

## Dragons & Commodities



Fear and greed drive markets. For equities this is the classic risk-off, risk-on dynamic. For commodities it can play a little differently, indeed both fear *and* greed can lead to commodity price rises. An underlying common theme is the concept of *hoarding*. For the uber-hoarder, Smaug, the dragon from The Hobbit, this hoarding was driven by greed, but fear can be a great motivator also – anyone remember the scramble for tinned food during the COVID pandemic?

As we look at 2026 and beyond there is much uncertainty in the World. Free trade, freedom of movement, sovereignty and political and military alliances all seem on less solid ground than many would have assumed even a few years ago. Regardless of an individual, business or government having confidence in their own rationality and reasonableness, it is impossible to ignore how others may behave and to therefore act from a just-in-case rather than a just-in-time mindset. That leads to an individually rational response which propagates to a result that is, collectively, an irrational, inefficient and sub-optimal outcome. No one wants to be the last through the exit or to run out of fuel, food or other resources that have suddenly become either scarce, expensive or unobtainable.

### The Good Life

Hoarding is in no way a new or novel pattern of human behaviour - COVID hoarding of toilet rolls is merely a recent entry in a ledger that has spanned many centuries and commodities. Early examples feature grain (edible & storables) with importer-hoarding at the port of Piraeus, Athens in the 4<sup>th</sup> Century BCE leading to prosecutions, the Roman Empire's complex system of grain-supply controls aimed at avoiding hoarding crises, and London's famine of 1258. Indeed, until recently, most hoarding was very much about food essentials – see the Great Famine in Europe of 1315-1317, food shortages during the American Civil War and the rice famine in Bengal (1943). Lately (human progress??),

hoarding and shortages has spread to encompass a wider range of commodities – anyone living through the 1970s will have seen the decade open with a sugar crisis (Soviet buying), a no-doubt worrying delay to many music releases on the back of the 1972-1973 vinyl shortage because of the rise of PVC pipe demand, and a double-whammy of oil crises in '73 and '79. It is perhaps no surprise that the decade saw the birth of the sitcom *The Good Life* which was a comedy about self-sufficiency in an urban setting.

### Closer to home

Our modern economies and sophisticated supply-chains have not made commodities immune to hoarding, indeed the very inter-connectiveness of globalization has led to a realization that a just-in-time system is amazing right up until the point it isn't. This is driving big shifts in terms of re-shoring and regionalization of supply. Forget toilet rolls; during the pandemic, export bans were imposed in Serbia (sunflower oil), Vietnam (rice) and Kazakhstan (wheat flour) whilst in the U.S, manufacturers stockpiled lumber and plastics, leading to scarcity and low factory output. For a hunter of commodity trends this was an historic period though not without its trials and tribulations for many on a personal level.

The onset of the Ukraine invasion reversed China's earlier destocking trend in wheat, corn and oil, along with many countries moving to stockpile those metals needed strategically for defence and renewables. Other markets ceased to function – Black Sea wheat trade essentially ceased due to the risk to shipping whilst South African sunflower seeds were limit up every day for three weeks. In both these cases we imposed risk controls on our trading and exposure. Sunflower seeds did return to normal service, but Black Sea wheat sadly remains a casualty of conflict.

Hoarding has continued over the last couple of years, fueled by AI infrastructure, defence spending and geopolitical actions such as tariffs and sanctions. 2025 saw major price increases across the metals complex with precious metals (gold, silver, platinum & palladium) leading the charge as both individuals and central banks opted for safe-haven wealth preservation in the face of rising fears of dollar strength, fiscal fragility and political uncertainties. Our commodity trend strategy benefitted from those metal moves, but care was needed in navigating the potential risks to the portfolio from hydrocarbon and freight positioning when the possibility grew that the crucial trade route though the Straits of Hormuz could be closed by Iran in response to US strikes in June.



Figure 1. A quarter-Century of Gold.

## Fear is the mind killer

The current state of the World is perhaps not that of full-blown fear. But apprehensions and concerns are myriad. Central Banks' continued adding to their gold reserves over the past year is testament to that (Smaug is no doubt covetous). Is that the end of it, or just the start of wider hoarding, onshoring and decoupling of a previously somewhat harmonious globalized commodity network? There's no crystal ball in GQ's stationary cupboard but, falling back on the just-in-case narrative from earlier, our focus is on ensuring that we have exposure to the many themes and directions that these regional and global shifts might take. I will leave you with a collection of "D's" I have been contemplating over recent weeks (and see Aspect's "[5 D's](#)" - naturally I had to have slightly more):

Defense, De-dollarization & Debasement, De-carbonization, Diversification, Demography, De-globalization (...Denmark, Dragons, Donalds...).

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