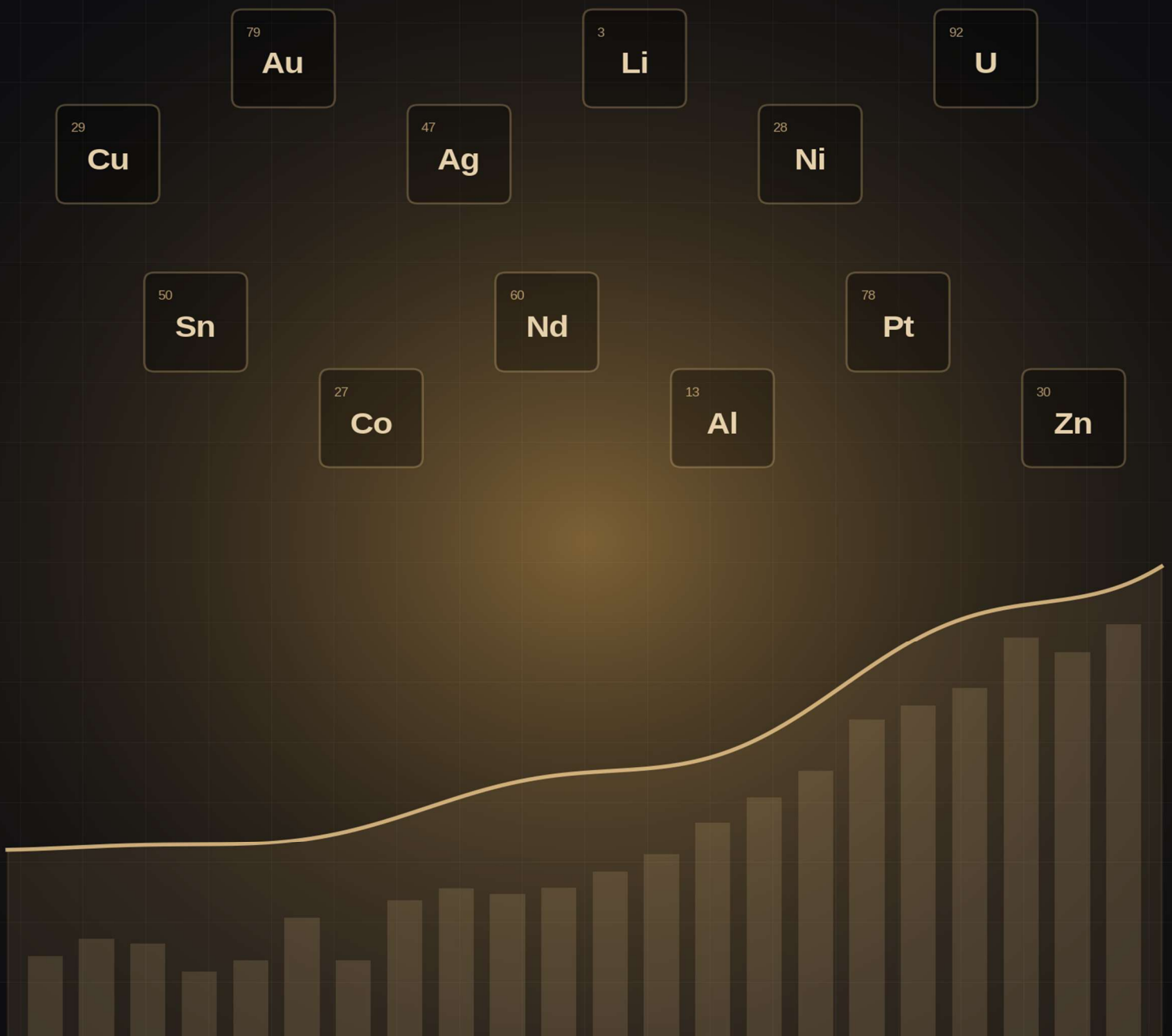


When paper gets cheap and metal gets scarce

Inflation, record debt and the debasement trade –
are we at the start of a new commodity supercycle?



- **Inflation remains stubborn:** US inflation at 3.4% is still well above the central bank's target, while the energy shock has pushed the Eurozone up to 3.3% – futures markets are pricing in rate hikes
- **Metals are becoming structurally scarce:** Copper is back at record levels and export controls have multiplied the prices of rare earths – the build-out of AI data centers, power grids and defense is meeting limited supply
- **The US government is buying its own bonds:** With USD 39.8 trillion of debt and an interest bill above USD 1 trillion, the 30-year US yield climbed to its highest level since 2007. The Treasury responded by tripling its buyback plans of long-dated bonds
- **What investors should take from this:** We see the early phase of a structural but selective commodity cycle, not a broad-based boom. Gold, silver and commodity stocks are a “must” in a multi-asset portfolio

Raw materials have always fired the imagination – not only on the markets, but in Hollywood too. Back in 1964, James Bond villain Auric Goldfinger set out not to steal the gold reserves in Fort Knox but to irradiate them and render them unusable for decades. His calculation was as simple as it is timeless: whoever restricts the available supply makes their own holdings more valuable. What passed as cinematic fantasy then describes the logic of entire economies today.

While “Goldfinger” staged scarcity, the real history of currency debasement unfolded less spectacularly but far more effectively. Roman emperors were already reducing the silver content of the Denarius to pay for legions and building projects. In 1971 Richard Nixon ended the dollar's link to gold – since then money has been a pure matter of confidence. And the last great commodity cycle, running from roughly 2000 to 2014, was driven not by a villain but by China's industrialization. When that cycle ended, a decade followed in which mining companies slashed their investment, preferred share buybacks to exploration, and commodities all but disappeared from investors' portfolios.

It is precisely this backstory that makes today's situation so charged. Supply that has been underinvested for a decade now meets demand from three directions at once: the physical appetite for materials of AI infrastructure, the electrification of energy systems, and the rearmament of entire regions. At the same time the monetary backdrop has turned. Government debt, interest burdens and fears of fiscal dominance have made an investment theme relevant that only a few years ago was a sideshow – the so-called debasement trade, the flight from paper money into scarce real assets.

Why now?

Commodities are indisputably among the most conspicuous winners of the past twelve months, with price moves that can look intimidating at first glance. Gold and silver set fresh all-time highs in January 2026 before one of the sharpest corrections in years. Copper has already recovered its setback, and trades close to record levels.

The immediate trigger for these moves is geopolitical. Since the end of February 2026, the conflict between the United States, Israel and Iran has weighed on energy markets: the Strait of Hormuz is only partially passable, some eight million barrels of oil a day are missing from the market, and Brent trades above USD 100 the barrel again. The US Energy Information Administration does not expect Middle East production to return to pre-war levels before early 2027.

The consequences show up directly in the inflation figures. US headline inflation stood at 3.4% in August, core inflation cooled to 2.4%, yet the FED is holding its policy rate at 3.5 – 3.75% but markets are pricing in several rate hikes. In the eurozone inflation climbed to 3.3%, driven by energy prices and the ECB is continuing to raise rates. Switzerland remains the great exception at 0.8%.

And the real message for investors lies not in today's price but in the convergence of two developments: supply that can only be expanded over years is meeting demand that is politically driven and largely insensitive to price.

What is driving demand?

The AI boom has long ceased to be a pure software story; it is one of the largest construction programs in economic history. A data center, however, is not made of algorithms but of copper, aluminum, steel, transformers – and above all electricity. Estimates suggest that AI data centers will consume around 500'000 tonnes of copper a year by 2030. Electricity consumption by US data centers is projected to rise from 176 terawatt hours to as much as 580 terawatt hours in 2028.

That explains why nuclear power of all things is back. Alongside this, two further and independent waves of demand are under way: the electrification of grids and vehicles, and rearmament. Both are state-driven, budgeted for the long term and barely responsive to higher prices.

Where does the scarcity come from?

On the supply side, this pace of demand simply cannot be matched. According to S&P Global it takes an average of 17 years from discovery to production for a mine; for individual copper projects it is more than thirty. Permitting procedures are currently delaying projects by up to five years. The result is deficit forecasts for 2026 of between 150'000 tonnes (ICSG) and 600'000 tonnes (Morgan Stanley) – the first structural shortfall since 2009.

Silver is running its sixth consecutive deficit year. Three quarters of all silver arises as a by-product of copper, lead and zinc mining, so a higher silver price hardly generates any additional silver.

The third scarcity is not geological but political. China controls roughly 70% of the mining and close to 90% of the processing of rare earths and has extended its export controls in several steps since 2023. The price effect is dramatic, and it falls exclusively on buyers outside China.

For all the drama, look at it from another angle: scarcity is no guarantee of rising prices. High prices cure high prices. In photovoltaics the silver content per module has been falling for years, and demand from that segment is expected to drop 19% in 2026. Recycling, substitution and demand destruction are real forces – and the incentive price for new copper mines is around USD 12'000 per tonne, well below current levels. New supply will come. The decisive question is not whether, but when.

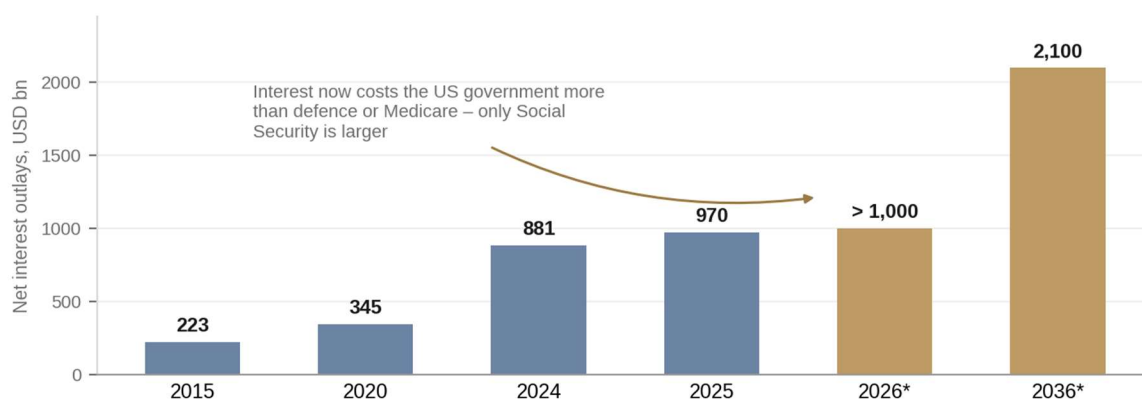
The “debasement trade”

Running in parallel with physical scarcity is a monetary debate. The debasement trade responds not to the symptom of rising consumer prices but to the cause: the systematic expansion of government debt and the money supply. The numbers are striking. US government debt reached USD 39.8tn in early August. The deficit for the current fiscal year is likely to exceed USD 2tn – around 5.8% of economic output, and that with unemployment below 5%. Historically, deficits of this magnitude were run in wars or deep recessions, not at full employment.

The fastest-growing item is the interest bill. It has more than quadrupled since 2015 and will exceed USD 1 tn for the first time in 2026; by 2036 it is projected to double again. Interest now costs the US federal government more than defence or Medicare – only Social Security is larger. Every deficit adds to the debt, every increase in debt raises the interest bill, and every higher interest bill feeds the next deficit.

Interest is the fastest-growing item in the US budget

Net interest outlays of the US federal budget, in USD billion



* Forecast. Source: Congressional Budget Office, The Budget and Economic Outlook 2026–2036 (11 February 2026); Committee for a Responsible Federal Budget.

When the debtor becomes the buyer

Just how seriously the market takes this arithmetic became clear on 19 August 2026. Two days earlier the yield on thirty-year US Treasuries had climbed to 5.31% – the highest level since 2007. The US Treasury responded unexpectedly, and outside its usual quarterly rhythm: it is doubling the maximum size of its buybacks of long-dated bonds from USD 2bn to at least USD 4bn per operation, targeted at maturities of 10 – 30 years. The effect was immediate: the thirty-year yield fell by nine basis points, the ten-year by almost six. In the meantime, the Treasury has tripled its bond buyback plans to USD 6bn.

For investors, what matters is less the measure itself than what it signals – for two reasons. **First**, the Treasury does not fund these buybacks with newly created money; only the central bank can do that. Instead, it issues additional short-dated Treasury bills, swapping long-term for short-term debt. That pushes long yields down, but it raises the share of debt that has to be refinanced continuously – and with it the dependence on short-term rates. **Second**, an institutional boundary is shifting: open market operations have until now been the FED's business. When the Treasury starts to manage the yield curve, that is precisely what economists mean by fiscal dominance.

By the following day the thirty-year yield was back at 5.23% – the level of the previous week. And commodity markets reacted accordingly: in the days that followed, gold rose to a three-month high above USD 4'600 while the dollar softened. When the world's largest debtor has to buy back its own bonds to stop yields rising further, that is no sideshow for owners of real assets. It is the argument.

The most telling confirmation comes from the institutions that ought to know best. In the second quarter of 2026 central banks bought a net 289 tonnes of gold. Central banks do not trade gold the way hedge funds do; they are building a reserve position. The debasement trade is a thesis measured in years, not a quarterly play.

Are we at the start of a new supercycle?

A commodity supercycle is more than a good patch in the market. What is meant is a period of above-average price levels lasting a decade or longer, triggered by a structural imbalance between supply and demand rather than by speculation. Historically such cycles have occurred every two to three decades. A comparison with the two most recent episodes puts today's situation in context:

	1970s	2000 – 2014	From 2026?
Trigger	Oil embargo, wage-price spiral	China's industrialisation and urbanisation	AI infrastructure, electrification, rearmament, deglobalisation
Supply side	Cartelised oil supply	Investment boom, effective with a lag	15+ year lead times, export controls, permitting backlogs
Monetary policy	Negative real rates, loss of confidence in the dollar	Low inflation, credible central banks	Record debt, debate about fiscal dominance

	1970s	2000 – 2014	From 2026?
For investors	Equities flat in real terms, gold from 35 to over 800 USD	Multi-year outperformance of commodities and miners	Open – probably selective rather than broad-based

Arguments in favour of a new cycle rest above all on the supply side. Exploration spending between 2010 and 2025 sat in one of the most pronounced discovery droughts in modern mining history, and investment budgets remain far below their 2012 peak. New capacity cannot be created within a business cycle. On top of that, supply chains are now deployed as instruments of power.

Arguments against come from a sober look at demand. China, the engine of the last cycle, is growing more slowly and less commodity-intensively; Chinese demand for refined copper was at times even in decline. Modern economies need considerably less material per unit of output than in the 1970s. An end to the Iran conflict could quickly strip the geopolitical premium out of energy prices.

Our assessment: we find the arguments for the early phase of a structurally driven upswing convincing – but not for a broad, uniform commodity boom like seen in the early 2000s. What is emerging in 2026 is less “a” commodity trade than a collection of very different individual markets (gold, silver, copper, uranium and so on).

What does this mean for investors?

Consider the following for portfolio implementation. Anyone holding their wealth exclusively in nominal claims (bonds and cash) carries precisely the risk against which central banks are currently hedging themselves. Mining stocks offer operating leverage on the commodity price but import cost inflation, country risk and permitting risk. Physical precious metals carry no counterparty risk, but they do carry storage costs and have no running yield.

How is this investment theme best represented in a portfolio? On the one hand, we are strategically invested in physical gold and tactically in physical silver. On the other, commodity equities should benefit in an environment of rising commodity prices. In our view, for most investors the theme is most easily expressed through a well-diversified, actively managed fund or a liquid ETF.

We would be pleased to discuss selection and implementation with you in a personal conversation.

Sources: World Gold Council, Silver Institute, International Energy Agency, S&P Global Market Intelligence, ICSG, Bloomberg, LME, US Department of the Treasury, Congressional Budget Office, Bureau of Labor Statistics, Eurostat, Swiss National Bank.

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