Hot Spots and Hot Commodities

Speaker Key:

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00:00:00	DP	Welcome to AGF Inside Perspectives. All right, John. We have a special co-host today.
00:00:08	JC	We do.
00:00:09	DP	Playing the role of Kevin McCreadie for this episode is Mike Archibald, AGF Investments portfolio manager. Mike.
00:00:19	MA	No pressure. No pressure, right?
00:00:21	JC	You’re in the big seat, Mike. You’re in the big seat, pal.
00:00:23	MA	Same seat, a little less hair, maybe a touch younger.
00:00:25	DP	Just be careful what you say, yes?
00:00:29	JC	He's already messed up. He said a touch younger.
00:00:32	MA	Maybe a few different views. We’ll see.
00:00:34	JC	We’ll leave it there.
00:00:35	DP	He might be listening. Well, we don't know. I don't know where he is, so…
00:00:39	MA	Where is the big man today?
00:00:40	JC	He could be listening. I'm going to guess he's going to listen at some point, so just be careful.
00:00:44	DP	All part of the plan. So I'm a little bit heartbroken. The Panthers won last night, the Florida Panthers, for those listening, a dynasty. You like dynasties, though, John.
00:00:55	JC	I do. Hey, good. I was just going to say that, actually. I do like dynasties. I think it's good for the game. Although, listen to this stat. I just saw this stat. And only in Florida would this stat resonate, right? So, if you look at the television viewership in the local market of

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		Miami and Fort Lauderdale, that would be the Panthers' home base. The average viewership was 3% of households, 3.2%. So, do the math. A high percentage of those with television sets in that area did not watch one second of the hockey final.
00:01:37	DP	In Toronto, who made it to the second round, we probably were…
00:01:40	JC	North of 40% of households. So think about that for a second, 3%. This is a back-to-back champion and a three-time finalist, three-time-in-a-row finalist, and you're getting 3%. Now, I will say this. Of the 25,000 fans, 22,000 of them were in the building.
00:01:59	DP	That's right. Yes.
00:02:00	JC	So, for the most part, anybody who was a Panther fan was probably in the building watching that night, but it's a staggering stat.
00:02:05	DP	And yet Mr. Bettman said last night, he said, this is proof that hockey works in the sunshine.
00:02:11	MA	He's going to keep trying it. The real question, Johnny, is Florida winning three in a row or Detroit making the playoffs next year.
00:02:19	JC	Wow. Well, let's not go with the Detroit Red Wings. Higher probability, as a hockey guy, that Detroit makes the playoffs than they win three in a row. It's tough. Think about it. You are going through three rounds, four rounds of hockey that is just knock-em, rock-em, sock-em, three years in a row. Can you do it for four years? That's awful difficult. It's awful difficult.
00:02:38	DP	That's got to be [overtalking].
00:02:40	JC	And with the salary cap the way it is, they're going to lose some players, whether it's Bennett or Marchand or Ekblad or one of these. They may all go because somebody is going to overpay for them. So it's going to be tough to go four years in a row. So I will take the Red Wings making the playoffs versus the Panthers getting to the final again.
00:02:57	MA	Perfect. And we haven't had to talk about the Leafs there, David.
00:02:58	DP	Yes. That's true. I always think the Stanley Cup is the actual, the end of it, is the start of summer, not June 21st or 20th. I can't remember what day it is.
00:03:08	JC	Well, that corresponds well with the weather that we've had because we've not had any summer to this point. Maybe now that the season's over, summer will kick in.
00:03:15	DP	So, on that front, any plans for your summer holidays, Mike?
00:03:18	MA	I am heading to Portugal. So, yes, heading over there for 12 days, leaving tomorrow. So I'm looking forward to it. It's going to be a good

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		time. I'm bringing my whole family over there, disconnecting from the stock market. So, surely, there will be a correction or a pullback here. It always happens. So, yes, looking forward to it.
00:03:33	DP	What about you, John?
00:03:34	JC	I'm going to be in my backyard with my new granddaughter [unclear].
00:03:36	DP	Beautiful.
00:03:37	JC	So we'll spend a little bit of time in the backyard and just chill out. So, nothing planned yet, but I am not a planner. I just react. So I may react and be gone for a week somewhere, but nothing planned at this point. Maybe later on in the year.
00:03:51	DP	All right. Good stuff. Let's get to our guest. So, a guest co-host and then, of course, we've got our guest for the day. So I want to introduce Pulkit Sabharwal, AGF Investments analyst. He's here to talk oil. Natural gas, too, I think, a little bit. Obviously, a lot going on on that front. So, without further ado, let's get into it. All right. Pulkit, welcome.
00:04:22	PS	Thanks for having me on.
00:04:23	DP	Thanks for being here. So we were just talking shop about the Stanley Cup. Did you watch? Are you into that kind of thing?
00:04:28	PS	Yes. I was pretty heartbroken. I'm an Alberta guy, Calgary, but you know what? For this one, I was supporting Edmonton. Probably earned a few haters back home, but that's okay. I just wanted to see a Canadian team finally take it, but it just didn't happen. So close.
00:04:40	DP	Yes. I guess we're now at 33 years and counting.
00:04:41	JC	A long time.
00:04:42	PS	I've stopped counting.
00:04:43	JC	I think the Leafs are actually longer than that. I wouldn't know. I don't really keep tabs on that kind of stuff.
00:04:49	DP	I think we should move on. We should move on.
00:04:51	MA	Johnny's not good at math. We know that.
00:04:53	DP	As we normally do, and John knows this, we will go through a recap of what's been going on since the last time. Now, we did record on the end of May, so we're only talking a couple of weeks here. But, in this day and age, a couple of weeks is a lifetime. Lots to talk about. Maybe, John, I'll get you to give us a little bit of a rundown as to what you've seen over the last few weeks.

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00:05:14	JC	Look. I think the thing that surprised me… And I think I may have said this two weeks ago as well and it continues to be the case. The resiliency in this market continues to amaze me. With everything that's happening, whether it's geopolitical, on the tariff front, on whatever front, inflation front, this market continues to outperform my expectations. I would have thought that we would have checked back a little bit here.
00:05:39		It still may happen, but, to this point, it's been very resilient, which is encouraging for all our listeners. Because if you're invested in the market, it's been a pretty good run to this point. I don't think many would have guessed that we would be here today, but we are. S&P is up a couple of percent, so we're in positive territory. The TMX or TSX is outperforming. They're up 7.5. We're up 7.5% percent here in Canada, which has been great.
00:06:06		A lot of that on the back of the energy trade, which Pulkit can get into in more detail in a moment or two. So that's one thing. The other thing I think that amazes me is… And Mike and I talked about this several months ago, but on Liberation Day we were out in the western part of the city, doing a little client event. He said something really relevant, that we were at peak tariff hype, whatever the case may be.
00:06:31		I think we're seeing, believe it or not, more certainty on the tariff front than less. People may not believe that, but we kind of get where we're going to go. Unless there's a black swan event and somebody in the US decides to go back to 145% tariffs, we kind of know where we're going to settle out. We've seen it with the UK. We're hearing other levels of tariff talk that makes the market feel a little bit more comfortable. When you're a little bit more comfortable, I think you can invest and put some money to work. So I think that's what's happened to this point.
00:07:00	MA	Yes. Listen, I think you hit it right on the head. The resurgence of commodities is a big theme, but I think the resilience of the broader stock market has been incredible. You keep looking at the front page of the news and it's nothing but negativity. So I think John and I have been pretty constructive on markets in general. TSX, all-time high. The DAX, all-time high. The UK market, almost all-time high. So these are not things that are going to happen when you generally have something bad on the immediate horizon.
00:07:28		So I think I'm with John. I think we are probably going to get a little wobble here in the summer because we always do. Liquidity kind of dries up. You typically get a little bit of a reset to earnings and that happens halfway through the year on Q2 earnings. So that wouldn't surprise me, but if it's another tariff announcement and something takes the market down, I think that's probably the last tariff issue

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		you're going to see. We're going to get through this at the end of this year, fall, I think, at the latest. Then we're going to be onto talking about something else.
00:07:56		So I think, with Pulkit here, it's a great time to talk about commodities. The resurgence in commodities has been significant, I think, partially for the stuff that's going on geopolitically. But also we've seen a huge decline in the US dollar and that really tends to have a real big push on the commodity prices. So we continue to see that. Then, I guess, I pay a lot of attention to earnings and what's happening with earnings at the broader level and then, obviously, at the stock-specific level. We've seen a big lift in earnings for 2026 now. So we saw a big pullback.
00:08:25		Now we're starting to see 2026 numbers bottom out and start to move higher. That usually is pretty good for the back half of this year and into next year. So we remain pretty constructive as I agree with John. Absent something that comes out of left field that we're unaware of, I think we probably gyrate a little bit here in the summer and then get into the good seasonal period in the fall.
00:08:46	DP	Then, Pulkit, maybe you want to just weigh in on what you're seeing. Obviously, you're working with a specialized part of the market, but what are your thoughts on what we've seen over the last couple of weeks?
00:08:57	PS	I would echo a lot of the comments made by John and Mike. You've seen a similar event unfold on the energy side as well. You saw Liberation Day come and the threat of tariffs. Obviously, that impacts the view on oil market demand, oil demand basically. That obviously really heavily impacted oil price during the day and you saw it touching 50s all the way from 70s. The strength that you saw in 2024, that sort of got washed away. So I think the market came to a realization that there is an off-ramp.
00:09:23		What you saw was essentially, the way Mike put it, the worst of the tariff threat that you saw. There's going to be a little bit more certainty and that's where oil has started recovering. Then, obviously, you throw some geopolitics in there with the resurgence of the conflict in the Middle East and that has a leg of its own. You've seen oil, all of a sudden, move up quite significantly over the last month. So that's what you're seeing here.
00:09:45	JC	Hey, Pulkit. Let me take you back 30 years when I first started in this industry, doing what I do today. If we would have seen missiles flying from Israel into Iran and then flying back, the price of oil would have gone from, let's call it at the time, 60 bucks to $150. We saw a move from $60 to $72, $73. Why not the same reaction today?

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00:10:11		It's one of the theories I have, that some of the correlations and some of the things that we've lived with and grown up with maybe aren't as significant today and we have to look through those. But your thoughts on why oil… We can talk about gold, but oil didn't go to 100 when we saw these missiles flying over and into Iran and then back again.
00:10:29	PS	That's a great question. 30 years back or even earlier than that, the 70s crisis, 60s crisis, you've seen this happen. I think a few things have changed over time. First of all, US is one of the largest producers. Actually, it is the largest producer, by far, of oil. So that obviously takes a lot of the influence away from OPEC. The other side of it is that the OPEC, especially the GCC countries, have realized that, over time, oil is going to go away and that they need to invest in something different. That different has been tourism.
00:10:55		For that, they have started to work together really comprehensively to enhance the security and stability of that region. So they don't want a conflict there. Obviously, conflicts arise, but that is the prevailing sentiment there. So, whenever you have a conflict come down, these guys work actively and they actually agree on a lot of the nuances that they wouldn't agree on necessarily. You're pointing that out. I was looking at an RBC report the other day and they actually had a chart that showed that, every decade you have a conflict, but the actual impact on oil price has been getting lower and lower steadily.
00:11:26		So it really does check out. Obviously, this conflict, we'll see what happens, but right away you saw Qatar come out, you saw Oman come out and Kuwait come out and say, you know what, guys, we can mediate this conflict between the US, Israel, and Iran and we can have talks there. So that really speaks to that.
00:11:41	MA	And part of the thing, too, John, is just that most of the infighting at this stage has not targeted facilities and things that would be impacted and likely have a significant rise in the oil price. So I think that's been, obviously, a strategic decision by both sides, certainly, because they don't necessarily want to see a rise in energy price. So that's part of it. Like Pulkit said, the market is a little bit more fluid now than it was 30 years ago.
00:12:08		There is a lot more idle production still sitting on the sidelines in various places in the world. So I think I was surprised that we didn't see a little bit more of a bump because this could escalate into something more serious if they start to attack facilities outside of those two countries and it could result in sustainably higher prices. But I'm happy that it hasn't run in that direction, obviously.

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00:12:27	JC	I would argue, Pulkit, that if some of these Middle Eastern countries want tourism to be the next panacea, missiles flying over your head when you're on the beach is probably not a good thing.
00:12:39	PS	Or maybe a selling factor of its own, I guess.
00:12:41	JC	Exactly.
00:12:42	PS	But, yes, I 100% agree. I would just add to that that, in terms of infrastructure as well, you've seen a lot of these countries invest heavily in infrastructure redundancy to make sure something like this happens. Because you've seen this before where rockets were flying, they hit an asset, and, all of a sudden, 2 million barrels a day go offline. Well, guess what. The Saudis, UAE, they've all invested in backup solutions. In 2019, you saw that 2 million barrels a day went offline and it was repaired within a week. So there's a lot of redundancy now that wasn't there before.
00:13:11	JC	So that's a good point. So, let's talk about this for a second. If a billion barrels goes offline in Iran or whatever the case may be, does OPEC+ have the capacity and the spare…
00:13:19	PS	Absolutely.
00:13:20	JC	Ability to make that up, which shouldn't affect the price of oil if the production levels are the same?
00:13:24	PS	So, currently, Iran produces a little bit more than three mil, 3.5-ish barrels a day. OPEC spare capacity is about 2 million. Even though Iran produces about 3.5 million, only 1.5 is exported just because they use it all internally as well, heavily. So, theoretically, the numbers check out. So you have the spare capacity there as well as, if you actually were to incentivize high prices, shale is actually a very important source of that. That short-cycle supply can come on really quickly. It works really well at 80. It doesn't work much at 60, but it works really well at 80.
00:13:53	DP	Something you guys just talked about is fascinating to me and it's this idea that… Maybe this is where you're going with this, John. 30 years ago, maybe a general headline would move things in a direction because there wasn't maybe a sophistication in terms of the marketplace and the players. Now it's more, okay, the general headline is there, but I need something specific or targeted to happen before I'm going to make a move in one direction or the other.
00:14:23	JC	Yes, and I think that has a lot to do with what I call market structure or the market makeup. There are so many different players invested in the market today that are offsetting each other. So you may not get the oil to 100 because you've got the hedgers on the one side or the CTAs or whoever happens to be offsetting some of those moves. So you're right. The market structure has changed over the last 30

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		years. It's just not retail and institutional. There are so many other players in the market today that will offset some of these moves.
00:14:53	MA	Yes. Price reactions are quicker, no question, but probably less volatile.
00:14:58	DP	Well, let's stick with oil a little bit longer because we saw oil prices drop dramatically early in the year. I think they've rebounded a little bit. Obviously, what we've seen over the last week with Israel and Iran is having an impact. But what was driving the drop in oil that we saw earlier in the year? Are those dynamics still at play and feeding into what we talked about in terms of, the rise that we saw hasn't been all that great, given the circumstance at hand?
00:15:27	PS	Yes. I would say two major factors there. First of all, we talked about tariffs. When you have friction in the global trading system and you start introducing the possibility of a global recession, all of a sudden, you start asking questions. Is the demand going to go away? That's the big one. So people were scared, all these tariffs coming to fruition, Chinese economy doesn't do hot, US economy doesn't do too hot, Europe also suffers. All of a sudden, you really start questioning the demand picture. The other one is, OPEC sort of made it worse by saying, hey, guys, guess what.
00:15:55		Since we were supporting the market these last two years, we took 2 million barrels a day off. I think we want to introduce them back in. And not just introduce them back in, we're going to do it at an accelerated pace sometimes and you will not know when we're going to make that decision. So that uncertainty on supply coming into the market also spooked a lot of fears. So I think it sort of has gone away, both the fears. The first point on the demand side. You saw the certainty come back into the market. You have an off-ramp. You can make deals.
00:16:25		There is an extension period for these tariffs. Maybe there is a way forward. So I don't think there's going to be a complete meltdown scenario that we thought was going to happen after Liberation Day. So that has dawned on the market and that you see in equity futures in general and the way markets across the globe are doing. The second one in terms of supply. People realized that some of this was down to compliance issues. You had some producer countries that were overproducing the quotas they were allotted. Some of that was to stamp that out, reset the expectations, introduce the barrels.
00:16:53		But then they also realized that, every time oil really takes a bath and crosses the $60 threshold, shale starts sweating. All of a sudden, the economics don't work. This is a mature industry now. It's not a new industry anymore that they can grow at all costs and they can keep pumping the barrels out. No. They really have to keep a picture of the

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		economics. The cheap money that they had before is not there anymore.
00:17:13		So, below 60, the economics just don't work. Resource crunch is very real. These guys are running out of rocks. It's not a thing that we talk about today, but I'm a geologist by profession, so I like to think on a very longer-term horizon. So, if you look at ten years down the road, all of a sudden, a lot of these companies are really sweating. So those two factors, I would say, have been what's been driving the price here.
00:17:33	JC	So, Pulkit, let's bring it home for a second. We've talked a lot about this on the floor and on our morning calls, Canada's position in the world oil market and then Canada's position alongside the US and the partnership that we have there. Your thoughts on that relationship and what that looks like going forward? Because a lot of us are talking about Alberta and oil and US dependency and all this other stuff. I'd love to know your thoughts on that.
00:17:58	PS	I would say the relationship is perhaps as important as it has ever been just because, if you look at the US supply picture, it's not as bleak as some people would put it, but it is definitely not rosy anymore. You are sitting at about 10 to 13 million barrels a day, depending on what figure we're looking at, black oil, NGL, and so forth. So, suddenly, that's going to start declining. All the majors are getting ready for it. They've all been consolidating. We don't have that problem here in Canada.
00:18:25		The other thing is, if you look at Canadian exports into the US, they've been growing every year for the past decade. The reason why they've been growing every year is because you need heavy oil for a lot of the things that you relied on Venezuela, Mexico, the international market for. So, why go there when you can already get the Canadian barrels at a decent discount? So, in my opinion, the long-term view for Canadian oil going into the US is as rosy as it's ever been.
00:18:49	JC	Interesting. So, when the US administration says, we don't need Canada for anything, including oil, we just scoff at that comment?
00:19:00	PS	The proof is in the numbers. If you're exporting more and more oil every year, your refiners like to use Canadian blends in their runs… PADD 2, which is the Chicago area, almost 100% of the imports that they have are Canadian. Gulf Coast, which is the biggest refining center in the US, has been using more and more Canadian crude. So, historically, again, like I said, Venezuela used to be a source. That's sort of out of the picture now. The production just isn't there.
00:19:27		Then you had to go to Mexico when Mexico is trying to use more and more oil internally. So, where else do you go? You go to the partner

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		that you have where there's a lot of pipelines coming into your country. They have a lot of resource. You have a reserve life index of about ten to 13 years, depending on which forecast you want to look at. Canada has 40, 50. It's a very easy picture to get around.
00:19:49	JC	And the pricing works for them, too, does it not?
00:19:51	PS	It absolutely does. Yes.
00:19:53	MA	So, Pulkit, maybe let's go back to the geopolitical situation here and let's assume… I think we all agree that this hopefully will get resolved in a diplomatic way and we'll see over the next coming days and weeks. But let's suppose that that doesn't occur and we start having to talk about the Strait of Hormuz and the amount of oil that goes through there and the potential issues that may arise. Maybe walk us through your thoughts on what that looks like, what the potential risks are, how we would walk around that potentially, if this escalates a little bit further?
00:20:27	PS	I would say the risk are basically twofold. If you talk about the Strait of Hormuz or, essentially, supply disruption in the area, you're looking at a scenario, number one, where Israel says, you know what, everything is fair game. We're going to attack energy infrastructure, really shut the money printer down for Iran. I think the possibility of that happening is limited. I just don't see it. The reason I don't see it is because you have the US 5th Fleet parked in that area and the Trump administration has worked really hard on trying to contain oil prices. They have dealt with OPEC.
00:20:57		They have done a good job in terms of getting the oil price down. So, why let it all go to waste, essentially, in one day? So I think there's limited appetite on the US side to tolerate the Israelis attacking energy infrastructure, specifically export infrastructure. Oil refineries within Iran are fair game, according to them, and they've already attacked a couple of refineries there. So that's the way I think about number one. Number two is essentially Iran lashing out.
00:21:24		This has been the playbook sometimes. 2019, if you go back to it, they had a similar agreement in terms of, they had a nuclear discussion going on and that sort of fell apart. They were angry about it, so there were missiles launched at the Saudi infrastructure and you had potentially 2 million barrels a day going offline. That has sort of reversed.
00:21:47		Over time, Iran has found common discourse with the GCC countries and they've started to work together really well. I am not sure if you're willing to squander that goodwill right away. That said, it is war. At the end of the day, if you're under attack and you think regime change is a threat, you definitely would consider it. But in my mind, either is unlikely.

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00:22:08		In the event that you do have a supply disruption, I would fade that rally. You have the spare capacity, you have the short-cycle supply, and you have a US administration that really does not want to see high oil prices. So I think that culminates in the fact that you're probably not going to see an extended supply disruption.
00:22:26	MA	So, if we bring this back to what matters to you and I, which is stocks and how we're going to play this, energy has been hated. It's one of the only commodities that hasn't worked so far. US dollar goes lower. Virtually everything else, gold, silver, copper, platinum, palladium, they're all rocking. Energy, up until a week and a half ago, on its knees still, can't go, stocks not participating.
00:22:48		Now we've seen a pretty big reversion into the E&P names and those ones that benefit primarily from higher prices. How do we play this? Not necessarily on a name-by-name basis, but what are we looking at? Are we shifting from the infrastructure names into the E&P names? What's your outlook here?
00:23:07	PS	I believe the infrastructure names are still very prominent just because they have the whole thematic with natural gas in the US. I think that has been an angle that a lot of them are playing. When you look at Canada with Prime Minister Carney, he's really trying to say that we want to develop Canada into an economic superpower, energy superpower specifically. So the incentive is there to build as much as you can.
00:23:29		On the E&P side, I find that rotation a little bit tougher to get into just because, if I'm arguing that supply disruption is not going to be for long, you don't necessarily want to switch into a lot of these E&Ps. I feel quality is a theme there. Stick to quality. Stick to guys that can outlast any disruption or any choppy oil markets that you might find.
00:23:50		Because, at the end of the day, in this oil market, you've seen a very healthy 21, 22, 23. Now you're at a cycle where there is a mild oversupply scenario. So, outside of geopolitics, there's not a lot of good things that are going on in terms of price action for the oil markets. You saw that, actually, with the hedging action as well.
00:24:12		So, last week, when oil shot up, a lot of these producers actually went into the hedging market and started hedging like crazy. They also know that. So they know that this year and maybe next year are going to be a little bit rough. Obviously, that is a self-correcting issue. So I still would prefer getting into an infrastructure name. Do we have a rally? Then you might as well rotate into something like that.
00:24:31	JC	Just another anecdote along those same lines. It's not energy-specific, but it's Canada-specific. A month or so, maybe six weeks ago, we started to see a lot more incoming calls from US and international broker dealers inquiring and showing us flows on

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		Canadian names. Then, two or three days ago now, we saw some numbers come out from the Canadian government that international investment into Canada has finally ticked up for the first time in many, many months, if not a year or so.
00:25:01		So maybe we're starting to see a resurgence and maybe that's why we're 500 basis points ahead of where the US is at this point in time and may continue that going forward. But I always find that, and I've said this for many years, Canadians can't support Canada on our own. We need international investment and we're starting to see some of those numbers come to fruition.
00:25:18	DP	Do you think that's the geopolitical environment or is that the political sea change that we might be seeing in Canada?
00:25:25	JC	I think it's both, actually. So let me touch on that for a second. That's a really good point. One, I think there has been some removal of capital out of the US just because of what's happening. That has to get redeployed somewhere. Canada is a safe environment to redeploy, so we're seeing some of that. Europe is the other place we're seeing that.
00:25:43		Second, I think Prime Minister Carney has surprised to the upside on his business acumen, per se, and is delivering on some of the promises that he made. Does it come to fruition? I don't know, but he's making the right moves at the right time and talking to the right people. The market is a forward-looking animal. It doesn't look back. It looks forward and it's seeing some positive catalysts. So maybe both those are true.
00:26:09	MA	To Pulkit's point earlier and yours now, John, US providers need to find barrels and the easiest way to do that is up north. So this environment has not been very constructive for foreign capital to come in and acquire Canadian companies. There are a lot of good ones, mid-size, big-size Canadian companies that I'm not sure are up for sale but certainly, at the right price, would be up for sale.
00:26:34		I think certainty on the political front, which is what we have now probably for four years, I think, opens up the door for the potential for more foreign investment into Canada, both as a partner to those businesses but also as a potential acquirer. There are a lot of energy names that we own across the firm at AGF that we think are potential acquisition targets.
00:26:57	DP	Let's move into a little bit of a commodity rapid-fire. We've talked a lot about oil, but, as you mentioned, Mike, other commodities are moving pretty aggressively here over the last few months. Let's start with everybody's favorite, gold.
00:27:11	JC	Love it. That's my analysis.

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00:27:14	DP	No surprise there.
00:27:16	JC	Love it.
00:27:16	DP	So, an all-time high, going crazy. John, can it keep going?
00:27:20	JC	I think it can. I'm not going to put a number on it, but I feel very comfortable that they're stockpiling. You can see the numbers. The numbers don't lie, to your earlier point. So, yes, I think it does keep going. That's the extent of my analysis ability. I think it goes higher and I love it.
00:27:36	MA	Government buying. Inflation hedge. The companies that produce gold are making money like they've never made before. Lower US dollar. All very constructive for the gold market. We think that continues to work as well. Silver has just finally started to participate, huge breakout last week in silver price. Not a lot of ways to play these anymore. A lot of these companies consolidated. There are three, four, or five real big ones in North America. Not a lot of ways to play it. So we think this continues to be an asset class that you want to pay attention to.
00:28:08	JC	Just let me touch on that just for a second. Two points. One, I think I can say this. If not, we'll cut it out. But these oil producers are not spending like drunken sailors, like they used to. They would make a little bit of money and they would spend it all. They're now reinvesting that money and they're getting a return for their money, number one.
00:28:24		The second point is, the differential between gold and silver, up until a couple of weeks ago, was at historic highs. That's got to close. I think the way it closes is, to your point, Mike, I think we're starting to see a bid in silver, which is great. I think silver, longer-term, may outperform gold, but they're both going to move higher in the short to mid-term.
00:28:43	MA	And resource companies, as you know, still are highly cyclical. They're dependent on what the economy does. But we've been saying this for five years now. Energy companies were the first example of this. When prices went up, they would lever up the balance sheet. They would make a ton of cash flow in a very short period of time. Then, obviously, that's self-correcting and energy price would fall 30% or 40% and the stocks would be down 80%. That's not an investment you can hold over a five-year period. So you've got to be a good trader to own those. That's not what energy is anymore.
00:29:11		The vast majority of companies in Canada and the US have delevered the balance sheet, sub-1.5-times debt. You can survive any move in commodities in that environment. The gold companies were also starved of capital by the capital markets and so they've

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		done the same thing. Now, they've had to figure out ways to cut their costs and now they've just hit the jackpot. Prices are at all-time highs. Costs are still up a little bit because of inflation, but they're making more money than they've ever made.
00:29:37		So these are now investments that you can make, put into your portfolio, and not have to worry about gold price falling 100 bucks or energy price going down $100 and see your position go down 30%. That's not happening anymore. So I think it becomes another asset class, both energy and materials, that you can have more weight in your portfolio to over time.
00:29:57	DP	Pardon my ignorance with silver. I believe platinum has also broken out because of this differential that we've seen. Silver and platinum, do they participate in this safe haven feel or is it a little slightly different feel than gold?
00:30:11	MA	Listen. Gold has typically been the safe haven resource. So you think that there's geopolitical issues. You go buy gold or a proxy for gold. Silver, platinum, palladium, those are more industrial-oriented commodities, I'll say, maybe silver to a less degree. But those are using catalytic converters. They're used in a whole host of things that are part of the broader economy. So I look at that as another positive sign.
00:30:37		We spend a lot of time talking about it internally, about internal market analysis and what you see and what you think that tells you about the future. These commodities are not going to be working sustainably, all the commodities we mentioned earlier, if there isn't better times ahead. So the demand profile for those things is starting to pick up, presumably, because, as John said, it's a forward-looking market or generally we believe in an efficient market theory thesis.
00:31:00		So I think that's quite important because, as you get improving demand globally and, presumably, GDP looks a little bit better next year than it does this year, all these commodities are going to be in higher demand and you should start to see a lift. So Pulkit and I talk every week about just the idea of, the sentiment around energy has just been terrible. The lift that we've seen probably will make the sentiment a little bit better, but it's the most hated commodity that's out there right now.
00:31:26		If you think that 2026 looks better than 2025, which is my view in terms of global economic growth and certainly domestic economic growth in the US and Canada, there's no way that energy can't participate in that. So I'm not saying it has to go to 90, but certainly somewhere around these price levels would easily be achievable in a steady-state environment. Then you get to this environment where the stocks start to look really cheap, have great momentum in terms

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		of stock prices and great momentum in terms of fundamentals. Then that becomes this haven for money to start to flow back into it
00:32:00	PS	Absolutely, yes. I would just add to that energy prices going down in this economy and in this new environment the energy companies find themselves in, where they've really found religion with shareholder returns and not levering up the balance sheet. For the first time, I went to a conference and none of them were sweating about $50 oil. I have never seen that.
00:32:20		That was spooky, actually, as somebody who's been involved in energy for ten years now. So I would definitely echo that, that these guys are understanding of the fact that price cycles will happen and then all they're going to do is sit back, make sure they're doing shareholder analysis at every step, return the money if they can’t produce it in a meaningful way.
00:32:40	MA	We haven't talked about natural gas. It's our favorite commodity. I'm going to talk for you. I think it's your favorite commodity.
00:32:46	JC	I like it.
00:32:47	MA	Good. Perfect. So it's our favorite commodity right now. So the supply-demand situation in natural gas is as good as it's been in years. So we know the angle on data center growth and that's going to continue in the US. You've seen capex intentions in the US start to pick up again from the Mag Seven names. How are you going to power those data centers? Well, everyone likes to think it's uranium and we can talk about that, too, if you like, but that's a medium-term, longer-term solution, clean power uranium. Definitely a winner, but shorter-term it's natural gas. So, are you in agreement with that?
00:33:18	PS	Absolutely. We're making money on that, so I'm inclined to agree. In general, I would say that it's a very different environment that natural gas is in versus oil. Oil, I've talked about how there's a mild oversupply scenario. You have OPEC pumping in the barrels and there's capacity on the sidelines. Natural gas is the opposite. So natural gas, the way I would describe it is that it's a global market, but you have these very isolated islands. North America and Americas in general has been an island forever.
00:33:45		You have a lot of cheap resource available to us, but you cannot export it as easily. Now, what you're doing in the US and with LNG Canada coming on is that you're putting up terminals for you to export all this cheap natural gas. You're going to get global pricing on it. More importantly, it's going to drive a lot of demand for the basins in North America. You're seeing this in the Montney, you're seeing this in the Permian, you're seeing this in the Haynesville and the Appalachia. It's a very easy picture to get behind. I think that's the biggest driver here.

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00:34:14		You're going to export all this cheap natural gas, get global pricing for it. The US export capacity is more than doubling over the next five years. Canada is looking into investing more and more. You already have LNG coming on. Maybe LNG Canada, too, gets FIDed. On the other side, like you talked about, the whole AI, data center, power thematic, that's also very real. You have coal retirements coming in. Not all these plants that are going to get retired can be delayed or repurposed. Uranium, as you said, is a bit of a longer-term solution.
00:34:42		If you were to put a plan together today, it's going to take you about ten years to get a reactor running, if everything goes to plan. SMR, they are still a novel concept. So the uranium pipeline is exciting, but natural gas is here. It's immediate, cleaner, much more cost-effective. So it makes a lot of sense on all fronts.
00:35:02	DP	All right, gentlemen. I think we should end it there.
00:35:05	JC	Hold on, David. Before we end it there, let's thank Michael Archibald for sitting in the big man's seat today. I thought he did…
00:35:13	DP	He did a phenomenal job.
00:35:15	JC	Admirable work today. Maybe we'll give him the next couple of weeks off or something and we always know that if we need to call on a pinch hitter, we've got one that can sit in that seat and do a decent job. So, Michael, thank you for joining us.
00:35:26	DP	Absolutely. He brought a certain energy to the conversation.
00:35:30	JC	He did, a new piece of furniture. We're part of the furniture. He's a new piece of furniture today. Michael, thank you.
00:35:35	MA	Pleasure to be here with you, boys. Thank you.
00:35:36	DP	And, Pulkit, thanks so much for being here as well.
00:35:40	PS	My pleasure.
00:35:40	DP	And we'll catch up to you soon. John, I'll see you next time.
00:35:44	JC	Absolutely.
00:35:45	DP	Mike, we'll see you around.
00:35:46	MA	We will indeed.
00:35:47	DP	Enjoy Portugal. And, with that, we're out. Thanks, everyone, for listening. For a full transcript of today's episode, visit agf.com/podcast. And don't forget to subscribe to hear more from us at Apple Podcasts, Spotify, Stitcher, Podcast Addict, and Pocket Casts.

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