MacroVoices Episode 558

Feature Interview with Mike Alkin

Recorded November 12th, 2026 Hosts: Erik Townsend & Patrick Ceresa Feature guest: *Mike Alkin*

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Mike: There is not enough economically viable uranium to satisfy the world's existing reactor fleet of four hundred and forty operating reactors, of which a little over four hundred and twenty are actually producing electricity, and the pipeline of eighty new reactors coming online.

Erik: That was Sachem Cove Chief Investment Officer Mike Alkin.

I'm Erik Townsend, and this is Macro Voices, the free weekly podcast targeting professional finance and sophisticated private investors. Episode five five eight was produced on November twelfth, twenty twenty-six. Uranium prices are moving up as more and more fuel buyers recognize the structural bull market has legs.

But uranium mining shares are being dragged down as investor sentiment collapses into fears that the AI CapEx boom will go bust in the wake of the blue tsunami and Democrats' threats to make AI and data centers public enemy number one. The uranium bull thesis has nothing to do with AI or data centers and doesn't rely on them for future uranium demand.

But the market is the market, and fundamentals notwithstanding, the street has lumped all things nuclear into AI and data center baskets. So we're bringing back the number one fund manager in the uranium sector to discuss this crossroads of investor sentiment in the mining shares crashing to Liberation Day lows just as the fuel buyers are all turning bullish on uranium prices.

Mike shared his slide deck from the recent NEI Nuclear Fuels Conference with us as well, and you'll find it linked in your research roundup email. Unfortunately, we didn't get to most of the slides in the deck because we ran out of time talking about issues affecting sentiment and the fundamentals of the trade.

But I strongly encourage listeners to download and peruse the deck as well.

Patrick: And I'm Patrick Ceresna. Let's dive straight into this interview.

Erik: Joining me now is Mike Alkin, who, of course, is founder and chief investment officer at Sachem Cove Capital Management, probably the most respected uranium-focused fund manager there is.

I'd say, Mike, it's really what you and Art Hyde at Segra and Guy Keller at, uh-

Mike: Yeah. Those are the three, Erik. Uh, me, Art, and Adam over at Segra, and Guy in, uh, Australia are the three, you know, that have... A-and then there's, you know, some others, but that it's not their core focus.

Erik: It's great to get you back on the show.

I think that right now we are at an incredibly important point in this uranium market because the fundamentals couldn't possibly be better, but you and I both know this trade, despite that the fundamentals don't really dictate it, gets basketed with AI, and we are feeling incredible pain from fears of the AI CapEx boom blowing up.

So let's start before we get in, and I should tell our listeners, Mike prepared a terrific slide deck. This is actually for the NEI Fuel conference. Uh, I, I'm gonna say, folks, this is one of the best slide decks that we've shared recently with listeners. So for those of you who are driving or at the gym or whatever, be sure when you get home to download the slide deck, which you'll find linked in your Research Roundup email.

If you don't have a Research Roundup email, just go to our homepage, macrovoices.com. Look for the button above Mike's picture that says "Looking for the downloads." So Mike, before we get to the slide deck, let's just get your overall view on, uh, first of all, does it make sense to tie the fundamentals of uranium prices to AI CapEx?

A lot of people are associating nuclear energy with AI and AI data centers. Does that make sense on a fundamental level? And if it doesn't, is the market doing that anyway? And what does that mean for our investments?

Mike: I'll answer the second part is yes, the market is doing that. The first part of the question is it does not matter.

You know, there-- At the end of the day, I've been investing in the uranium trade, if you will, you know, for almost ten years now. Uh, and, and that we expressed our view with our vehicle starting back then when uranium prices were $17, $18, $19, $20 a pound and here, you know, they're pushing 100 plus now. The thesis v- is very simple.

There, uh, you know, nothing's changed. And if, as you know, Erik, as being an investor, when things change, if your thesis changes and you have thesis creep. Here, that's, that's not it. What we've had is the thesis is very simple. There is not enough economically viable uranium to satisfy the world's existing reactor fleet of 440 operating reactors, of which a little over 420 are actually producing electricity, and the pipeline of 80 new reactors coming online, and then the growth of those.

And when this trade first started, it was a, nuclear was maybe a half percent grower, and now it's a 4 to 5% grower. None of that has anything to do with Data centers, artificial intelligence, the growth of artificial intelligence, what models are profitable, what models won't be profitable. If a data center didn't open, there is still a massive structural deficit in uranium, and we can get into, uh, market structure.

But so no, it does not matter. Now, it matters because the market thinks it matters. So as a PM, you have to be aware of what the market cares, right? Because the market can remain irrational for a long time. What you've seen over the last few years, and, and by the way, some of these uranium junior mining companies are as guilty as anyone because what they do is take the view, you know, when you see Three Mile Island being restarted, or you see a, a, a power purchase agreement between a hyperscaler and a nuclear power plant, all of a sudden people start to equate that with uranium being necessary for artificial intelligence, and a revitalization of nuclear power is because of that.

It's absolutely nothing to do with it. However, you know, never let a good story get in the way with the facts is how some people operate. So what you see is they start showing up in all of these different, uh, presentations is, you know, "Hey, we're part of the AI trade. We're part of the, uh, data centers and, and the, and the revolution that's taking place there."

Well, be careful what you ask for, because now all of a sudden people start looking at it saying, "Well, is this CapEx going to be spent?" Uh, and, and, and, and there's

a, a, a, a real good reason to question all of that CapEx being spent. Well, then you get lumped in. And where do you get lumped in? You get lumped in at the banks.

When the Goldmans and the Morgans, uh, and everyone else puts these baskets together, right? As you know, it's easier to express a trade through a basket. Client calls up, says, "I'll take the AI basket, the momentum basket," whatever the basket is, nuclear gets lumped in with that. So what winds up happening is it becomes facts be damned, it becomes flows.

And so when the flows are moving one way, it's hard to stem that tide, and it has gotten caught up into the artificial intelligence data center basket. Now, at the end of the day, we think there are structural deficits, and we'll talk about this in a deck, that are, you know, reaching into the, uh, the fifteen, 20, 25-plus percent of demand for as far as the eye can see.

But in the day-to-day, uh, nobody cares, right? So if people are freaked out 'cause rates are moving up and they're thinking these are long-lived assets and that they're-- they don't know what the cost to build a mine is going to be, and you've got AI baskets and you've got announcements where, uh, data centers are being delayed, not in my backyard, all that stuff, or the Dems are taking office, they're gonna really shut it down, these things get shot, and so it's part of it.

You just have to figure out how to manage around that.

Erik: Mike, let's dive into how you manage that, because something I'm seeing is a real dichotomy. Some of the people that I respect in the uranium trade are saying, "Look, Cameco just had this earnings call, which was understandable. Cost of mining is going up.

Their, their costs are going up. They missed some earnings. Big deal. The price of uranium is going up too. The outlook is great. They're selling SPUT, so they're selling their exposure to the metal in order to buy the miners because they perceive that it just can't get any worse than this. Other people are saying, "Wait a minute, this AI CapEx fear thing, even if it doesn't make sense, could take those miners down.

I'd rather own the metal than the miner," and they're going the other way. They're selling Cameco to buy SPUT. Which one makes more sense?

Mike: So it's, it's a fabulous question. You know, you're dealing with a few things. Number one, let's start with the premise that, uh, or that, that mining is hard, and mining is very hard across commodities.

Uranium mining has turned out to be exceptionally hard and exceptionally more expensive. And as we're going to talk about, I'm sure, the cost to mine is-- has become extraordinarily expensive for a... And, and, and your listeners will see this in the deck, but just to wrap a little context around it.

Kazatomprom, the state-owned entity of Kazakhstan, the world's largest uranium producer. Kazakhstan is forty-one percent of global uranium, uh, supply. The s- the, the state-owned company is half of that. The o- rest is through joint ventures that are out there. They came public twenty eighteen, twenty nineteen, and at the time in their prospectus, they put a forecast out, and they suggested that their price by twenty twenty-six would be about fourteen bucks a pound, thirteen, fourteen bucks a pound, uh, right or a little bit lower than where it was at the time.

And you fast-for... And that was using a tenge of three forty. They cost in tenge, sell in dollars, so a weaker tenge really is a margin boost for them. Well, fast-forward to today. Uh, so when they-- where they were predicting in the fourteen dollar range, today their cost is thirty-eight dollars and forty-five cents per pound, uh, not fourteen.

And if you were to normalize the FX to the three forty tenge versus the f- four fifty, seventy-five, five hundred tenge that, that it had seen for a, a bulk of the time, you're looking at over fifty-five dollars a pound. And so but what winds up happening from that is a couple of things, and having been around this investment now for, you know, this, this ca- sector for ten years, I can't emphasize enough how difficult it is to mine uranium.

I can't also emphasize the scarcity value that should be placed on those that can do it. And so I understand some people, like you mentioned earlier in the call, you're seeing the cost going higher, um, and, and so the quarter's not good. First of all, uh, Cameco's giving annual guidance. Uh, they're not updated.

They don't update on a quarterly basis. But what you see is as these costs are going higher, so too is the cost of, uh, is the price of uranium. So you're seeing m- uh, significant increases in the price of uranium because the miners can't sell the capacity they have at the prices that, that the utilities would like to buy it.

So now, here we go. You asked, how do you play it? Do you play it through the miners because they're extraordinarily cheap, some would argue, or do you play it through the metal? That's an individual, uh, risk tolerance, right? Because what we have seen, and you will see this in the deck, is project after project is massively missing the supply that they, that they have promised when they were in the development stage or in the production stage.

And we're not talking by a little bit. We're talking by a significant amount. You're talking prices That have gone up anywhere from 80 to 90 to a couple of hundred percent higher than they suggested it would be. You're looking at production targets that are down by 50, 60, 70%. And so while you would-- So that the moment you own a company that is subject to that, right?

So their numbers are going to change. But overall, in the totality, that lack of production is just putting, uh, a significant more pressure on what's already an undersupplied uranium market. And so, you know, you have a structural deficit. There's not enough economically viable mine supply out there at these prices to bring it on.

You've got a couple of new big projects coming online. It still doesn't solve your deficit. And so it's, it bodes extremely well for price formation. The risk you take is you happen to own one of those miners that, that trips. And the history the last few years is one after the other is either doing it on production or cost.

And so again, ultimately what's happening is the prices are rising e- uh, materially because of that. And so that ultimately will accrue to them. And there's not-- that's not encouraging the prices w-where they are, even though the term market, which we'll talk about the, that, the importance of that, but that's where the, the bulk of uranium trades is l- is literally at an all-time high right now.

And so now if someone wants less risk, uh, then they would express that through the physical commodity because you don't have mining risk, and mining risk is real. Now, what needs to go into the calculus, I would argue, for someone who is more inclined to own the equity to get the torque is to understand those that do mine and those that can mine, how good have they been at it?

Because there should be a real scarcity value that's placed on that. And y- again, that's y- that's art, not science, right? Now, what got lost in the Cameco release is, and, and price reporting here is a unique beast. The price that's reported in many

instances is not where the price is trading. And so, right, the fixed price contract is $98, $99 a pound right now.

Cameco said it on the conference call, they're getting triple digits. So how is that possible? How are the price reporters not seeing that? Well, they are, but the way the price reporting is set up in the industry is they don't take where the price was contracted, they price where the lowest offer came in on a contract that they've heard about.

So if somebody came in below where Cameco is saying they're signing in the triple digits, even though that utility gave it to Cameco, the price reporter is pegging it to where they found the lowest offer. And what's their rationale? Well, it's a fungible commodity. Well, that's an absurd, an absolutely absurd explanation for it because at the end of the day, the geopolitical risks are staggering here, right?

When you look at where the uranium is produced and where the uranium's consumed, 70% of it is produced in the East, and yet 70% is consumed in the West. And there are massive deficits in the West, and not deficits, but a little bit of surplus in the East. But that goes to feed their own beast, the Russian programs, the Chinese programs, the Indian programs.

So anyway, the point is, on Cameco's call, that was a really important thing. You know, if you've listened to them like we have for a decade, to the Cameco calls, they don't even discuss the numbers. When I first started listening to them a decade ago, I said, "Am I missing something?" Like they don't even, they don't even talk about the quarter.

And so that is just the nature of that business. So their misses, you know, costs are up, yes. One of the, uh, sometimes people will say, well, with Cameco, well, they're not-- they don't have full spot market exposure, so their prices will lag where the market is. Okay, that in, in, in a rip-roaring market, people get exci- you know, they get exercised about that.

But also prices w- go up or down, and there are times where as contracts roll off, they're signing it to higher prices. But to get back to your original question, it really comes down, can you make an argument? So let, let's just do this math 2022, Cameco, uh, uh, invests in Westinghouse for their 49% stake. And at the time, Cameco, the price of uranium, the contract price was around 49 bucks a pound, and, uh, Cameco's trading about 31 times EBITDA.

Fast-forward to today, that contract price, that the price report is 98 or 99, but it w- it's well north of 100, so it's more than doubled. And deci- depending on what one wants to assign the value to Westinghouse, pick a number, uh, but you know, if you put a reasonable assumption on it, Cameco's trading at, like, eight or nine times EBITDA.

I mean, that's stupid, in my view, for the world's w- the Western world's dominant uranium producer, and there is not... There's no one close that's producing uranium right now that can produce like them. So d- d- do they have a hiccup once in a while in a quarter? Sure. Who doesn't? But for their place in the landscape, you know, I think that the market overlooks that.

But what happens, right? You put up a... You put out a press release, and for s- they don't even guide. They had a delay for a couple of, you know, a few weeks at a, at, at, at the mine, and all of a sudden it's a miss. And as you know, the algos pick up headline miss and, and good night. You know, you get shot in, on that day.

Those who d- have a lower risk tolerance but want to express the view that uranium prices, if they do the work and they get comfortable that the thesis makes sense and uranium price formation is just really beginning and it needs to move significantly higher to satisfy these structural deficits, and you have a low risk tolerance, perhaps the, the physical metal is the way to go.

If one is inclined to say, "My gosh, here we are with a massive move up in the physical price," you know, your prices have gone from 17, 18 bucks a pound to over 100, uh, and ceilings on, on, on certain contracts are in the 150s plus, uh, y- y- yet, yet these equities have pulled back significantly just in the last few months, and valuations are back to where they were even valuations four or five years ago when there was no certainty.

Not that there's certainty now, but there was a lot more clouds around the future of the nuclear power industry. Back then, the trade was prices can't stay this low. They gotta come to a certain price. Nobody factored in, uh, y- n- nuclear power growth going from half a percent to 5%, and here we are. Um, so yeah, it j- it just depends on what one's risk tolerance is, but you can make a case for either one.

Erik: Let's get into the NEI conference and that you just attended and the slide deck that you prepared for that conference. Before we dive into the slide deck though, there's something I find absolutely fascinating, which is you've been

attending this conference for years and years and years. You were ridiculed, in some cases treated very disrespectfully on a personal level as the, the nutcase guy who's bullish on uranium when the people in the business who know better disagreed with you, and you were kinda laughed out of the room.

Now, that was when uranium was 20 bucks a pound. Now that it's five times more. I asked a favor of you when you were going to this conference, and I said, "Mike, look, I've been asked by Zerohedge to organize a debate on this topic. I need you to recruit one of these angry uranium bears who thinks you're an idiot.

Let's get him signed up for a debate."

Mike: And there are plenty of those.

Erik: I thought there was plenty of those. Yeah. Yeah. Lot, lot of people that think you're the idiot and, and- Yeah ... they're bearish. They're saying, "This is just a 2007 Cigar Lake thing. It's all gonna blow over. Prices are going back down." Recruit one of those bears to do a debate, and we can get this conversation now to hear the other side of the story.

Mike, you had one job and you failed. What happened?

Mike: I failed miserably. You know, just for some background, right, so I didn't know uranium from anything. I looked at it a couple of times in my career at different points, but never invested in it. And then 2015, '16 started stumbling upon it, and '17 and '18 doing deep research and, you know, it was asymmetric, it made sense.

And so... and expressed the view through a, through an entity. At the time 2018 came around and the vehicle was up and running, I was learning the market structure. And Erik, I don't think by that point in time, and I'm, I'm forgetting, 20-something year probably had been investing by then, and I don't think I appreciated really market structure and the power of incentives.

I knew about them. I paid a little attention to them, but I, I don't think I truly had a profound really deep understanding of what that all meant. And just to give some background, and I think it's really important because it will help contextualize why I couldn't find anyone. I w-

Erik: Well, let's just get the facts on the table.

You went to the conference to find the, the bear, and what you found is there were no bears. No. Everybody at the conference was bullish. And of course, it's not because of you told them that over and over again for the last five years. It's their idea now.

Mike: No, and they, they think I'm an idiot, so they don't...

You know, they, they told me in 2018, "Go home. You don't belong here. We're nuclear engineers. We buy stuff. You don't know anything." Um, and, uh, 20-- told me the same thing in 2019, 2020, '21, '22, '23. And the bet always at these conferences was pricing. If it was 20 bucks, it was going to 10. If it was 30, it was going to 20.

If it was 40, it was going to, uh, 30. You know, it wasn't really till prices got into the 80s would a fuel buyer sit down with me at a conference and say, "Okay All right, maybe it's not going back to 30 or 40, but it's going to 50. Okay. And then, you know, as, as, as you get into the 90s, uh, it's like, okay, well, so maybe it gets to 100, but then it's going all the way back.

Okay, great. I'm wide open to it. I've laid my cards out on the table. I've told you everything. I put together decks. I've spent immense amount of time talking presentations and everything about it. I've laid out all the math, the supply, the demand, the inventories. None of this is my data. It's publicly available.

Uh, m- my team and I have spent tens and tens of thousands of hours, uh, tearing it apart and trying to understand it and see where we're wrong. Every day, we assume we're wrong. Uh, here's what we've come up with. Now, if I'm an idiot, which I very well could be, just tell me why. And they would not, and they don't do it.

Anyway, we talked about market structure and why it's hard to find. 2017, I'm at a conference, I'm at a World Nuclear Association conference. I'm having dinner with some of the biggest fuel buyers. I was invited, I don't wanna s- say the name, but I was invited by a, a, a, a commercial officer at, at one of the, uh, big uranium producers to a dinner with some of the big fuel buyers.

And we sat down and I said, "Hey, you know, thanks for me. I'm just a useful dope here trying to figure it all out. I'm stumbling." But by that time, I had spent enough

time doing supply-demand, where something was really bothering me. Didn't have a vehicle to express the view, but had done enough supply-demand work where I was saying, "Wait a second.

I'm looking back at models coming from the sell side that's three, four years old 'cause nobody's around, right? 'Cause the uranium's down 90%, nobody cares. The banks aren't paying attention." But when I lay out all the reactors in the world and I did a little nuclear math, and I'm, believe me, uh, you know, I could do fourth-grade math, but not much beyond that.

But once I educated myself as to w- how much uranium a reactor uses, and then started going out and lay- laying that out and saying, "Oh, wow, okay, it's not a dying industry. The mar-- Everything I read said it's dying, but it's actually growing a little bit. Now let me look at every mine in the world." And I look at every mine in the world and I said, "Okay, well, that's interesting because there's nowhere near as much economic uranium.

There's uranium that's being produced right now where when those higher price contracts roll off, they're going to shut those mines. They have to." Fast-forward, 2017 it starts. I started thinking mines would have to be shut down. I started talking publicly about it. Over the next year, 18 months or so, well, 25% of world supply came offline.

Why? Because it was uneconomical. In 2017, I'm sitting in a nuclear conference with some of the real big fuel buyers, and I, I just said, "Hey, guys, I'm just curious, uh, view on inventories." Um, and they said, "Oh, well, you know, there's billion-plus pounds of inventory out there, and we use less than 200 pounds a year, and we only need a couple, but there's a billion and four."

I said, "Oh, okay, a billion and four." I said... And I had just spent months Going through all the inventory we could find. And what I concluded was, of that billion and four, maybe four or five hundred million was mobile, was gonna enter the stream, but the rest was not going anywhere. You'd have to, uh, re-enrich it.

You, you-- there were deleted tails. They were sequestered in, uh, sovereign funds. It was just, that wasn't hitting the market. And it struck me, one of the big forecasters, there's two forecasters in the industry, two price reporters and forecasters, they do the same thing, and they had talked about, they put out an inventory report, and it was a billion and four.

And I realized in sitting at this dinner talking to this cohort, they were puffing their chest. They said, "We're never buying uranium again. We're never gonna have to buy it. It's a billion and four." I said, "Okay, well, you know that you realize that that's not all..." You know, I didn't know the term mobile, but it was not all, not all usable.

And they said, "What are you talking about? Uh, we're never gonna have to buy it. It's going, it's actually going to fifteen, it's going to ten." I said, "Oh, okay." I said, "I'm just curious if-- Can I ask you guys how you're compensated? Are you guys paid to call bottoms? Because I, I've-- there's a lot of pushback at the table, and I'm, I'm just, I'm learning, but I've done enough supply-demand work to say that, that supply has to come offline, and then that's going to lead to deficits because this, this stuff is gonna have to-- Some of this stuff's gonna be-- just go away 'cause they can't produce enough economical uranium."

Uh, again, I was laughed at at the dinner and I said, "Can I just ask, are you compensated for calling bottoms?" Well, you would have thought I asked them how much they have in their bank account. You know, they were offended that I would ask that question. I said, "No, I'm not asking how much you make. Are you paid to call bot- If you had an enterprising analyst and you called the bottom and uranium went double, triple, do you get a piece of that?"

And they looked at me like I had three eyes and said, "No." I said, "Oh, okay." And so it was really there that I started to understand the market structure that I was dealing with, the power of incentives that I was dealing with. Most nuclear fuel buyers are nuclear engineers, right? Their IQ in their hand is bigger than my entire IQ.

I mean, these are smart people, but they're not paid to be commercial. It's not like a gas trader or a coal trader or a oil trader that's working at these power plants. So you're dealing with all of these different things. So as we started going on, I went to the Nuclear Energy Institute in early 2018. I said, "You don't know me from Adam.

You guys represent the interests of all these nuclear power plants in Congress. Let me share with you why I think the math is wrong." Well, we did that, uh, and I found a liaison there who would talk to me, and over time, he finally understood what I was saying, and he said, "You know, we have a conference coming up in Boston.

I see what you're saying. Could you come speak to them?" I did that in 2018, and I got laughed out of the room. I got off the stage, and a, a woman walked up to me and she said, "How dare you come and talk to us? You're a Wall Street bad guy, literally. You're a Wall Street bad guy trying to scare these good, hardworking people who buy fuel for a living and do a great service for the country and, and, and you're just some Wall Street charlatan And I said like, "Are you out of your-- Like, who are you?

Like, are you serious, lady?" And I said, "Come with me." And, and we, we walked over to a, a little alcove in the conference area, and I opened up my laptop, which is a bazillion lines of, of supply-demand work, and l-l-- I, I don't even know how many t- in back in twenty eighteen, how many tabs on a spreadsheet it was.

And I just said like, "Let me show you the work we've done." You know, maybe we're twenty minutes into it, and she said, "You know what? I owe you an apology." And but what I realized was like, wow, this closed loop cl- s- cloistered group of people, uh, that I, I'm in a bar then ta- sitting there. No one comes up and asks.

Twenty nineteen, the NEI asked me to come back and do the same thing. Why? Because I talk to them regularly. I show them my, my math, and they get it. And they said, "Come back. Y- we owe it to them to speak to them." I was in Nashville, Tennessee, and I spoke to them, and I got the same reaction. I'm-- I was told I have no idea.

I shouldn't belong there. Th-that's when I knew something was broken in this industry, something was wrong. Not that, but and where it goes back to, Erik, is the cost of urani- the cost of the nuclear fuel cycle, the front end, from upstream to downstream to getting it in a plant. It's a couple of years' worth of time.

There's four different steps. That's twenty-five percent of the cost, roughly. Uranium could be mid-single digits to low double digits, depending on pricing. But it's not eighty to ninety percent like coal and natural gas are. So these folks are not commercial creatures. They're not paid to be. They're not incentivized to be.

So here you, here we go. You fast-forward all these years at these conferences It's like pulling teeth to get them to meet with you. Maybe you grab them in a bar, you talk to them in the hallway, you get them in an elevator, but they show zero

interest. Now, this is-- And again, when I was public at $17, we're well north of 100.

I got something right, and I-- there's no ego here. I got it right. I get plenty wrong all the time, just... But I got the direction right, and there, there's still no curiosity. Now, the difference is when you go and start talking to people and say, "Hey, I'd love to talk. You wanna chat?" They're like, "Well, no. You know, we get it, that pricing's here, but just wait till next gen comes online in 2028, '29, 2030.

Wait till Denison comes online, then our problems are solved." And I'm like, "Well, that's really interesting. No, they're not. Let's talk about structural deficits." They don't wanna hear it. But the point is, trying to get someone to talk, A, the utilities, probably their, their structure wouldn't allow them to come at us like that.

But it-- You're not getting the disagreements. I'm not getting the pushback. I'm getting the, "Okay, so prices are here. Maybe they go down in the fut- as soon as this new supply comes online." Well, that's not solving your problem. So that was a really long-winded way of answering your question, but I thought it was important to give you some context as to why it's hard to find them.

It-- And-

Erik: Well, I see this as a really, really important, I'll call it a crossover of sentiment. And, you know, we all know sentiment is hugely important in investing. On one hand, we've got a sentiment signal from Wall Street, which is, "Okay, we're not gonna think through this uranium thing. We basket it in with AI 'cause to us that's what it seems to make sense."

And because of the AI CapEx boom potentially being at risk of busting, the sentiment couldn't possibly be worse. Meanwhile, these guys that wouldn't contract, and, and for years now, they have not been contracting at replacement rates, so they're drawing down on their inventories and their past contracts in order to keep them going.

They're not buying more. They've had an opposite reversal in sentiment. So you've got the people that are actually doing the buying and the spot price of uranium as well as the term price of uranium are going up as the fuel buyers' sentiment has turned bullish. You can't find a bear in the room, and at the same time, everything is on fire sale because Wall Street is basketing uranium in with nuclear.

I mean, it seems like a value Play, you know, panacea

Mike: Yes, sir. It's bananas. And, but th- think about what you just said. So if you-- you'll see in the deck, utilities are contracting a little over half of their needs

Erik: Yep, that's slide 25 in the deck.

Mike: Yep. So basically, what that means is, you know, uh, in, in a given year, you consume, pick a number.

Once, you know, going back years, 160, 170, 200. Now, if you look at i- industry forecasters, they'll, they're typically very low versus where it-- we've seen it come out. But basically, they're contracting because the market is such that about 80 per- 75, 80, 85%, depending on the year, but in that number, is bought under long-term contracts.

Why? Because there's no substitute. If you get it wrong and you don't have supply guaran- uh, guaranteed to come in, you got a problem, 'cause you can't coal to gas switch. Uranium is it. And so they need security of supply. They're not financially incentivized to get it right. And so the contract, the long-term contracts kind of guide everything.

And so what you will see when you look at the... I don't know if I-- I don't think I have that slide in the deck, but they buy at peaks and they sell or don't contract when prices are low, typically. Why? Because it doesn't matter to them. They buy what they buy when they buy it to secure supply. If you're not replacing what you're consuming in a year, technically, the next year or the year after, as you're going to put stuff into the fuel cycle, you're drawing down inventories.

And so you're sucking down inventories that are out there, but you're not testing the economic viability of supply. So if you are, uh, the cohort of fuel buyers that are out there, uh, that are only buying half of what their needs are, yet the supply stack on paper is a-able to produce more than what that demand is, commodities 101, supply-demand 101.

When there's less demand for something and more supply, prices go down. The long-term price of uranium, long-term price, has quadrupled. How is that possible when utilities are only pulling down half are only contracting for half of what they need. Now, when you start to look at the math of how much supply is going to

need to be contracted, you know, you're looking at over a couple of billion pounds by 2040, and this is mining.

So 2040 is, is not quite tomorrow, b- uh, or, uh, but it's two days from now. So when they start th-those pounds, there's not enough economically viable pounds above ground right now to feed that beast. So when they start going into the market, it is going to be like putting a pig through a python. And you saw that last cycle because what you also have to do, not on- they've destocked for 15 years.

Anyone who understands the commodity market, and I'm sure everyone on this or most people on this call do, uh, 'cause you have a sophisticated audience, when you destock, what do you need to do? You need to restock. So if you're looking at demands in the, in the 200, 210, 220, 230, well, you're gonna have to be buying at 250, 260, and 270 to fill your coffers back up.

And so that supply does not exist right now. Higher prices will incentivize that supply. So let's get back to what we were talking about earlier about the costs. So if you just go to slide 26, you'll see, uh, we say the cost curve needs a reset. A- and so y- you'll see in the deck you could understand mining costs, and I'm sure your listeners understand there's cash costs and there's All-in sustaining costs and there's all-in costs.

There are different cost levels, right? Y- if-- All these uranium companies, with the exception of a couple, are-- That's all they do is mine uranium. They're pure plays. So if you can't, you can't run a company if, if, if you can't make money. And so, I mean, you can't run a mine if you can't run a company. And so you need an all-in cost.

And a- as you'll see, we explain how we arrive at that all-in cost. And w-- My, my presentation in twenty nineteen at the NEI talked all about how the costs were wrong. It was literally the costs are wrong. Basically, what I'm showing you in this slide is the, it's the operating cost curve that the industry forecasters put out.

And what you will see is that cost curve that they put out, going back to their two thousand and nineteen, they were showing the weighted average cost of production across the industry was twenty-four dollars a pound. And then it was twenty-seven dollars in twenty twenty-one. They put it out every two years.

Uh, and then it was thirty dollars in twenty twenty-three, and then it was thirty-eight dollars in twenty twenty-five. That's the weighted average cost for the entire cost curve. Kazatomprom, uh, the world's biggest uranium miner and the lowest cost uranium miner, uh, we put forty. It's thirty-eight forty-five.

It's thirty-eight dollars and forty-five cents, not the thirty-eight of the weighted average cost. And so the cost curve's broken. It needs to be entirely reset. And, y- y- you know, you saw, you mentioned Cameco there with their prices that were, were higher. Well, the whole curve's moving up and to the right.

And so you're in a period now where fuel buyers have billions of pounds to contract F- to cover their needs out to 2040. The-- And again, that's if it's not tomorrow, it's two days from now. That's mining, uh, years, 'cause the mines that can satisfy that don't exist. They're not in production. They're not in development.

And you're looking at deficits in the structural deficits of hundreds of millions of pounds as we stand now. And again, it doesn't include AI, it doesn't include all that data center stuff. So at the end of the day, when contracting, like you saw-- you see in these cycles, when it turns, when people get nervous.

Now prices have moved up 4X. Like I said, at these conferences, it's hard to find the bear from the other side, but they haven't panicked yet. When they start and they're... It will take one, Erik, and let me explain the dynamic of this market. When you're looking at your, you know, there's 60 nuclear power plants in the world, and, you know, you're, when you're, and, uh, when you're looking at the bigger entities, the ones with the, you know, several reactors, you know, they're sophisticated.

They understand what's going on. Have they gotten a price call wrong? Yeah, a lot of them have. Um, have a few gotten it right? Yeah, a few have, but many have not. But they've gone along. They're not really that worried. But when you start to get down, and not to pick on any one particular one, but when you start to get down to the onesies and twosies, the, the folks that are-- have one reactor or two reactor, when you speak to some of them, super smart people, really nice, but not connected to what's going on in the day-to-day, all it takes is one of them.

And again, what I said earlier about the price reporting, the price reporting doesn't report where the price is struck. It reports where the lowest offer is on a deal. What I can see happening, uh, and I, uh, is some of these smaller operators that aren't in

the market on a regular basis, they might need it every four, five, six, seven years, and they're, they're, they're not commercial.

So right now, the market is telling us, and you don't have to believe me, the price of uranium in the contract market is up 4X when they've only been buying half of what they need. That, to me, says a lot. Now, if you take a utility that needs uranium And they haven't that there's a shortage yet, and they go in.

Well, what I can tell you is when the utilities were putting out requests for proposals a few years ago, they might've been getting seven, eight, 10, 12 or more people coming back to them. When they put those out now, they're getting very few coming back to them. Why? Because it's turned, it's a seller's market, and the utility and the uranium miners don't wanna sell their book at these prices.

And so they step out, the big guys especially. They say, "We're not interested." There were multiple offers when RFPs went out for conversion services, and that was like that for years. It sat at $4 per kilogram for so many years, and it was unprofitable. It was a dying part of the fuel cycle. Everyone took their eye off the ball, and one of the countries went out and put out for conversion services and nobody bid.

Nobody came to the table. Conversions, it's over $60 right now. That set it off. And so remember, enrichment, uranium is the product. The services are enrichment, conversion, and fabrication. Those have had huge mo-- $4 to 60, 30 to 200 plus. Fabrication's also up. Uranium is 4X, but very quietly. The difference is the product always catches or the product will catch up to where the service move has been.

And why? Because you can't-- The services don't matter if you don't have enough product, so they've got to incent the price. And so that's kinda where you're at right now. A, a very, I would say, more aware buyer base still wrestling with the fact that prices have gone up 4X. Nobody gets fired for that.

Nobody's incentivized to get that right. They just don't run out of fuel. So you're getting to that, that, I'm not gonna say the, the come to Jesus moment, right? You're-- Everything is pointing there. When it happens, you don't know. But, you know, you asked earlier, Cameco had a tough quarter, but people missed in the fact that Cameco told you they had triple digit pricing and that's not being price reported.

And they said that on the conference call. That's the takeaway from that call. All the other stuff is noise. You gotta be on top of those things to be able to take advantage of them.

Erik: Mike, your analysis has always been based on the existing reactor fleet. You take the conservative approach and you say, "Look, uh, forget about all the AI and the data centers and, and all that.

Just look at the reactors that are running." And I certainly respect that's the conservative way to approach this. But hang on a second. What if AI and data centers really is a thing?

Mike: Yeah, it's a great question.

Erik: A- and specifically, there's a, a phenomenon I've started calling the light water leapfrog, which is the same nuclear engineers who are stuck in not taking you seriously 'cause you're not in their industry and you don't know anything.

Mike: Yep.

Erik: These same guys, they remind me of the IBM mainframers in the '90s, the guys who were just convinced that the IBM mainframe was gonna be the answer to computing forever. And of course, the smart people in the computer industry could see from the late 1970s that batch processing was not the way to build computer systems.

But the mainframers were just so stuck on that paradigm, had to be the answer forever because that's what they knew and that's what they were used to. And I see this happening again, that generation four reactors, advanced reactors are being ignored. If it's not from Westinghouse- Yeah ... it's not taken seriously.

Yeah. Well, look, Aalo Atomics is building a factory right now in Georgetown, Texas, where they're going to assembly line mass produce 100 nuclear reactors a year. Now, we only have 440 nuclear reactors in commercial operation- Mm-hmm ... on the whole planet. They're gonna make another 100 per year. And of course, it's speculative.

They haven't proven that yet. I, I get it. But what if that comes true? I mean, they've already taken their first reactor to criticality on the Fourth of July, made

news doing that. There's no reason not to think that these mass-produced reactors, and it's not just Aalo, it's Valor Atomics. There, there's- Yep

several companies that are looking at assembly line mass production of nuclear reactors. A lot of them are microreactors. Aalo's the only one that's actually looking at something at a larger scale than that. But the thing is, they're talking, they're promising their customers that they're going to be delivering these factory mass-produced reactors in 2029.

Okay, so let's assume that's marketing and it's really gonna be 2030 or 2031. Yep. Okay, that's halfway or less than halfway from how long it's gonna take before a new AP1000 that gets greenlit tomorrow. You know, it's, it's gonna be half built by then What if this light water leapfrog, I'm calling it, meaning that- Yeah

the generation four technology actually hits the scene, and it won't hit the grid because the cost of it initially will be too high. But what if the data centers and all the other users of behind-the-meter power suddenly start needing to buy uranium, not in the 2040s, 'cause everybody thinks that generation four comes after generation three plus, but what if-

Mike: Yep

Erik: manufacturing actually gets it to market sooner than the next AP1000 that gets built? What happens then?

Mike: Uh, y- it was the old Cold War j- Cold War joke, the duck and cover drills, uh, bend over and kiss your ass goodbye. You know, and not-- you won't get there because price can be an elixir, right? So are, as I mentioned earlier, there are de-depleted tails.

Are there stockpiles? Are there very uneconomic projects that have been shuttered that require significantly higher priced uranium that might be shallower, might be able to get access to their past producing mines that are not economically viable in any scenario that you really think about reasonable right now.

But should what you're saying come to fruition, you can get the res- the resources or, you know, the resources there, it's just not economical now. And for it to become economical, prices would have to move up way beyond what we're thinking about right now. And so, you know, I'll, I, the way, and the way I think

about pricing is You know, the long-term contract price, say 99, uh, ceilings right now are 150, 160 with floors of 70, 75, uh, in that ballpark with a spot price of, you know, 91, $92.

Um, you know, so you, you start to think about, well, what's our-- what are some corollaries? Well, in the last cycle, if you go back and look, pricing went from $7 a pound in 2000 up to 137 in the spot market very briefly in '07. The contract high was about $95. But y- people look at spot because it's, it's recorded every day, unlike contracts, which is once a month.

But you look and say, okay, well, 137. In today's dollars, you're looking around 200 bucks a pound. And if you did the, the fundamental exercise of looking at what the supply-demand was at the time where contracts were pri-- where, where contract pricing was, was hitting all-time highs back then for that period, and term-- and, and spot was going up, there actually was a surplus of uranium in the market over the next five years.

So if you sat down and said, "Okay, well, what is these guys buying in three, four, five, six, seven-year contracts? What are the next five years look like?" There was a surplus, and pricing got to around 200 bucks in today's dollars. Fast-forward to today, if we do that same exercise, which we have, the- there are massive deficits.

And so when you start getting to contracting replacement rate levels, that's when price is going to have to readjust. Does it-- You know, we don't-- I'm not publicly forecasting that, you know, that's for us to know, but if it got to, if it got to in 200 in today's dollars, uh, when there was a surplus in the market, where is it going today?

Now, should your belief come to fruition, they're gonna have to tap resources. They're gonna have to tap stockpiles. They're gonna have to tap really uneconomic mines, and they'll have to become-- They're still uneconomic, but they're gonna have to pay up for them. You know, where pricing goes, who knows? Um, so yeah, they'll have to jumpstart real shallow, low-grade mines, right?

Y- there's plenty on the, uh, there's some on the African continent that are really uneconomical. But they'll be able to do it 'cause it's low-grade mining, subscale. One of the things you're seeing right now is scale is everything. And, you know, these, these smaller projects are really hard. 500,000, a million, a million five, two million pounds, they're getting but freaking hammered on costs

Erik: Mike, you said earlier that the fuel buyers do not get compensated for timing the market and, you know, essentially being smart traders.

I'm pretty sure they do have career risk if they let the plant run out of uranium. So it seems to me that if you do see something-- And one of the things I've predicted, and, you know, it's, it's an outlier but I think it's possible, is at one point, the same hyperscalers that are investing in these advanced reactor companies are gonna figure out, "Wait a minute, it's not the reactor, it's the fuel station that we need to invest in."

If a hyperscaler comes and says, "Oh, so NextGen has a big mine coming. We'll buy NextGen. We'll acquire it." Now, you can't do that in Canada for legal reasons, but contractually, you could just say, "We want a take-off agreement, Lee. We'll take the whole thing." If there's a panic where all the sudden the fuel buyers say, "Oh, shit, that crazy nutcase Mike Elkin guy was actually right.

I don't wanna lose my job. I'm just gonna contract for all of the supply that I might need. I'll go ahead and sign the contracts now." Grant Isaac taking that call is not going to say, "Oh, well, since we've been good friends for a long time, I'll honor last year's prices." That's not happening. So what happens at that point if we get to the moment of, "Oh, shit," where the people who were never incentivized financially to time the market realize they are incentivized financially to not lose their job if they got into a can't-cover-the-need situation?

Mike: Yeah. I mean, my guess would be they'll be late to recognize it because they've not been early to recognize it, and that's where y- I get to use that analogy, putting a pig through a python. You saw it in, in, in conversion services. Pricing went up 15 times, even a little bit more, and, and, uh, seven times or so in enrichment.

And you've had 4X, 5X, depending on spot or term pricing, move over the last seven, eight years, but it's-- that's been more gradual. Uh, you haven't even tested the capacity, right? So would I be surprised to see a, a spike and a panic? No. I would hope the hyperscalers, they-- We haven't spoken to them. Uh, no one's reached out to us on it.

I would hope that they're recognizing that you could go and sign the PPAs and do all the stuff you want, but you better go figure out how you're gonna get all this stuff you're building, uh, and all this data center stuff. If it comes to fruition, you

better figure out how you're gonna get fuel for it because I hope you're not just assuming that's that, 'cause if that's the case, y-you're gonna pay through the nose for it

Erik: Mike, last question's probably the most important one.

Look, you and I couldn't possibly be in stronger agreement that this is an incredible value opportunity. We're way oversold, I get it. But look, Chuck Schumer is threatening, or at least intimating, that the Democrat platform after this blue tsunami could be to make AI and data centers public enemy number one.

And whether we agree with it or like it or think it's rational- Mm-hmm ... the reality is that nuclear stuff is basketed with AI, and if there's an AI CapEx bust, as much as we can agree it doesn't make any sense on a fundamental level- Mm-hmm. Mm-hmm ... we're going to see a wipeout potentially. So it seems to me the big question for our sophisticated audience is: How do you structure your trades to bring convexity into the equation so that you have-- Well, you either hedge it somehow or you bring convexity into your trading structure so that you can survive that potential big down before the big up.

Mike: Y-yeah. You know, I, I try and stay away from any type of insight or advice on that. I don't go near that. You know, I, I, I think what I would say though, Erik, is, again, it, it... somebody's gotta recognize that it, there is, um, some tie into it. It's fundamentally like we said, but markets re- can remain irrational.

You know, one way to express the view that it doesn't get knocked around is physical uranium. You buy physical uranium, you don't... You know, it's not-- They're not part of a basket. Now, some of the ETFs might be, uh, the physical vehicles, but if you actually own the physical uranium. But, uh, you know, it is something that I think people have to be aware of and-- But W- where it gets trumped, no, no pun intended, not Donald Trump, but is, you know, there are big things circling out there, right?

Should a... And again, it's not, not that it's going to change the supply demand that much. It can over time, and what you said, if you built a new reactor tomorrow, it's gonna be years before it comes online. But there are big programs out there that are really part of executive orders. There's a lot swirling around where you could wake up one day to a, a utility signing on to build a brand new reactor.

And that's what, that's what will scare the bears, be damned. And, and you'll see this, and, um, that's... If that happens, you probably see this thing go off to the races because it w- pr- likely wouldn't just be one, it would be multiple. And there's talks of up to 10 to 20 reactors that wanna be started by 2030.

And, you know, when the AI sell-off has been occurring, nobody really cares and they're kinda putting it on the wayside, but they're forgetting that that stuff is real. That stuff's out there. That stuff is potentially, and again, you don't know if it's gonna come to fruition, but there's a lot of smoke out there.

And where there's smoke, you know, that, that can offset it. You know, it's, uh, boy, you gotta have a strong stomach, uh, if you're investing in this sector. Uh, but, uh, the asymmetry is, is pretty remarkable.

Erik: Mike, I can't thank you enough for a terrific interview. But before I let you go, for the accredited and institutional audience, what's the investor relations contact?

How do they find out more about the fund that you manage?

Mike: Anyone can reach out to us. It's ir@sachemcove.com.

Erik: IR, for investor relations, @sachemcove.com. It is of course a, uh, institutional and accredited investor product only. For retail investors, I recommend, uh, the various ETFs, and particularly look at the massive discount right now to nav on, uh...

If you wanna buy uranium for 18% below its, its actual market price, you can do that at, uh, SPUT as well. But for the institutional audience, ir@sachemcove.com. And now it's time for our Macro Voices Market Desk segment with Patrick and Massil. But Patrick, before we get to where's the trade, last week your free options masterclass took apart the Pelosi trades.

What are you covering in this week's session?

Patrick: So this week we're going to be talking about the J.P. Morgan options wheel. Now, for those that don't know, it's a $20 billion fund that uses options to ensure downside risk. It's one of the biggest options trades on Wall Street, and I'm

going to be deconstructing it and explaining exactly how it works live next Tuesday, November 17th at 4:00 PM Eastern Time.

Listeners can register free at bigpicturetrading.com.

Erik: Okay, Patrick, where's the trade?

Patrick: Thanks, Erik. Mike's argument is that the uranium supply deficit exists independently of the AI investment cycle. Existing reactors need fuel, utilities need to replenish inventories, and new mine supply continues to face rising costs and delays.

Yet uranium investments are being sold alongside the broader AI trade, creating an opportunity to acquire physical exposure at a substantial discount to its underlying asset value. This week I'm looking at the Sprott Physical Uranium Trust, which US investors may know by its OTC symbol SRUUF. That quotation doesn't offer US listed options, so this strategy requires access to the Canadian dollar listing U.UN with options trading on the Montreal Exchange.

Using the $26.60 as a reference price, a return to full net asset value would imply a price around $31.50 based on our, our working estimate. But the trust frequently trades at a discount, so a full convergence is an ambitious assumption. The more practical question is whether today's deep discount could narrow to something closer to 5 to 10%.

At an unchanged 31.5 net asset value, even a 10% discount would imply a unit price near $28.35. That gives us a recovery objective without requiring uranium itself to appreciate. To express that, I'm looking at the January 15th, 2027, $25 by $28 bull call spread. Buying the $25 call around two and a half dollars and selling the $28 call at 90 cents produces a net debit of $1.60 per unit.

All figures are in Canadian dollars. The long call contains $1.60 of intrinsic value and 90 cents of time value, so selling that upper strike offsets the time value entirely, leaving the expiration break even at $26.60, our reference price. So at $28 or higher at expiration, the spread produces a maximum profit of $1.40 per unit.

We therefore need only a partial narrowing of the discount to reach the upper strike, assuming the underlying net asset value remains stable. Higher uranium prices could also support the unit price, giving us another route to the same

outcome, or the two could simply be working together. Now, the discount can persist or widen and falling uranium prices could reduce net asset value, but our maximum loss is the $1.60 premium paid, with January defining the window for the thesis to develop.

So we're committing limited capital with no net time premium at these reference prices for a modest normalization in valuation. We don't need uranium to surge or the discount to disappear. We just need enough of that valuation gap to close. That's where's the trade.

Massil: All right, Patrick, turning to equities here.

Stocks have recovered a lot of ground, but what would convince you that this correction we got over the last couple of months is now over?

Patrick: That's a great question, Massil. So let's put this into context. Obviously, last Thursday, we had a very big washout in the markets that caused some, a very short term oversold readings right across the board.

And really the story over the last week has been mean reversion. The S&P 500 now has rallied back towards 7,700, retesting the fifty-day moving average and approaching a 61.8 retracement of its prior decline. And so as of this moment, this has just been a bounce in the markets. And at the same time, the NASDAQ has actually been incredibly weak.

While the S&P has corrected around 7% from peak to trough, the NASDAQ dropped closer to 16% peak to trough. And what has to be identified here is that the NASDAQ bounce has actually been relatively weaker and, uh, and in many ways hasn't even taken a stab toward that fifty-day moving average. The market actually staying structurally In sell mode.

And even though the rally felt very real over the last few days, there's no evidence that a new bull market has resumed. But what is the interesting part? Well, first of all, the breadth of the market has been surprisingly strong. We remain around seventy-one percent of stocks above their fifty-day moving averages.

That's because this entire sell-off has been almost entirely centered around the AI story and semiconductors. For instance, the semiconductor ETF, the SMH, is down roughly thirty percent from peak to trough during this period. So the question now

is, will the sector rotation that's been rotating money out of this AI story into many of these consumer staple-- So moving forward, the real risk is does, uh, the broader market start to participate in a bigger sell-off, or does it stay resilient?

What continues to be super interesting is that the Mag Sevens have been a mixed bag while certainly Google and, and Nvidia have been substantial drags on the Mag Sevens. Apple continues to hold along fifty-two week highs. Will we continue to see a few of these Mag Sevens holding up, or is there going to be a widening of the potential sell cycle?

That's gonna really decide whether or not the bull, uh, can re-resume or whether there's another big round of selling as we move forward.

Massil: All right, let's talk inflation because the latest October report has pushed yields and the dollar back higher again. Now, how does that change the picture going forward?

Patrick: So inflation came in hotter than expected this week, forty basis points on the CPI month over month and thirty basis points on core. So this is where the pressure on the whole market is gonna likely come from. What we had was inflation came in hotter than expected, forty basis points on CPI month over month, thirty basis points on core.

And, uh, Waller came in with a message saying that a December tightening may have warrant even fifty basis point hike if these inflation numbers came in hot. And so now, uh, the rates markets is starting to price in the potential that there, there's going to be even a fifty basis point move here. The interesting part about this is that it created substantial moves in the, the bonds and dollar.

What we saw was bonds materially break down and rates rocket higher on this expectation. At the same time, a decisive breakout in the US dollar to the upside, and what's notable is that it was against almost every cross currency, the Euro, the Pound, the Aussie, the Canadian dollar, and even the Yen broke a one-month trade range, uh, with a dollar breakout.

And so what we're seeing here is that from an intermarket perspective, there was a very clear response. And now the question is, is a hawkish and tight Fed and, uh, a rates market that is once again tightening conditions and a dollar that continues to strengthen, going to behave as a disruptor to risk assets?

This is certainly a headwind setting up for the markets here, Mass.

Massil: Now looking at crude oil, the asset has had one big rollercoaster as the WTI gave back roughly $20 in a matter of a week. How are you weighing the next move from here?

Patrick: Well, definitely in this post-election period, oil went from $105 down to the mid-80s, dr- uh, wiping out close to $20 of risk premium.

The central question is, is the peace optimism warranted to pull out $20 of risk premium? Now, we're still in an backdrop of very depleted global inventories. There's very little buffer left in there. And will there be a genuine de-escalation in the Middle East, or is there j- a risk that, uh, the situation will once again deteriorate and oil will resume back to the upside?

It's a big factor because it's going to decide the path of inflation and certainly how hawkish the Fed is going to be. So this is going to be, uh, still in the driver's seat, and whe- whether or not there's a re-escalation may very well act as a disruptor potentially to risk assets as we move forward.

Massil: All right, let's turn to gold because we saw a strong rebound in the asset as yields retreated, but now that's completely been reversed. What does that tell you about the underlying trend in precious metals?

Patrick: Certainly, a lot of gold investors got excited about the turn-up in gold over the last week, but, uh, w- when the inflation nam- numbers came in hot and that, uh, US dollar broke out, rates started to, to come up, suddenly gold is already fading off of a test of its 50-day moving average.

Look, the primary trend is still down. Lower highs, lower lows, almost all rallies are met with selling. At some point, gold will be cheap and will set up for a major buying opportunity and a reversal of trend. But as of this moment, when you really look at the way the price action is behaving, you have to respect that the prevailing downtrend that's been in place for, uh, uh, almost a year now, uh, is still very much there.

Uh, and so at this moment, uh, respect the prevailing downtrend. The vulnerability is that a breakdown here could send us down towards $3,600 on the downside.

We'll be watching for where that inflection point is for the potential next big buying opportunity.

Massil: All right, listeners, and that does it for this week's Trading Desk.

I'm Massil Beguenane.

Patrick: And I'm Patrick Ceresna. Have a great trading day, everyone.

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