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Commodities: running with the bulls

Last week I briefly alluded to some of the movements in commodity prices – notably precious metals and especially gold and platinum. But the rally in commodity prices and activity within the mining sector is not limited to just these metals. We have long alluded to our bullishness on copper – a key metal for the move both towards net-zero and for electrification, that in turn driven by rapid growth in data centres and AI. Higher commodity prices are, in turn, spurring companies to reassess their portfolios. Mergers are already underway as miners scramble to capitalize on the unfolding trends. If nothing else, 2026 promises to be an interesting year in the mining industry.

Michael Porter

As you read this, the US military action in Venezuela will be two weeks old. It is fair to say that it caught the world off-guard, so much has been written and debated over the reasons behind the attack, and indeed, what it might mean for global politics in the year ahead. There is little doubt that the motivation behind the capture of Maduro was Venezuela's vast oil reserves. But within that broad statement are nuances. From our point of view, we believe that the US has not been motivated by a desire to use the oil itself, but rather to control the flow and sale of Venezuelan oil in the future. China is a large customer. By controlling Venezuelan oil sales, the US can indirectly control China's access to scarce resources.

LONG TERM COPPER PRICE

This chart shows the long-term copper price since 1996. Current prices are far exceeding those reached during the commodity super cycle that unfolded in the early 2000s ahead of the Beijing Olympics.

SPEED READ

- **In the unfolding new world order, the control of scarce resources is becoming increasingly important, as we have witnessed in Venezuela.**
- **We have articulated our bull case for copper before. That has been reinforced by a raft of supply disruptions which have caused supply to fall, fueling a surge in prices.**
- **Mining companies are scrambling to adjust their portfolios to benefit from changing trends. Anglo and Teck have already agreed to merge. Rio and Glencore resumed merger talks last week after calling them off in 2024.**
- **Higher commodity prices, including the surge in platinum, bode well for SA, through higher tax revenues, lower government borrowing, and a trickle down into our manufacturing and industrial base. Sustained high prices could be the catalyst we need to kickstart the SA economic engine.**

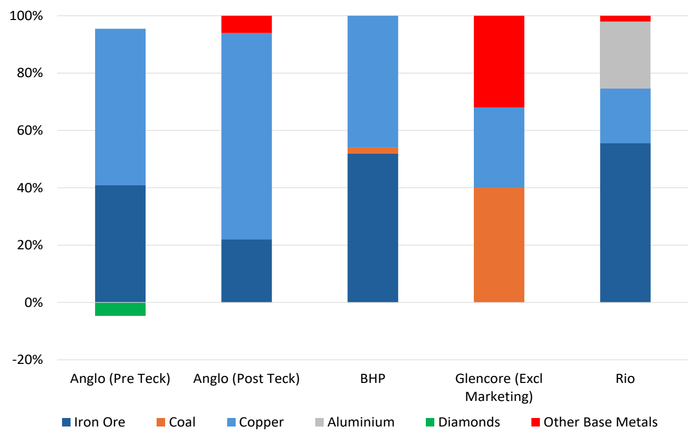
Why is that relevant? In the unfolding new global order, it appears that future power will lie with those who control scarce resources. In fact, this has always been the case. But maybe the past eighty years of globalization has blunted that fact. As alliances shift, reasserting control over scarce resources has taken on a more urgent tone. Just look at China's leverage over rare earths and how it used that leverage to push back US tariffs last year.

Commodities are a highly cyclical industry. Simply, when demand exceeds supply, prices can surge as buyers scramble to find precious resources. A shortage of supply leads to investment, new mines and more supply. At the same time, higher prices encourage thrift and substitution. Invariably, as supply rises to meet demand, that demand is already waning, resulting in markets moving from undersupply to oversupply.

Even a small oversupply situation can be a catalyst for a collapse in prices. Eventually that leads to mine closures, a reduction in supply, and the whole cycle starts again.

We have written often about the promising outlook for copper over the past eighteen months. In the last quarter of 2025, that bullish prognosis really came into focus. Six of the major global copper producers all announced reduced production guidance. Combined, our estimates suggest that almost 1 million tons of copper production cuts were announced, due to a combination of challenging geological conditions, weather-related delays, and seismic activity, amongst many reasons. In a market where demand was already exceeding supply, this was always only going to have one outcome – significantly higher prices. Copper prices are at their highest ever and are forecast to remain so for the foreseeable future

CONTRIBUTION TO PROFITS



This chart shows the contribution to profits by commodity for the major mining companies. BHP and RIO are dominated by iron ore, as was Anglo before their simplification and now their merger with Teck. Glencore stands apart as offering a completely different suite of commodity exposure.

The major story over the past 12 months has been the breakup of Anglo American, as it has successfully fended off a hostile takeover from BHP. In that process, Anglo has shed all its platinum assets, it is in the process of selling De Beers, and it has sold its remaining coal assets (although that sale has been complicated by a mine fire in one of the major mines.) Having slimmed down, Anglo then went on the offensive, announcing a merger with Teck Resources of Canada to form one of the largest copper producers globally. Not to be outdone, last week Rio Tinto announced that it has resuscitated merger talks with Glencore after the talks in 2024 came to naught.

Despite the excitement within the base metals complex, that is not the only market on fire. Last week I showed a chart of precious metals prices – notably gold and platinum. We

The family silver has become more valuable in this run.

have articulated our bullish view of gold over the course of last year, primarily driven by a more uncertain geopolitical outlook and a desire to diversify away from US Dollars as a key reserve asset. Given events in Venezuela, and the threats to Greenland, the case for gold remains firmly supported.

What has caught the market by surprise is the rally in platinum prices. Simplistically, we can ascribe the recovery to a global change in attitude towards climate change. Net zero targets have been rolled back, especially with regard to internal combustion vehicles. That has led to a recovery in

LONG TERM PLATINUM PRICE

While Platinum is only one metal with the wider PGM basket, current prices are also the highest ever. Palladium and rhodium prices are also moving higher, but still below the peak reached after Russia invaded Ukraine.

PGM prices. Adding fuel to the fire, iTargets for the elimination of internal-combustion vehicles have been rolled back, along with other concessions. That has fueled a recovery in n November, after ten years of waiting for regulatory approval, China launched platinum and palladium futures on the Guangzhou Futures Exchange (GFEX.) That was the spark that ignited the recent rally. Some of this is certainly speculative, but there is core fundamental demand too, in part driven by the desire of Chinese investors to back hard assets as a means to diversify their wealth away from the Mainland. But there is another factor at play too. Targets for the elimination of internal-combustion vehicles have been rolled back, along with other concessions. Consequently, demand for PGMs has recovered.

“Some of this is certainly speculative, but there is core fundamental demand too, in part driven by the desire of Chinese investors.”

What does this all mean for SA? Apart from buoyant mining-sector share prices, higher commodity prices may just be the tonic that SA needs to help us accelerate GDP growth this year. Apart from the rally in palladium and rhodium prices post the invasion of Ukraine, the mining industry has been stagnant for years. But that spike in prices in 2021 is constructive. The surge in PGM prices (palladium and rhodium) led to a significant tax overrun in the 2022 fiscal year, allowing government the flexibility to implement modest tax relief.

Our budget is not far away. Treasury has already announced that they will not adjust the tax brackets again this year – resulting in an approximately R18 billion effective tax increase. Does the surge in prices give Treasury the opportunity to withdraw this proposal?

Already revenues were R20 billion higher in November. By February, they could be substantially higher, given commodity trends since. Tax relief, rather than tax hikes, would further underpin the consumer recovery already underway. In addition, higher tax revenues could further reduce government’s borrowing costs and hence support the rally in the bond and property sectors. Finally, more profitable mines imply a trickle-down effect throughout the economy. Higher profits mean higher bonuses, which support consumption, but they also fuel the replacement and maintenance cycle, which supports the industrial and manufacturing base in Gauteng.

After many years in the wilderness, the mining sector is back. High prices won’t last forever, as every super cycle eventually sows the seeds of its own destruction. But while it lasts, it can often be the catalyst for a wider recovery in the economy, one that we desperately need to ensure that our “economic engine” gets comfortably into second, or even third gear.

Copper is benefitting from a classic supply demand squeeze.

The topic for our first Insight presentation for the year, to be held in March, is "The Trend is Your Friend". More detail will follow but we will explore trends across various topics

Topic: **The trend is your friend.**

Natal Midlands	
Date:	12 March 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg	
Date:	10 March 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town	
Date:	n/a
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Classroom 1, 3rd Floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

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