

Q2 2026 Quarterly Commentary

Commodity Supercycles and 'Sustainability' in a World of Frequent Supply Shocks

Adam Bernstein, Investment Analyst

Our [Q1 2026 commentary](#) referenced the International Energy Agency's (IEA) statement that there is "no single storyline about the future of energy."¹ The events of the last several weeks have underlined this with a jumbo tip permanent marker. War in the Middle East has led to an energy shock that is transmitting its waves across the world, albeit those waves are not uniform nor traveling at the same speed. Regions face varying supply and price impacts, with the threat of disruptive longer-term second-and-third-order effects increasing by the day, even if a ceasefire persists. This is the latest in a series of supply shocks that started with the COVID pandemic. Global chokepoints are increasingly visible in this volatile geopolitical environment. We are witnessing the impacts of transitioning from a globalized system optimized for cost and efficiency to one that requires greater resilience and redundancy.

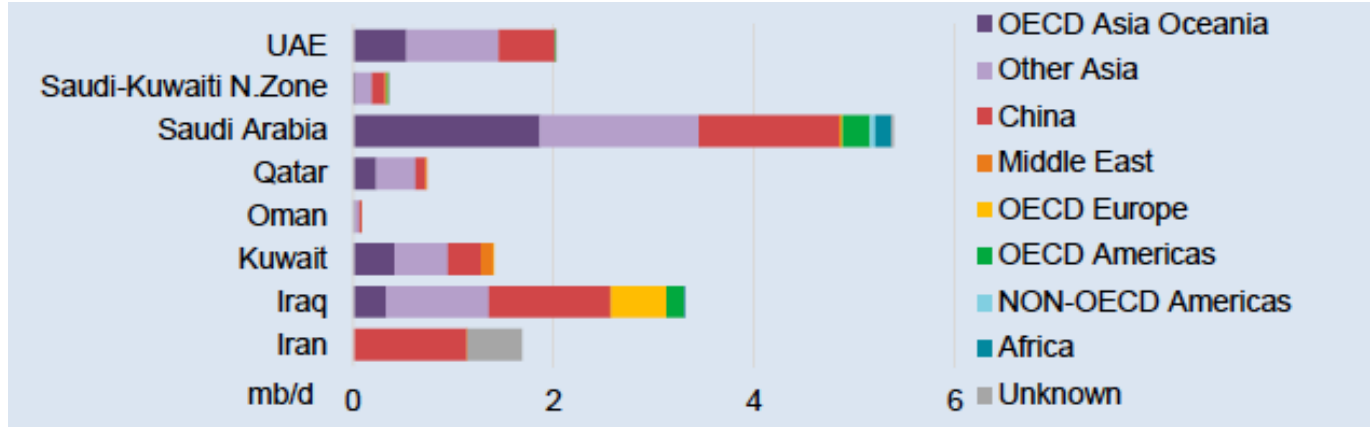
Accordingly, last quarter, and the previous, we noted that energy security concerns are rising up the global agenda which is not necessarily out of sync with decarbonization. In fact, energy security and industrial policy decisions may drive down emissions even when low-carbon goals are not front-and-center.² While this remains true, the stakes are now much higher, and we may see about-turns in policy that were unthinkable just a few years ago. For example, after Russia invaded Ukraine, we saw Germany return to higher levels of coal use. At CERAWEEK in Texas last month, Katherina Reiche, Germany's Federal Minister for Economic and Energy Affairs communicated openness to fossil fuel expansion alongside softening climate goals: "At the end of the day, it is good to have a goal of sustainability – but if sustainability crashes your economy, you have to readjust."³

The State of the Flows in the Strait

Our recent blog, [The Great Repricing of 2026?](#), emphasized the importance of the Strait of Hormuz to global energy markets. In 2024, around 20 million barrels of oil passed through the Strait each day, along with LNG, refined petrochemicals, and other inputs such as fertilizer feedstocks and helium.⁴ Some impacts have been immediate. For example: jet fuel and diesel price rises, especially in Asia; China restricting exports of refined petroleum⁵ and sulfur,⁶ and force majeure from providers of helium.⁷ Every day that transits through the Strait are at reduced levels, the risks rise. This is not to mention the longer-term effects of production that cannot simply come back online owing to damage to infrastructure.

Middle East Crude Exports by Producing Country and Destination - 2025

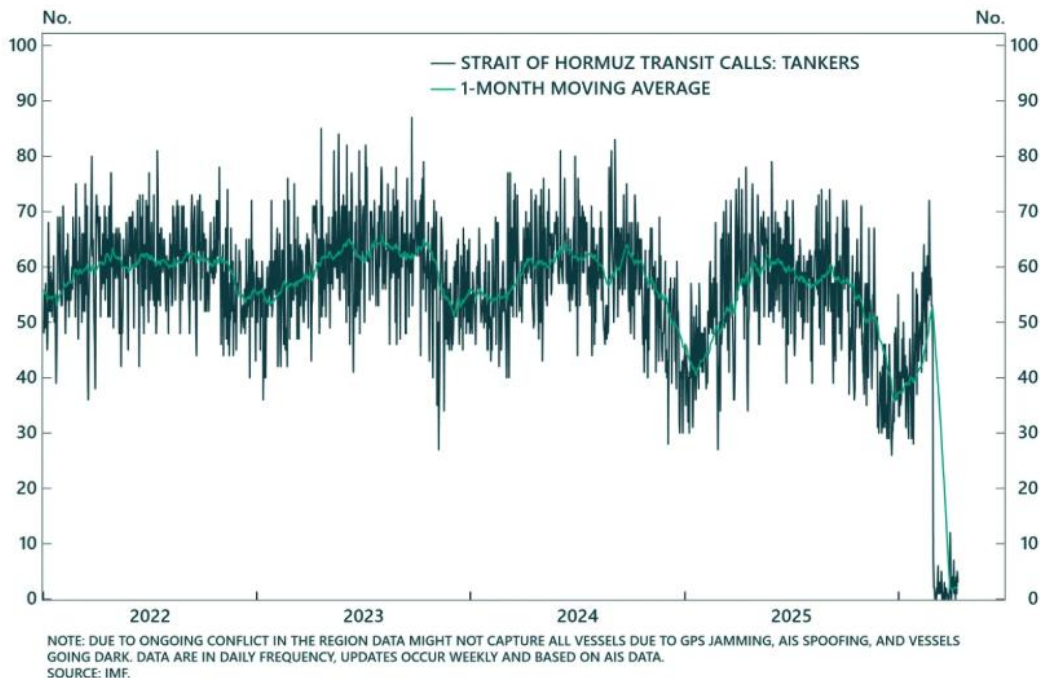
Source: IEA⁸



While IEA member countries collectively agreed to release 400 million barrels of oil from stockpiles,⁹ the effect of this is the delay of price and supply shocks rather than a resolution. Using a crude calculation (pun intended), if the average volume of barrels per day going through the Strait was 20 million, and we’ve been seeing just 8 million (based upon IEA estimates of flows and production cuts),¹⁰ this means that a 400 million barrel release covers around a month’s worth of lost supply, for a crisis now in its second month. In reality, there is not necessarily a barrel-for-barrel match between the lost supply and actual requirements given the different types of crude, but the overarching point should be clear.

Tanker Transit Calls Through the Strait of Hormuz

Source: BCA Research¹¹



While the U.S. is more insulated given domestic production of oil and gas, we caution against over-confidence. The overall value of the S&P 500 could be impacted given damage to Middle East-based data centers used by “Magnificent Seven” companies. We covered this in [Big Tech, the S&P 500, and Our Core Theses](#), but further damage has since occurred, questioning the viability of the region as a strategic hub for U.S. Big Tech AI expansion plans.¹² In addition, as I mentioned in a recent LinkedIn post, **running a factor decomposition on your portfolio might result in oil prices explaining more than you’re comfortable with.**¹³ **This could well be a sign that your portfolio isn’t optimally diversified, especially in the current environment.**

YOU NEED A COMMODITY ALLOCATION

Given our conviction that we are in the early innings of a commodity supercycle, catalyzed by electrification, AI, and now increased security concerns, we had already planned to discuss commodities - mostly metals - in this quarter’s commentary. We have been increasing exposure to commodities that relate to our core theses - Energy Addition, Climate Adaptation, and Monetary System Evolution - over the last few years. However, recent events make this conversation even more important.

The situation in the Middle East, while specific in many ways, is also not completely unique. We have had three major supply shocks in the last several years - COVID, Russia/Ukraine, and now the Middle East. If you include the 2025 tariffs, it brings the total to four. **The key questions now are: at what point are these no longer “exogenous” and just part of the environment? And what does this mean for portfolio positioning?**

Supply shocks drive inflation. Consistent and interacting supply shocks will have longer-term impacts that are harder for central banks to manage using their limited tools. We will cover the central bank aspect in more detail another time. For now, let us just restate our view that the assumptions underpinning traditional portfolio construction are no longer sufficiently reliable to provide diversification. **While the AI trade may keep driving growth in U.S. large cap, as I recently stated, “if that’s your only engine, you’re implicitly long a system that relies heavily on stability,”¹⁴ which is further disappearing by the day.**

So, what is the solution? We are not trying to predict the future given the futility of doing so even in more stable times. However, if we believe that frequent and overlapping shocks are the new norm and that traditional portfolio construction cannot provide adequate diversification, allocating to themes and assets that perform well under ongoing shocks and their derivative impacts becomes imperative. To that end, for the rest of this piece, we will explore our views on copper, gold, and uranium.

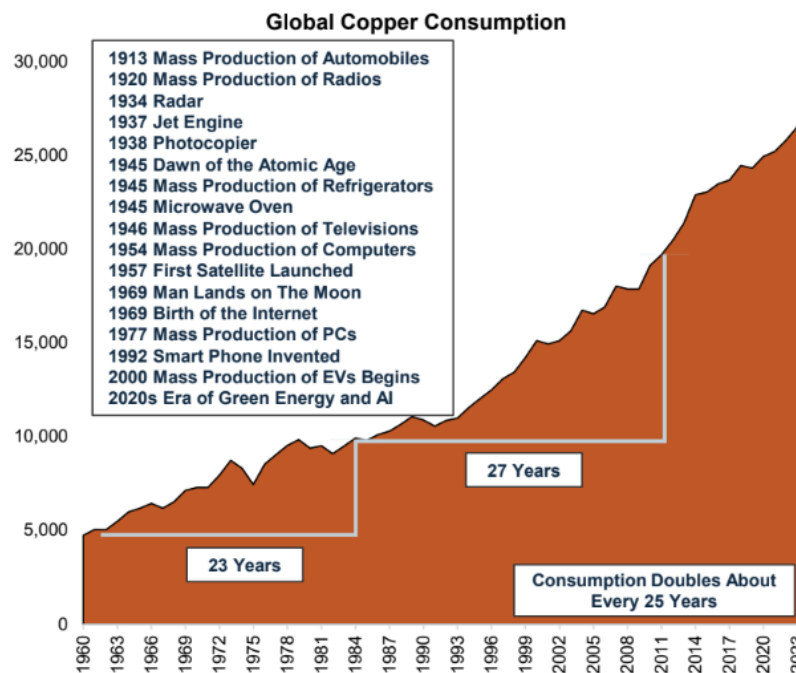
ENERGY ADDITION: COPPER AND URANIUM

Copper: Short-Term vs. Long-Term, Upstream vs. Downstream

Since 1936, copper demand has been exponential - doubling over each 25-year period.¹⁵ Major historic demand drivers have included post-WWII construction and China's industrialization during the 2010s. Copper is one of the most important metals for the energy transition given its conductivity, among other attributes.¹⁶ It is imperative for grids, renewables, and batteries. AI and data centers present a new pressure for copper production that is in tension with declining ore grades and a lack of new mines coming online. Current shortages of sulfur, and therefore sulfuric acid given the situation in the Middle East, also impact copper mining output.¹⁷

Global Copper Production - Metric Tons

Source: Sprott Asset Management¹⁸



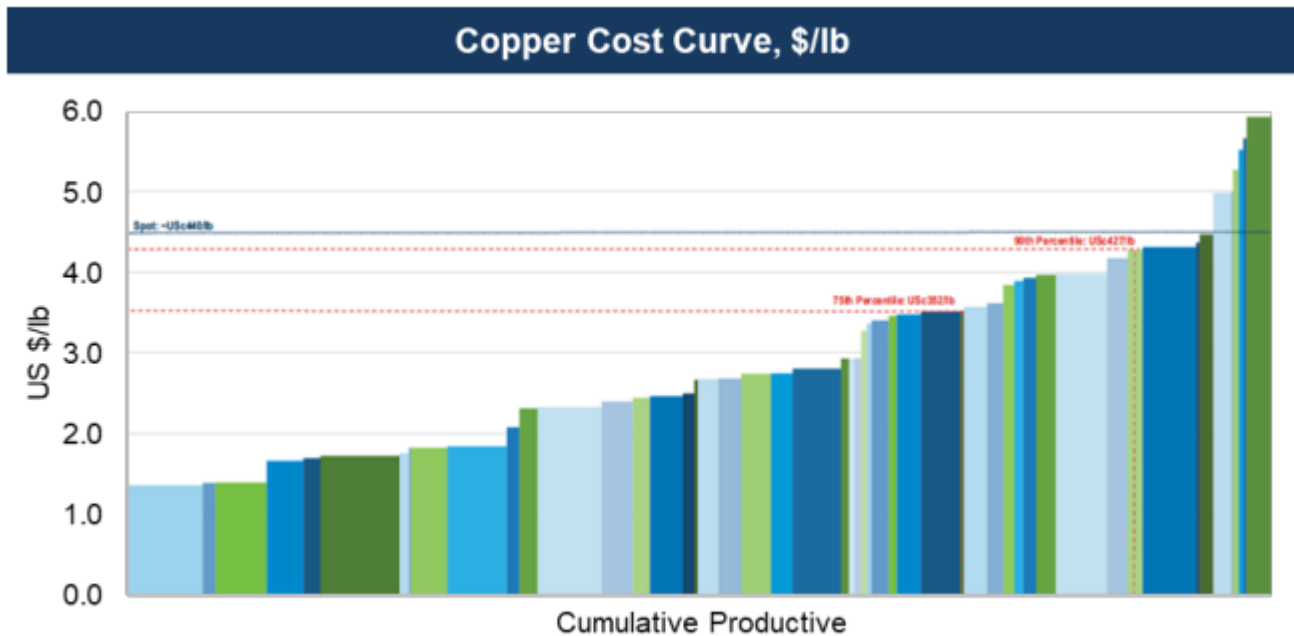
However, copper futures prices have been volatile. Following a January 2026 all-time high of \$14,527.50 per metric ton in nominal terms (LME copper), prices pulled back by ~15% to \$12,335.50 per ton by the end of March.¹⁹ Inventories of refined copper held by global exchanges are currently at 23-year highs, with the CME seeing a significant increase in March 2025 after "[t]raders shipped massive amounts of physical copper to the United States to lock in the easy profits from what was an unprecedented arbitrage opportunity" given the concerns regarding tariff impacts.²⁰

What is important to note here is that there can be a significant difference between the shorter-term and the long-term outlooks and that the shorter-term prices for a downstream product (i.e., refined copper) may not tell the full story across the value chain. Chile is responsible for about 25% of mined copper production globally. It is suffering from declining ore grades and therefore declining mine performance. “Beyond seasonal factors, Chilean output has declined on a running 12-month basis for seven straight months, weighed down by setbacks at projects aimed at accessing higher-grade ore.”²¹ The number of new mines coming online to replace maturing mines is low for metals in general owing to a long period of low investment in exploration.

Therefore, chasing metals prices alone is not a good strategy. Instead, we work with managers who understand the nuances of the market and know how to find value. Per one of our managers, SailingStone, “Low-cost producers with an inventory of high-return reinvestment projects compound economic value over time, which in turn results in superior investment outcomes relative to the index of producers or the commodity itself. While in an up market the difference in equity returns may be small, the outperformance is generated in the inevitable periods of downside volatility. Leveraged beta cuts both ways.”²²

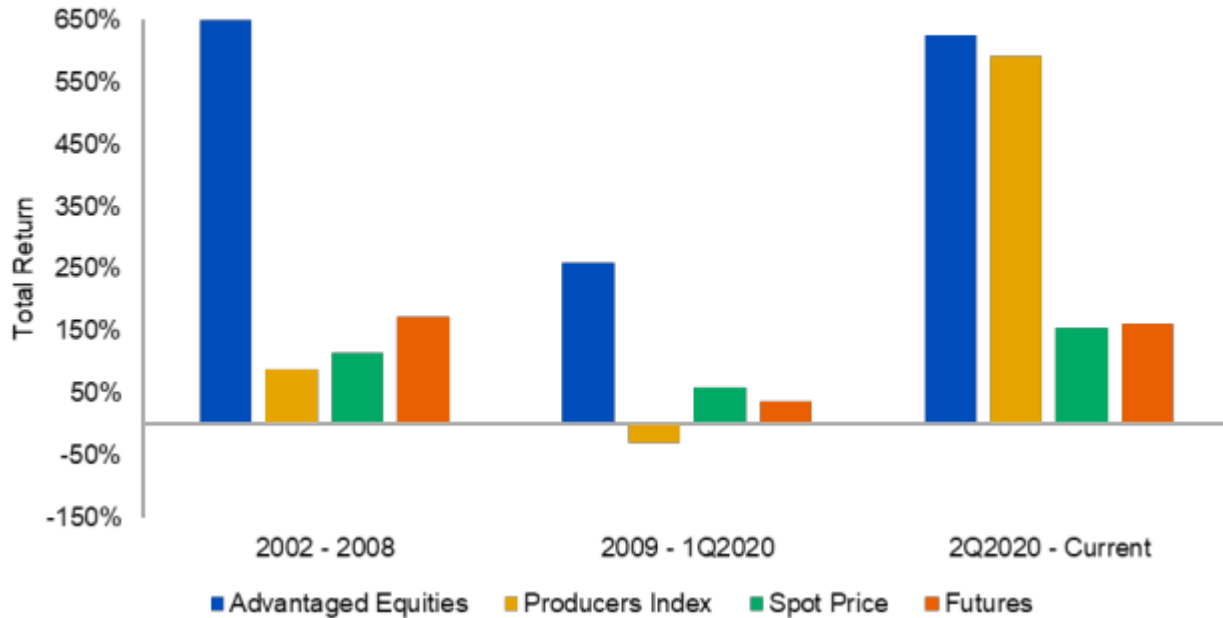
Copper Producers with an Advantage

Source: SailingStone²³





Copper – Advantaged Producers Outperform Across Cycles



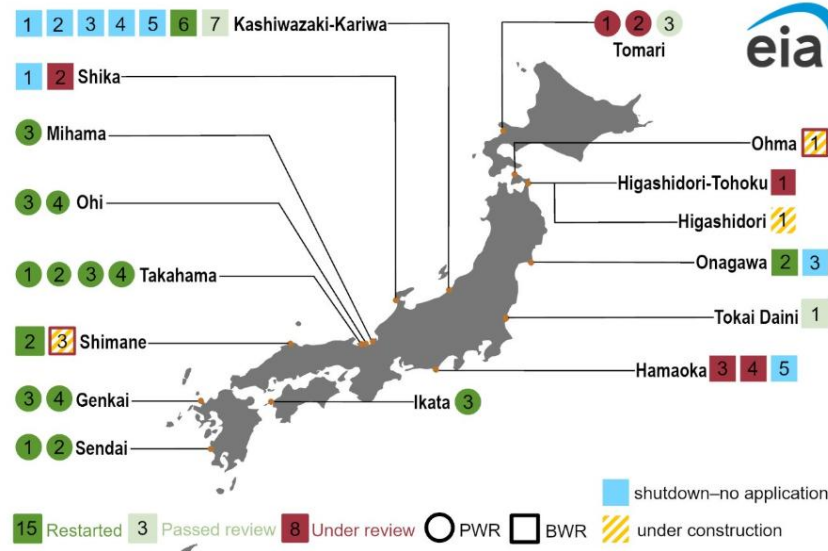
Uranium: Will Prices Break Out in 2026?

The market is forecasting a significant deficit in upstream uranium (U_3O_8) starting in the mid-2030s.²⁴ In the meantime, “[a] record number of nuclear plant restarts, extensions and new builds are driving increased uranium demand, while mine supply remains below global reactor requirements.”²⁵ Talk of demand outstripping supply is not new, but conversations are becoming more mainstream given ongoing global energy concerns. At CERAWEEK, Cameco’s Grant Isaac, noted that nuclear energy’s security attributes are leading to a repricing of the generation source and greater demand. He also stated that utilities are not buying enough uranium to ensure long-term needs are covered at a time when prices for long-term contracts are increasing. Prices are expected to keep moving higher, which will provide the incentives to produce more material.²⁶

Japan’s reactor restart program is a useful study in how short-term demand is growing: after closing all of its reactors subsequent to Fukushima, Japan now has 15 reactors operating again with an aggregate capacity of 33 GW which represented 9% of total electricity in Japan in 2024. Per the U.S. Energy Information Administration (EIA), as the fleet returns to full operations, “the resulting increase in nuclear generation is likely to displace generation from fossil sources, mainly natural gas, which accounted for 33% of Japan’s electricity generation in 2024.”²⁷ A significant amount of uranium is required to support these restarts and they should be considered in the context of broader global restarts, life extensions, and new builds. As we stated in our [Q4 2025 Commentary](#), China’s energy could be 75% low-carbon generation by 2060, a large portion of which will come from nuclear given the speed at which it is building reactors.²⁸

Status of Japan's Nuclear Reactor Fleet - as of February 2026

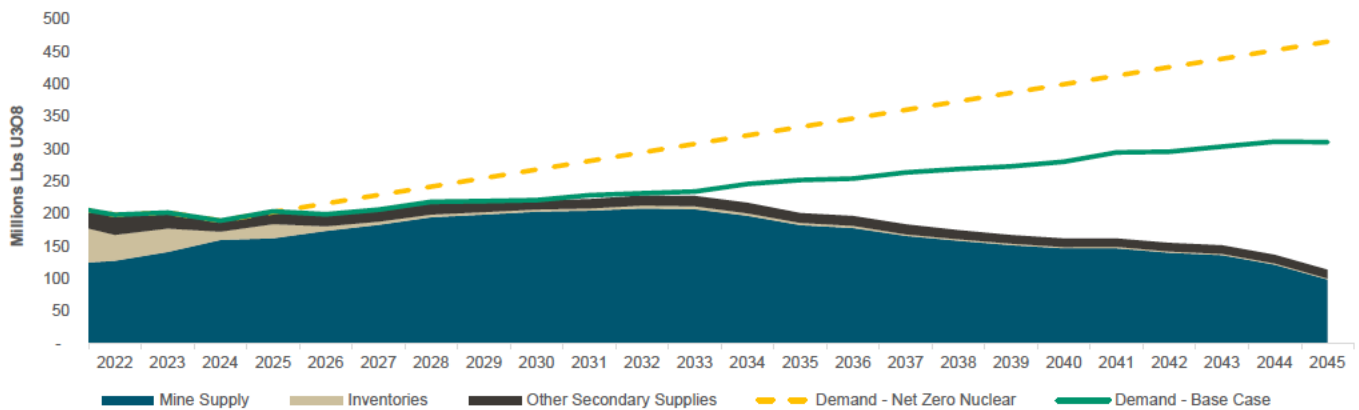
Source: EIA²⁹



Like with copper, there has been insufficient exploration in recent history and therefore new mine supply is not coming online fast enough to meet future demand. Our exposure to uranium is via miners and some companies involved in downstream stages of the fuel cycle, plus indirect exposure given inclusions of reactor technology companies and utilities with significant nuclear generation in their portfolios.

Uranium (U₃O₈) Supply and Demand Forecast - Metric Tons

Source: Sprott Asset Management (via UxC, LLC and Cameco)³⁰



Given the volatility and the challenge in determining prices across metals value chains, we look for managers who have deep experience within the space and the ability to capture value across cycles and intra-cycles. For example, SailingStone, the managers of the Victory Global Energy Transition Fund (RSNYX) use a framework that “is designed to exploit the gap by identifying situations where franchise

businesses are trading at prices which either over- or under-estimate the net present value of future free cash flow streams, often due to the market's confusion between short-term movements in commodity prices and the long-term economics of the underlying assets. In practice, this means focusing on advantaged producers which possess the ability to compound value over time."³¹

MONETARY SYSTEM EVOLUTION: GOLD

Was March the Month Gold Lost its Luster?

Gold's recent sell-off was initially confusing to many. At the end of March, gold recorded its worst week in over forty years, falling close to 20% from its January peak of around \$5,600 per ounce. This came after a steep increase of over 64% over the course of 2025.³² March 2026 was a record month for physically backed gold ETF outflows.³³ The SPDR Gold Trust (GLD) alone saw almost \$8 billion in outflows³⁴ including a single-day net redemption approaching \$3 billion.³⁵

Gold Spot Prices - 2016 to 2026

Source: World Gold Council (retrieved: April 8, 2026)³⁶



However, when taking a step back, it is easier to see this short-term volatility for what it really is: the selling of an asset with significant embedded gains at a time of extreme stress. Gold can be sold for cash to raise funds to fulfill margin calls, buy dollars to purchase imports (such as oil) or other goods, or shore up currencies and stabilize markets.³⁷ Rather than repudiate gold's role, we believe recent events underline it. In acute liquidity stress, gold may function beyond its safe-haven role as a source of liquidity, because it is one of the deepest and most saleable assets in the world.³⁸

In the prior 12-18 months gold prices largely rose given central bank buying, notably in Asia, and particularly China. In fact, as of June 2025, central bank purchasing had exceeded 1,000 metric tons for the prior three years.³⁹ Certainly, gold does not have a yield, unlike U.S. Treasury Bills. While it provided significant overall returns in 2025, right now, some investors may find a ~5% payout to be more attractive given its volatility. However, we believe that the structural bid remains intact. A persistent shift away from

dollar reserves is unlikely to reverse given geopolitical conditions and it is highly likely that rates will come back down over time.

As of January 2026, price forecasts (USD per ounce) published by major investment firms Deutsche Bank, Societe Generale, and UBS had gold reaching \$6,000 or more at some point during the year, with several others, including Goldman Sachs and Morgan Stanley, at \$5,000 or more.⁴⁰ Subsequent to the March outflows, UBS maintained its view stating that “prices should rise toward USD 5,900-6,200/oz this year.”⁴¹

All things considered, we have not changed our long-term perspective on gold and anticipate that prices will indeed rise again into year-end.

GAM THEMATIC PERFORMANCE

Even with the reduction of volatility from the war, predicting future supply shocks—especially those driven by geopolitical events—is inherently difficult. Few could have predicted COVID, tariff escalations, or the specifics of this conflict with exactitude, even where risks were apparent.

Our themes are not built to forecast specific events, but to reflect structural dynamics we believe will persist. We incorporate them into portfolios so that a portion of capital can benefit during periods of acute supply disruption and compound in the aftermath as supply inelasticity and investment gaps become more visible. As immediate market reactions fade, the investment implications may deepen. As such, we will continue to consider and evolve our exposures accordingly.

We’ll leave you with an updated version of a chart we recently published in our blog, [Big Tech, the S&P 500, and Our Core Theses](#). While there is never any guarantee that performance will continue, we do believe that our approach provides better diversification than traditional model allocations and will therefore help to protect against downside risk. In closing, we will reiterate what we shared in that blog: we agree with J.P. Morgan Asset Management’s 2026 Long-Term Capital Market Assumptions that “macro and market conditions look very different than they did in the post-GFC period” and that this is a “new era for active investing.”⁴² In building our models and suite of investment strategies, we have been diligencing and working with skilled active managers for several years. We welcome sharing how their deep expertise and specific approaches can be combined in managed models to support the needs of your practice and your clients.

Gitterman Asset Management: Performance Comparison of Theses vs. ETFs/Funds - as of April 6, 2026

| ETF | Category | ETF/ Fund Name | GAM Thesis | 1-Day | MTD | YTD | 1 YR |
|-------|-------------|---|---------------------------|-------|-------|--------|--------|
| FBTC | Risk Assets | Fidelity Wise Origin Bitcoin Fund | Monetary System Evolution | 4.12 | 2.50 | -20.17 | -17.30 |
| QQQ | | Invesco QQQ Trist, Series 1 | N/a | 0.61 | -1.78 | -4.06 | 39.70 |
| SPY | | SPDR S&P 500 ETF Trust | N/a | 0.45 | -1.80 | -3.11 | 31.80 |
| MAGS | | Roundhill Magnificent Seven ETF | N/a | 0.24 | -4.37 | -11.54 | 43.08 |
| IWF | | iShares Russell 1000 Growth ETF | N/a | -0.01 | -4.72 | -9.03 | 29.37 |
| GLD | Real Assets | SPDR® Gold Shares | Monetary System Evolution | 0.00 | -9.55 | 7.58 | 51.29 |
| RSNYX | | Victory Global Energy Transition Fund Class Y | Energy Addition | 0.69 | 2.26 | 16.26 | 132.30 |
| NLR | | VanEck Uranium and Nuclear Energy ETF | Energy Addition | -0.13 | -2.18 | 7.92 | 101.22 |
| GRID | | First Trust NSDQ Clean Edge Smart Grid Infrastructure Index ETF | Energy Addition | 0.08 | 0.12 | 8.38 | 59.90 |
| SETM | | Sprott Energy Transition Materials ETF | Energy Addition | -0.12 | -2.38 | 15.51 | 172.25 |
| EFRA | | iShares Environmental Infra ETF | Energy Addition | 0.58 | -0.92 | 4.74 | 26.50 |

If you'd like to learn more about how we approach risk and opportunity through a thematic lens, please feel free to [book a call](#).

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- ³¹ “Year End 2025 Commentary”, SailingStone
- ³² <https://www.reuters.com/world/asia-pacific/jp-morgan-raises-long-term-gold-price-forecast-4500-2026-02-25/>
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- ³⁴ <https://www.morningstar.com/funds/gold-trade-collapsed-march-etf-investors-flowed-into-bonds-record-pace>
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379 Thornall Street | 6th Floor | Edison, NJ 08837
www.gittermanasset.com | Fax: 888-476-1314

³⁷ <https://www.reuters.com/world/middle-east/turkish-gold-reserves-largest-drop-7-years-data-shows-2026-03-26/>

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