped Key Lake, and that one resolved inside a similar window with guidance left untouched. The math only changes if the 2 weeks turns into 4 or more. Double the timeline and you start eating into the annual figure and the story gets real enough that it will allow for at least a few interesting moments, but until Cameco tells us the acid plant is a bigger job than advertised, this is a maintenance headline wearing a supply-shock costume like we are celebrating uranium carnival. Time to wait for any further comments, but for now this is not something that I am spending a lot of energy on, at least as long as it stays inside that aforementioned 2-week window.

That just about covers it for this week I believe. It's time to get back to the research desk to prepare for next week's newsletter, as there are some interesting data points on the oil market front that need covering. I hope to see you all there, thank you for tuning in and I hope you have a good and healthy rest of your day! ~Mart

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