CONTRARIAN CODEX

Extra newsletter edition

(21-09-2026)

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In this newsletter:

THE COMING MONTH

Welcome back everyone and I hope that you are all holding up well and having a good day as you're reading this and that's right, while we already had a ~60 page newsletter this month and then a 30+ page WNA report, as well as several updates and interviews, there is one more extra newsletter edition in the tank before I will actually be away from the desk for what feels like the first time in... well, some time. In this extra newsletter I will again go over the fiscal framework that is pulling on the market and on prevailing fiscal policy right now, as well as how that is likely to end, how it will affect equities, what is going on on the physical market front and with term contract in uranium, another look at oil flows and oil pricing and more. I hope that it proves to be an informative extra newsletter report.

Now, even though the next real newsletter is scheduled for the end of October, I have ensured that there will be plenty of content in the pipeline while I am away from the desk. In fact, There will be content every single Tuesday and Thursday! Those will include updated analysis pieces, including valuation models, for Mining Americas and Global Atomic, given the news we saw for both companies (CdO permits for MAI and updated price estimates and the financing news for GLO), as well as a renewed piece on uranium mining in Western Australia and how it can (and can't) impact the market and/or your uranium portfolio. On the interview front, there is a lot of content on the way with interviews over the coming weeks with Oceanwall's Ben Finegold, Comstock, LibertyStream, Bannerman Energy, and Cauldron Energy, so stay tuned for what should be a large batch of very insightful conversations.

Lastly, and again I cannot mention this often enough, a genuine thank you to you all for all the support over the past few weeks, it means the world to me.

MACRO ANALYSIS SUMMARY

Starting with a summary of the most important points of this report's macro section and again, credit to Luke Gromen and Lyn Alden for some great insights to go with my own macro fraemwork as well, it makes for an even more complete picture. Social Security, Medicare, Medicaid, veterans' benefits and net interest swallowed roughly 95% of the $4.85 trillion Washington collected over 11 months of this fiscal year, with those lines growing about 8.5% against receipts up 3%. Military spending pushes the tally past 110%. Ouch. Cut what, though? Entitlements and defense won't budge with the Iran conflict unresolved and a midterm 6 weeks out, and slashing either would trigger a recession that widens the deficit. Fitch sees deficits of 7.4% of GDP this year and next, a far cry from Bessent's 3% by 2028, which leaves rates as the only lever, and the only direction that helps is down.

Net interest already jumped 12% to about $1.05 trillion before the recent hike added fuel. With public debt above 100% of GDP, hikes hand retirees in money market funds a raise, so part of every hike comes back as stimulus, and a full Volcker 8% would push the deficit toward $4 to $5 trillion. How exactly does that cool inflation? Diesel cracks set records near $108 a barrel, and employers expect health benefit costs to rise about 8.2% in 2027. That same medical inflation reprices entitlement promises automatically and turns a huge chunk of the budget into a hard currency liability.

The 10-year hit 5.04% and the 30-year topped 5.42%, yet pensions and life insurers never showed up. From what I can tell, private credit explains much of that, since dumping those unmarked assets for 5% Treasuries would force capital-eating losses. So who funds a $2 trillion deficit at 5%? Increasingly the Treasury itself, with doubled long-end buybacks amounting to the softest form of yield curve control, which my MOVE framework reads as a Treasury credibility problem. Bessent declared himself the house, then a disappointing buyback pushed the 10-year up 11bp in a day, so much for that. Hyperscalers compete for the same capital, and roughly 70% of federal receipts come straight out of paychecks, the very payrolls AI is supposed to shrink.

A gradual grind remains my base case, with the Bank of England's 2022 gilt U-turn as the template for a balance-sheet hawk buying bonds, though a nonlinear air pocket can't be ruled out with insurers this stretched. The way I see it, they will keep stepping in before the long end breaks, venting the pressure through the dollar. Financial repression is the lower rates they need, with hard assets the durable position on the right side of it. Anyone waiting for a credible fiscal path should ask whether it cuts entitlements or defense, and how many votes that plan wins 6 weeks before a midterm.

MACRO ANALYSIS

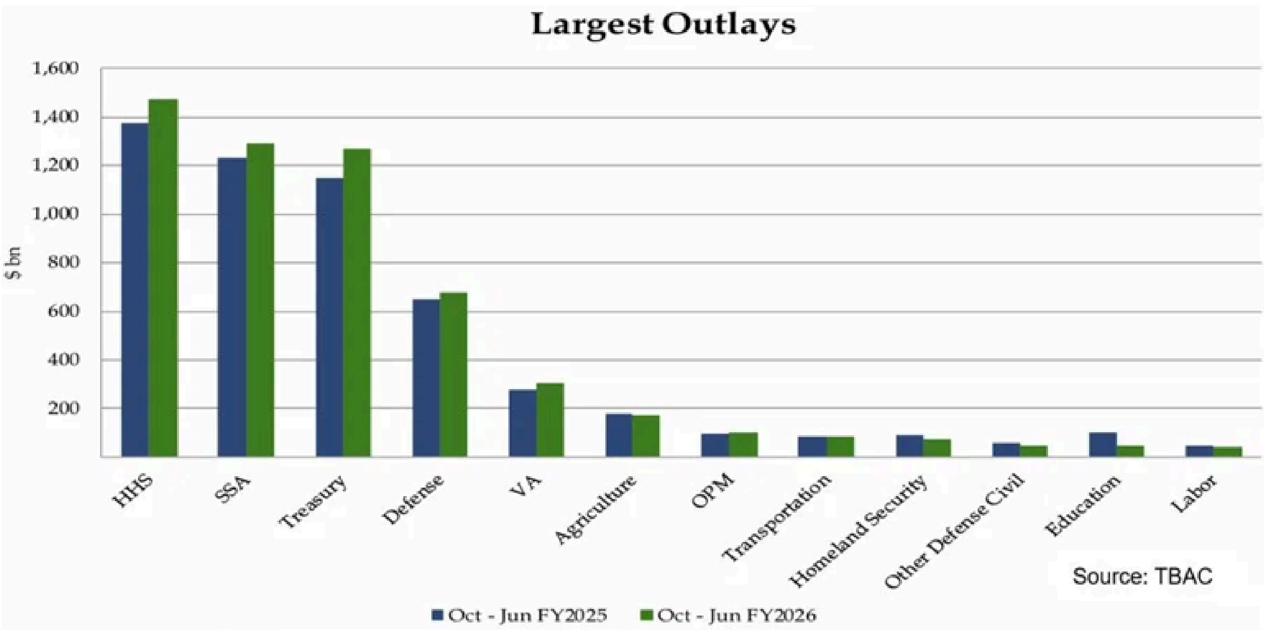
What better way to start this macro section than with another look at the fiscal backdrop that we are dealing with, given that it drives every policy associated with it. I will make some mention to Luke Gromen and Lyn Alden as well, as they shared some great insights on this front that tied in well with my own macro model on a recent podcast, so I will refer to some of those insights here as well between my own work. Social Security, Medicare, Medicaid, veterans' benefits and net interest on the debt swallowed roughly 95% of every dollar Washington collected over the first 11 months of this fiscal year, and that is before the Pentagon gets a single cent. Receipts came in around $4.85 trillion by CBO's latest monthly review, up about 3% on the year, while those 5 lines together ran close to $4.6 trillion and grew somewhere around 8.5% once you adjust for payment timing, if I'm reading CBO's tables right. Put military spending on top and the tally clears 110% of receipts, so everything else the federal government does, from air traffic control to the national parks, runs on borrowed money, if you will. Ouch. Net interest alone grew about 12%, and with every dollar of new deficit borrowed at today's higher yields, the fiscal reflexivity trap from my reference piece keeps feeding on itself.

Through the first 3 quarters of the fiscal year, Treasury Department outlays, which are mostly gross interest, rose about $120 billion or 10%. Health and Human Services added roughly $98 billion or 7% on Medicare and Medicaid, and the Social Security Administration another $63 billion or 5% on cost-of-living adjustments, more beneficiaries and the Social Security Fairness Act. Veterans Affairs rose about $27 billion or 10%, per the Treasury Borrowing Advisory Committee breakdown, and military programs tacked on another $31 billion. The savings everyone keeps promising showed up as a 55% drop at the Department of Education, mostly a downward revision to the estimated cost of outstanding student loans rather than money that stopped going out the door, and a 20% drop in the catch-all other bucket from lower EPA and FEMA payments and smaller Commerce outlays. Accounting re-estimates and small agencies shrank while every line big enough to move the needle grew, because of course it did.

Announce a spending restructuring plan and a credible fiscal path and the bond vigilantes will take their profits and run, or so goes the popular prescription every time long yields spike. Cut what, though? No that's not a rhetorical question, cut what?

MACRO ANALYSIS

Washington only really has 3 things it can cut, entitlements and veterans' benefits, defense, or rates, as Luke rightly put it. Cutting either of the first 2 would tip the economy into recession and likely cause unneeded unrest and with federal spending close to a quarter of GDP, that recession would crater receipts and trigger automatic stabilizers until the deficit ends up wider than it was before the cuts, in my book. Take a look at the data set below, courtesy of Luke as he posted it on X, and it will tell you all you need to know. Wall Street keeps waiting for a fiscal U-turn that the math simply doesn't allow. If we need a cut, it has to be on deficit spending and if we need a release valve, it’s going to have to be the USD.



Notable Outlay Category	YoY change thru Q3 FY 2026 ($ billion)	YoY change thru Q3 FY 2026 (%)	Comments
Department of Treasury	+$120	+10%	Increased due to higher gross interest primarily as a result of higher levels of debt.
Health and Human Services	+$98	+7%	Increased due to Medicare and Medicaid spending.
Social Security Administration	+$63	+5%	Higher due to implementation of the Social Security Fairness Act, increases from cost-of-living adjustments (COLA), and increased number of beneficiaries.
Military Programs	+$31	+5%	Increased due to military personnel, procurement, and research and development.
Department of Veterans Affairs	+$27	+10%	Higher due to compensation and pension as well as increased spending per person and use of health care facilities.
Department of Education	-$55	-55%	Lower due to net reductions in the estimated costs of outstanding student loans.
Other	-$112	-20%	Decreased due to lower EPA disbursements, lower FEMA payments, lower Commerce outlays, and higher receipts for interest received for trust funds.

MACRO ANALYSIS

Defense is off the table with the Iran conflict unresolved and the munitions attrition I have been covering in the conflict series needing to be replaced at some point. When Fitch affirmed the US rating in August, it named higher military and interest costs, alongside rising Medicare and Social Security spending, as the forces limiting any effort to bring the deficit down. Fitch sees the general government deficit widening to 7.4% of GDP this year from 6.8% in 2025 and holding there in 2027. That is the highest of any AA-rated sovereign and a far cry from the 3% by 2028 that anchored Bessent's 3-3-3 pitch. Good luck finding a politician willing to go near Social Security or Medicare roughly 6 weeks out from a midterm, or 6 weeks after one either, or ever. That leaves, to the surprise of exactly 0 people, rates. If the 2 biggest buckets are frozen and you still want the deficit to shrink, or at least stop outgrowing the economy, the interest bill is the only line left to move and the only direction that helps is down even if it sparks more inflation.

Net interest on the public debt ran about $1.05 trillion over the first 11 months of the fiscal year, up 12%. CBO noted that lower short-term rates had partially offset the drag from a bigger debt stock and higher long rates, a cushion the recent hike now flips into reverse. Everybody's mental model for rate hikes is the 1970s, when inflation was driven by bank lending, baby boomers were entering their peak borrowing years and public debt to GDP was low, so Volcker's hikes throttled lending far more than they widened the deficit. Today bank lending is fairly benign, the inflation is fiscally driven, public debt runs above 100% of GDP, and Congress doesn't change its spending because rates are 5% instead of 4%. Raise rates in that world and you blow out interest expense, which for retirees parked in money market funds amounts to a raise, so part of every hike comes back as stimulus, as Lynn laid out. The dots now pencil in more hikes, which only sharpens the question of whether hikes even work as a tool once fiscal dominance takes hold.

Push the funds rate to a full Volcker 8% and roughly $40 trillion of debt eventually costs about $3.2 trillion a year in interest, more than 10% of GDP. Much of that flows to boomers whose marginal propensity to spend runs high because there is a hard stop at death. Add roughly $4 trillion a year in entitlement and veterans' payments and you are at $7.2 trillion. Against receipts running at a bit over $5 trillion a year, that is a deficit of around $2 trillion on those items alone, and once defense and everything else come in you are looking at a $4 to $5 trillion deficit, north of 12% of GDP.

MACRO ANALYSIS

How exactly does that cool inflation? Fighting a fiscally driven inflation with hikes pours money into the very pockets the Fed wants to empty, which is why I called this fiscal dominance with extra steps in my previous update, and nothing since has changed my mind.

US diesel crack spreads set a closing record near $108 a barrel in September, and distillate inventories were tracking at their lowest August level since 1951, with refiners already running close to flat out. Crude never made it to the $150 or $200 some feared early in the war, with WTI in the low $90s at the start of September, yet diesel is priced as though oil were well north of $100. When retail diesel last set a record back in June 2022, WTI traded between $110 and $119 and the crack ran around $64 to $73. Retail diesel has now pushed past that old record to roughly $6 a gallon. Oh boy. Refining capacity simply can't keep up, with Hormuz disruptions and Ukrainian drone strikes on Russian refineries stacking on top of each other, and no strategic reserve holds finished diesel at any meaningful scale. Diesel moves freight, runs farm equipment and powers industry, so it bleeds into everything. The Fed's own Beige Book, gathered before the hike, had retailers pointing to transportation and fuel costs behind their price increases, manufacturers citing fuel, energy, raw materials, tariffs and transportation, and the Cleveland District reporting robust nonlabor cost pressures for the tenth straight period. Consumer spending keeps splitting too, with heightened price sensitivity at the value end and solid high-end purchases at the top, the K-shape in all its glory. Where crack spreads trade 3 to 6 months from now will do more to the inflation path than 25 versus 50bp from the Fed ever could. In engineering terms, the policy rate debate falls inside a tolerance band that deserves nowhere near the airtime it gets in my opinion, where people look at it like the most important part of the equation when they should be considering the full picture.

Employers expect health benefit costs per worker to rise about 8.2% in 2027 according to Marsh's annual survey, the biggest jump since 2003, and closer to 11% if they did nothing to contain it, with Aon putting it at 9.5%. Those costs feed straight into services inflation and take-home pay, and medical cost inflation is a big part of why CBO has Medicare and Medicaid outlays each up about 8% this fiscal year. Wall Street's favorite comfort blanket is that the US owes its debt in its own currency and can therefore always pay.

MACRO ANALYSIS

That works for Treasuries and falls apart for the tens of trillions in unfunded entitlement promises, because what the government owes a retiree on Medicare is a knee replacement, insulin and a doctor's time, all of which reprice with inflation automatically. The more Washington prints, the bigger that bill gets, which makes a huge chunk of the federal budget behave like a hard currency liability. Correct me if I'm wrong here, but that point barely registers in most mainstream debt sustainability debates.

Pensions and life insurers used to be the natural backstop at these levels, since a 10-year at 5% or 5.5% historically meant they would take everything on offer to lock in yields that fund their liabilities for decades. That bid never really showed up this time, even with the 10-year printing 5.04% and the 30-year pushing above 5.42% ahead of the Fed meeting, levels not seen in about 19 years. Part of that comes down to the sheer size of the deficit. The rest, from what I can tell, runs through private credit. S&P Global Market Intelligence data shows private placements climbing to about 23% of US life insurers' admitted bonds in 2025 from about 18% in 2021, and some estimates put private credit at somewhere around 11% to 16% of the industry's total assets. Private credit doesn't get marked as long as nobody sells, so delinquencies and asset quality problems can stay out of sight. Selling it to rotate into 5% Treasuries, which any insurer would happily own all day long, would force those marks, and if those estimates are anywhere near right, the losses could take a serious bite out of the industry's capital. An insurer staring at a capital hole raises cash by dumping its most liquid assets, and the most liquid thing it owns is Treasuries. Call it a Mexican standoff between private credit, insurers and the long end, as Luke did, where no yield on the 30-year is high enough to pull that bid back in. It goes a long way toward explaining why Bessent jumped in as early as he did. Remember, he is ‘the house’ now and with bond market participants betting against ‘the house’, I expect some sort of strong response sooner rather than later.

Private credit funds gating redemptions is closer to the deal investors signed up for than a bank run, since those funds never promised money on demand, although solvency problems are showing up at the margins and nobody knows yet how big they get. Insurers and pensions have to sell something to buy something. Regulators, by contrast, can free up bank balance sheets for more Treasuries by loosening leverage rules and a central bank can simply create the reserves.

MACRO ANALYSIS

Foreigners aren't absorbing nearly enough of the new supply as a share of issuance, and a good chunk of the remaining foreign bid at the long end comes from hedge funds that stick around only while volatility stays low. As far as I can tell, foreign central bank holdings have gone roughly nowhere for more than a decade while debt held by the public nearly tripled, all while the Fed chair still favors a smaller balance sheet on paper. So who exactly funds a roughly $2 trillion deficit at 5%? From where I am standing, the answer looks more and more like the Treasury itself, and eventually the Fed.

The Treasury announced in mid-August that it would at least double its long-end buybacks from the usual $2 billion per operation, running from early September into early November. The 30-year dropped nearly 10bp on the news before giving all of it back. Bessent also told an audience in Texas that he is the house now, a line that aged about as well as milk left in the sun. When the Treasury revealed a new maximum of $6 billion per operation in early September, parts of the market had braced for $7 billion to $10 billion or more, and the 10-year jumped toward 4.84%, so much for the house always winning. The next day the Treasury bought $5.19 billion of 10 to 20-year paper against $10.5 billion offered. That fell short of its own $6 billion cap for only the third time in 53 long-end operations since the program restarted in 2024, and the 10-year extended its rise to 4.95%, up 11bp on the day. I reported that at the time and you all went through it, so I don’t know why I am repeating it again, but call it another case of ‘for completion sake’.

Stepping in this early, with no liquidity seizure and nothing resembling the 2020 Treasury breakdown or the 2022 gilt meltdown, risks a Streisand effect on the bond market, since the harder Bessent stares at the long end, the more investors wonder what he sees that they don't. Buying back duration and funding it with bills and cash from the Treasury General Account amounts to the softest possible form of yield curve control, closer to an Operation Twist run out of the Treasury than anything else. Even a JPMorgan research note pointed out that these interventions do nothing to address the underlying structural problems. The motive matches the motive behind YCC though, since Washington doesn't like the price at the long end for the simple reason that it can't afford it. My MOVE framework flags exactly this pattern, a long end driven by term premium and supply rather than the Fed's path, as a Treasury credibility problem. Every operation the market deems too small chips away a little more at the Treasury put and it’s large enough that the market won’t ignore it.

MACRO ANALYSIS

Amazon, Alphabet, Meta and Oracle issued roughly $194 billion of bonds in 2026 through early July, up 79% from about $108 billion in all of 2025 by Reuters' count, at steadily higher yields as investors got pickier. Goldman expects the big hyperscalers to issue around $250 billion this year and $400 billion in 2027. That lends some weight to Warsh blaming part of the climb in long yields on competition for capital from the hyperscalers, since every dollar they raise comes out of the same pool Bessent needs to tap, dragging the government's borrowing costs up alongside theirs. Trailing 12-month S&P 500 capex is up about 25% on the year, and the Fed had never cut into a capex boom until the past year. In the view of Warren Pies at 3Fourteen Research, that leaves the Fed with some catching up to do. Meaningful, sure, but to my eye the payoff of all that capex rests on corporate America doing more with fewer white-collar workers.

Roughly 70% of federal receipts this fiscal year, about $3.4 trillion of $4.85 trillion, came from taxes withheld straight out of paychecks, with individual income and payroll taxes together making up close to 87%. Anyone pitching AI as the productivity miracle that saves the budget should explain how the budget survives the payroll cuts that miracle requires.

China's 10-year yield has hovered around 1.7% for much of the summer, roughly 330bp below Treasuries, which makes China the conspicuous absentee from this bond rout. Beijing ate its bitterness early, letting its housing market deflate, keeping strict capital controls and living with falling prices, while no American politician would let home prices crater to save the bond market. Wherever capital moves freely, yields drag each other around, so tack 50bp onto Treasuries and you tend to see a similar move in Japan and Europe. Japan held $1.12 trillion of Treasuries in June while its own 10-year trades near 30-year highs.

As a big creditor nation, it has an option the US lacks, pulling capital home from its giant public pension fund's foreign holdings if the yen or its bond market turns disorderly. The US is the debtor in this relationship, recycling its trade deficits into foreign purchases of US assets with no domestic pot of money to repatriate. If Japan runs into a problem Bessent can't fix, the selling lands squarely on the Treasury market and the dollar. Guess where the release valve for the fiscal trouble is? You know the answer by now.

MACRO ANALYSIS

A gradual grind still looks like the base case to me, a long process punctuated by mini crises, technical explanations and all that jazz, and so far the degradation of the global bond market has been orderly, just relentless. In 2022 the Bank of England was preparing to start actively selling gilts when the pension-driven gilt crisis hit. Within days it had pushed those sales back and started buying long-dated gilts instead. That is roughly the template for a Fed chair who prefers a smaller balance sheet ending up buying bonds with inflation above target, insisting at every meeting that it is for technical reasons while credibility erodes a little each time. The risk of a nonlinear air pocket, a disorderly spike in the 10-year over just a few weeks that forces a far bigger response, looks higher to Luke than it does to most.

Given the state of the insurance industry's balance sheet, I wouldn't rule it out either. The way I see it, though, and as I argued in my previous updates, they have stepped in and kicked the proverbial can every time the long end threatened to break. I see little reason for that to change with a midterm around the corner, which means the pressure keeps venting through the dollar, straight through the channel the Bessent binary describes.

Markets keep treating the current stress as temporary. The bet is that once the Fed regains credibility or AI delivers its productivity miracle or stablecoins soak up enough bills (which are two theories that Luke shared in the aforementioned podcast as well and which I believe are very interesting ways to view this), long yields will drift back down, and the best of those stories carry just enough truth to stay believable. Fiscal dominance was a fringe idea only a few years ago, and the thinking behind it now shows up in bank research notes and rating agency reports alike. Once enough people running trillion-dollar balance sheets internalize that nothing stops this train, the credibility loop becomes a problem of its own.

Washington can't cut entitlements, won't cut defense and every hike makes the interest bill grow faster. So what do you cut? Again, that is not rhetorical question. At some point the only workable path is rates held below inflation, whether through lower policy rates, a Fed balance sheet that grows again, or outright caps on the long end. Financial repression is the lower rates they need, and hard assets remain the durable position on the right side of it, at least in my opinion. Anyone waiting for a credible fiscal path to rescue the long end should ask which of the aforementioned 3 lines gets cut and how that affects the ever more important political picture for the coming few months.

URANIUM AND NUCLEAR POWER

Current sentiment reading: 19

Observation: Well then, that was no fun for sentiment. After the last newsletter I noted that the readings indicated that while we are still absolutely in the doubt category, we had left the depressions state after a stronger upwards trend had set in. That was given back and sentiment data went down right along with it as it dragged things back a whole 12 points all the way to the top of pessimism again. That's what a ~10% drop combined with the hope for more good news and a stronger move out of the WNA does to a sector's sentiment and I don't blame it honestly. While we are still above the July bottom and things do look constructive for the market pricing going into the end of the year, it's undeniable that things have been rough again, even though we are moving sideays now. Still though, I believe this presents an opportunity and that is why I added to my core positions in uranium last week and if we fall more to revisit the July lows (or worse) I will add more. Better times are ahead in my view.

- 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

An extra newsletter wouldn't be an extra newsletter without a word on uranium and what better way to kick things off than by starting with the recent WNA. Just to set the scene and as a partial reminder (and because some folks requested an even shorter and more to the point summary, so here it is), fuel buyers, traders and producers in London broadly agreed that anyone holding a meaningful amount of pounds for sale has the strongest hand they have held in many years, with the buy side admitting as much openly. Utilities now sign market referenced contracts with floors in the $80s and ceilings running past $150, terms they would have waved off the table 18 months ago, because the alternative is walking into the 2030s uncovered. A fuel manager at one of the largest US utilities stressed that volume and timing now dominate every procurement conversation, with price trailing well behind, and coverage on paper remains a very different animal from coverage in the reactor. You cannot load a balance sheet into a core, as I have said for years. Security of supply is now, for the first time in a long time, more important than price.

Term contracting ran near 110 million pounds in 2024 and around 116 million in 2025, both well short of reactor requirements that have crept toward 200 million pounds a year, and even 2023 only looked healthy because the one-off Energoatom arrangement padded it by roughly 40 million pounds. The term price climbed straight through all of it, because of course it did. Waiting for replacement rate volumes before expecting price movement gets it backwards, at least the way I see it. The 229 million pounds of US and European utility inventory that bears like to hold up as a cushion came from double buying after Russia went into Ukraine and from upflexing cheap legacy contracts, and precious few of those pounds will ever come back to market. With 52% of the next decade of US requirements uncovered and some 186 million pounds unfilled through 2035, a utility staring at a hole in 2034 is already a buyer, whether it has picked up the phone or not.

Spot is around $90 and even the traders holding Uzbek offtake could not knock the price down into month end, since buyers were waiting to take the material straight off them. My contacts described a floor forming there and rising underneath us. As for supply, I got great insights from a valued contact of mine that conducted a site visit at Arrow and it strengthened my believe that Arrow delivering something like 16 million pounds by 2033-2034 instead of roughly 30 million by 2030-2031 remains a right-tail risk a lot of buyers are woefully unprepared for, from what I can tell, and that is before all the other bullish developments.

URANIUM AND NUCLEAR POWER

Which brings me to the recent market activity from before, during and importantly after the WNA as well. Roughly 4 million pounds changed hands in spot across just under 30 transactions between late August and early September, lifting the price from about $87.50 to around $90 right now. July was about as lively as a library during exam week, and August brought enough of a pulse back to add close to $3 to spot. Half the market then spent the run-up to London booking flights and hotels instead of pounds it seems and volumes thinned out accordingly. Since London the spot market has barely registered a heartbeat, with just 2 deals printing over 5 straight trading sessions, riveting stuff if you enjoy watching paint dry. Why has it not exploded higher yet? A combination of caution as it’s clear that the market is relatively thin and the fact that most fuel buyers seem willing to hold off until the new budget cycle kicks in come October, with NEI's fuel seminar in Houston hot on its heels, while producers and traders show no interest in softening their offers. That always falls one way or another and you know where I think the proverbial scale tips.

Early in the year, a stalemate like this could easily outlast the spring, since buyers would have 3 full quarters left to fill their books. Heading into the final stretch of the year with new budgets in hand, I struggle to see it lasting, and a few buyers who took the summer off may well return in more of a hurry. Nobody is stampeding into spot at the moment, yet the bid keeps showing up whenever price dips toward the high $80s, a notch above the mid $80s support my contacts described in London, which is a dynamic floor that is rising together with the consistent marching upwards of the term price. Roughly 10 days of spot going nowhere has been enough to sap enthusiasm for the equities. Meaningful, sure, but the contracting going on behind the scenes is strong enough that I expect it to drag both spot and term higher over the coming months and equities with it.

Term buyers inked 3 deals for a combined total over just over 5 million pounds since the start of this month, lifting this year's running total past 42 million pounds across 32 transactions (which again leaves out 40-45 million pounds from Indian demand over the past year or so). TradeTech left its August long-term indicator unchanged at $97 while UxC caught up $2 to $96, and averaging the 2 gives you roughly $96.50, higher than the long-term price has ever printed, with the old $95 high from the 2007-2008 era now in the rearview mirror. A record term price on volumes that still fall miles short of replacement rate, so what does that say about the idea the idea that nothing moves until volumes come roaring back? We keep moving folks.

URANIUM AND NUCLEAR POWER

Some other notes that tie into what I wrote before, but Duke's RFP was still hot when Kazatomprom lined up a pair of sizable sales, a spot-term deal with China's SNURDC and a supply contract with Rosatom subsidiary Uranium One, both familiar to regular readers. As far as I can tell, Russia has never before gone straight to Kazatomprom for a term purchase like this, so seeing Moscow put pen to paper marks a notable shift, if you ask me. Pricing and volumes stay confidential at the buyers' request and shareholders still need to sign off early in October, but every pound committed east is a pound Western utilities will not be bidding on in the 2030s, and it fits with what Kazatomprom management told me in London about Western utilities finally coming back to the table. Over in Korea, KHNP is asking the market for 800,000 SWU, feedstock that translates into roughly 26 to 31 million pounds of uranium. I could not pin down the bundling angle in London sadly and it turns out KHNP is willing to take offers that pair the SWU with uranium as long as nothing comes from Russia, with a standalone uranium tender to follow if the bundled route comes up empty. Bundled or not, that is a hefty order arriving in a term market that has undershot replacement rate all year, and I see no reason for term buying to slow down before the calendar flips.

Uranium equities have lost ground over the past few sessions despite spot barely flinching and my read is that fatigue has set in, with holders who expected fireworks by now losing patience and cashing out. Call it a simplistic take if you like, but the pattern is a familiar one in this sector. Nothing in the fundamentals justifies the move down, as far as I can see, yet markets are perfectly capable of getting gloomier before they get better and a few more nervous holders may head for the door first. Spot dipped fractionally to just under $90 while term keeps setting records and come December I expect this episode to be remembered as yet another shakeout, the sector's favorite pastime. No it’s not great to see and yes I am sympathetic to the headaches that this sector is causing right now, especially with the equities underperforming all the good news, but I wouldn’t have been adding to my core positions last week if I wasn’t confident this was good value given the fundamental backdrop we are working with.

URANIUM AND NUCLEAR POWER

Now for some nuclear news and there were quite a few headlines. France's ASNR is reportedly set to conclude that nothing major stands in the way, technically speaking, of running 32 of EDF's 900 MW reactors past the 60-year mark. These are France's oldest units, commissioned between 1977 and 1988 and only cleared for life beyond 40 in 2021. Pair that with the WNA outlook finding no age-related decline in capacity factors, even past 40 years of operation, and you have roughly 29 GW of existing steel that more cautious demand models had rolling off between the late 2030s and late 2040s. On a rough 450,000 to 500,000 pounds per GW rule of thumb, call it 13 to 15 million pounds a year before MOX and recycled uranium offsets. Demand keeps compounding, the way I see it, while a large share of future supply still exists as slide decks and drill intercepts.

Duke only filed its Belews Creek early site permit application at the very end of 2025, and the NRC already had the mandatory hearing lined up in Danbury, North Carolina, for around the middle of the month. Correct me if I'm wrong here, but that pace would have been unthinkable at the NRC not so long ago. The site next to Duke's coal and gas-fired Belews Creek Steam Station could host up to 2,250 MW of advanced reactors, technology still to be chosen. Yes, the same Duke behind the RFP I covered in the WNA report, planning reactors on one side while shopping for pounds on the other, and plenty more utilities will follow that script.

The NRC also wants to rewrite a large chunk of its rulebook for licensing and policing reactors, scrapping dead-weight requirements and swapping rigid prescriptions for risk-informed judgment on everything from earthquake design to routine paperwork, a couple of months after another 550-plus-page licensing rule. Since Trump returned to office the regulator has gone from roadblock to something closer to a partner, if you will, without dropping safety from the job description. Holtec got the go-ahead at Palisades in late August to start excavating, dewatering and shoring up the ground for its 2 planned SMR-300s, 680 MW in total, permanent retaining and cutoff walls included, before it even holds a Limited Work Authorization. A well-supported hole in the ground may not sound thrilling, but as the Finance Summit in London hammered home, cost of capital weighs as heavily as cost of construction, so every month of site work pulled forward saves real money.

URANIUM AND NUCLEAR POWER

Chief nuclear officers polled by NEI now pencil in around 28 GW of fresh US capacity by 2040, with SMRs and large reactors taking roughly half each, and interest in new build is up 54% on the previous round, at least from what has trickled out. Last year's edition counted a little over 23 GW over a 15-year horizon, so the figure keeps climbing every time somebody asks. This from a Western world that managed exactly zero construction starts last year. I will believe in the gigawatts when I see concrete poured, and all that jazz, but the intent keeps growing and it comes from the people running reactors every day. This will translate into results and anything more than the number 0 will have a material impact when the number 0 is close to what is really being priced in at this point on that front.

Saudi Arabia's energy minister, Prince Abdulaziz bin Salman, used the IAEA General Conference in Vienna to unveil roughly 110 million tonnes of ore at the Jabal Sayid project in the Medina region, carrying heavy rare earths alongside what he called promising concentrations of uranium. So how many pounds are we talking about? The announcement skipped every number a mine planner asks for first, from grade to recoverability to annual output, and I doubt much of that has been worked out yet. At a hypothetical 0.01% grade that ore would hold roughly 24 million pounds before recovery losses, at 0.05% about 120 million, so the difference between a footnote and a meaningful deposit comes down to a number nobody has shared and then we don’t even know if it is economical to even mine. Any uranium would ride along as a byproduct of a rare earth operation at a site already hosting a Ma'aden and Barrick copper mine, so this one goes in the drawer marked headlines with big numbers attached until the Saudis put a grade in front of us that I can actually work with.

Seoul's $350 billion pledge from last year's trade deal is getting an itemized list, and once shipbuilding takes its $150 billion slice, as many as 8 large reactors on American soil are in the mix for the rest, at roughly $15 billion each, with 6 reportedly on Westinghouse designs and the other 2 on Korea's own. Washington has also floated reprocessing some 4,000 tons of used fuel, tied to Korea's nuclear submarine ambitions, while Seoul's industry ministry stresses none of this is final. Call it 9 GW or so if those reactors get built, which on the same rough rule of thumb means another 4 to 5 million pounds a year once running, plus the initial cores up front. Reprocessing will not dent that arithmetic for a long time, at least in my view, and anyone still framing nuclear demand growth as a China and India story alone should take a closer look at the global shopping list.

OIL

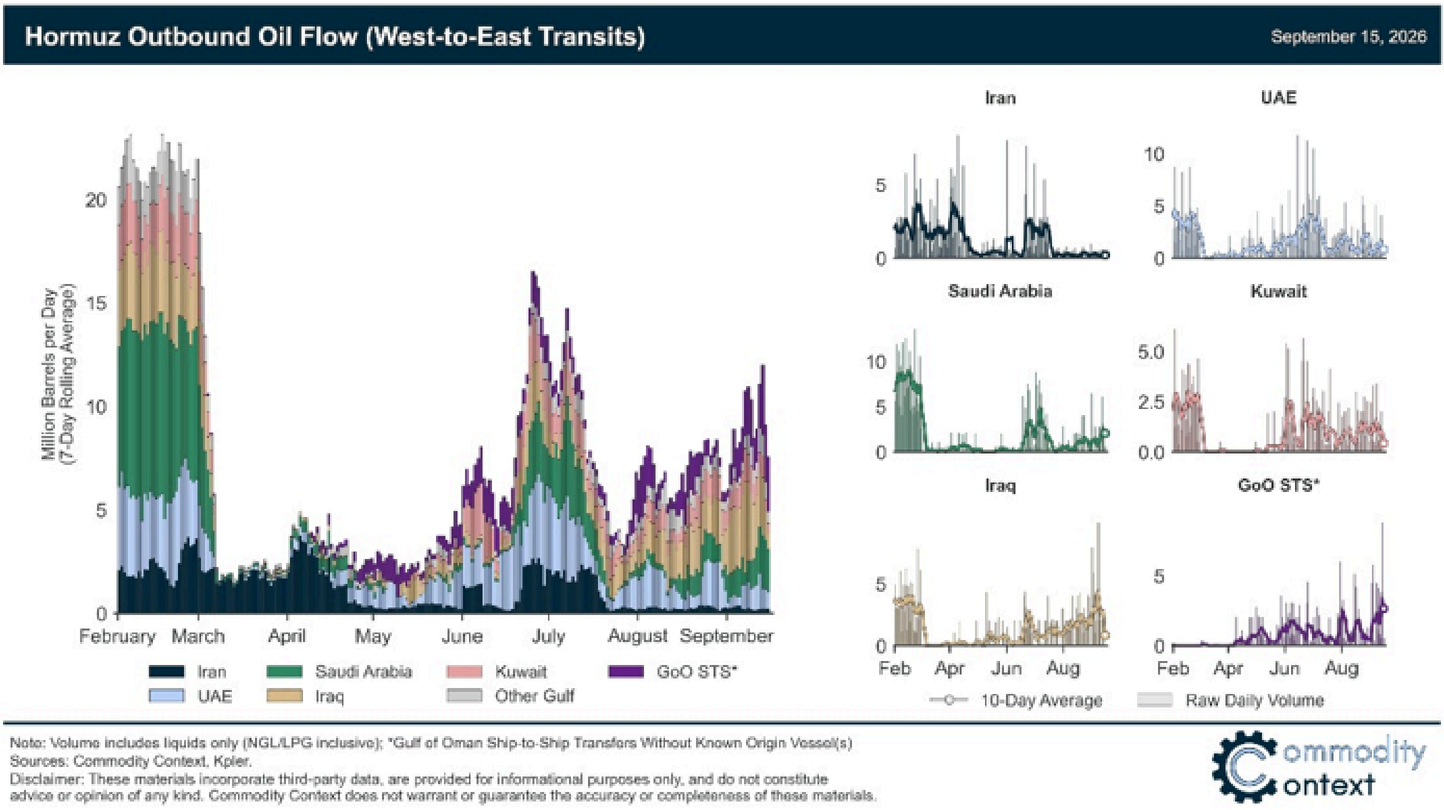
Time to talk oil and if you have not yet listened to my chat with Rory Johnston that was uploaded last week, I highly recommend doing so because he knocked it out of the park by providing a lot of great insights on what is currently going on in this volatile and uncertain market. Let’s start with pricing as brent came within a whisker of $110 intraday once the Saudi pipeline news hit, then slid for 3 straight sessions to close the week just under $104, down about 1%, while WTI finished flat around $100. As I am writing this, Brent is battling it out around the pivotal $100 mark and we may have seen a decisive correction below or a bounce off of it and up higher by the time you are reading this. ULSD futures touched roughly $5.25 a gallon mid-week before easing to around $5.05 by the close. By my math that still puts the diesel crack well above $100 a barrel, right around the records I covered in the macro section, with retail diesel near $6 and distillate stocks still about 13% below their 5-year average despite a small weekly build. Crude almost looks cheap by comparison even if it absolutely is not.

Drone strikes on the pumping stations of Saudi Arabia's East-West pipeline earlier this month knocked out the kingdom's main escape hatch around Hormuz, a line that had been feeding about 4.5 million barrels a day of crude exports through Yanbu. Riyadh blamed drones launched from Iraq while other reporting pinned it on the Houthis and as of mid-month that caused quite the disruption at Yanbu. Bessent had told Fox Business little more than a week before the strikes that Hormuz would be a worthless piece of water within 2 years as oil moves overland. Well, maybe in part, but not fully if this continues… The IEA already had Saudi crude supply at around 6 million barrels a day in August, the lowest in more than 3 decades, and that was before the pumps went down.

A bypass around the damaged sections could restore roughly half of Yanbu's throughput within about a month, with full repairs pegged at 4 to 6 weeks, though a partial restart frees up fewer export barrels than it sounds. Kpler data shows Yanbu's terminal stocks down more than 7 million barrels over 2 months to around 9 million, and the west coast refineries will want first dibs on incoming crude to avoid run cuts. Riyadh has pivoted back to Ras Tanura and Juaymah instead, shuttling crude through Hormuz and handing it off in ship-to-ship transfers off Sohar and Fujairah.

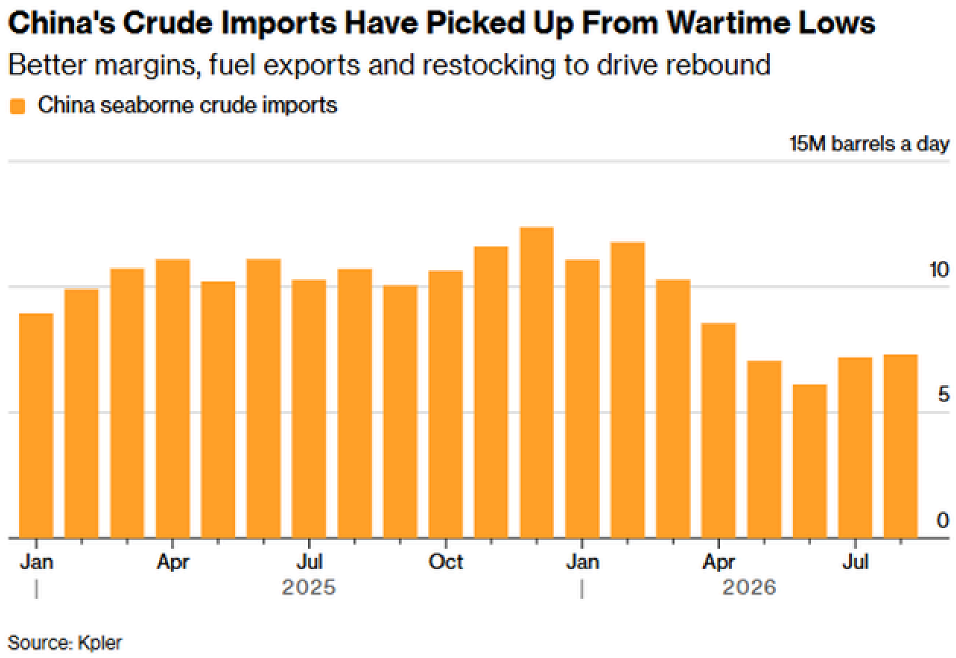
OIL

Satellite imagery suggests about 2.8 million barrels a day of Saudi crude moved through the strait over a 6-day stretch, against roughly 700,000 in August. Bahri had already been shifting VLCCs from the Red Sea toward the Gulf of Oman since the Houthis began blockading Saudi-linked shipping, which offers some breathing room on tonnage, if you will. So how many barrels can Riyadh push out this way? That depends entirely on how safe the strait stays. Flows through Hormuz climbed to nearly 12 million barrels a day on a 7-day average by mid-month, the fastest pace since the brief window after the June MOU, with virtually no Iranian crude in the mix thanks to the US blockade. Some days log as few as 4 visible commercial transits against roughly 125 a day before the war, with dark transits and unattributed ship-to-ship transfers in the Gulf of Oman filling the gap. Plenty of people have stopped trusting the numbers, which I get, but satellite imagery, loading data and tenders all point toward more crude forcing its way through, with Iraq the biggest single contributor this month according to Kpler. Meaningful, sure, but that is still a long way from the roughly 20 million barrels a day that moved through the strait before the war. Still though, a rising line is a rising line and it has certainly helped.



OIL

Chinese crude imports rose to about 8.9 million barrels a day in August, a second straight monthly gain from a decade low near 7.1 million in June, though still about 23% below a year earlier. Fuel exports jumped 29% on the month to roughly 6 million tons. Chinese refiners have been hoovering up cargoes from Canada, Brazil and Argentina and bidding up Russian ESPO. They have also been paying premiums as high as $20 a barrel over Brent for Congo's Djeno, up from around $15 a couple of weeks earlier. Talk about paying up. The smaller teapots, which relied on discounted Iranian and Venezuelan barrels that are no longer available, are getting priced out by the state giants. Correct me if I'm wrong here, but this looks like refiners chasing fat margins and restocking after months of drawing down inventories that stood near 1.4 billion barrels before the war. Sinopec's chairman reckons Chinese oil demand likely peaked in 2025, and the IEA estimates EVs displaced about 1.5 million barrels a day in the second quarter alone, so the structural ceiling hasn't gone anywhere. The IEA has global observed inventories down roughly 500 million barrels since the war began, about 95 million in August alone, and the US SPR is near its lowest since the early 1980s. The way I see it, the Chinese bid carried this rally and nobody knows how long it lasts, which leaves flat price extremely convex as you can imagine and I don't imagine we get much more clarity soon. Rory provided some great thoughts on this in the interview as well. A small pullback in Chinese buying against accelerating Hormuz flows could knock it down hard, while a strike on Abqaiq or Ras Tanura would send it the other way just as fast. Anyone calling the top because tanker counts are climbing should ask who refills half a billion barrels of drained inventories, but anyone calling a bottom is also probably underestimating how much is flowing versus bull consensus. Be quick on your feet if you're trading oil, because it will remain volatile with so many uncertainties.



CODEX PORTFOLIO HOLDINGS NEWS FLOW

Important note on equity news flow:
There is more important news flow to consider beyond the equities mentioned below (Bannerman, Mining Americas, Global Atomic, LIB and more), but those will be covered in the respective interviews and seperate analysis pieces over the coming month. Stay tuned.

Petrotal Corp - TSE: TAL - Cost basis: C$0.52- Percentage allocated: 100%
PetroTal averaged about 11,700 bopd in August, with Bretana producing about 11,400 bopd and the Los Angeles field on Block 131 chipping in a grand total of 308 bopd. Year to date, output averages about 13,200 bopd, around 3% ahead of internal budget after fresh tubing and pumps went into 5 Bretana wells. Meaningful, sure, but production has slipped from north of 12,500 bopd in Q2 to the August figure. From what I can tell, the drilling restart in October, with the Estrella rig on location, has to deliver if management wants to get anywhere near the 20,000 bopd ambition it keeps talking up.

How big is the Block 131 royalty win, then? Perupetro agreed to amend the license so qualifying incremental production from the Cushabatay formation pays a price-linked sliding royalty of 5%, 9% or 15% instead of the original 23.5%. Roughly 60% of current field output qualifies, future barrels from the deeper and untested Noi and Copacabana formations get a flat 5%, and the social fund contribution rises to 2.5%. In exchange, PetroTal has to drill 2 new Block 131 wells within 2 years or every barrel reverts to 23.5%. Run that against today's volumes and about 185 bopd enjoys the lower rate. With Brent somewhere between $90 and $100, that works out to savings of maybe $500,000 a year. Future Los Angeles wells keep far more of their revenue under the new regime, and a flat 5% on barrels nobody has proven yet strikes me as a generous term. At least in my opinion, management is right to read it as Lima trying to make Peruvian upstream investable again. That rewrites the economics of a field that has been Bretana's forgotten little sibling, if you will. Construction on Bretana's erosion control project is still largely suspended after the previous consortium was fired earlier in the year. A new tender is running, the jack-up rig and barges are secured, and hydrobags are holding the riverbank in the meantime. I would like that contract signed before the river rises again, because the river has no interest in tender timelines. The balance sheet held roughly $105 million of cash against about $37 million of debt as of Q2, with operating margins near $50 per barrel and a market cap somewhere around $340 million. Correct me if I'm wrong here, but at prevailing prices that is north of $40 million of quarterly EBITDA on a valuation that assumes the Amazon swallows the whole thing. The market can keep pricing PetroTal like a stranded asset, but governments do not hand stranded assets royalty cuts. I expect a re-rating to take place of oil stays elevated and it remains a full position as an oil market hedge.

CODEX PRECIOUS METALS

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

Time for our silver exploration holding and Outcrop's updated Santa Ana resource came in at roughly 58 Moz AgEq, split between about 30 Moz Indicated at 519 g/t and 28 Moz Inferred at 369 g/t. Against the 2023 maiden estimate of roughly 24 Moz Indicated at 614 g/t and 13.5 Moz Inferred at 435 g/t, Indicated ounces rose about 24%, Inferred ounces more than doubled and the total is up a little over 50%. Around 42 Moz of that is silver, with a shade over 0.2 Moz of gold making up the rest across 13 vein systems.

For 3 years of drilling on narrow Colombian veins, I would take 50% ounce growth any day of the week honestly. So why did the release leave me a little underwhelmed you may rightly be asking? Indicated grade fell about 15%, from 614 to 519 g/t (a grade plenty of silver developers would still sell a kidney for), presumably in part because the company applied a stricter classification standard built around reasonable prospects for eventual economic extraction. Tightening the numbers ahead of an economic study is the responsible move, at least in my opinion. The update also slipped from early 2026 to late in Q3, because of course it did, and the market waited roughly 6 extra months for it. A resource closer to the 100 Moz number that had been floating around would have been fantastic, no argument there, and 58 Moz lands a long way short of it.

Run the numbers backward and the whole resource comes to roughly 4 Mt, about 1.8 Mt Indicated and 2.4 Mt Inferred, spread across veins where many of the high-grade intercepts I have covered here came in well under 2 meters wide. Dilution will make or break whatever mining study comes next, since a 519 g/t resource can turn into 350 g/t mill feed awfully fast once the stope walls start coming in. From what I can tell, the grades still hold up nicely against peers, 12 known veins have yet to be drilled to resource level, and a long list of geophysical and geochemical anomalies remains untested.

CEO Rob Bruggeman, who helped steer AbraSilver through its rerating, now has a firmer base to build an economic study on. With silver around $66 and the stock trading at roughly $2 per in-ground ounce (if the figure I am seeing is in the right ballpark), the way I see it the market is pricing Santa Ana like a speculative explorer with no path to development. With that many veins still untested, I am not writing off 100 Moz down the road. Calling a 58 Moz resource with Indicated grades north of 500 g/t a disappointment says more about expectations than about the rocks.

CODEX 'OTHER'

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

Aldebaran's latest 6 infill and geotechnical holes at Altar returned 513 meters of 1.06% CuEq (1.01% copper, 0.08 g/t gold and 3.58 g/t silver) inside a broader interval of roughly 1,260 meters grading 0.66% CuEq. The release also reports roughly 1,320 meters of 0.50% CuEq including 555 meters of 0.71%, and about 940 meters of 0.58% including 420 meters of 0.76%. Another 2 intervals run past 1,300 meters each at roughly 0.40%. Somebody at Aldebaran is going to need a bigger core shack.

Why get excited about infill holes? The 2024 resource carries 2.4 Bt Measured and Indicated at 0.42% copper for about 22 Blb, plus 1.2 Bt Inferred at 0.37% for another 9.8 Blb. A 513-meter run at 1.01% copper is well over double the M&I grade. These holes were drilled specifically to convert Inferred blocks into M&I ahead of the PFS. The release does not say whether intervals like this land in the early years of the mine plan, but from what I can tell the payback math gets a lot friendlier if they do.

The PEA from late last year outlined a 60,000 tpd concentrator, a 48-year mine life and an after-tax NPV8 of $2 billion at an IRR of about 20%. It used $4.35 copper, $2,500 gold and $27 silver, with all-in sustaining costs around $2.25 per pound over the first 20 years. At $5 copper and roughly $4,000 gold, the company pegged the NPV at $3.3 billion and the IRR at 28%. Copper now trades around $6.60 a pound, gold near $4,400 and silver around $66, so that price deck has aged like milk. What does a $2.25 AISC copper mine look like at $6.60 copper? Nobody needs to rerun the model from a kitchen table to guess the answer.

The stock drifted lower in the week after the release, closing around CAD$2.77, roughly 23% down on the year. The way I see it, the market is pricing Argentine jurisdiction risk, an initial capex somewhere around $1.6 billion, a long runway to first copper and the hangover from Nuton walking away late last year, and all that jazz. Meaningful risks, sure, but Aldebaran holds 80% of Altar with Sibanye-Stillwater on the other 20%, and counts South32 and Route One as strategic partners. It keeps pulling better rock out of the ground while the share price keeps getting cheaper. Copper north of $6.50 a pound, holes carrying more than a kilometer of mineralization, and the stock down on the week? Somebody has this wrong, and I doubt it is the drill core.

CODEX 'OTHER'

Merlin Labs - NASDAQ: MRLN - Cost basis $6.05 - Percentage allocated: 100%

Merlin withdrew its small-aircraft certification application with New Zealand's regulator and pointed its civil certification effort at large aircraft instead. Days later, Textron and Merlin unveiled the SkyCourier UX, an autonomous Cessna SkyCourier concept built to haul about 6,000 pounds of military cargo off rough strips. Add a lockup expiry in the middle of the month and the stock fell about 35% in a week to under $2, a record low. That's down from roughly $7 to $10 around the critical design review in early June and $17 at the April peak.

We may have had a great start to life with this one, but painful does not begin to describe it now and I would like to apologize for this one. I thought that the market would be sooner to reward the progress that had been made and while that initially appeared to be the case with the major post CDR move, everything from there onwards has been painful and I will hold my hands up and apologize for that, as I underestimated the downside volatility of a post-SPAC pre-revenue semi-AI play. Even though I laid out the risk and noted it should be sized as a very high risk-high reward play, that doesn't make this move any less painful and I respect the frustration that comes with it.

So, what are we still working with in the depth of this correction then? Why does the C-130J carry the whole equity story? Merlin is sole prime on a $105 million USSOCOM IDIQ to build a reduced-aircrew capability for special operations C-130Js. Its own filings say that contract can extend into low-rate and full-rate production across AFSOC's fixed-wing fleet.

Management counts roughly 75 SOCOM airframes and around 570 C-130Js worldwide. It pegs US military piloting costs at about $3.3 million per aircraft per year, which is the pool a per-tail software license would bite into. With both design reviews done, the next steps are aircraft integration, ground testing and then flight demonstrations from takeoff to landing. From what I can tell, nobody has put a date on those flights yet, and management only points to meaningful C-130J revenue in 2027.

CODEX 'OTHER'

Merlin Labs - NASDAQ: MRLN - Cost basis $6.05 - Percentage allocated: 100%

What turns the share price around? A successful takeoff-to-touchdown demonstration on what Matt George calls an almost 737-sized airplane would be the biggest de-risking event this company has produced. The design review alone was good for a single-day pop of roughly 25% to 30%, maybe even more than that in the pre-market trading if I recall correctly on the day. A strong flight campaign plus production orders could drag the stock back toward the old $7 to $10 range, at least in my opinion, but I get that my opinion on this company may not be worth much given the recent performance. Again, I apologize for the terrible price action. When I described this company as either a complete zero or a genuine 50-100x potential disruptor, I really did mean it and there is a lot of volatility that comes with these sorts of companies.

Until then, the market values Merlin at under $200 million against $184 million of cash at the end of Q2. That's before a quarter of burn somewhere near $28 million, and before a 12% convertible preferred whose conversion price already ratcheted from $12 to $6.67. Correct me if I'm wrong here, but with a cash runway that reportedly stretches into 2028, the market is effectively assigning close to nothing to the autonomy stack. The outcome range runs from 0 to a fleet-wide autonomy software business. A 50x to 100x from $2 implies a company valued at $10 billion to $20 billion, which only fleet production contracts plus civil certification could justify. The market is pricing Merlin like the C-130J program already failed. It has not even flown yet and if it is successful, I would hope that a turnaround is close at hand as well.

End of the newsletter:

Thank you everyone for reading this extra newsletter edition and I hope it proved to be informative. As I noted at the start, there is a lot of content in the pipeline while I am away from the desk. Thank you all for the continued support and I hope you have a good and healthy rest of your day, cheers! ~Mart

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