CONTRARIAN CODEX

The biweekly newsletter for all the contrarian market news and updates (11-06-2026)

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In this newsletter:

Page 1:
Volatility is back

Page 2-15:
Macro analysis

Page 16-24:
Uranium and nuclear power

Page 25-26:
Oil

Page 27-31:
Precious metals

Page 32:
Copper

Page 33:
Cannabis & Tin

Page 34-37:
Codex uranium

Page 38:
Codex Oil and Gas

Page 39-40:
Codex Precious Metals

Page 41-47:
Codex 'other'

VOLATILITY IS BACK

Welcome back everyone to another extensive newsletter and I hope you are all holding up well amidst the volatility. A quick glance will tell you that all is not well in the market, but the reasons behind it can be murky given all the different macro angles to consider. Step back far enough, though, and most of the churn comes down to two questions that we need answered, which is when will we get peace that will allow energy flows to be restored and how the new man at the Fed chooses to play his hand. Get that one call right and a surprising amount of the rest falls into place behind it, which is what I will discuss in more detail this week as well. What I keep returning to in a moment like this is something simple, whether you can actually sleep at night. When the road ahead is this foggy, the people who tend to come through it in one piece are the ones who carried a position size and a cash cushion modest enough that no single headline could bully them into a bad decision and who still had something left in reserve for the day everyone else was too rattled to act. None of that means pulling the covers over your head and waiting it out. There is still real opportunity out there for anyone willing to look past the headlines, as I laid out in my recent analysis pieces as well. Still though, things have been volatile and I am here to explain the plumbing, let's dive in.

"Why hasn't crude punched through $150? Managed demand destruction, in part, but there is far more to this price action than meets the eye" Page 3

"Reports from the WNFM note hyperscalers are coming in right now" Page 20

"If they deliver on their near term goals, this stock can easily double before the end of the year in my view." Page 42

MACRO ANALYSIS SUMMARY

Starting, as always, with a summary, The whole stretch is a tug-of-war, some additional data that I added to my own macro backdrop from the always sharp Warren Pies, between the energy mess (Hormuz, inventory drawdowns, food and fertilizer shocks) and the AI capex step-change. For now AI is dragging the rope its way, and the earnings underneath are real, with forward S&P 500 estimates up something like 25% on a 252-day basis. The lumpiness pushback is fair, Mag 7 around 22% and the rest closer to 10%, but the median stock is seeing its strongest revision pace of the post-AI era, with leadership in tech and financials rather than the defensives you see before a top.

Here is the catch, as there always is one in this market. A good chunk of this is a non-cash accounting boom. When a hyperscalers spends $50 billion, the supplier books the revenue at once while the buyer capitalizes the cost across five to seven years, so revenue lands in full and only a sliver of cost does. Capex does not even need to fall to break it, it just has to stop speeding up, at which point amortization grinds on while fresh revenue flattens. Stack on roughly $1.55 trillion of 2026 buybacks and the sentiment flip on capex guidance, and the market can swallow an energy shock without buckling.

Why hasn't crude punched through $150? Managed demand destruction, in part, but there is far more to this price action than meets the eye. Starting with said demand destruction though, an important data point is India reportedly cutting petrol allocations by something like 80% at the worst, leaving the genuine deficit closer to 5 million barrels a day than 10 and doubling the runway. The economy has shrugged off the drag because Washington is borrowing at emergency levels with no emergency, and that same borrowing nudges central banks toward gold over the longer haul, so today's support is tomorrow's problem.

Overlaying the always brilliant Luke Gromen. Market-cap-to-GDP sits around two standard deviations above trend, matched only at the 2000 and late-2021 tops, but the answer depends on the currency you measure in. In nominal dollars it can grind higher as the unit of account is debased underneath you, while priced in gold it is uglier, and that gap is the thesis. On the plumbing, I doubt we get honest tightening when runoff ends. Expect long-end selling paired with front-end cuts and looser bank rules so banks gorge on Treasuries, which is QE routed through the banking system in the language of restraint, good for equities and gold and bad for the dollar. They fight for the equity bid out of pure arithmetic, since the unremarkable 20% wobble in 2022 doubled the deficit toward $2 trillion in a non-recession year. That is the Treasury put that I expect we will see again.

MACRO ANALYSIS SUMMARY

The deeper problem is that the AI buildout is profoundly deflationary, arriving into the most indebted system we have ever run, and deflation and debt mix about as well as water and sodium. If the tech disintermediates jobs before it lifts everyone's boats, the indebted worker defaults on what is someone else's income, and the only eventual exit is the printer, which takes a crisis to force. The dollar is the release valve, debasing the obligations instead of defaulting on them, which is why gold recently nudged past Treasuries as the largest official reserve asset. A fair chunk of that is the price effect, but the decade-long direction of travel is not in doubt. On tariffs, this is a rebuild rather than a retreat. With the Supreme Court having struck the emergency-powers tariffs, the USTR proposed duties of 10% and 12.5% across 60 economies. This route is far harder to strike down, and energy, rare earths, most metals and critical agri and pharma got carved out, so the wall goes back up around finished goods, exactly what you would expect facing an inflation scare and midterms.

Sentiment is not as hot as some believe, with the slower composite in the low 50s rather than the 60-plus zone where forward returns go to die, and retail bears still outnumbering bulls. The caveat is that the pros lurched the other way and tripped a contrarian sell signal, so a choppy few weeks would not surprise me, but the broad belief that builds a top is not here yet, which is why I stay majority long.

Bonds are the quiet tell. Breakevens are asleep, around 2.4% against 3% at the 2022 peak, so persistent but not hotter. Elevated nominal yields are mostly a real-rate and deficit story, the price of funding $2 trillion deficits and a rolling debt mountain at once, a loop that feeds itself now that interest costs top 3% of GDP. The soft yield curve control we already run, bill-heavy issuance plus long-dated buybacks, is a down payment rather than a fix, which puts the weight on Warsh, whose cover to ease is already written despite the hawkish billing. The flows say the same, with the March EM dump story misreading the price action, since foreigners were net buyers, a changing of the guard from price-blind official lenders to yield-hungry private ones rather than an exodus. So, two hinges. Watch the rate of change in hyperscaler capex guidance on the way in, and the dollar on the way out. Policy makers will save the UST market and the equities market with it, as they always do.

MACRO ANALYSIS

A bit of housekeeping before we get into this week's material (and worth doing regardless, because my inbox tells me plenty of you are still wondering how on earth equities keep printing fresh highs while the world looks the way it does). So here is the throughline of the past few editions, condensed for anyone who missed it or just needs a refresher. The way I have been framing this whole stretch is as a tug-of-war between two stories, best described by the always brilliant Warren Pies recently as well, with my own macro model attached to it. On one end you have the energy and geopolitical mess, the Strait of Hormuz closure and the inventory drawdown and the food and fertilizer shocks that tag along behind it. On the other end you have the step change in AI capex and capability that has, rather inconveniently for the cautious crowd, accelerated through precisely the months when everything else was falling apart. Both are real, both keep getting louder, and the honest answer to which one wins is that for now the AI side is dragging the rope its way.

Why? Because the earnings boom underneath it is real, however loudly the macro overlay argues otherwise. Forward S&P 500 earnings estimates have climbed something like 25% on a 252-day rate-of-change basis, which lands us in the 98th to 99th percentile going back to 1990, and blended Q1 growth is tracking in the high 20s% year over year, the best the index has managed since late 2021. The obvious pushback, one I have leaned on myself more than once, is that the boom is lumpy, with the Magnificent 7 growing around 22% while the rest of the index shuffles along closer to 10%. Fair enough. What I would add is that the median stock is seeing its strongest revision pace of the post-AI era, so the breadth underneath is in far better shape than the concentration story lets on, and leadership has rotated back into tech and financials rather than the defensives and energy names you see out front right before an actual top.

When a hyperscaler drops $50 billion on infrastructure, the supplier ecosystem books that revenue almost immediately while the buyer capitalizes the cost and spreads it across five to seven years. So the revenue lands in full this year and only a sliver of the cost does, and the faster capex accelerates the wider that gap pries open. Which means the earnings boom is, at least in part, a non-cash accounting boom, lovely on the way up and a good deal less lovely the moment capex growth flattens out, because the amortization keeps grinding in on the old schedule while the fresh revenue stops accelerating.

MACRO ANALYSIS

Capex does not even need to fall for the whole thing to fold in on itself non-linearly, it just has to stop speeding up, like that one movie where a bomb will go off if the vehicle in question gets below a certain speed. Then there is the buyback flow, running toward something like $1.55 trillion across full-year 2026, with the lagging cyclicals soaking up a disproportionate share and delivering EPS uplift right where the index needed the help. Stack on the sentiment flip around the hyperscalers, where higher capex guidance went from being punished as reckless to being cheered as money well spent, and you have a market able to swallow a real energy shock without buckling.

Which leaves the oil side of the ledger. The question I keep getting, and a fair one, is why crude has not punched through $150 given the scale of the disruption. The answer is, in part, managed demand destruction. Governments have been rationing consumption outright, cancelling flights and capping fuel allocations, with India reportedly cutting petrol station allocations by something like 80% through the worst of it, and that alone has pulled maybe 4 to 6 million barrels a day off the demand side. So the deficit actually drawing down inventories is closer to 5 million barrels a day than 10, which roughly doubles the runway before the system hits operational minimums. The clock is ticking slower than the headlines from oil bulls you see on social media would suggest, but ticking it most certainly is. The reason the broader economy has shrugged off the energy drag, at least the way I read it, is that the US government is spending and borrowing at emergency levels with no actual emergency to point to, and all that nominal stimulus is doing the propping up. There is a catch though, and there always is one, because the same borrowing spree is what has been nudging foreign central banks toward gold and away from the dollar over a longer horizon. The thing keeping stocks alive today is the same thing setting up the bigger problems down the road. Different timelines, same root cause.

So that, condensed, is why the market keeps climbing the proverbial wall of worry. The AI side of the equation combined with some ‘a peace deal is coming soon, trust me’ jawboning is winning the tug-of-war for now, the win is built on real earnings and real flows and a fiscal cushion doing an awful lot of heavy lifting, and the conditions the bears keep circling, narrow breadth and rich valuations, can stick around far longer than the bearish reflex assumes. The catch sits in one variable I will keep my eye on, the rate of change in hyperscaler capex guidance, because that is the hinge the whole thing swings on.

MACRO ANALYSIS

Now, as we move into the second half of the year, we got a complex macro picture ahead of us and as I work hard to try and paint as clear a picture for you all as I can, I like to also consider how other macro analysts are viewing the situation at hand. One of those is the always brilliant Luke Gromen and he conducted a few interviews recently, including one with my friend Kai Hoffmann, that I thought would make for interesting data to overlay with my own macro framework, especially given Luke touched on a few particular data points that I did not consider before.

Start with valuation, since it is the first thing the bearish crowd reaches for and, to be fair to them, not without reason. On a trend-adjusted basis the old market-cap-to-GDP yardstick is sitting somewhere around two standard deviations above its long-run trend, which is a zone we have only really pushed into a small handful of times, the 2000 top and the late-2021 top being the obvious modern comparisons, and I probably do not need to remind you that both were rotten moments to be shoveling fresh money into stocks for the year or two that followed. So far so bearish, if you will. The wrinkle is that the answer depends entirely on the horizon you are working with and, rather more to the point, on the currency you choose to measure in. Still with me on that one? Good, let me explain. Priced in nominal dollars and given a long enough runway, you can still squint and see the market grinding higher from here, because of course it does when the unit of account is being steadily debased underneath you. Priced in gold, the picture is a good deal less flattering, and that gap between the dollar return and the gold return is, the way I see it, the entire thesis compressed into a single line.

Which brings me to the plumbing, because the fiscal cushion I keep banging on about runs on liquidity, plain and simple, and the liquidity question over the next stretch comes down to what the Fed actually does when it winds down the balance sheet runoff rather than what it tells us it is doing. My strong suspicion is that we do not get honest-to-goodness tightening. What we get instead is a headline of selling down the longer end, paired with rate cuts on the front end, and, the bit almost nobody pays enough attention to, a tidy little loosening of the bank rules so the banks can gorge themselves on treasuries while still lending out to Main Street.

MACRO ANALYSIS

Net it all out and you have something that walks and talks like quantitative easing duck routed through the banking system, dressed up in the sober language of restraint. This is tightening, trust us, in much the same spirit as that old chestnut about how this is most certainly not easing, we are merely smoothing the functioning of the Treasury market. Call it what it is, which is loose, and loose is supportive for equities and for gold and for the harder corners of the risk complex, and decidedly unsupportive for the dollar.

There is a deeper reason the people in charge will fight tooth and nail to keep the equity bid alive, and the reason is pure arithmetic. Let me give you an example from Luke that has stuck with me. Back in the latter half of 2022 the market had what, by the standards of my early career, was an utterly unremarkable wobble, down something like 20%, the sort of move that used to happen twice a year and bother nobody. That wobble fed through, on the usual lag, into the following year's tax take, where the non-withheld receipts, which is the capital-gains and stock-comp-linked bucket that tracks the prior year's market, fell by something on the order of $300 billion, and the underlying deficit, once you strip out the accounting noise, roughly doubled toward $2 trillion in a year nobody would dream of calling a recession. Just take those numbers in for a moment. A garden-variety dip, not a crash and not a crisis, blew a several-hundred-billion-dollar hole in the fiscal accounts and forced a matching jump in issuance to fill it. That is the Treasury put I keep coming back to, less a favor anyone is doing for investors than a matter of cold arithmetic, because the same government leaning on the equity market to underwrite consumer spending and prop up its own receipts simply cannot afford to let it fall.

Step back far enough and the big problem swims into view like a bad shark movie, the one that makes all the near-term plumbing feel like rearranging deck chairs on a far too small of a boat in Jaws. The AI build-out doing so much of the heavy lifting on earnings is, at its core, profoundly deflationary, and it is arriving into a system buried under more debt than it has ever carried, and deflation and a debt-based system mix about as well as water and sodium, which is to say not at all and with a rather loud bang. Longer term I am genuinely optimistic about all of it, because cheaper everything is a wonderful thing for a society to grow into.

MACRO ANALYSIS

The trouble is the path from here to there, because if the technology disintermediates employment before it lifts everyone's boats, the worker with the mortgage and the car loan and the kid halfway through college ends up on the wrong side of the deflation, defaulting on debts that turn out to be somebody else's vanishing income and the government's vanishing receipts. There is really only one way that knot gets cut in the end, and it is the printer, the eventual decision to fully reserve a great slug of the debt onto the central bank's balance sheet with freshly minted money, and my honest read is that it takes a crisis to force their hand, because a move that large is never made by choice.

All of which is why the dollar, in my view, is the release valve in this whole contraption and for those of you who have been reading my work for some time, I have called it that before as it really is the pressure relief that lets the system sidestep an outright default by debasing the obligations instead, and it is why the longer-horizon drift I flagged up top, foreign central banks edging toward gold and away from the dollar, is the one I keep circling back to. As you all now, gold recently nudged past US Treasuries to become the single largest official reserve asset in the world by market value, sitting at roughly 27% of global reserves against something like 22% for treasuries and 15% for the euro. I want to be scrupulously fair about this, because a good chunk of that crossover is a pure price effect, with gold up around 60% last year doing the mechanical work, and measured on end-of-2023 prices the treasuries would still be out in front.

The direction of travel, though, is not in any serious doubt, because central banks have spent years adding gold by the thousand-tonne while letting their treasury piles stagnate, and the lesson every non-aligned sovereign took from the 2022 reserve freeze, that dollar reserves are worth precisely what the issuer's politics allow them to be worth, is not the sort of lesson anyone unlearns in a hurry. The dollar remains the world's biggest reserve currency for now, with all the dollar assets lumped together still north of 40%, but the trend underneath the headline points one way, and it has done so for the better part of a decade.

MACRO ANALYSIS

So where does that leave the forward view, all stitched together? The bears have a real point on the valuations and the breadth and the energy drag, they are simply early, and early in a market like this one has a nasty habit of feeling exactly like wrong for far longer than most people can stomach. The grind higher holds while the earnings and the flows and the fiscal cushion hold, and it starts to wobble when for example (and as I noted earlier) the rate of change in hyperscaler capex guidance, rolls over, because that is the near-term hinge the whole thing swings on. The far end of the story is the dollar, the slow release valve that buys the system its time and hands gold a secular tailwind almost as a byproduct. Two hinges, then, one fast and one slow. Watch the capex on the way in and the dollar on the way out, and you can happily let everyone else lose sleep over the headlines. In the end, policy makers will always choose to save the UST market and in turn the broad equities market, for all the reasons (and more) that I laid out above and this time will be no different. Release valve, meet the USD, I think you two will get along nicely.

Now, that’s not the only thing we need to take into account on the macro front, as I was buried in tariff filings most of Tuesday morning, and what comes out the other side looks like a rebuild rather than a retreat, at least the way I read it. The Supreme Court knocked out Trump's emergency-powers tariffs earlier this year as you all know, ruling the whole Liberation Day apparatus illegal. The administration patched the hole with a 10% global surcharge under a separate statute, a stopgap that runs out by midsummer and is tangled in its own court fight. The real action this week is the patch behind that patch. The Trade Representative's office wrapped a forced-labor investigation spanning 60 economies and proposed fresh duties of 10% on partners that ban forced-labor imports and 12.5% on the ones it says do not. China, India, Japan, Korea, Brazil and Switzerland sit in the higher bucket. Canada, Mexico, the EU, Taiwan and the UK get the lower one.

Why does the legal plumbing matter for our macro picture here? This route is far harder to strike down than the emergency-powers gambit, which tells me the wall is being rebuilt to last, or at least they are trying to. Energy, rare earths, most metals, and a chunk of critical agriculture and pharma all got carved out of the new duties, with anything already caught by separate metals tariffs excluded too. The wall is going back up around finished and intermediate goods while the raw stuff stays largely untouched, exactly what you would expect from a White House staring down an energy-driven inflation scare and midterms in the fall.

MACRO ANALYSIS

Effective US tariff rates peaked somewhere around 10% to 11% late last year if I remember correctly, eased toward the 7% to 9% range once the emergency tariffs fell, and this 301 rebuild is the mechanism to lock them back up. Customs duties have pulled in roughly a quarter trillion dollars over the past year, and that revenue line is turning into a real fiscal prop, no small thing with everything bearing down on the deficit. Stack even a modest tariff layer on top of a Strait of Hormuz oil bid and you get two price pressures leaning the same way, which is about the last thing a bond market already twitchy about inflation wants to see. Trading partners are mostly swallowing this rather than firing back it seems, with Brussels still honoring its own commitments and Beijing settling into an uneasy truce. A second probe on excess industrial capacity is still cooking, and from what I can tell those duties may stack on top of these. The honest read on what is another season of ‘tariff tantrums’ is that the supreme court ruling forced the administration to pour better concrete on their tariff plans.

Now, a quick word on sentiment and who better to consult on that front than the always brilliant 3F Research and no, sentiment is not running as hot as some believe, at least not by these metrics (and this data was collected before some of the downside volatility we saw last week, so it has likely cooled a bit). The slower-moving composite is parked in the low 50s, nowhere near the frothy readings above 60 where forward returns have historically gone to die. The weekly survey of individual investors also has a word to add, with bears outnumbering bulls and pessimism above its long-run average for nearly three months, all with the index at fresh records, about as textbook a wall of worry as you could draw up. Money has poured into cash funds on like a 2% recent dip, and positive momentum next to defensive flows like that is not what you find at tops.

The one honest caveat is that the professional crowd has lurched the other way, with the big fund-manager survey logging a record jump in equity allocations and cash dropping to a level that has tripped a contrarian sell signal before. So a choppy few weeks would not surprise me much. The two readings on the next page map onto my two hinges well enough, with stretched professional positioning a near-term wobble risk and little more, and the broad belief that actually builds a top still that is not in sight just yet based on these metrics (barring another black swan event of course). You do not get the top everyone keeps screaming about while half the crowd is still braced for the crash, which further cements my call for a good balance with a majority long portfolio.

MACRO ANALYSIS

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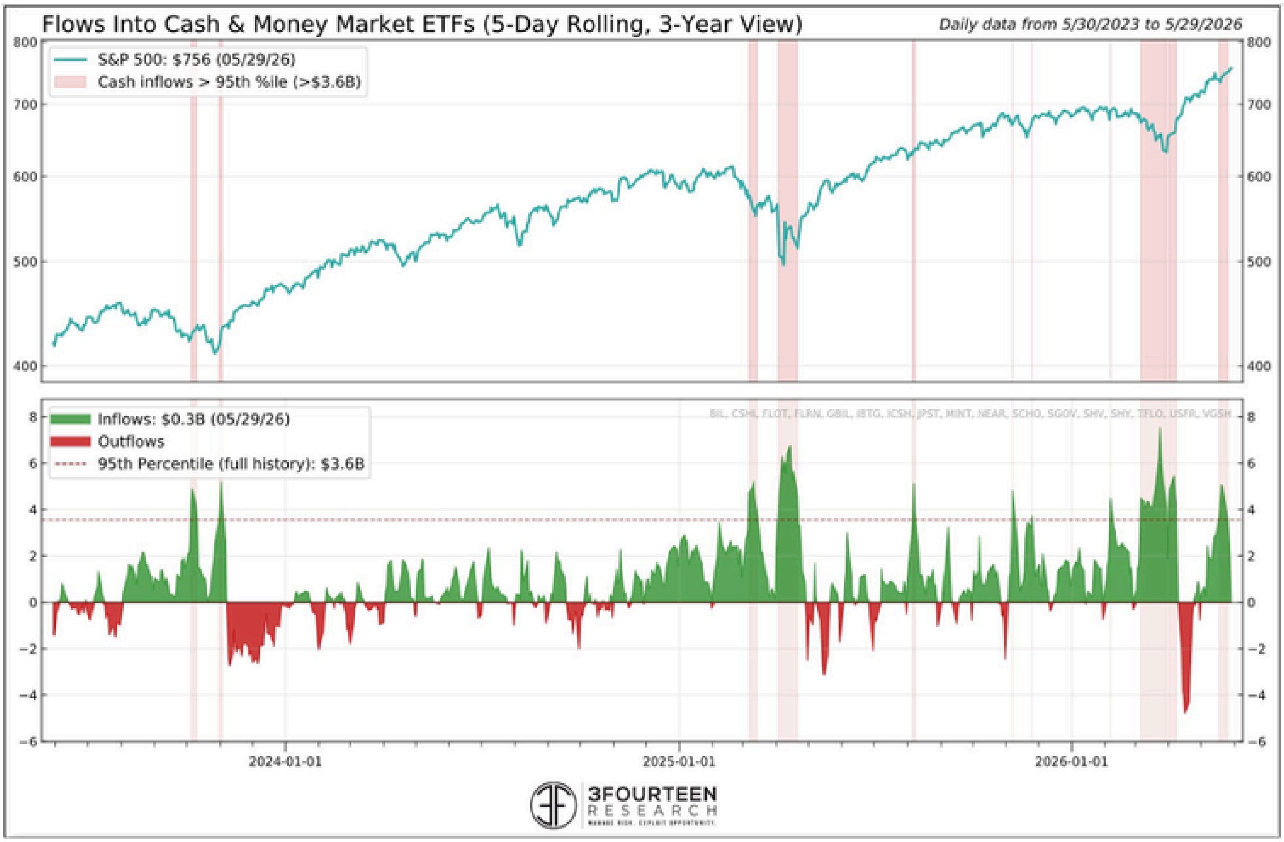

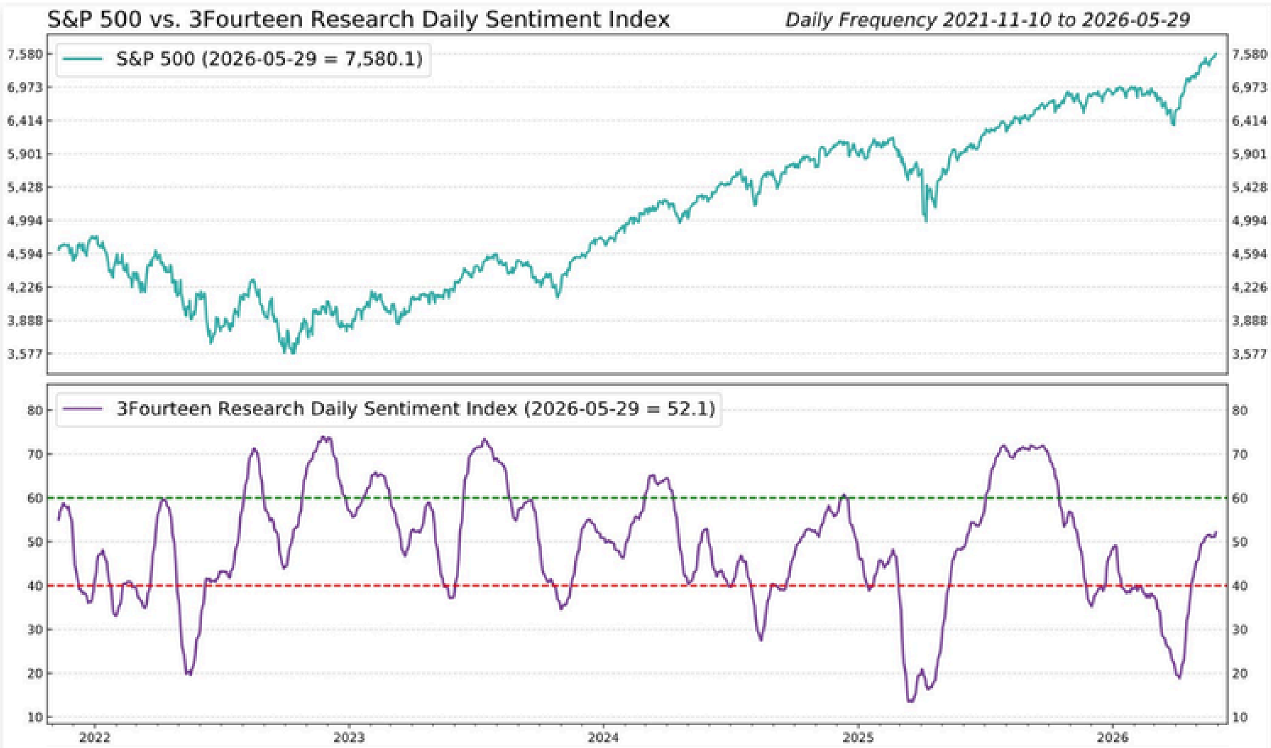

Stats since 2021-11-10	CAGR	Max Drawdown	Sharpe Ratio	Percent of Time
Above 60	1.6%	-10.5%	0.18	21.0%
Between 40 and 60	**6.3%**	**-25.5%**	**0.47**	**54.3%**
Below 40	33.3%	-16.3%	1.40	24.7%
Buy and Hold	11.4%	-25.4%	0.71	100.0%

MACRO ANALYSIS

Alright what's next? Ah yes, bond yields and inflation. I hope you drank some coffee before reading this part, because it is not the most exciting, but no less important to the overall macro picture. Every nominal yield breaks into two pieces, a real yield plus whatever inflation the market expects over the life of the bond, and the inflation piece is the one doing the talking. How does it work? The US 10-year breakevens sit around 2.4% and have barely budged for half a year, drifting in a tight band a hair above the old 2% target. For scale, these same breakevens topped 3% at the 2022 inflation peak, so 2.4% is nowhere near a genuine fear print on a relative basis. Push out to the 5-year, 5-year forward, the read on where the market thinks inflation finally settles, and you land near 2.2%, parked right on target. Through a shooting war, a decently important closed shipping lane and a tariff wall going back up, long-run inflation expectations have not so much as flinched. That is the persistent-but-not-hotter call in plain numbers and honestly, I am pretty surprised to see this (quick word though, the 2 year yield perking up above Fed Funds Rate is not a great sign, as it indicates a hike should be coming in theory, which would not be good for the market if theory becomes practice).

So if breakevens are asleep, why are nominal yields elevated almost everywhere on that screen? Because the action comes in with real yields, not inflation expectations. A 10-year near 4.5% against a 2.4% breakeven leaves a real yield north of 2%, which is the bond market demanding hard compensation for fiscal supply, rebuilt term premium and a higher-for-longer policy regime. The selloff everyone keeps calling an inflation scare is mostly a real-rate and deficit story wearing an inflation mask like it's carnival in Rio. The cross-country spread says the same as well for what it's worth. Yields are elevated across the developed world, with the UK and Australia both knocking on 5%, while the low outliers are the usual structural cases and the only block ticking higher on the day is Asia, led by Japan and Korea. A synchronized inflation blowout does not look like that, at least not as far as I know. What it does look like, is a global repricing of real rates and sovereign risk does.

A breakeven this calm, sitting through an energy bid and a freshly rebuilt tariff layer, is faith dressed up as data. For now, the market is priced for inflation that lingers rather than accelerates, which means there could be a nasty surprise to the upside of that changes. The persistent leg looks solid enough for now based on this bond data, but the not-hotter leg is the trade the whole world is watching because if this flips and bonds start pricing hotter inflation again, things could get ugly.

MACRO ANALYSIS

The reason real yields are the number to watch beyond inflation, is that they are the price tag on funding everything at once. Roughly $2 trillion deficits every year, a drive to reshore industry, an AI buildout running largely on borrowed money, a war in the Gulf, and a mountain of existing debt that rolls over constantly at whatever rate the market sets. Every line of that needs someone to buy Treasury paper, and the higher real yields go, the more it costs to carry the pile, which widens the deficit, which forces yet more issuance, which lifts yields again. With interest costs now eating a record share of output, past 3% of GDP, that loop has started feeding itself, which isn't great.

So how do you keep the long end from spiraling when you have to sell this much paper? You cap it. That's right folks, we're talking about yield curve control again which, in plain terms, is a central bank promising to buy however many bonds it takes to hold a yield where it wants it, no matter what buyers think it should be. The US is not there yet, at least not openly. What it is running is something of a milder version. Treasury has tilted its funding heavily toward short-term bills instead of long bonds, with buybacks of older long-dated issues dressed up as liquidity support, the two together keeping duration off the market without anyone having to name it. Funding short trades a cheaper coupon now for a debt stock that reprices almost in real time, so the day yields jump, the bill comes due fast. Call it yield management with the label peeled off. The catch, the way I read it, is that the soft version is a down payment, not the fix. That puts a whole lot of weight on the new man at the Fed. Consensus has Warsh pegged as a hawk who will stare down inflation and refuse to bail out the Treasury. I would not be so sure though as this is the same Warsh who co-wrote an op-ed back in 2018 pleading with the Fed to stop tightening the moment equities had a couple of bad months and who has lately argued that AI is so disinflationary it hands the Fed all the room it needs to cut. The cover to ease is already written in that sense.

It won't be easy though. Pin the bond below where inflation is running, and the strain has to go somewhere, escaping through the currency and through every hard asset that cannot be printed, with the bondholder footing the bill in negative real returns. There is a bit of irony there, as the same machine talking tough on inflation through tariffs and hawkish Fed soundbites is the one that, sooner or later, needs a dose of inflation to shrink the debt back to size. That is the logic pulling gold higher as well.

MACRO ANALYSIS

You can watch that same logic play out in the flow data and one number from the spring has been doing the rounds as proof of it. March, the story goes, saw oil-importing emerging markets dump Treasuries at the fastest pace in over three years, something close to $60 billion out the door in a single month. The narrative writes itself from there, but we need the full picture. Pull the actual Treasury flow figures and a different picture turns up. Foreigners as a group were net buyers of US paper in March, picking up something near $96 billion of long-term securities. Private money did the heavy lifting at roughly $111 billion of buying (which brings with it another set of trouble that I have discussed in the past, but you already know about that), more than swamping the official institutions that were indeed net sellers, to the tune of about $15 billion. Step back further and foreign holdings of Treasuries have climbed by around $1.5 trillion since 2021, sitting near $9.2 trillion at last count. Whatever is happening here, it is not a wholesale exodus yet, even though sustained higher prices of basic goods (food and energy first and foremost) could change that, so keep that in mind.

So what is actually going on? A changing of the guard at the margin. The sellers are official, the central banks and reserve managers who are the stickiest and least price-sensitive lenders the Treasury has, the ones content to park reserves whatever the yield. The buyers stepping into their place are private, and private money wants paying. It demands a real return, it bolts at the first whiff of trouble, and it reprices in a heartbeat. Swap a price-blind official bid for a yield-hungry private one and you have just explained why the term premium keeps climbing and why real yields refuse to sit still. You really think the population of Luxembourg and the Cayman Islands suddenly put all their money into USTs? Of course not.

This is the engine humming underneath the funding bind from a moment ago. When your most dependable lender turns seller at the long end, you are left with three doors like some 80s game show, pay up through higher real yields, fund short and pray, or hand the problem to the Fed. The bill-heavy issuance is door two, already chosen. Quick word though, since a single month of this data is noise dressed up as signal and the custody trail is murky enough that a bond booked in Belgium can really belong to Beijing, which is something I don’t have the time nor the energy to figure out right now honestly. Forget the March print itself for a moment, the signal is the direction of travel, an official bid fading while those same reserve managers rotate into the one reserve asset that carries no government's promise, which is exactly where we came in.

MACRO ANALYSIS

And finally, let’s end with another interesting data set shall we? To be fair though, it is really two stats pointing at the same suspect. Go back to 1995 and the S&P has grown earnings by more than 20% in only six calendar years. Five of the six handed investors double-digit returns. The lone exception was 2018, which finished down around 4% and carried the deepest intra-year drawdown of the lot at nearly 20%, against a median across all six of just 6%. What set 2018 apart? The Fed was hiking. 2026, for what it is worth, is tracking earnings growth north of 20%, somewhere around 23% on current numbers.

The second stat takes us back to the midterm year analysis piece I started this year with. Run the calendar-year returns back to 1950 and midterm years that escape a recession or a tightening Fed return about 10.6% on average, a whisker off the 11.2% you get in any other year, with shallower drawdowns to boot. Midterm years that catch a hiking cycle or a recession? They limp in at 1.9% with drawdowns near 18%. The curse, it turns out, was a Fed story wearing a calendar costume. Two different datasets, one identical fork in the road, and the fork has nothing to do with how strong earnings are or how the calendar falls. It comes down to whether the Fed tightens, it really appears to be as simple as that. 2026 happens to be both a 20%-plus earnings year and a midterm year, so the base case from history reads constructive, a good year with a buyable dip somewhere in it. The one thing that flips it into the 2018 script, an early-year correction and a late-year scare, is a Fed that potentially leans into restraint (as I explained earlier as well). Fun fact though, 2018 was Powell's first year in the seat. 2026 is Warsh's first year, see where I am going with this? History does love a rhyme doesn’t it.

So the read I come away with is constructive but conditional. The earnings tailwind is real and the calendar is a red herring of sorts, which argues for buying weakness rather than fearing it. The whole year, though, hinges on the Fed choosing restraint over rescue, and everything in these pages, the sticky inflation, the funding bind, the bond market practically begging him to hike, pulls on that single lever. One caveat before we move on, and it is a big one. Every number that I noted above is drawn from a world that never had a great power's oil locked behind a closed strait, gold printing fresh records, the Treasury running yield management by the back door, and AI alone driving half the earnings growth in the index. The history is a compass here, not a map, for we are in genuinely unprecedented territory. One step at a time folks, we will get through.

URANIUM AND NUCLEAR POWER

Current sentiment reading: 29

Observation: Want to get a taste of what relative price performance can do to a sentiment reading in this sector? Last time we were at around the same price level for URNM, give or take 5% around that December period, the sentiment reading came in at 63 and thereby placing it at the start of an optimism reading and just ahead of a 50% run to the upside. Now we are back at that same price point, but the direction has been completely different. That December reading came in after we were already up over 100% from the April lows of last year, but now we are down 30% from the recent highs and 16% from the last reading that was still neutral, but dwindling. Well, we are firmly in the doubt category now as I am seeing more and more people throw in the proverbial towel when it comes to this sector. Honestly, I get it, as even with so much good news coming in to strengthen the thesis, the market has still taken a hit. Does that mean it's over? No, no it doesn't, allow me to elaborate on that.

- 0-10: Depression – Represents extreme negative sentiment, possibly due to adverse events or very poor market conditions. Usually indicative of a major bottom/capitulation.
- 10-20: Pessimism – Indicates generally negative sentiment with widespread concerns and low confidence. Usually seen at intermediate bottoms.
- 20-30: Caution – Reflects a cautious outlook with lingering uncertainties and hesitations.
- 30-40: Doubt – Shows a sentiment leaning towards the negative side but with some mixed feelings. If the trend is down, doubt usually shifts quickly to caution and pessimism.
- 40-50: Neutral – Represents a balanced sentiment, neither particularly negative nor positive. Where it goes after this (up or down) is very dependent on price behavior (i.e. are buyers stepping in on dips, or are they selling on intermediate rallies?)
- 50-60: Hope – Suggests a slight positive sentiment, with some optimism and positive outlook starting to form. This often provides the basis for another strong rally.
- 60-70: Optimism – Reflects positive sentiment with growing belief the rally can hold.
- 70-80: Confidence – Indicates strong positive sentiment with very apparent confidence.
- 80-90: Excitement – Shows very strong positive sentiment with high enthusiasm and expectations, most moves either turn around here to cool off or go absolutely parabolic.
- 90-100: Euphoria – Represents extreme positive sentiment, indicating the trade is getting very overcrowded with high retail participation and broad media coverage, which often leads to a market peak. This is what we only ever really see at the end of major moves.

URANIUM AND NUCLEAR POWER SUMMARY

As with the macro piece, time for the summary first, but as always I recommend reading through the entire piece for all the specific details and datapoints. Do not mistake the summer lull for nothing happening. The price action is weak and the spotlight has drifted to oil and the Middle East, but the people closest to the fuel cycle are telling you the opposite of what the tape implies, and the back half of the year looks more interesting than it reads right now. Start with the floor. Term prices have pushed to roughly $94 according to TradeTech, and a firm term price props the spot market up from underneath, because if spot drops too far the carry trade kicks in and buyers have already shown they see value in the low $80s. So I shrug at a soft summer spot tape, barring a liquidity event, since the structure underneath is doing the work. Underneath the conference chatter, real reactor orders are getting signed and SMR development is underway, with serious talk of doubling global nuclear capacity by 2050. The trouble is nuclear is a slow-moving beast, and anyone who looks at the supply side and folds in the fuel cycle works out there is three to four years of lead time before fuel is in hand. Any plan aimed at the early 2030s is, in procurement terms, a plan for today.

Supply is the uncomfortable part, because so much is being locked up. Hyperscalers want more power and are knocking on utility doors hunting long-term mine supply, behaving the way they did with power purchase agreements, name your price and we name the quantity. Manufacturing and the wider industrial base will pull just as hard. Grant Isaac framed the math plainly, with ten Westinghouse reactors carrying ten years of fuel working out to something like 65 million pounds nobody had in mind, pounds Cameco is already cutting deals on in the higher $90s, with one done elsewhere in the low $100s.

Utilities are still trying to add in the low to mid $80s but are feeling the hot breath on their necks, with sovereigns, a mooted US strategic reserve and large RFPs from Southern, Vistra and the TVA all landing. On enrichment, Urenco USA expanding Eunice by close to 50%, with new tonnage only showing up well into the 2030s, is about as clean a confidence signal as that side has handed us. China keeps buying after hoovering up extraordinary volume, India signed for nearly 22 million pounds across roughly nine years, and Japan and Korea are queued behind. So the old comfort that supply always shows up is, I suspect, about to meet a market that has stopped believing it. Jonathan Hinze of UxC, pressed on what worries him most across the chain, answered with one word. Uranium. That word is arithmetic, not drama.

URANIUM AND NUCLEAR POWER

With the summary now out of the way, welcome everyone, we are in the milder, quieter part of the year, the proverbial summer lull, and that is almost always the case in the run up to the big WNA gathering in London later in the season (which I will be attending and reporting on for you all, so stay tuned for that). Activity thins out, people go quiet, desks empty for holidays, and it becomes very tempting to read the calm as a sign that nothing much is happening. That would be a mistake, at least the way I see it, so bear with me while I lay out why I think the back half of the year is shaping up to be a good deal more interesting than the tape is letting on right now.

Start with price, because price is where the floor gets set so to speak, as term prices have pushed up to roughly $94 according to TradeTech, and that figure does far more heavy lifting than some may realize, because a firm term price effectively props the spot market up from underneath. If spot drops too far, the carry trade kicks in, and utilities and producers and a whole cast of other entities have already shown they see genuine value buying down in the low $80s. So when I hear someone fretting about a soft spot tape over the summer months, for better or for worse I tend to shrug, because the structure underneath the market is doing enough (for now at least, barring a broader liquidity event) to keep that floor in place.

One contact of mine tells me there are dozens of utilities active in the contracting market as we speak, which bodes rather well for the second half of the year in terms of sheer volume of activity. As for capital flows and relative equity performance, as you can imagine, at most of the recent commodity conferences the bulk of the attention had drifted elsewhere, onto the other metals and onto the ongoing mess in the Middle-East and the oil market as a whole. There was far more interest in uranium over the past few years than there is in the room today, and I want to be careful not to overstate that, because it does not mean the interest has gone anywhere or that the story has stalled. The bull case keeps growing if anything. It just means the spotlight has wandered, and from what I can tell it tends to wander back the moment the broader global uncertainty cools off a touch, as it has done on several occasions over the past few years.

URANIUM AND NUCLEAR POWER

Alright and now for the part that actually matters underneath all the conference chatter. Reactor orders are looking to get signed, real ones, and the early development and construction of small modular reactors is getting underway, which is enormous, because there is a lot of demand coming down the pipeline. There is serious discussion now about a doubling of global nuclear capacity by 2050, and I would gently remind you that a doubling was already more than almost anyone in this industry would have dared forecast a few short years ago. The trouble, if you want to call it that, is that nuclear is a famously slow-moving beast, and it takes time for an industry built around decade-long lead times to adjust to what is effectively a new reality. A new demand reality, I should add.

Supply is where this gets uncomfortable for some folks that I will touch on later, and supply is becoming a very real problem, because so much of it is being locked up. Cameco is the obvious example and I will come back to their India deal shortly, but the broader point is that the parties interested in building these SMRs are starting to wake up to something the rest of the market has been slow to price. Anyone who looks honestly at the supply side, and then folds in the realities of the fuel cycle on top of that, quickly works out that they are looking at three to four years of lead time before fuel is actually in hand. So think about what that means for just a second. Any plan that targets the early 2030s, which to a casual reader of the sector sounds comfortably far away, is in practical fuel-procurement terms a plan for today. A “decade being tomorrow” and all that jazz.

Then there are the hyperscalers, who want more power, and then more, and then more again, oh and then some more. Their entire business mindset sits at the opposite end of the spectrum from the traditional utility, and that difference is the whole story. They have grown up on the idea that if you want something done properly you do it yourself, and that instinct is why I fully expect them to push into the fuel cycle one way or another. Either they do it directly or they lean on the utilities to do it for them, and I am already hearing that they are knocking on utility doors hunting for long-term mine supply. A genuine talking point at conferences now is that of hyperscalers walking up to a fuel cycle supplier, whether a miner (like what NexGen hinted at and confirmed as just the start last week) or otherwise, and simply saying name your price and we will name the quantity, exactly the way they have already behaved with power purchase agreements. I do wonder if that will actually take shape the way some people believe, but it will certainly be impactful in any capacity.

URANIUM AND NUCLEAR POWER

Oh and before I forget, reports from the WNFM note that hyperscalers are having active conversations with fuel cycle participants right now. As a throwback for a little context here, cast your mind back to the Three Mile Island restart, where Microsoft signed a twenty-year deal with Constellation to bring an 835 megawatt unit back from the dead and rename it the Crane Clean Energy Center, all to feed data center load. That was the moment a lot of non-sector analysts understood these companies will pay what it takes for reliable, carbon-free baseload, and they will not wait around politely in a queue while they do it. If one of them makes a comparable move on the fuel side, it sends a message the whole market will hear.

Manufacturing is going to pull hard on this too, mind you, including the industrial base of other sectors, the sort of sectors that bring big capital to the table and will pay whatever they must to lock down power. Let me give you an example that crystallizes the math nicely. If Westinghouse goes out and secures ten reactor buildouts in the US, and the stated ambition is to have ten new reactors by 2030 under that roughly $80 billion partnership with the US government, who do you suppose ends up supplying that uranium? More than likely Cameco. Grant Isaac framed it about as plainly as anyone could, as he usually does, noting that ten reactors carrying ten years of fuel works out to something like 65 million pounds of uranium that, in his words, nobody had in their mind ahead of time. That is an enormous number, and these are pounds Cameco is already cutting deals on up in the higher $90s, with at least one deal done by someone else in the low $100s. If you want a tell for where term prices are heading, there it is.

Utilities, meanwhile, are still trying to add pounds in the low to mid $80s and are out looking for more contracts, but I get the strong sense they are starting to feel the hot breath on the back of their necks. Other demand is showing up, including from foreign sovereigns (expect way more on that front sooner rather than later), and on top of that the US itself is making noises about bolstering its strategic uranium reserves, with the Energy Department openly talking about reducing reliance on Russian material and building out a domestic buffer that grows as consumption grows. The utilities have spent a lot of their recent energy on enrichment and conversion, sensibly enough, and are now circling back toward the term uranium piece. The US remains the single biggest uncovered market out there, and we have already seen a handful of large public requests for proposals land this year, from what I understand out of the likes of Southern and Vistra and the Tennessee Valley Authority, the federally owned utility that powers a big chunk of the southeast and runs its own sizable nuclear fleet across several states.

URANIUM AND NUCLEAR POWER

The detail on that last is something I noted briefly before, but it’s worth touching on again, because as I understand it we are talking about something close to 7 million pounds a year with deliveries starting in roughly six months, which in this industry is absurdly short notice. There are already signs from the price reporters that supply may not respond the way many participants, and I am looking squarely at the utilities here, had long assumed it would. More and more of them are waking up, because the financials and the price reporters and even the industry's own body in the shape of the WNA are all saying the same thing, which is go and secure your supply or risk paying a far higher price for it, or worse, find it is not there to be bought at all.

Quick word on that enrichment comment as Urenco USA has come out and said it will expand its plant in Eunice, New Mexico, the only commercial enrichment facility in the country, by close to 50%. We are talking 2.1 million SWU of new capacity, a multi-billion dollar commitment with the figure floated somewhere around $3 billion and possibly north of it, with construction from 2029, the first cascades online in 2032, and the whole thing fully running by 2036. Nobody, and I do mean nobody, in the industry is going to go through such a large investment if they do not already have a substantial backlog secured for a plant that does not spin out a single SWU until 2032, as well as real conviction about where demand is heading. I agree with that, broadly, and the way I see it this is about as clean a confidence signal as the enrichment side has handed us in a good while. It tells you the people sitting closest to the fuel cycle are positioning for a great deal more demand and general need for a more robust western nuclear fuel cycle.

Bit of context, the existing facility covers only around a third of US enrichment demand as things stand, and even with this expansion and the smaller 700,000 SWU addition finishing up next year, the meaningful new tonnage does not actually show up until well into the 2030s. With Russian enriched material now getting moved off the table slowly but surely for US utilities, that gap is real and it is staring at them today. Circling back to uranium itself, the picture overseas only sharpens that exact point. China was all over the recent conferences, and even after hoovering up an extraordinary amount of supply, both directly and through mine-level involvement of the sort we saw with the recent Bannerman deal, where a CNNC subsidiary is putting up to around $321.5 million into the Etango project in Namibia in exchange for a large slice of the offtake, they are still out looking for more.

URANIUM AND NUCLEAR POWER

India is doing the very same thing, and if you are serious about reaching 100 gigawatts of nuclear by the late 2040s you simply have to chase supply, which is why they are sending out delegations and signing the big deals, the standout being the Cameco agreement for nearly 22 million pounds across roughly nine years. India wants big chunks, not polite little tranches at a time. ""We would buy as much (uranium) as Cameco can produce," Patnaik, India's high commissioner to Canada, told reporters at a summit in Regina, Sask. "We would like to invest in your Uranium mines, if possible." Yeah, he really did say that and that should tell you all you need to know.

South Korean utilities have been over in Kazakhstan according to one contact, seeing what they can lock down, and on Kazakhstan I would flag something I think is badly underappreciated, which is that the volume actually available to the West out of that country keeps shrinking. They are tightening state control over the whole sector, reserving exploration blocks for the national champion, and they are increasingly minded to keep more of their own pounds in the ground for domestic use down the line. From what I can tell the reserve figures being kept back are large and rising into the 2030s, and even allowing for the conversion from tonnes into something north of a couple hundred million pounds of uranium when you run the numbers, the direction of travel is translates to "less for everyone else, more for us at home". Those numbers have not been confirmed directly to me, but it's something that I do plan to discuss with Kazatomprom itself down the line, as it's significant.

Japan rounds out the Asian bid, with trading houses like Itochu looking for considerably more after their involvement in Uzbekistan, and Uzbekistan deserves a proper look here because it is a genuinely interesting case. The national producer there had a strong run recently, putting out around 7,000 tonnes in 2025, which is roughly 18 million pounds of uranium and a jump of about 35% on the year, and in doing so they essentially hit a 2030 production target years ahead of schedule. If they really lean into it I could see them pushing toward 20 to 25 million pounds, though I would hedge that fairly hard because the resource base simply is not in the same league as Kazakhstan's, sitting somewhere around 96,000 tonnes of reserves against an ambition to reach 100,000 tonnes by the end of the decade.

URANIUM AND NUCLEAR POWER

The crucial bit, for our purposes, is that there are plenty of Asian buyers queued up for those pounds already. The Itochu joint venture at South Djengeldi alongside Orano peaks at only around 700 tonnes a year, which is a touch under two million pounds, and Itochu wants several times that. Here is the real kicker though, so strap in, as something like four Japanese utilities need uranium before the 2030s even properly begin, so do you really think they are going to wait patiently behind a line of Western utilities? Absolutely not. They will go and secure exactly what they need, and they will do it before the music stops.

Which brings me to the bit of received wisdom I want to push back on hardest, because I keep hearing it and it keeps being wrong. Fuel managers have told me for years (ever since I won a uranium demand related bet against one of them when I was having beers with a group of fuel buyers in a pub in The Hague) that supply has always shown up, one way or another, whether it came from blending down warheads under the old megatons to megawatts program, or from the Kazakhs cranking the taps, or from some other corner of the market nobody was watching. The reflex is understandable. It has, historically, been true. This time I do not think it holds, and not even Arrow on the horizon changes my mind, because by my read that project is not getting into meaningful production before 2032, despite the official line pointing at the early 2030s and a nameplate of up to ~30 million pounds a year. I would frankly be unsurprised if real output lands closer to 15 million pounds annually than anything near the headline figure, at least in the early years.

One contact has been told flatly that if you need supply in 2029 or 2030, you may well struggle to find adequate volume in large quantities at anything resembling decent pricing. I heard of one big utility hunting for a reasonably sized block running from the early 2030s out to 2036, who got two deals quoted in the $90 to $95 range and watched the rest of the quotes come back materially higher. That tells you where this is going. The pounds are getting locked up, the lead times are brutal, and the comforting old line that supply always shows up is, I suspect, about to meet a market that has finally stopped believing it or at least is starting to.

URANIUM AND NUCLEAR POWER

You do not have to take that read from me, or from a handful of fuel buyers I have spoken with, but you can take it from Jonathan Hinze, who runs UxC, the shop whose numbers half this industry runs on, and what he told the WNFM crowd much the same thing last week. My friend and fellow uranium analyst Justin shared some of the highlights and it’s safe to say, that was pretty insightful. Forget the SMR build-outs and the hyperscaler land-grab for a moment, the stuff that fills conference halls and gets pulses racing. Strip all of that out and look only at what is already locked in. The existing fleet plus life extensions, the Japanese and American restarts, a few gigawatts of uprates, and the 81 reactors under construction right now, the most the world has had running at once since the late 1980s, which means you have to reach back to the original build-out of the Western fleet to find a pipeline like it. On that basis alone, with nothing speculative in the mix, global capacity is tracking from roughly 400 gigawatts today toward 500 by the early 2030s. When he was pressed on what worries him most across that entire supply chain, the answer came back as a single word. Uranium.

Now factor in China, fully half of that construction pipeline and hitting its dates rather than slipping them, which happens to be the same cohort already busy locking up pounds at the mine level. At that point, is the floor under demand really a forecast anymore, or a delivery schedule already in motion?

In his telling, the near-term market tightens hard, fresh investment in supply has to begin, in his word, immediately, and for all the noise, uranium still has not had the attention it warrants, with the biggest move across any of these markets over the next year or two expected to come from this one. That one word, immediately, is arithmetic more than it is drama, and it ties in with everything I laid out above. A plan aimed at the early 2030s is a procurement decision for today and given Jonathan expects the most meaningful price movement to come from uranium over the coming few years, that tells you all you need to know.

Which loops us right back to where we came in. The price action is weak, the room has thinned out, the spotlight has drifted off to oil and the Middle East, and it is the easiest thing in the world to mistake that quiet for an absence of anything happening. The people sitting closest to the fuel cycle are telling you the opposite, but it is up to each one of us as investors to consider these facts and act accordingly.

OIL

Despite all the uncertainty surrounding the conflict in and around Iran, the apparent flaring up of new hostility and all the other arguments being flung around by the oil bulls from barnacles to further O&G infrastructure damage, we are still sitting below that triple digit line for the price of oil. One of the most frequently asked questions in relation to this that I have received with regards to the oil market is "if inventories were really almost hitting rock bottom, why isn't the price higher?". Well, I am here to try and answer that, so it's time to wade into oil inventories. For anyone who has spent any amount of time on oil Twitter/X recently, you will have seen that this has turned into the most argued-over chart in the market and, fittingly, the one everyone reads differently. I expressed my doubt with regards to these inventories and the associated price action and I hope that this helps add some color to the situation at hand.

Case in point as a good example to start is that we were told a couple of months back that Europe was six weeks from running out of jet fuel, the head of the IEA calling it the largest energy crisis we have ever faced, with Goldman pegging the moment European stocks crossed the danger line at sometime in June. That month is now here, but from what I can tell Europe did not run dry. Jet fuel got brutally expensive, north of $180 a barrel, airlines axed tens of thousands of flights, a budget carrier folded and the US shipped over six times its normal volume to plug the gap. Painful, yeah, absolutely. Apocalyptic, no. The market rationed by price and shuffled barrels around long before any tank hit empty, which is what the doomy depletion-in-X-weeks genre of forecast almost always misses in my experience.

Hold that thought, because the crude inventory story is rhyming folks. Credit where it is due, Anas Alhajji has been one of the loudest voices puncturing that above mentioned narrative and his data does the work. Global commercial crude has crept up rather than collapsed, roughly 2.35 to 2.40 billion barrels on his numbers, and excluding China it tells the same story, near 1.55 rising to 1.59. What actually fell was strategic stock, the coordinated release western governments ran a few months back when Hormuz first shut, and the drawdown is heavily concentrated rather than global. The independent picture backs the shape of that argument, with commercial storage having grown through last year and the visible declines sitting in the SPR column.

OIL

So how do inventories stay flat while a fifth of the world's seaborne oil is stuck behind a closed strait? The answer, to my amateur eyes, appears to be China. Since the war began, Chinese crude imports have cratered from around 11.4 million barrels a day before the attack to near 6.4 million in May, a drop of better than 40%, with refiners simply living off the roughly billion-barrel hoard Beijing spent two years building.

Pull the planet's marginal buyer out of the market for around 5 million barrels and have it draw its own tanks, and you have removed a massive slug of oil every day of import demand at the exact moment supply went missing. That is what could be masking what is going on right now. The catch cuts against the all-clear just as hard as it cuts against the doom. The calm is being bought with two cushions that both run down, the strategic releases and China's stockpile, and neither refills for free. Flat inventories in the teeth of a supply shock signal something other than plenty. They mean demand fell along side supply, between China stepping out and all those grounded flights, which is a stagflationary standoff dressed up as stability. Janis Kluge is also right that some of the builds are trapped behind Hormuz, oil that exists but cannot reach a refinery, though the version of that argument claiming global production is down ten million barrels a day is overcooked, with OPEC+ nudging July quotas higher even now.

Which brings me back to the jet fuel argument I mentioned above. Exxon's Neil Chapman told a conference a couple of weeks ago that inventories would hit dangerously low levels within two to three weeks and drag Brent to $150 or $160. Brent sits in the mid $90s as I write, down about 9% on the month, and has not so much as kissed $130 this entire war. Same genre, same miss. My read? Both camps are half right and badly timed. There is no June moonshot in the crude data, and the bottoms-in-sight crowd may not be wrong (especially given there is real evidence of continued inventory drawdowns), but either it is not as severe or will come in later than advertised. The all-clear crowd, though, is mistaking a borrowed cushion for a comfortable one. The test comes in the back half of the year that we are not entering, when Beijing has to stop drawing and start refilling and the barrels that papered over this shock are no longer there to spend. The situation at hand still needs to be resolved, but the question will be when and to what capacity… and whether or not it will be enough to keep oil from blasting to that Exxon target later down the line anyhow.

PRECIOUS METALS

Alright, time to talk gold and to the question that has been filling my inbox this week (for good reason I would say given what we have seen so far). Why has the metal slid from around $4,500 to roughly $4,000 in the space of a few weeks, dropping below its 200-day average for the first time in over two years? Fair question, and the answer is refreshingly boring once you strip the sentiment out of it. It comes down to one mechanism, real yields, with three forces leaning on it at once. The May jobs report landed at 172,000 against a forecast near 80,000, more than double, and in a single print it wiped out what was left of the rate-cut story and shoved the market-implied odds of a December hike up toward 70%. The 10-year pushed past 4.5%, the dollar index climbed back toward 100 and that has understandbly caused gold to take a hit. Layer on a shaky ceasefire bleeding the war premium out of the price, however much there was still in there to begin with outside of the main fundamental drivers of course, with oil sliding toward $90 and dragging the inflation-hedge bid down with it, then add a healthy dose of profit-taking after a parabolic run to $5,600 earlier in the year. Even a hot inflation print this week, the highest reading in a couple of years, could not lift it, because the market chose to read it as one more reason for the Fed to keep sitting on its hands (for now that is). Higher real yields, a firmer dollar (more on that later as to why this is not bearish for gold over a longer timeframe, even though it hurts it in the near term), a deflating fear trade. Nothing in that list is structural though and as I noted in the macro section, in the end there is only one path I see policy makers taking.

Which is exactly why I am not losing any sleep over it. Again as I noted in the macro section regarding gold, the forces driving this selloff are the cyclical surface, while the case for the metal all takes place in the plumbing underneath, the dollar acting as the release valve, the Treasury put that forces the official hand the moment markets buckle, and the slow rotation of central banks out of paper and into the one reserve asset that carries no government's promise. None of that shifted because a payrolls number ran hot. Recall the line I kept circling back to up there, that priced in dollars the picture reads one way and priced in gold it reads another, and the gap between the two is the entire thesis. A lower dollar price for gold does nothing to close that gap. If anything, it widens the door to step through it. So the short-term chart and the long-term thesis are flatly disagreeing right now, and when those two come to blows, I know which one earns my attention even if it does become painful to see that weakness get into the price of the underlying equities as well. That's why this correction looks to me like a gift rather than a warning, and what it sets up for silver alongside gold as well. The fundamental case for gold will see it reach $10-15k over the next few years and that is not a statement I would be putting out lightly if I didn't have fundamental conviction.

PRECIOUS METALS

Now, when it comes to gold, I have been very openly bullish for a few years now and while I have explained why in various ways a few times now, I spent a fair bit of last week with a Luke Gromen interview running in the background while writing and what really struck me in that chat was how he started it, noting he was somewhat confused and fairly comfortable being confused. His line is that if you are not confused you are not paying attention, and the longer I stare at what gold has done lately the more I think that is the only honest position.

As we all know, gold ran to somewhere around $5,600 an ounce earlier this year, then rolled over and has been chopping around the mid $4,000s since. The dollar index is sitting roughly where it has sat for over a year, stuck in the high 90s. The 10 year yields have drifted higher with oil rather than lower. None of those three things is supposed to be true at once, and that tension is the whole story.

Start with the correlation that broke. Gold and the dollar are meant to lean against each other, so a roaring gold price usually comes with a soft dollar. We did not get that, and the way Gromen reads it, letting gold run was the mechanism for keeping the dollar pinned in its range. You can do plenty of things that would normally push the dollar higher, and if you let gold strengthen hard enough alongside them you net the two out and keep the headline index looking boring. Hard to prove, as he admits, but the shape fits my personal model as well. Why want a range rather than a strong dollar? Because both extremes break something, too weak reignites the yen carry unwind, too strong crushes the rest of the world into selling dollar assets. A managed range with gold absorbing the pressure is a rather elegant fix, and elegant fixes usually mean someone clever was in the room.

Ready for the same important statistic again? Gold has overtaken US Treasuries as the largest reserve asset held by the world's central banks, the first time since the mid 1990s, near $4 trillion against roughly $3.9 trillion in Treasuries, and it has passed the euro to sit second only to the dollar. Central banks have bought north of a thousand tonnes a year since 2022, for reasons that have nothing to do with coupons and everything to do with the fact that gold cannot be frozen, sanctioned or printed. Gold is a political metal and the price reads more like a vote than a quote (don’t steal that).

PRECIOUS METALS

Now, as for China's role in all of this, Beijing has spent 15 years trying to buy oil and commodities in its own currency without opening its capital account, and those two wishes fight each other because nobody much wants to hold yuan. So you open the account a crack, through gold. China launched the international board of the Shanghai Gold Exchange in 2014, yuan denominated contracts settleable in offshore yuan, and has let the metal float in yuan terms since. A commodity exporter running a surplus against China can convert that yuan into gold in Shanghai or Hong Kong and walk away with metal. Some analysts push it further, arguing the US gets the weaker dollar it wants while China gets a stronger yuan through the gold link rather than a forced revaluation, since there is zero chance Beijing signs a second Plaza Accord after watching what 1985 did to Japan.

Here is the part that ties it together, as with Hormuz mostly shut and crude up better than 50% before settling into triple digits lately, the bite is second order. When oil spikes, oil importing nations sell Treasuries to raise the dollars they need for energy, because fuel sits higher up the hierarchy of needs than a bond. That feeds the bond market, the soft underbelly of the whole thing, with the US running close to 100% of receipts on entitlements and interest and a net international investment position near negative 88% of GDP. Push yields higher and you slow the economy, receipts fall, deficits widen, issuance climbs, yields rise again. The country that ran 30% debt to GDP in 1980 could shrug at that to at least some extend, but right now? No way.

So you get the choice being laid out here, as I have done on several occasions over the past year. Save the dollar by letting yields run and you wreck the bond market. Save the bond market by printing to cap yields and you debase the dollar. Pick your poison. Do you see why that is so bullish for the metal? Both doors lead to the same room. Insolvency is bullish gold, and printing to cap yields, the likelier path and arguably already underway through several hundred billion in reserve operations nobody talks about, is more bullish still. Rising real rates on an insolvent sovereign is not a reason to sell gold, it is the most bullish setup it can have, because it forces the press.

PRECIOUS METALS

Which brings me to Fort Knox, and yes, I know how that sounds. There has been talk, Trump included, of auditing the gold, and there is a version where the audit is the opening move in something larger. Judy Shelton has been pushing a gold convertible Treasury bond, fifty year paper redeemable in gold at maturity, with chatter about a fourth of July launch. The catch, as Gromen notes, is that it cannot work at today's price, because at $5,000 or even $10,000 foreigners buy the bonds and then demand the gold and drain the vault. The number he floats to make it stick is nearer $20,000, where a 3% long bond becomes something people hold without flinching.

So what is gold's role in all this? Not an inflation hedge in the tired sense, and not a doomsday trinket, although it can server as both. Rather, it is the pivot, the one neutral asset the US leans on to manage the dollar, that China leans on to defend itself, and that the rest of the world settles into when it no longer trusts the paper. Every other anchor is breaking or being fought over, and gold is what every side reaches for when its own gives way. The short term traders will keep telling you to sell it, and they may be right for a quarter. The money that is not paid by the week to look clever sees a world where no major sovereign can afford the rates it is charged, and concludes there is nothing more bullish for the one asset that answers to none of them. Correct me if I am wrong, but I think we have much much further to go from here.

Finally, there is sentiment to take into account, because as you can imagine that has taken a bit of a hit recently. I added two sentiment readings to the next page, courtesy of Simon and Oliver respectively and it’s clear that sentiment has started to wash out again following the recent weak price action. This could be cause for a bounce in the near term, but I wouldn’t be surprised to see sentiment grind down a bit more into a slightly lower to sideways consolidation pattern into the start of Q3. After that, when the full move to $5600 has been digested and sentiment is fully reset, that is when I think we will get a bigger move for silver, but in particular for gold as well.

PRECIOUS METALS

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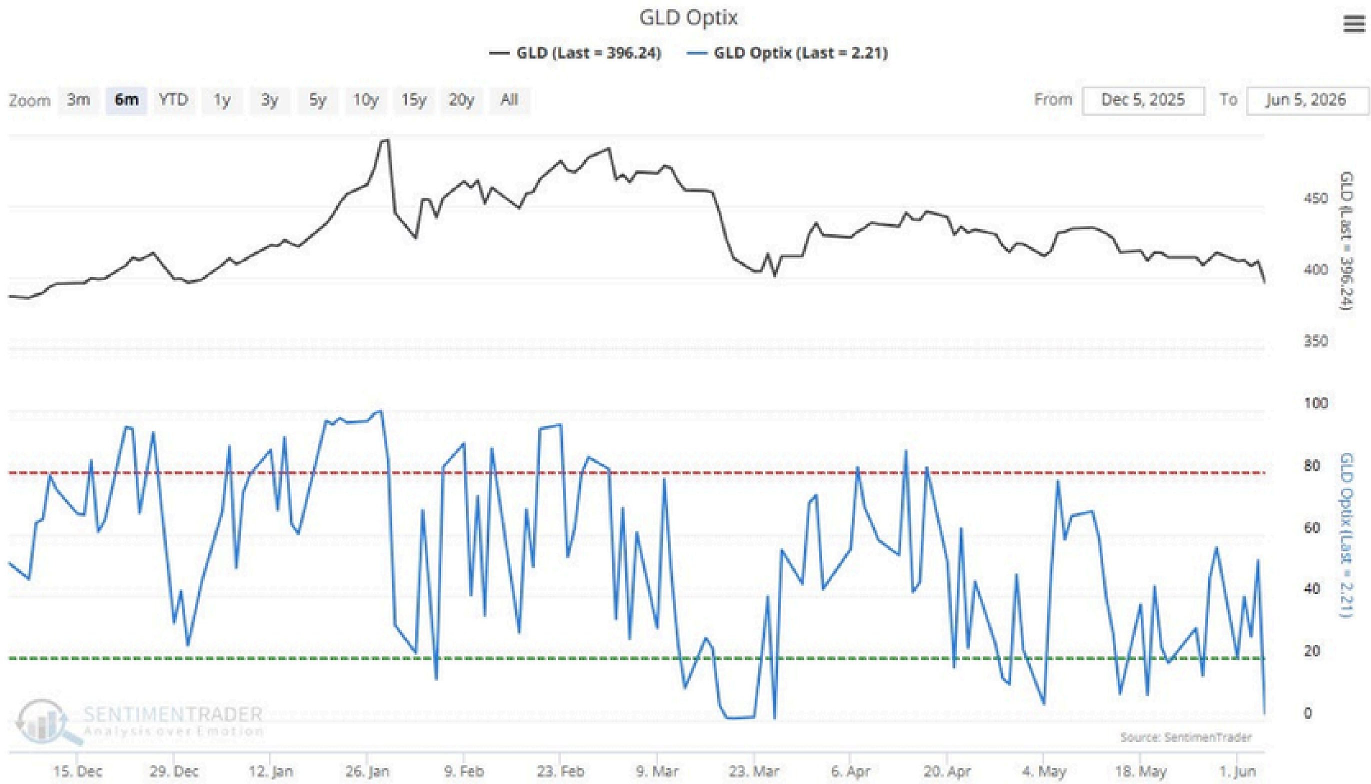


COPPER

Copper is the one corner of the complex where the news from the past few weeks came almost entirely out of Washington rather than out of the mines, which is a story that we have all heard a lot over the past year... Anyway, last week a fresh proclamation tweaked the metal tariffs again, copper included, effective a week later, lowering the US-origin threshold to 85% and handing some targeted relief to the domestic users who actually have to buy the stuff. The bigger event is the one still in front of us though. The Commerce assessment of the US copper market is due to the president by the end of this month, after which he can put duties on refined copper, with the standing recommendation pointing at 15% from the start of next year and 30% a year after that.

You can see the market bracing for it as well, with copper just grinding and grinding upwards. We are looking at around $6.36/Lbs at the time of writing and while that is just a bit below the recent peak, it is still above that August run upwards from last year. Does this price action tell us anything about any particular supply/demand related circumstances? In my view no, not really, the way I read it at least. It is positioning, plain and simple, sitting on top of a trade flow that tariffs have already bent out of shape, with US importers front-running the deadline to the tune of 150,000 to 200,000 tonnes a month and close to a million tonnes now sitting idle in American warehouses while the rest of the world goes short. Underneath all of that, the physical story has not budged, and if anything it has firmed. The main study group flipped its 2026 balance from a small surplus to a deficit of around 150,000 tonnes, the more bearish desks are modeling shortfalls north of 600,000 tonnes, Chilean output is running down roughly 9% on the year, and Grasberg has pushed its full restart out to 2028. The deficit is real and it is building, even if that near term price action is mostly being swung around by whatever political development is the flavor of the month this time.

The uncomfortable part is the timing though. For the next few weeks copper trades on a policy call, not on a balance sheet, and a clean tariff decision or a punt could just as easily end the US stockpiling and unwind the whole arbitrage, knocking the price even as the underlying shortage deepens. Tight market, jumpy tape, and a referee in Washington holding the whistle just in time for the world cup to start as well, prepare for volatility.

CANNABIS & TIN

Regarding US federal cannabis, news related developments come in at... nothing over the past few weeks. The substantive federal action already happened in late April, when the DOJ and DEA moved FDA-approved and state-licensed medical cannabis to Schedule III and lifted 280E for those operators. The window has only been quiet run-up to the next real catalyst, the DEA's expedited administrative hearing on rescheduling all cannabis to Schedule III, which begins June 29, with the hearing roster due to drop around June 22. The only in-window noise was advocacy reaction, with NORML on June 10 arguing the partial move falls short of full descheduling. Worth keeping powder dry for the roster and the hearing, but there is no development worth a paragraph and given how long this newsletter is already getting, best to move along.

What about tin? Same story, no fresh supply or demand catalyst in the window. Tin is sitting around $52,500 a tonne on the LME as of this week, off the roughly $58,900 spike from earlier in the year but still near record territory, and the structural picture is unchanged, with Myanmar's Wa State and Indonesian permit delays throttling concentrate while semiconductor and data-center solder demand keeps pulling, which is what has the market pointing to its first annual deficit since 2021. All of the actual events that drove it, the Indonesian illegal-mining crackdown, the slow Man Maw restart, the Bisie recovery, I have already covered in previous reports, which means it's time for the company news section.

CODEX URANIUM

Cameco, NYSE: CCJ

Cameco and Orano have agreed to buy out TEPCO Resources' 5% stake in the Cigar Lake joint venture, lifting Cameco's interest by 2.871 percentage points to 57.418% and Orano's to 42.582%. Cameco's share of the cost is roughly C$115.75 million (Canadian dollars), with closing expected in Q3 subject to the usual regulatory approvals. TEPCO is the uranium arm of Tokyo Electric Power, so this is another Japanese utility trimming a position it has carried since before Fukushima, the kind of seller Cameco and Orano have repeatedly been happy to absorb.

On Cameco's 2026 guidance of 17.5 to 18 million pounds from Cigar Lake (100% basis), that 2.871-point bump works out to roughly half a million pounds a year of additional attributable production. Why are they doing this? Well, no prizes for guessing, but Cameco is choosing to take on more of one of the highest-grade, lowest-cost pounds on the planet rather than sit on the cash, which reads to me as a company confident it can place every pound it produces, and then some, at prices well above what the term screen is currently showing. Half a million pounds a year does not sound like much against Cameco's overall book, and on its own it isn't. The duration is the interesting part in my view though as Cigar Lake is planned to run to 2036, with a life extension still on the table beyond that. Even on the conservative end, another ten years of that incremental half-million pounds is five million pounds, five million pounds Cameco can fold into a new long-term contract at pricing that almost certainly looks very favorable against the contracts on its books today. Stretch the mine life and the math only improves from there.

This is a stake increase, not a discovery or new development project, so it doesn't move Cameco's production profile in any dramatic way, and C$115.75 million is real money for what is effectively a marginal ownership tweak. But that is rather the point as Cameco is paying up for licensed, permitted, tier-one pounds in a market where those are getting harder to find, and where utilities are increasingly the ones chasing supply rather than the other way around. Scarce, contracted, low-cost production is the asset you want to own more of heading into a tightening contracting cycle. For a company already sitting at the heart of the Western fuel cycle through Westinghouse and its conversion and enrichment interests, adding a few points of Cigar Lake is a small, sensible, and entirely logical move that I am not surprised one bit the company has taken.

CODEX URANIUM

Denison Mines, NYSE: DNN - Cost basis: $0.35 - Percentage allocated: 80%
There was no news to report on.

Energy Fuels, NYSE: UUUU - Cost basis: $1.47 - Percentage allocated: 80%
While recent price action may not show it, the company is doing a lot of things well in my view. White Mesa is on track to produce roughly 1.6 million pounds of finished uranium by June 30, which puts the company inside its full-year guidance range of 1.5 to 2.5 million pounds in six months, which is a nice breath of fresh air given almost the entire supply side below the big names is failing to deliver the goods on time and on budget. That works out to more than 265,000 pounds a month, processed from ore mined at Pinyon Plain in Arizona and the La Sal Complex in Utah (all figures USD for what it is worth).

Costs stay low, which is also nice for a change. Milling at White Mesa is running at historic lows of $9 to $12 per pound, and mining, processing and transport at Pinyon Plain comes in between $23 and $30 per pound. With sales going into contracted utility volumes plus opportunistic spot, cost of sales should keep falling through 2026. The current processing campaign wraps at the end of June to rebuild ore stockpiles, and milling is expected to resume in Q4. Mined ore for the first half is guided to 750,000 to 850,000 pounds of contained uranium, with grades and tonnage expected to rise in the second half.

On rare earths, the Phase 1 circuit modifications start in July, adding heavy REE capability (Sm, Eu, Gd, Tb, Dy) and a circuit to process imported mixed REE carbonates alongside uranium. Those are guided operational late 2027 to early 2028, with Phase 2 targeting roughly 6,300 tpa NdPr, 80 tpa Tb and 288 tpa Dy. As a final note, on the development side, Nichols Ranch drilling has passed 136,000 feet toward an updated technical report and the Whirlwind decline is being dewatered for possible production in 2027.

Bannerman Energy, ASX: BMN - Cost basis: AUD$0.79 - Percentage allocated: 100%
There was no news to report on.

Global Atomic, TSE: GLO - Cost basis: C$1.86 - Allocated: 100%
The latest release from Global is essentially a political support update, which is all nice and well, but a financing update would be more welcome. Beyond that, which I covered in the last report as well, there was no news.

CODEX URANIUM

Devex Resources - ASX: DEV - Cost basis: $0.159 - Percentage allocated: 65%
There was no news to report on.

enCore Energy - NYSE: EU - Cost basis: C$2.81 - Percentage allocated: 100%
enCore put out two releases recently, starting with the one at the start of the month as it reported that initial exploration holes at Alta Mesa East confirmed uranium mineralization extending more than 3,700 feet east of its nearest existing wellfield. Six rigs are turning I believe and of the first 17 holes reported, 10 came back mineralized, six of them carrying a grade-thickness between 0.351 and 2.297. enCore treats anything above 0.3 GT as suitable for a wellfield, so most of these are economic-grade intercepts. The standout hole returned 0.164% U3O8 over 14 feet in the Middle C sand. It is all sitting in the same Goliad Formation sands the Alta Mesa plant already produces from, at roughly 400 to 520 feet depth, which is pretty good in my amateur opinion.

For those of you perhaps less familiar with the project, Alta Mesa East is the 5,900-acre Tacubaya parcel enCore picked up last August, sitting immediately east of and on-trend with the producing wellfields. The full Alta Mesa package runs past 200,000 acres of private land, and that scale is where things can get really interesting for the company. The USGS, in its 2015 Texas Coastal Plain assessment, estimated a mean of 220 million pounds of recoverable, undiscovered uranium across southern Texas, much of it in these same Goliad and related sands. I would not hang that number on Alta Mesa for obvious reasons, it is a regional figure across the whole coastal plain, but a land position this large sitting directly on the roll-front trends has a genuine shot at converting a meaningful slice of it. The plant itself already produced close to 5 million pounds between 2005 and 2013 before low prices shut it in. The Alta Mesa CPP can run at 1.5 million pounds a year, with another 0.5 million pounds of drying and packaging capacity, and enCore holds 70% of it alongside Boss. A built, licensed plant is only worth what you can feed it though (if you can get past the production troubles they have faced so far of course) and every fresh roll front at Alta Mesa East extends the runway on an asset that is already producing. The release just a few days later covered the completed first phase of the Upper Spring Creek satellite ion exchange plant, the largest satellite enCore has built. It is running at 1,600 gallons per minute, half of planned capacity, with the doubling to 3,200 gpm targeted by the end of July and operations expected late this year. That resin feeds the Rosita plant. Across both releases, the gating factors are the same ones that always govern ISR growth here, rigs in the ground and permits in hand. If they are to turn this ship around, Alta Mesa needs to deliver the goods.

CODEX URANIUM

Cosa Resources, TSX: COSA - Cost basis: C$0.31 - Percentage allocated: 80%

My favorite Basin explorer and it's clear to see that there are plenty of others who agree with that, as Cosa raised its financing target in the space of a day. The bought deal it announced last week started at C$5 million (all figures Canadian dollars), and by the next day the company had amended the agreement up to roughly C$12.0 million. The structure is a mix of common shares at C$0.60, flow-through shares at C$0.70, and two tranches of charity flow-through at C$0.87 and C$0.99, with Velocity Trade and Haywood running the book. Denison Mines, Cosa's largest shareholder, has said it will participate through the pre-emptive and top-up rights it holds under the January 2025 investor rights agreement, which lets it hold its position rather than get diluted down. Closing is expected around the last week of this month.

More than doubling a bought deal inside 24 hours tells you the demand was there, and the flow-through component does some useful work as the bulk of that cash is ring-fenced for Canadian exploration expenses in Saskatchewan and gets renounced to subscribers for tax purposes, so Cosa is effectively funding its drilling with dollars that cost it less than a straight equity raise would. If you have to go into the market to raise, better do it right and big enough now that the share price is still relatively elevated. The cost is dilution of course and at C$0.60 on the common shares it adds up for existing holders, but a roughly C$12 million treasury going into the main field season still leaves Cosa drilling from a position of strength.

They will need that war chest as well, because Cosa laid out a 6,000-metre, 15-hole program at Murphy Lake North a few weeks ago, its largest to date, commencing in a few weeks. It follows up the winter intercept of 5.0 metres averaging 0.55% U_3O_8 around 265 metres deep on the Cyclone trend, which remains open along strike for 600 metres in both directions. Murphy Lake North is 2.7 kilometers east of IsoEnergy's Hurricane deposit on the Larocque Lake trend, and VP Exploration Andy Carmichael has flagged that the Cyclone alteration looks similar to Hurricane, with nickel and cobalt turning up alongside the uranium, the same pathfinder signature seen at Key Lake, Cigar Lake and Hurricane. Cosa holds 70% and operates the project, with Denison funding its 30% to keep pace. A funded balance sheet, a major shareholder leaning in, and the biggest drill program in the company's history all landing at once make for a constructive setup going into the summer. Whether any of it turns into a discovery is still unanswered, so we will wait for that and cross the exploration bridge when we get to it.

CODEX OIL AND GAS

Valaris - NYSE: VAL - Cost basis: $36.34 - Percentage allocated: 75%

There was no news to report on.

Petrotal Corp - TSE: TAL - Cost basis: C$0.52- Percentage allocated: 100%

There was no news to report on.

CODEX PRECIOUS METALS

AbraSilver - CVE: ABRA - Cost basis: C$0.33 - Percentage allocated: 50%
There was no news to report on.

Andean PM - CVE: APM - Cost basis: C$0.64 - Percentage allocated: 75%
There was no news to report on.

Rio2 - CVE: RIO - Cost basis: C$0.55- Percentage allocated: 50%
There was no news to report on.

Integra Resources - NYSE: ITRG - Cost basis: $0.79 - Percentage allocated: 75%
There was no news to report on.

Minera Alamos - CVE: MAI - Cost basis: C$3.50- Percentage allocated: 100%
While there was no news to report on, I thought it would be good to repeat what I noted in the last newsletter as well around Copperstone, just to put into perspective the upside potential that is still very much in place for this name, as we are not invested in Minera for just the Pan mine), the pre-feasibility study on Copperstone in Arizona. At a base case gold price of $3,500 the project throws off an after-tax NPV of around $374 million, an internal rate of return of 108%, and payback in just over a year, and if you run it near recent spot pricing, call it $4,500, the NPV jumps to roughly $537 million with an IRR above 150% and payback under ten months.

That is great by any standard and that only covers around 75% of the current market cap of the company, meaning that if you value them at 1x NPV at $4500 gold, you get 25% of Coppertstone and the rest for free on paper. The mine plan is modest, and that is rather the point, an initial life of around six years producing some 290,000 ounces, averaging roughly 46,000 ounces a year at all-in costs near $1,300, which is a far fatter margin than Pan earns today. Initial capital is only about $58 million against sustaining capital of roughly $77 million, so the NPV-to-capex ratio sits somewhere between 6 and 9 times depending on which gold price you trust, the project is fully permitted, and the board has already made the formal call to build, with first gold targeted around the middle of next year. Once it ramps, Copperstone more than doubles the company's annual output. Minera remains a firm part of the gold portfolio.

CODEX PRECIOUS METALS

Outcrop Silver - CVE: OCG - Cost basis: C$0.17 - Percentage allocated: 75%

Outcrop reported a fresh batch of drill results from the Aguilar target at Santa Ana in Colombia last week. The standout holes came out of Aguilar NEW, a newly recognized structure in the northern part of the target. DH604 returned 0.80 metres estimated true width of 1,405 g/t silver-equivalent, including a 0.23-metre core of 2,820 g/t AgEq. DH621 cut 0.60 metres of 1,660 g/t, and DH568 cut 0.76 metres of 1,157 g/t with a 0.26-metre core running 3,328 g/t. Aguilar N, the other principal structure, added 0.49 metres of 1,374 g/t in DH596.

These are bonanza grades in the traditional sense sure, but with the caveat that comes attached to most of these Colombian vein systems, which is that the widths are narrow, mostly sub-meter true widths, and the very high numbers come from tighter cores within them. The company has always been straight about that in their search for a total system that comes in at around 100 million ounces of some of the highest grade silver on the planet. Aguilar NEW and Aguilar NEE are newly recognized vein structures that several holes have now confirmed, and the principal Aguilar trend has been traced 1.6 kilometers along strike. More structures across the same ground is what builds the case for additional resource blocks later on, and that is the point CEO Rob Bruggeman touched on as well. To Outcrop's credit, they also reported what did not work. Step-out holes in the southern extension confirmed the structure continues but came back without significant mineralization. I would rather see that in the release than left out of it.

All of this feeds the updated mineral resource estimate, which the company says is now underway. The starting point is the 2023 maiden resource of 24.2 million ounces AgEq indicated and 13.5 million inferred across seven vein systems, and the current campaign has now hit mineralization in six of them. Santa Ana spans more than 28,000 hectares along a 17-kilometre permitted corridor, and Aguilar is shaping up as one of the bigger contributors to whatever the update prints. Outcrop strikes its silver-equivalent grades at US$32 per ounce silver and US$2,760 gold. Silver is trading around US$60 an ounce this week, even after a sharp pullback over the past month tied to the Iran escalation and shifting rate expectations, so the reported grades are calculated on a silver price near half of spot. The numbers that already read high are conservative against where the metal actually changes hands today and could change hands in the future if silver goes on another run.

CODEX 'OTHER'

Westwater Resources - NYSE: WWR - Cost basis: $0.69 - Percentage allocated: 70%

I can't believe I am repeating this again, but given what the share price action has done recently, I feel obligated to do so. Westwater dropped its Q1 update earlier this month and while I covered this in the last newsletter as well, it's worth going over again given the frustrating price action. The read here is one of, you guessed it, frustration tempered by the fact that the underlying value proposition, believe it or not, is still there. Let me set the table on the numbers before sharing some of my frustration. Phase 1 of the Kellyton Plant carries a capex estimate of $245 million with roughly $19 million of untouched contingency, and approximately $29.6 million has been invested into the project since inception (the project as a whole has had over $130 million put into the ground when including prior periods). Phase 2 of Kellyton, per the DFS completed early last year, carries a capex estimate of $453 million with 20% contingency, a pre-tax NPV of $1.4 billion at an 8% discount rate, $6.3 billion of cumulative pre-tax cash flows across a 35-year operating life, a 31.8% IRR, and $192.6 million of estimated annual pre-tax cash flow. The Coosa deposit, which is designed to feed Kellyton as the upstream supply piece, carries its own standalone pre-tax NPV of $229 million at 8% and $714 million of pre-tax free cash flow. Add those together and you have over $1.6 billion of pre-tax NPV against a market cap sitting around $80 million.

So where does that leave us? An asymmetric value setup with over $1.6 billion of identified pre-tax NPV across Kellyton Phases 1 and 2 plus Coosa, against a market cap a under 4% of that figure. A pre-production industrial company that has built the buildings, has equipment partially installed, has a qualification line running in 1-ton batches and shipping samples to multiple customers, and could receive government support. Set against that, a financing process that has been "weeks away" for the better part of like 18 months, a recently terminated offtake, and a share price reflecting that fatigue. I am holding the name for the same reason I held it all this time (even when taking profits), which is that the asymmetric setup remains intact, but financing is needed. The patience required is now measured in quarters rather than weeks, and the back half of 2026 needs to deliver something more concrete than another round of "actively engaging".

The share price action has been frustrating, but it makes it easier to hold for the potential upside given we sold 30% of the holding during that run to ~$4 in October, completely de-risking the holding and taking some profits. Now they need to deliver if we are ever to see that $4+ range again. If I didn't have at least a bit of faith, they wouldn't be here today.

CODEX 'OTHER'

Aldebaran Resources - CVE: ALDE - Cost basis: C$0.79 - Percentage allocated 80%

There was no news to report on.

ASP Isotopes - Nasdaq: ASPI - Cost basis: $3.84 - Percentage allocated: 100%

There was no news to report on.

Comstock - NYSE: LODE - Cost basis: $2.36 - Percentage allocated: 100%

There can be a variety of reasons why someone from a company management team or another insider would sell a stock, think of paying taxes or covering personal expenses. On the flip side, unless someone is a big fan of setting their money on fire, they usually buy for just one reason and that reason is that they believe the company they work for will provide value going forward that will result in an appreciation in the share price. Well, looking at the table of insider buying of common stock below, you can see that since April (and for the first time in nearly 2 years) there was a significant amount of insider buying to the tune of over $3 million and including board members. Whatever the reason may be that spurred on this buying, whether related to confidence in the commissioning and subsequent production of the facility that should be just around the corner or the sale of mining assets and/or SSOF, it's clear that management is very enthusiastic about the company's prospects (as I extensively covered in that separate report on Comstock as well). If they deliver on their near term goals, this stock can easily double before the end of the year in my view.

Common stock purchase or sale:

Transaction Date	Reported DateTime	Company	Symbol	Insider Relationship	Shares Traded	Average Price	Total Amount	Shares Owned	Filing
2026-06-03 Purchase	2026-06-03 6:43 pm	Comstock Inc.	LODE	SPENCE ROBERT Director	24,410	$3.97	$96,908	32,403 (Direct)	View
2026-06-01 Purchase	2026-06-03 6:43 pm	Comstock Inc.	LODE	Pei Steven Yu-Tsung Director	360,000	$4.0185	$1,446,677	1,890,980 (Indirect)	View
2026-06-03 Purchase	2026-06-03 6:42 pm	Comstock Inc.	LODE	DEGASPERIS CORRADO CEO	10,682	$3.975	$42,461	181,500 (Direct)	View
2026-06-03 Purchase	2026-06-03 6:42 pm	Comstock Inc.	LODE	Drozdoff Leo M Director	7,000	$4.11	$28,770	193,474 (Direct)	View
2026-05-13 Purchase	2026-05-14 5:41 pm	Comstock Inc.	LODE	Pei Steven Yu-Tsung Director	424,559	$3.3844	$1,436,865	1,530,980 (Indirect)	View
2026-05-12 Purchase	2026-05-12 4:19 pm	Comstock Inc.	LODE	DEGASPERIS CORRADO CEO	35,000	$2.89	$101,150	170,818 (Direct)	View
2026-03-30 Purchase(A)	2026-04-02 06:07 am	Comstock Inc.	LODE	Drozdoff Leo M Director	28,000	$3	$84,000	178,481 (Direct)	View
2026-03-30 Purchase	2026-04-01 4:16 pm	Comstock Inc.	LODE	Merrill Judd Chief Financial Officer	3,700	$3.08	$11,396	4,210 (Direct)	View
2026-03-30 Purchase	2026-04-01 4:15 pm	Comstock Inc.	LODE	Drozdoff Leo M Director	28,000	$3	$84,000	178,481 (Direct)	View
2024-08-14 Purchase	2024-08-14 5:05 pm	Comstock Inc.	LODE	Drozdoff Leo M Director	200,000	$0.146	$29,200	600,000 (Direct)	View
2024-05-28 Purchase	2024-05-28 6:22 pm	Comstock Inc.	LODE	BOBBILI RAHUL Chief Engineering Officer	25,000	$0.254	$6,350	1,100,000 (Direct)	View
2024-05-20 Purchase	2024-05-20 4:19 pm	Comstock Inc.	LODE	BOBBILI RAHUL Chief Engineering Officer	25,000	$0.2903	$7,258	1,075,000 (Direct)	View
2024-05-17 Purchase	2024-05-20 07:28 am	Comstock Inc.	LODE	DEGASPERIS CORRADO Executive Chairman and CEO	1,250,000	$0.4	$500,000	1,358,180 (Direct)	View
2024-05-13 Purchase	2024-05-13 4:09 pm	Comstock Inc.	LODE	BOBBILI RAHUL Chief Engineering Officer	25,000	$0.25611	$6,403	1,050,000 (Direct)	View
2024-05-09 Purchase	2024-05-10 12:41 pm	Comstock Inc.	LODE	MCCARTHY WILLIAM JOSEPH Chief Operating Officer	15,000	$0.2569	$3,854	1,542,000 (Direct)	View
2024-05-07 Purchase	2024-05-08 4:08 pm	Comstock Inc.	LODE	BOBBILI RAHUL Chief Engineering Officer	25,000	$0.25072	$6,268	1,025,000 (Direct)	View
2023-11-09 Purchase	2023-11-09 6:33 pm	Comstock Inc.	LODE	Drozdoff Leo M Director	40,000	$0.465	$18,600	400,000 (Direct)	View
2023-10-27 Purchase	2023-10-30 5:50 pm	Comstock Inc.	LODE	MCCARTHY WILLIAM JOSEPH Chief Operating Officer	27,000	$0.40559	$10,951	3,051,000 (Indirect Direct)	View
2021-11-29 Purchase	2021-11-29 6:36 pm	Comstock Mining Inc.	LODE	Drozdoff Leo M Director	36,760	$1.65	$60,654	360,000 (Direct)	View

CODEX 'OTHER'

LibertyStream - CVE: LIB - Cost basis: $0.45 - Percentage allocated: 100%

LibertyStream is starting to really deliver the goods as they have shown to be an execution machine over the past few months (or years one could argue). The company signed a term sheet for a long-term lithium carbonate offtake with a leading American industrial customer, with a definitive deal expected inside 30 days. The opening tranche is 600 tonnes a year from 2027, shipped quarterly, roughly 60% of the planned output of Facility 1, their first commercial plant at Select Water Solutions' site in Howard County, Texas. Pricing is locked for the first two years, though they have not given us the number, which is the one detail I would most like to see and hopefully we receive that when everything is locked in for the definitive deal. Around that sit negotiations with more than 5 additional feedstock providers and more than 5 additional offtake partners, plus an MOU with Packet Digital. For a company that has spent years grinding through field validation and sampling, this is the hinge where a technology story becomes a producer story and for those of us most familiar with commodities, that is when things start to get good.

What makes the math worth a closer look is the cost side as well, which we got a bit more clarity on. Management pegs all-in operating costs at roughly $6,200 a tonne at steady-state scale, royalties to Select included. Quick note on that though, this number came from the data from the pilot plant and as I noted in one of the previous updates, opex is likely to improve with the more advanced gen models from the company, like gen 6. We will likely get more clarity on this down the road, but let's run with $6,200 for now. Drop that onto the global cost curve and LibertyStream sits comfortably in the money, well under the high-cost Chinese lepidolite that tends to set the marginal price somewhere in the $12,000 to $20,000 band, even if it is not as cheap as the best South American brine down near $4,000 to $5,000, but it’s close. They make money across a wide range of prices, which is exactly what you want from a producer walking into volatile price action of the underlying commodity. Let’s have some fun with a model shall we? Scaled to the 10,000 tonnes a year their own demand pipeline implies through 2029, which is effectively ten of these facilities running side by side, things get really interesting. Worth setting the price backdrop straight first. Lithium carbonate has ripped this year, nearly doubling off its 2025 lows and pushing battery-grade spot to around $24,000 to $25,000 a tonne, the highest in a few years. How do I plan to model this? I would treat the current price as the bull case, given how fast price has ran up. The base case at $20,000 is a modest pullback toward the consolidation band that has been holding, and the bear case at $15,000 would take a genuine correction, though even there the operation prints money at a $6,200 cost.

CODEX 'OTHER'

LibertyStream - CVE: LIB - Cost basis: $0.45 - Percentage allocated: 100%

Run the three through that hypothetical (because we don't know what 2029 will look like for them) 10,000 tonnes and the spread is wide. At $15,000 lithium you clear roughly $8,800 a tonne and pull in something like $88 million a year in operating cash flow. At $20,000 that widens to about $138 million. At $25,000, which is more or less where the price is today, you are looking at close to $188 million. Treat those as a gross operating margin for the sake of this model and remember, a lot can change.

Now the part that does the real work, which is the multiple you are willing to hang on that cash flow. I have seen figures as high as a 30x multiple, but personally, I would say 10x is what I would call the disciplined number. It is the multiple you put on a de-risked, scaled, low-cost producer of a strategic commodity once the market trusts it to deliver, sitting at the upper end of where quality producers trade in a normal tape, which I think is fair given the domestic supply, the tariff wall keeping Chinese material out, and an asset-light setup that reads more like infrastructure than a conventional mine. On the base case, ten times lands the business near $1.4 billion. The bear price pulls that back toward $900 million, the bull price pushes it close to $1.9 billion.

But, LibertyStream is a unique case and I would say 15x is the number the market actually reaches for when it decides a name is a strategic must-own rather than one more miner in the pile. We have watched domestic critical-minerals plays re-rate to multiples that would make a seasoned commodity analyst wince, carried there by supply-security premiums, government backing, and a genuine scarcity story. If LibertyStream earns that badge as basically being an industrial commodity producer, the base case is worth something like $2.1 billion, the bull case closer to $2.8 billion, and even the bear case holds around $1.3 billion. Against a market cap of around $170 million at the time that I am working on this model, the gap between that starting point and any of these figures is the entire reason why I went so heavy on this name over the past few months, as a return between 6x and 17x over the next few years is what I would consider a potentially very outsized return. The interesting part is that it's unlikely to stop there if everything works according to plan and if lithium pricing continues to remain in that $20-25k range and the market views an even larger production pathway ahead for the company, we could be talking about much higher numbers. Again, we could even see costs dropping going forward if the gen 6 models and beyond deliver the proverbial goods, but even with that $6,200 figure, the economics look 'best in class' and that I why I remain very bullish on the company.

CODEX 'OTHER'

LibertyStream - CVE: LIB - Cost basis: $0.45 - Percentage allocated: 100%

While we are having fun with this model, we could just as easily run this whole experiment at the 2022 peak, when lithium carbonate was changing hands north of $80,000 a tonne if I recall correctly, and the output would look frankly silly ($11.1 billion market cap at a 15x multiple). I am not going to waste your time with that math, because I do not believe we are getting back there. That spike did exactly what brutal spikes are supposed to do, in commodities which is summon a wall of new supply and a frenzy of exploration that the market is still digesting years later, and that overhang is a good part of why prices spent so long in the gutter afterward. So I treat $25,000 as the working foundation for the bull case rather than a waypoint to something giddier. Anything north of that is gravy, a windfall I am happy to enjoy if it shows up but unwilling to underwrite right now for pretty obvious reasons. Build the thesis on the base case, let the bull case add some more excitement and go from there.

Now for some cold water, because it earns its place too and otherwise I wouldn’t be doing my job. Every one of those figures assumes the full build gets financed and delivered, and the road from a single 600-tonne tranche to 10,000 tonnes a year is years of capital, and it could well include further equity raises if they don’t receive government support or another form of financing (which to be fair, just got a lot more likely following this deal and any government support, which is possible, would be a massive boon). That capital need is part of why I would not be shocked to see a sizable grant or strategic funding package surface, given how many feedstock and offtake conversations are running at once. The $6,200 cost is a steady-state estimate, but will it look the same at a full scale facility? Hopefully, but I like to be conservative on that front. Facility 1 is not built yet. The lithium price itself, the single largest swing in the model, is sitting near multi-year highs after a near-vertical run, with the price reporters and more than a few analysts warning the rally has outpaced fundamentals on thin liquidity.

Put it together and in my opinion setup here is great with a US, low-cost, infrastructure-light way to turn oilfield wastewater into a strategic commodity for Us industrial buyers, at the exact moment the country is trying to wean itself off Chinese supply and the exact moment lithium itself has come roaring back to life. Execute while prices hold anywhere near here and the reward is potentially enormous, comfortably several times where the stock trades today. The whole thesis still rests on two things, that they actually build it to scale over the coming years and what lithium price they will get for that production.

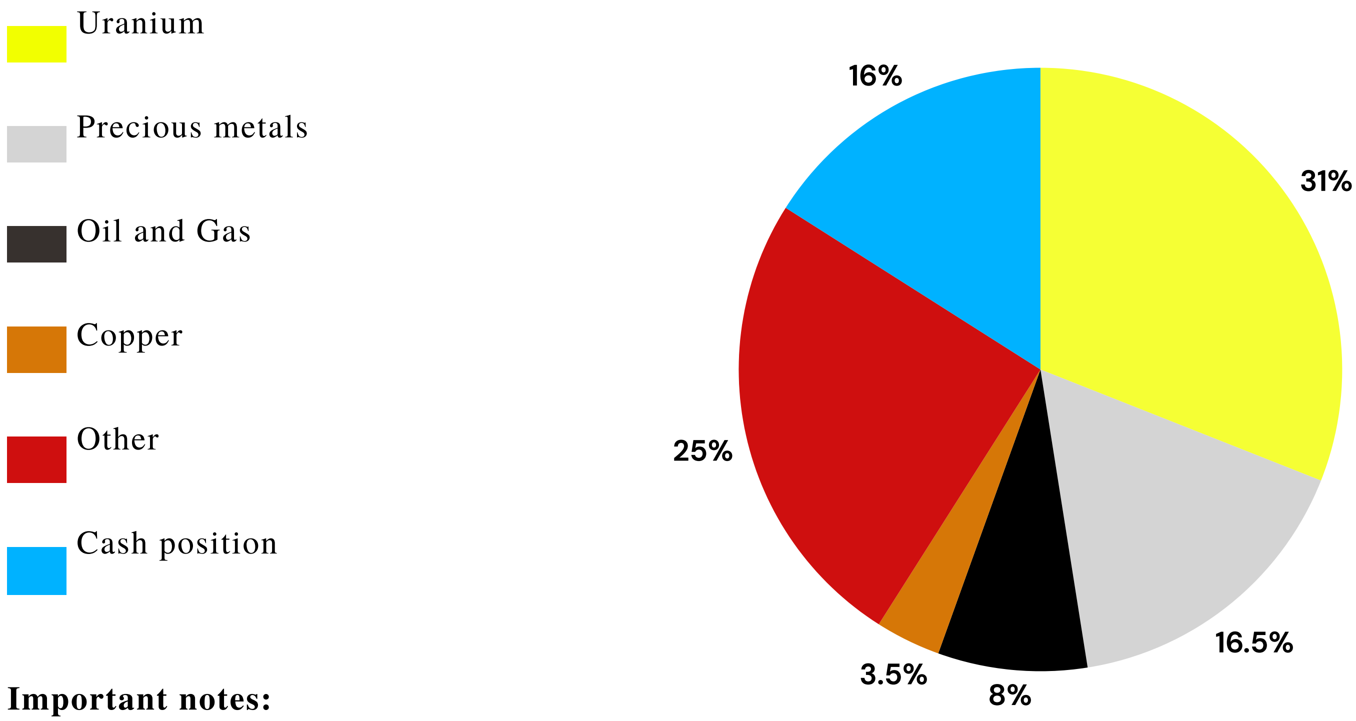
CODEX 'OTHER'

Merlin Labs - NASDAQ: MRLN - Cost basis $6.03 - Percentage allocated: 75%

While there was no news to report on, the company is making its way back to around that $6 range where I would argue it is a good time to start buying more if you don't have a position yet and it fits your risk tolerance and portfolio strategy. The full deep dive published covers the thesis in detail, so I am not going to repeat all of it here, but I do want to lay out why this earned a spot and what I am watching going forward. The catalyst calendar is what makes this worth covering on a recurring basis. C-130J Critical Design Review is expected in the second half of this year. Q2 earnings should be interesting. Additional sell-side coverage is likely coming. NZ CAA SOI-3 certification progress and KC-135 program expansion are both on the horizon. There are aslo absolutely risks involved for this new post-SPAC entity, so please keep that in mind as I extensively covered those in the seperate analysis piece. My numbers from the deep dive real quick: Bear case roughly $16 (or $0 if they don't deliver anything, which is always possible), Base case roughly $77, Bull case roughly $216. Always do your own due diligence.

CODEX PORTFOLIO ALLOCATION

Total portfolio allocation per sector



Important notes:

- ‘Percentage allocated’ points to how much room I am leaving to add to any particular position. This could be either due to the position already being de-risked, waiting on specific catalysts to materialize, not having gotten another buy opportunity yet etc
- Just because a position is still underweight or not fully positioned, does not mean I don't have conviction in the company, as per the point above. Please keep in mind that the allocations include more than just the portfolio holdings themselves, which can shift depending on buying and sales and I try to reflect my personal portfolio as well. It's not a perfect calculation, rather just an overview to reflect the allocation generally.

Priority for the coming months:

- We raised a bit more cash following the sale of F3 Uranium and Guanajuato Silver, with both locking in solid profits of 36% and 220% respectively. Merlin was added.
- The PHYS reserves will be kept in place as I believe that over the longer term, despite the recent volatility, the gold price will be going a lot higher over the coming years.

That's a wrap for this week's newsletter and I hope that it proved to be informative. I have a very insightful interview coming up next week with the always brilliant Uzo Capital to discuss some very interesting names, both those part of the portfolio and some new names as well if we have the time. Stay tuned for that and in the meantime I hope that you have a good and healthy rest of your day and weekend, cheers! ~Mart

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