



Adam Rozenchwajg: Gold, Oil & Uranium

Erik: Joining me now is [Goehring and Rozenchwajg](#) founder Adam Rozenchwajg. Adam, it's great to get you back on the show. It's been way too long. I, I think we gotta start with gold because it's on everybody's mind. Boy I don't know what, uh, Tuesday was. I think it was the biggest down day in, in the history of gold for the last several years.

Is it, uh, time to panic? Is it all over or is this just a hiccup?

Adam: Well, no. Wonderful to be back. Nice to chat with you again. That is certainly the question on everybody's mind right now. It's Wednesday, October 22nd and we had a second down day after yesterday's large correction, and I'm staring at the screen right now with.

Gold at \$4,098 from a high of 43 50 only a couple days ago. So down about 260 bucks in the last two days. Fielding certainly a lot of questions and look, the gold market is, has been a super interesting one. I mean, obviously we all know gold has been a absolutely. Rocket investment the last couple years.

Gold equities this year playing a big catch up after having, uh, underperformed last year and the year before. Uh, and then, so the big question is, you know, are we in a correction? Is this just a natural pause and, I gotta kind of disappoint people. The truth of the matter is I don't know what tomorrow or the next day is going to bring, but I do think that we're still in a larger bull trend in gold.

I don't think that the gold bull market is over. And there's a couple reasons for that. You know, the first is when I, whenever I think of gold, I try to think of it in two terms. It's a little bit of a unique commodity. It's different than let's say, oil. And, and the reason it's different than oil is the following.

Imagine Oil. We have 104 105 millions barrels a day of supply every day, and 104, 105 million barrels of demand. And then about 4 billion barrels of inventory. So if you think of a bathtub, you, your faucets bringing in a hundred a day. Your drain is letting out a hundred a day,

give or take. And the size of your bathtub, the level the inventory is, is about 4 billion.

You have about 40 days of inventory cover in that market. So what really matters in oil markets and indeed most commodity markets is the marginal cost of the production. You know, have you hit a level where people are gonna stop drilling new wells and declines are gonna take hold? And what is the price to squeeze out the incremental unit of demand?

It's really all about the faucet rate coming in and the drain rate going out. Uh, if you compare that to the gold market, gold mine supply. Which is effectively the faucet, right? Your new production coming in. That's about 1% of all of the available gold in the above ground stocks in the world. So instead of 40 days of cover, you can think of your inventory levels as a hundred years.

Cover and realistically, the gold trade where prices set happens by people buying and selling units in that inventory back and forth to each other. Yes, of course you have mine companies coming in and you have true, demand that takes gold out of the market, I suppose, is intestinally small. Most of the gold that's ever been mined is still available somewhere above ground.

So really what you're talking about is the price elasticity of your buyer and your seller. That's really what matters in the gold market because you're trading ounces in that inventory pool, the bathtub water, as opposed to the faucet or the drain. And when I look at that, you know, the big buyer in the last two years has been the central banks.

It's been China, it's been India, Brazil, it's been, it's. Poland, uh, it's been all the countries that effectively have watched what happened following Russia's invasion of Ukraine, because what happened then is the United States pressed a button on their computer terminal in Washington and they froze all the Russian treasury assets, which are cleared through the Swift system.

Now, I'm not here to debate. The ethics of that or the real politic of that, you know, maybe a country like the United States should stand up, uh, and, and impose, uh, what it thinks is right or wrong. I don't know that's a topic for another day. All I'm telling you is it's happened and there's countries around the world that say, look, you know, the bulk of our

reserves backing our currency, our treasuries and they're susceptible to Washington pressing a button, uh, and freezing those assets. And perhaps we should diversify that into something that they can't quite as easily reclaim. And that's been the appeal of gold. So those buyers, first of all, I think that trend's continuing. I don't see anything in the geopolitics to suggest central banks, you know, particularly emerging markets.

Central banks, uh, have bought enough gold. To reach sort of Western standards, if you will. Uh, so I think that's going to continue and that's completely priced in elastic. I mean, they don't care what the price of gold is. What they're trying to do is get dollar denominated assets out of the swift system and into something that's immune from that.

And I think that's certainly gonna continue. The other thing that I think is quite crucial when you look at. Those marginal elasticities of supply and demand is that we have not seen a huge buildup in Western speculative investment interest in gold. And I think that's really crucial and it shocks a lot of people.

Yes, it's hooked up a little bit, but it's nowhere near what the western speculators or investors have accumulated in past cycles. And that's a really finicky source of supply and demand, because that's something, it's really a momentum driven player in the market. When gold prices rise, we see western investors become more interested.

When you get a pullback, you start to see them sell. We all know that if gold were to hit \$6,000 next week. We would see more interest from Western fund managers, not less interest. And conversely, if it fell back down to \$2,000, which I don't expect it will, uh, we would see widespread selling on the part of fund managers that, that do hold gold.

Uh, so since they haven't accumulated this massive stockpile, like they haven't past cycles, I don't think that's a finicky source of supply that can come back into the market one day. It will be, and that's something to worry about, but I don't think it's something to worry about just yet. Who is doing the buying and the selling, then who is effectively selling the gold to the central banks?

All indications suggest that it's a little bit of Indian retail. It's some recycling, and it's mine supply. Mine supply is falling for seven years in a row, and both Indian supply and. Recycled gold are very price

sensitive. They need higher prices to bring more material into the market. So you have price sensitive sellers and completely beholden price insensitive buyers.

And I think in general, that's a good recipe for a bull market in gold. That's the micro structure. The next thing you have to look at in gold is the valuation of gold. Is gold, expensive? And of course, the question becomes relative to what? It. We could look at is it expensive relative to housing?

What's the median housing? Price an ounces of gold. Is it expensive relative to a basket of goods like the basket that they use for the GDP deflator? And if you look at the price of gold today per ounce, relative to the median house in the US or relative to the GDP basket, uh, then gold does seem expensive.

It's not at a record high, but not far off. And, and it does seem a little bit expensive if you look at it. On the other hand, relative to, let's say. All the gold that's ever been mined, the value of that relative to all the stocks in the world today, all the common equity or all the debt, sovereign and commercial, then gold is awfully cheap.

You know, we've seen in past cycles a really simple measure. You divide the Dow by the gold price, and we've seen in past cycles where, where stocks are cheap and gold's expensive that ratio can get down to two to one or one to one. And just to put that in perspective. Today with gold at \$4,098, and the Dow is well in excess of 45,000 today.

In fact, it is 46,590. So one to one would mean you'd bring gold to 46,000. Maybe that would happen with the Dow selling off fine. So maybe you take gold to 30,000, 20,000, or even 10,000 if you hit the two to one ratio. So when you look at it relative to stocks. Or financial assets in general, or the monetary base, let's say.

It doesn't look very expensive. It looks a little bit cheap. So that I would call a neutral. I would say that you can't really make the case. It depends what you look at, whether it's expensive or whether it's cheap. Uh, the micro structure is telling you that you probably will continue to see gold rally from here.

So I don't think that the Gold Bull market is over. I think that gold prices by the end of this cycle will hit extreme levels. I wouldn't characterize

them as extreme. Uh, but gold realistically no longer represents the cheapest commodity that I look at. It doesn't represent the most out of favor commodity that I look at.

And probably with incremental dollars that I had to invest, I might be able to find deeper value and deeper contrarian investments elsewhere in the market. So that's where we stand today. We're holding our gold investments. We might trim them a little bit, um, not necessarily. Taking big exposures off the table, but in recent weeks with oil doing poorly and gold, doing very, very well you know, our, our exposure to gold has obviously increased and our exposure to other areas has decreased.

So we might consider doing some rebalancing on the margin. Uh, maybe even, a little bit more than that, but I still think that gold ultimately has legs to run.

Erik: Adam, you described primarily a central bank buying as a result of the experience of the US freezing Russian assets. Other central banks are afraid, Hey, wait a minute.

What if they froze my assets next? I agree with that personally, but I've also heard quite a few different pundits say, no, no, no. Wait a minute. That's everybody's talking about that. But that's not really the story. This is about secular inflation. This is about the market. Recognizing that financial repression is the only way out of the us uh, fiscal.

Circumstance with, with just way too much debt. That's really what it's about. Then other people say, no, no, no. It's none of those things. It's really all about China. This is about China posturing. In order to get ready to, in some kind of partnership with Russia to, try to intentionally replace the US dollar globally as reserve currency, as an overt act of, I don't know what you wanna call it, financial warfare or something.

Okay. If any of those other. Explanations turn out to be right then the signals that we should be watching for would be different than just the central bank signals. What do you think of those other arguments? Uh, do they carry weight? Do or do you feel convinced that it's the central bank doing the buying?

Adam: No, listen, I think, I think it's all of the above and I'm gonna maybe, uh, sidestep the question a little bit or answer it in a little bit of a different way. We've spent a lot of time. Studying commodity cycles

going back 150 years, and one of our observations was that big commodity bear markets usually end with massive shifts and shocks to the global monetary system, the way that we conduct our monetary affairs and.

What's interesting, which we did not articulate nearly as well, 'cause we've written about that. You go back all the way to the summer of 2000 and you remember summer of 2000 was the depths of the COVID Lockdowns and I was invited to Switzerland to give a speech and so I decided to go. I was having a little bit of wanderlust being locked up for a couple months and so I got on a plane.

I was the only person on a plane, and I delivered this speech in Zurich and I talked about how from an observational perspective. If you wanna know the catalyst that's going to end the commodity bear market and begin a new robust bull market, look for cracks or changes or shifts in the global monetary system.

And I said at the time, look, I don't really know where that's going to come from exactly. Or not even exactly. I don't have enough hubris to even say what direction that might come from. But that's the area that I think you should watch and pay attention to and remember at the time. That was really the beginnings of this idea of China trying to implement trade settlement outside of the dollar in RMB and maybe have that be backed by gold or convertible into gold.

So they didn't have to directly open up their their, their current account and things like that. Since then, you know, we've gone through a few iterations. We've had the Mar-a-Lago Accords, uh, which, which has been an attempt to re-dollarize or double down on a dollar standard and bring people into this sort of coalition of the West, if you will, where if you're on team USA, you enjoy much lower trade tariffs.

You enjoy, uh, reciprocal defense agreements and lots of fed swap lines. Which like the likes of which we're seeing in Argentina right now. O otherwise, you're sort of on the periphery and, and. The cost for doing that is, is effectively to come in and double down on the dollar as a reserve. Currency and Treasury Secretary Bessant and Steven Miran, et cetera, have all talked about these Mar-a-Lago accords in one way or another.

And they've talked about wanting to have a very dominant, if not strong 'cause, I don't think they want a strong dollar, but they want a dominant US dollar. Uh, and you're seeing some really radical shifts being, being proposed. By those white papers. So I'm not sure the exact direction it's taking, but I do think that you're in what we call the right zip code or the right neighborhood for a fairly major monetary regime change.

And how big could that be? Well, look I'll put it into perspective the bear market in commodities. Through the twenties ended right around the same time as Britain officially left the pre-World War I Gold standard. They were trying desperately to get back on gold post World War I. They, they suspended the standard during the war, which many countries did Germany went through.

Its hyperinflation. Britain tried to rightsize its economy to get back on gold at the pre-World War I exchange rate. They tried desperately through the twenties. They finally abandoned it in 28. The market peaked a couple months later and all of a sudden, about a year later, and then all of a sudden you had the stock market collapsed, the depression, and what people don't realize in such an economically.

Horrible time. That was actually a great time to be a commodity investor. Commodities and commodity stocks doubled in the next 10 years, and you had a really strong bull market in the 1970s that obviously came at the end of Brenton Woods, which was put in place post World War II and lasted all the way up to.

I would say 68. Most people say 71 when Nixon shut the gold window, I would say 68 when Johnson took away the requirement to back the dollar by gold, it took another two or three years before you finally did run outta gold effectively and closed the window. And that brought in place this massive new bull market and inflation of the 1970s.

And in the 1990s there was the Asian currency crisis, you know, and that completely changed how we conduct monetary systems. And it brought into being what we have today, which is most of. The global South pegging their currency below market rates to the dollar to help spur exports and recycle excess dollars into treasuries.

So you've had these three huge monetary shifts, and each of them was a catalyst to devalue the dollar relative to gold, and to bring assets away from hyper long duration growth. Stocks and assets, bonds too, back

into real assets. And I think this time will be exactly the same. So look when you look at what the United States is proposing to do, either on the Mar-a-Lago Accord side of things, or on the stable coin treasury side of things, and in the other side of the world you have China.

Threatening to bring back a new gold-backed currency for global commodity trade settlement. This is nothing, if not a major monetary regime change. Th this is the period of monetary regime changes. It tends to end what I call this carry bubble that we're in right now, which is emblematic of the everything bubble and the AI bubble and everything growth.

The fact that. GDP or the equity markets to GDP is about 240%. That's a huge anomaly that usually comes along with these carry bubbles, and I think a monetary regime change is going to be the catalyst to bring that back in line. And I think that's what Gold's telling you. So is it inflation? Yeah, it's related to inflation for sure.

Is it China trying to. De throw the dollar. I think that's definitely part of it. Is that the US fighting back? Absolutely. Do I really care which way it goes? I mean, obviously as a human being, I have some preferences. Uh, as a commodity investor, I think what this is proving to be is the catalyst to bring back a big, strong resources bull market.

Erik: I wanna move on to a commodity that's not getting a whole lot of sunshine right now, which is oil. Our mutual friend, Dr. Alhaji, and yourself are the only two voices I've heard recently saying, Hey, wait a minute, everybody. You're missing the story. It's actually a bull story, not a bear story. Why do you think that?

Adam: You know, I respect his work quite a bit. I enjoy his readings. Uh, and so if I'm going to have only one person on my team, that's a good one to have. I think that right now, before we get into the supply and demand, and before we get into the underlying market forces, realistically oil is the most hated asset class in the world today.

You know, in. We got oil and gas down to 1.8% of the s and p, and today it's about, I don't know, 2.3, hardly above that long-term average, about 12 to 14% in bull markets ended 30%. So we're nearly down to COVID level sentiments in energy markets and oil markets. In many cases, I find that oil today reminds me a lot of gold back in 1999, notably because of this term, the Barbarous Relic.

So you remember, you go back to the nineties, actually, I guess you really have to go back to the seventies. We ended the Bretton Woods Standard in 71, and we tried our hand at Fiat currencies by 1980. It really wasn't clear that Fiat currencies. So most central banks just kind of held onto their goal.

They really didn't know what to do. It. Uncharted territory. By 1980 vol comes in back of inflation. 10 or 12 years later, this fiat currency thing looks like it has legs and it looks like it's here to stay. So all the central banks in the world said, well, what do we do with all this gold? We've had it for thousands of years trying to prop up our currencies and back our currencies, uh, but we don't really seem to need it anymore and it doesn't yield anything.

I could buy bonds with this and, and be much better off. So what am I doing? And they all got together and they agreed how much they could each sell and dump into the market every year. And. It was became known as the Barbarous Relic. It was a barbarous relic of the past. It's how we used to conduct our monetary affairs, and it had no use going forward.

And in that environment, you could make the case that it was kind of worthless. You know, what would you pay for a gold mine to produce a metal that used to be used as money? You know, it was basically. Worthless. And the only problem with that was that by 1999, so much pessimism had baked itself into the oil market, that you got oil prices down to about \$280 an ounce below the cash cost of extraction.

And it went on to become the best performing asset class, not just at the next decade, but of the next quarter century. And actually my, my partner Lee. Article in Forbes Magazine around that time in the summer of 2000, saying that gold would go up tenfold and be the best performing asset class of the coming decade.

And from, I wasn't working with the time, but what I heard when. Prudential, which is where he is working saw the article published. They'd expected him to talk about oil and how he thought oil might be up five to 10% next year, and instead he said, gold, which had fallen 80% over 20 years would be a 10 bagger in the next decade.

They almost lost their lunch because it was this barbarous relic of the past with no use going forward, except that it wasn't. The narrative was

wrong and today I feel like oil's a little bit of the same. Everyone today has this hyper bearish view on crude predicated on the fact that it's this barbarous relic of the past.

It's how we used to get around. It's how we used to transport ourselves, but it effectively has no use going forward. And what would you pay for a long-lived oil asset today? Probably nothing. Because it has no place. And why does it have no place? Well, 'cause we're moving, we're electrifying everything. The problem is that that narrative is completely wrong and the IEA, the International Energy Agency is the one really promoting this view.

You know, according to their data. We're now in. Surplus market in excess of a million and a half barrels per day. Now the global oil market's 105 million barrels a day. So a million and a half might not sound like a lot, but the oil market's all set on that marginal unit of supply and demand. So a million and a half surplus is about as bad as I've ever seen it.

It's as bad as it was during COVID. Now it certainly doesn't feel to me, or most oil traders, if they're being honest with themselves, that oil. Balances today are as bearish as they were during COVID. It just doesn't feel like that at all. In fact, if the oil market can be very complicated and nuanced, but sometimes it's simple.

If you pump a barrel of oil out of the ground, it has two places it can go. A refinery or a storage tank. And so according to the IEA, we're pumping out a million and a half more barrels every day outta the ground than it need to go to the refinery. So they should be going to storage tanks, right? Except they're not.

Storage is actually flat for the year. What's going on? The surplus that everyone's talking about is not showing up in the numbers. And I would argue that whenever that happens, nine times outta 10, if not more. What it is, is its understated demand. It's that demand is actually running hotter than the IEA anticipates, and I think that's exactly the case today.

So this kind of debunks a little bit of the. Big, broader narrative that most of the market has, which says, last year was a balanced market. The first half of this year was a terrible surplus. The second half's an even worse surplus. And then following that trend, what does next year look

like? Well, it must be a disaster, and sure enough, that's what they're predicting.

But if all of a sudden the true data that's coming in shows that last year was balanced, the first quarter was balanced, the second quarter was balanced, and the third quarter is balanced, then you begin to question that narrative entirely. The oil price today is about as bad as I've seen it. It's not low, it's not an all time low in nominal dollars.

As of today, we're talking about a WTI price. It's up to date a little bit, so 58 bucks, but in real dollars compared to kind of the monthly lows during COVID of 25, it's not far off from that. When you look at it, priced in ounces of gold oil's. Never been cheaper. Never in history. 76 barrels to the ounce.

To put it in context, in 1999, a single ounce could only buy seven barrels. That's when gold was the hated asset class. Today, oil's the hated asset class, and it's, you buy 10 times as much of it as you, uh, with the same ounce of gold. And I think it's this capitulation low pricing on a narrative that just doesn't exist.

So if the market's kind of balanced today, what is that? Mean for next year? Well, first of all, it means demand is running stronger than they expect, which means next year it'll probably run stronger than they expect too. The second thing, which is probably, maybe I'm bearing the lead here, is probably the most important, is that the only source of non OPEC oil supply growth for the last 15 years, the only source has been the shales and it's now.

Rolled over and we're a bit of a broken record on this because we've been saying that this was going to happen since 2019. And before people come out and say, well, that's ridiculous. That's six years ago. We didn't say it would happen in 2019. Go back and listen to our podcasts and watch our, read our letters.

We said that 2025 would be the year that shale and total US production rolls over and on a monthly basis. It was actually October of 24. That was the month that Total Shell production and the Permian, including the Permian rolled over. And since then we're down modest, about a hundred thousand barrels, but.

I think we have enough data now, 10 or 11 months worth of data that shows that that was not a blip. It wasn't just one bad monthly read, which can happen in the oil markets, but rather it's the beginning of a sustained trend. And our models have been predicting this because of very, very standard geological features.

We have run out of the best areas of the shells. The shells have been huge, and I don't blame anyone for thinking. While we were on the ascendancy side of the shale boom, that they were infinite, but immense is not the same thing as infinite. And we've now gotten to the point where we've drilled out our best wells.

We're drilling lower and lower quality wells and productions about to roll over. That's only happened twice before. The first was conventional US production in 1970. It brought about a huge bull market in crude. The second was the North Sea. And Gulf of Mexico rolling over in 2003 brought about a huge bull market, and I think that this time will as well.

So I think the market's very, very misunderstood here.

Erik: I couldn't agree more, Adam, and one of the things that's been reassuring to me because I've shared your bullish view, has been the term structure. And I've, I've always made the argument that for people who have the experience to interpret the term structure chart, it tells you a lot more than the flat price trend.

And what I saw was more than six months of backwardation beyond the front month telling me that. The storage arb, guys that, that are just gaming, how much available storage exists in Oklahoma and so forth. They think that there is a shortage despite the flat price. You've still got that backwardation.

Well, guess what? That backwardation has almost come completely out of the market. We've got. A month or two of backwardation and it's much softer than it was much, much less backwardation than it was a few months ago. Does that concern you at all? 'cause it looks like we're about to flip into a complete structural contango, which would normally be a bearish sign.

Adam: Yeah. And, and you know that, that's a very, very good point. You know, I, I'm astonished at how many. Oil market watchers, many of whom should really know better, treat the term structure of crude, which

is to say the future's prices as some sort of a voting mechanism or predictors to where investors think that oil will be in a year or two from now, or five or six.

And in reality, you know, you and I both know that it's nothing of this sort. It's, it's an arbitrage. So if you wanted to take a long. Oil futures position for five years from now, just to really kind of draw out the term structure. Someone's gonna sell you that, and they're gonna have to offload that exposure by buying physical crude.

Now, maybe they don't, maybe they pair it with another futures contract, but somewhere down the chain, right? If you're long, someone's gonna be short and they have to hedge that with a physical barrel. So what do they do? Well, they buy the physical barrel, they pay for it, and they store it for five years and they deliver it back to you.

So what price are they gonna give you? Five years from now? It's not gonna be the spot price, it's gonna be. The spot price plus the cost of storage, plus the cost of capital. And that's why in normal conditions, the term structure of crude is always upward sloping. When you get a shortage, people tend to think of the long end of the curve as being lower, but it's not so much that it's that people are willing to pay a premium for prompt or delivery because they're worried about physical scarcity right now.

And so the front end gets pulled way up because you have a, what they call a convenience premium. And at the same time. There's not a lot of oil and storage. The cost of storage becomes very, very benign. So that's not an upward force on the futures price, the same as it is when storage is full. So you're right that a backwardated market or backward market.

Tends to occur when inventories are low, and that has always been a little bit of the fly and the ointment for the oil bears for the last couple years. So now you're in a position, you're right, you have two months of backwardation, uh, I guess four months. You know, the, the, the backwardation hits its extreme at two months, and then it's actually tangled relative to the spot at five months, I think.

And from there on out, uh, it's an upward sloping, contango and that suggests that inventories are more ample. And indeed, look, we see that, inventories have ticked up a little bit in the last. Two months or so,

mainly as a result of some of these OPEC plus barrels flowing into the market. And so I do think that inventories are slightly higher than they were.

And that's why I'm not one to say that the market today is in a big, sharp deficit. I would call it largely balanced. And maybe it's loosened a touch. And that's probably why, uh, you flip from a backwardation into a contango, however. Here's the caution that I would make because, you know, Lee and I used to have this debate all the time, and, and you could go from the theory which says that a backwardated market is more bullish.

Or you could go by the observation, which is that big sharp contangos in the market tend to be a really good predictor of future price. Why? Well, a big contango means that inventories are ample. Inventory is ample means that prices are low, which means you don't invest enough. Which means production begins to roll over and that's what drives things.

So I think if you're looking at the term structure today, it reflects the oil market today, which is basically balanced to ever so slightly in surplus. Uh, but when I look forward into next year, and particularly the middle part and end of next year, I see a very, very tight market. So I suspect that the market next year at this time when we speak, uh, will be in backwardation and people who have bought oil equities, uh, will be in really good spot if you buy.

Oil futures in a contango today, and you get a backwardation later. You might have given some of that up, but I think people that buy the equities will be in a really good position because I think the spot price is gonna be a lot higher. You can't balance the market at today's price. You just can't do it.

Erik: The thing that worries me about the term structure is a lot of traders, there's a whole group of people in the market whose rationale is, look, there's a backwardated market. I'm getting paid a roll premium, even if the flat price stays the same, I still make that, that, that yield because I'm buying the next contract at a cheaper price.

As soon as you have the state transition from a prompt backwardation into a prompt contango. All those guys say, okay, that trade's not working anymore. I'm outta here. So the question is, how big is that

group of traders compared to the rest of the market? It looks to me like we're only a month or two away from that trade state transition happening.

If so, how concerned are you about those guys bailing.

Adam: I think it's possible. You know, that's always the tough part of the oil markets is that the paper trade is much bigger than the physical trade. It's underpinned a little bit by the physical reality that when it's all said and done, the crude market is a physical market and we need to deliver 105 million barrels of oil day in and day out to a global integrated refining network to get gasoline in our cars.

Right. So it, there's a lot of paper churning about and it can. Absolutely distort markets on a short term or sometimes even a medium term basis. But the oil market, maybe more than any other single market in the world, is rooted at the end of the day in fundamentals because it we're so reliant upon it, uh, day in, uh, and day out.

So will there be noise in the oil market? Almost assuredly, uh, does that mean that you can't invest? I think it just means you probably have to have a good, strong courage of your conviction here. You know, the other thing that I worry about in the oil markets is that it's quite clear that the administration would like to see lower oil prices, particularly between now and the midterm, uh, elections.

I don't really know how many levers. They have to pull, I can't think of too many. The natural one to think about would be to release oil from the SPR, but given how politically intolerable that would be, remember Trump went after Biden, vehemently for having squandered our Strategic petroleum reserves, so I don't know how you're gonna go about doing that.

I think the way the administration has chosen to date, they had hoped that they could get the industry to produce more, but as we said, starting about a year ago, we said, look, this is a geological problem. It's not a political problem. And so a geological problem can't be. Can't be fixed from the Lecter and it can't be fixed from, uh, the podium.

And I think we're beginning to see that. So you recall that the administration tried to run on a three Arrows policy, one of which was. Boosting domestic supply by 3 million barrels per day. We never thought

that would be possible. Incidentally, Nixon in the early seventies, in the first year when the US production stagnated then came up with project Independence to try to boost US production.

At least in that plan, his intention was to raise the oil price to incentivize drillers. In this plan, it was to lower the oil price and somehow that was gonna elicit a big supply boom. I'm not sure how that was going to happen, but it's not. Uh, and so now you've seen a little bit of a pivot looking towards our opec.

Uh. I'm saying maybe between air quotes, our OPEC allies, because we don't usually think of OPEC as being allied with the West. Uh, but our OPEC allies, notably Saudi Arabia to increase quotas and increase production. Uh, they've done that. You know, you've seen about a million barrels increase come outta Saudi.

Uh. It's not clear to me that they have much spare capacity from here. And what's that done to the oil market? I mean, not much inventories have moved up a touch and you've taken out a \$2 backwardation and made it into a \$2 contango. But this is not a market that has a high level of inventory in it today, and it's not a market that's in a sharp.

Surplus and it is a market that's gonna have to contend with the only source of non OPEC growth, the shales turning negative year on year. By the end of this year, I think October of this year is my estimate for crude oil production and then continuing negative into next year. So I think you're, I think it's a very, very, very bullish outlook for the next five to 10 years until you recapitalize this industry.

Erik: Adam, let's move on to uranium a, uh, commodity. I'm very passionate about these days. What's your outlook and what do you think the major drivers are in this market? The

Adam: Iranian market is absolutely fascinating, and we got involved all the way back in 2019, 2018, when it was about 20 bucks a pound, and you could buy Cameco for \$5 a share compared to, you know, 90 bucks where it's today, it's probably off a little bit in the last couple days with the sell off 84 as of today.

That's the US line. I think it still has room to run. And here's the reason why. There's lots of talk about SMRs and the new nuclear revolution and things like that, and I know the SMR companies very, very well in

particularly I, and in particular, I know Terra Power very well, but I know ALO is also, I know new scale.

For those publicly listed ones today, I, I really struggle with. With their valuations. They've been unbelievable. Performers, good on them, uh, but I have a tough time with those valuations. But leave that aside. I think that will be a huge story in the 2030s. But realistically, for most investors, they're investing between now and the end of the decade.

And that's probably on the generous side. And when I look at over that timeframe, the market is in deficit today. That deficit is only gonna get worse, and that's what I don't think people understand. I get a lot of questions, how many nukes do we have to build to really. Put this market into a tight situation.

It's in a tight situation. It's been in a tight situation for four years. What happened was that after Fukushima, Japan continued to take delivery of all of its contracted uranium supply, even though it had no reactors turning, and so they built up a huge stockpile. Beginning in about 2018, 2019, with some new reactors coming online in China and Korea, as well as KaMMCO and Kazadi prom curtailing their mind supply.

The market shifted into a primary deficit. What does that mean? Mind supply was not meeting reactor demand. It was a deficit in the primary sense of the word and what kept, what made ends meet. What kept that market together was a sustained liquidation of the Japanese stockpiles. That's what allowed mine supply to run below reactor demand for so many years.

And those stockpiles are now gone. They've all been depleted, and you're in a much more heads up situation between mine supply and reactor demand. And that's a very, very tight market as a result. So people say to me, what has to change? Nothing. Just time has to change. And that started to change and really come to the fore in late 22.

In 2023, the hedge funds became very involved in the uranium space and their preferred vehicle was to buy the uranium junior miners and then to go and bull up the sprott physical uranium trust, get it to trade at a premium, it would go out into the market issue shares, and buy spot uranium. And that drove up the uranium price, which helped out the junior miners with the big.

Levered beta. And so these guys could just roll that trade over and over again. And it worked incredibly well. In 2024, spot prices lifted about 25 bucks above term price. And that reflected, I think, the speculative fever in the market. We were invested that whole time. We decided to stick with it because we saw a tight underlying market.

We debated whether we should sell at the beginning of 24. We didn't. I wish we had, uh, because in 24, those hedge funds unwound everything. They unwound everything. And in fact, they had started to go really net short. By the first quarter of this year, you could find Australian juniors with 30 days to cover and 35% of their float sold short.

And it was the trade working in reverse. The idea was to keep the spread physical below nav spread a rumor that they would be unable to pay their bills and they'd have to liquidate their uranium holdings. And that pushed downward pressure on the juniors, which they made, uh, up for in their shorts. That's all done now. Sprott was able to come to market. They were able to raise money. They put that rumor to bed. It's all behind us, and the hedge funds, for the most part, are now outta the market. Did they make money? Did they lose money? I have absolutely no idea. I suppose when it was all said and done, they probably broke even.

And. But now they're outta the market. They're no longer distorting things, and we're seeing a nice gradual increase back in the Iranian price. So I don't see that changing until you bring on more mines, and we will not bring on more mines till the end of the decade. I just don't see it. Next gen will be the one to go first.

It's not gonna be before 2030. So how high can prices go in the interim? Well, that's where things get really exciting because once you have a nuclear reactor built, and remember, you don't need to build anything more. To make this a tight bull market. So just on what we have already built, you will pay almost anything for your fuel.

All of the cost of that reactor is the CapEx. Once it's built, you feed the beast. And so would you put 2, 3, 4, \$500 uranium today? It's about 85 bucks. Would you put 500 in your model and still make it work? I mean, you wouldn't wanna do that as a fuel buyer, but you could. In fact, you would prefer to do that than shut down your mind.

So I don't see where you squeeze out demand. Supply. I guarantee you that the end of this bull market will come because of too much mind supply. Uranium is not the rarest thing in the world, but it is impossible to bring it on quickly because it's radioactive. There's a lot of permitting involved.

There's a lot of. Civic engagement and discussions you have to have with the communities. You're not going to balance this market until at least 2030, and then it'll become a tug of war between the SMR new demand and new mine supply, but that I will defer to another day.

Erik: I couldn't agree more. I, I very much echo your extremely bullish views.

I, I'm very long and very bullish, but our job as professional investors is to think about what can go wrong, what can go completely wrong that would turn, that would reverse this uranium bull market. Is it. Another Fukushima sized accident is it? What are the things we need to think about that could completely derail this?

Maybe the AI trend getting unwound probably is contributing a lot to the nuclear demand.

Adam: Look again, you know, I don't think that you need this big AI data center build out to accrue to new nuclear demand. In fact, you know, it takes a long time to build a uranium mine, but it also takes a long time to build a reactor.

So in reality, the AI demand in the next five years will be met through natural gas. And so I think that's the biggest beneficiary, short term. And I think potentially that's the biggest, detriment. I suppose if all that falls apart, that could be a headwind. But it's gonna be more on gas. It's not gonna be, you know, uranium to power.

AI is 2030 and beyond. It can help with the speculative fever in the market and vice versa. It can deflate that. Right. And so I think that you could definitely see selloffs related to ai and certainly uranium stocks have a degree of momentum factor in them right now. Uh, are they trading in and alongside the AI baskets?

I'm sure that they are. Uh, but fundamentally I think that that should be largely immune in the next several years. Obviously. Another Fukushima

style incident would, would deliver, could deliver a major blow to the uranium industry. I mean, look, ultimately many people died in Fukushima from the tsunami and from the ravishes of that, uh, when you look at the people that died from the nuclear incident it was zero, uh, including all those guys that they sent into the reactors to contain certain parts of that damaged reactor.

I think the first gentleman. In that group, in that cohort just passed this last year. And you know, I think the actuarial tables say that in a group of eight guys in their forties and fifties, you know, 10 years or 15 years on, uh, the likelihood that one of them passes, although tragic is, is not zero.

Uh, and I think it's right in line with that table. So, so you could really make the case that that. Nobody died in that and that it was as bad as a incident as it was, it was completely manageable, particularly if you think that nuclear is going to alleviate global warming, which is obviously a, a much bigger concern for a lot of people.

But nevertheless, if something were to happen, uh, certainly I think that would, from a sentiment perspective, deal a big blow to the uranium trade. Um, the other thing you know, is. I'm not so sure that this is a, a bearish thing of what could go wrong so much as it could signal the top one day. You know, one thing that I do think about quite a bit is that.

The Sprott Physical uranium trust. And I know those guys quite well and I like what they do. I think they're very smart and shrewd that they set up that vehicle. But you know, there's a lot of material in that and there's always been this fear that they're gonna sell pounds back into the market. I don't agree with that.

I don't think that they'll sell pounds back into the market. I think they will stop at, nothing to, uh, avoid doing that. But I also. Can envision a world where we're so tight uranium, and to think of a company in Canada sitting on a large stockpile of uranium when actual reactors can't get their hands on materials to be able to spin and provide, uh, electricity and risk impairing all the capital that went into that, that does not seem like what they call an economic deal.

Pareto optimal outcome. There's a situation that's better for everybody now. I don't think, again, I, I don't think that the team at Sprott is looking to sell pounds under any circumstance, but I do wonder if at some point we get such a bull market going that someone doesn't just make a bid

and acquire the entire Sprott physical uranium trust in order to get access to those stockpiles.

And I kind of feel like if there's a bell to be rung at the top. We like to think about what ends the bull market. I could see psychologically that ending the bull market when that happens. Uh, but we're a long way away from that, and I suspect there'll be a lot of fireworks between here and there.

Erik: Yeah, I couldn't agree more.

I think that is a very important signal. I'm very curious if you'd agree with me on this point, because a lot of people in the uranium market seem to fear desperately, oh my gosh, what if they try to confiscate spot? And my answer to that is that's an excellent goal that we as uranium investors should hope for, will be thanked for having created, essentially, a strategic uranium reserve that serves humanity well when the, when Sprott correctly insists on behalf.

Of those of us who are shareholders in it. Yeah, of course, if it's the right thing for the world, uh, we'll be happy to liquidate the entire trust at a 25% premium to spot, uh, in order to help save the world, pay us off. And there's no reason not to pay them off. There's no reason to expect a big political objection to that.

So I don't see why anybody is. Fearing the force majeure, which I think is probably coming someday. Where, where Sprott, uh, where Sprott is forced to liquidate entirely for the good of the world to make that, uh, uranium available. That seems to me like a wonderful outcome. What do you think?

Adam: It's hard to speculate on, on things like that in the future.

You know, just the other day we own a small position in the company, Trilogy Metals, and now we have a large shareholder on the registry next to us, which is the Department of War. You know, which made a direct equity investment into that project. Would I ever think that I would see the Department of War alongside me on what can really only be described as like sort of Copper Junior pre-production copper Junior in Canada?

No. Not really, but, but here we are. So certainly anything can happen. I'm of the opinion that. The most likely buyer, at least as it stands right now. Because when we used to say, look, someone's gonna buy it in that material, there's no way that if that material has better use in the public market than the spot price is indicating, uh, then there's going to be a situation where there's just benefit for everyone, uh, to put that material back in, in, into a useful form, right into fuel rods and stuff like that.

And. While, the government could do it people often would say to me, yeah, the utilities would never do that. That's a super aggressive move. And that's true, but you know, who would do that? The hyperscalers would do that. You know, the, the risk capital involved in these large tech companies that have now committed to large nuclear buildouts to power their AI data centers.

And, and we can talk all about the AI bubble if you want. That the hyperscalers in five years from now don't look like they do today in any capacity. In fact, I think they'll be in a lot worse shape. However, you could begin to see that risk capital say, look, you know, we're gonna just own a huge in, uh, uranium inventory to power the AI data centers to be fully integrated.

Uh, I could certainly see that happening. Or if not them directly, then them funding a consortium that does that for their own benefit. So I think eventually that material does make its way into the market. I don't think. Like you, I don't think that's bad for uranium investors. And I do suspect however, that when it happens from a just a psychological perspective that we might look back and say in retrospect, just like Glencore going public in 2011 right before the commodity markets fell apart, or these, these weird psychological events that take place, that in retrospect you realize that was the top that could be, but it's not gonna be a direct, uh, negative event for the uranium markets.

Erik: Adam, I can't thank you enough for a terrific interview, but before I let you go, I wait a minute. This is a little awkward. Normally, my job here as the host is to say, pitch your services. What are you selling in terms of your institutional research in this market? You guys are a little bit weird. You are selling, or you are providing institutional quality research on commodities, but you insist on giving it away for free and not charging anything for it.

What gives what's, what's the catch?

Adam: All I ask is some, some nice conversation and, uh, and good friends to talk to about this. Look we are an investment firm. We invest in resource equity markets. Uh, we have funds and different wrappers, uh, for, uh, distribution in the US and abroad. We have a US its fund and a US mutual fund.

We're long only and easy to own. Uh, and our research, you know, one of the things that we do do that's quite different, uh, is that we. Spend a lot of time, uh, researching. We spend a lot of time on the top down because I think to be a good resource investor, you have to have a good differentiated view on the commodity.

And we put it in the public domain so that people can follow us and audit us and understand the decisions that we've made and decide whether they agree with them or not, because. Inevitably these markets take longer to play out sometimes or move against you, and you can be right, but still have your stocks go down.

And so we've always felt that our partners and our clients and just the general public for that matter, uh, we wanna be very transparent in the research that we do. So everything's on our website. Go Rosen, Goehring, and Rozenchwajg is the name of the firm. Go Rosen is the website. Uh, we put up all of our letters.

We keep all of our old letters up so you can see. All of our spectacular failures in years past as well as our good calls. And, uh, and, and we're just very, very passionate about the space. So please, if you have any, any interest, definitely go to our website and check it out.

Erik: I very strongly encourage everyone to do that.

That is excellent institutional quality research that is free because you're basically, it's the same way that I started the Macro Voices. You're, you're in the asset management business and you're promoting yourself by giving away free research and I applaud you for doing so. Patrick SNA and I will be back as Macro Voices continues right here@macrovoices.com.