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# Commodities Spotlight

August 2026

## ‘Fool Me Once’ – Strategic Supplies Create Scarcity in Disguise

### Highlights

- **“Global” inventories may become anything but:** Geopolitical tensions, sanctions, and protectionist policies could limit global access to raw materials and create local tightness, given the geographical disparities in where commodities are extracted, processed, and transformed into finished goods.
- **“Strategic” stockpiling is expanding:** Governments are increasingly building their reserves of raw materials, potentially creating “hidden” tightness, even amid aggregate inventories that appear healthy.
- **Resource-rich countries seek greater control over production:** Export bans from producing countries on raw materials are adding friction to global supply chains, while local beneficiation requirements may raise production costs.
- **An environment for tenured active managers:** Historical relationships between fundamental data and prices may become less predictable, highlighting the value of experienced managers with strong qualitative research capabilities.

### What Happened

The recent trend of labeling various raw materials as “strategic” means “global inventories” risk becoming anything but. Commodity analysis increasingly requires incorporating both market fragmentation and segmentation, much to the consternation of market participants who are used to relying on time-tested historical relationships to drive investment decisions. Rising geopolitical tensions and the resulting expansion of protectionist policies are particularly impactful for commodity markets, where geographically concentrated centers of supply, production, and processing mean that a protectionist shift by a relatively small group of individuals or countries could have big consequences. Further, as more commodities are deemed strategic and worthy of stockpiling, the impact this will have on commodity markets looks set to grow. So, what’s in a name? What’s behind an increasingly wide array of raw materials earning the “strategic” label, and what does it mean for the future state of “global inventories” and their relationship with commodity prices?

### Why It Happened

Geopolitical tensions are one of the clearest drivers of this change in behavior. Russia’s invasion of Ukraine, for instance, caused countries in Europe, alongside the United States, to sanction Russian exports, such as metals and crude oil.[1] These sanctions included restrictions for transactions on Russian-origin commodities, casting doubt on Western traders’ and manufacturers’ ability to access almost 20% of the world’s aluminum production and around 15% of the world’s petroleum and petroleum product production. When it came to the Western traders and manufacturers who relied on Russian-origin commodities, these sanctions immediately caused a change in status from “in a relationship” to “it’s complicated,” distorting the true availability of the sanctioned commodity. In fact, by December of 2023, over 90% of available aluminum inventory in the London Metal Exchange (LME) system was of Russian-origin and effectively “off limits.” Removing this material from the equation meant global inventories were critical, not comfortable, which drove a rush to reconfigure supply chains and re-engineer additional slack in the raw material procurement process.

The current situation in the Middle East has put a spotlight on the role of strategic stockpiles of energy commodities. Following the closure of the Strait of Hormuz (“SoH”), the staggered release of global strategic petroleum reserves (“SPRs”) has gone a long way in helping avoid the worst-case scenario for global energy prices by replacing some portion of lost energy flows. These volumes were “unavailable” to the market and likely exerted limited influence over prices; that is until acute deficit conditions drove their release and made them a significant price-driver. The Middle East conflict has indirectly highlighted the need for strategic stockpiles outside of the energy space, too. Countries that previously secured the raw material inputs required to deploy renewables and reduce reliance on fossil fuels created domestic energy security, in addition to driving down carbon emissions. China, for example, was able to reduce its reliance on petroleum

[1] EU sanctions against Russia: questions and answers, European Council, August 2026.

imports following the SoH-driven spike in energy prices, in part, due to its large base of renewable power generation capacity.[2] China's gain has not gone unnoticed, and recent events in the Middle East have countries re-thinking the scope and speed of their renewable energy build-out, potentially requiring the build-up of strategic stockpiles of their own.[3] The United States is getting in on the act, too. The threat of Section 232 tariffs on refined copper imports to the United States on national security grounds, has caused copper to be "over-imported" – that is, imports have vastly exceeded the volumes required to meet current consumption – creating a "strategic" stockpile in the US. Given the Trump administration's cited concerns about (over)reliance on foreign sources of raw materials, it is unlikely that these tonnes will be allowed to leave, creating another situation where there is a mismatch between what's available "on paper" and what's available "in practice."

Finally, countries that have historically only produced "unprocessed" commodities are increasingly considering their unextracted resource bases as "strategic," adding requirements for additional processing and production to take place domestically and creating additional supply friction in the process. Indonesia, for example, grew to become the world's largest exporter of unprocessed nickel ore and concentrate before banning exports entirely in 2020. This ban was an effort to force end-users to build refining and manufacturing plants in the country, allowing the Indonesian government to capture more of the value creation between raw material and finished product. Indonesia dusted off the playbook again by banning the export of copper concentrates unless those exports came with a plan to build a refinery and ultimately process material domestically in the future. When announced, this created uncertainty about availability of production from one of the world's largest copper mines. More recently, the Democratic Republic of Congo, responsible for almost three-quarters of the world's cobalt supply, classified cobalt as a strategic material and banned the export of unprocessed cobalt concentrate. While current cobalt inventories are at healthy levels, a build-up of material that cannot be exported could create another "hidden" shortage.

## Our View

All of the above have created conditions that require increasingly nuanced analysis of commodity flows and observable inventories, potentially necessitating re-evaluation of previous relationships between inventories, prices, and calendar spreads (the price difference between two different maturity contracts of the same commodity). This type of environment should favor active commodity managers with long tenures and qualitative research capabilities. For markets experiencing distortions, such as copper, futures prices and calendar spreads may not appropriately reflect the degree of constrained availability, presenting opportunities to enter bullish positions. Meanwhile, local beneficiation requirements for commodities such as nickel are likely to raise production costs, effectively lifting the "price floor" (the level at which some share of production theoretically no longer profitable) for these commodities. Strategic reserves can impact future demand, too. Eventually, strategic stockpiles that have been drawn down, such as the global petroleum SPRs[4] mentioned above, will need to be replenished. This could create an additional demand impulse, independent of any changes in underlying "real" consumption levels, leaving commodity markets tighter-than-expected for a given level of unadjusted supply and expected demand, with potentially constructive implications for both prices and calendar spreads.

[2] Where's the Oil Price Headed? Only China Knows, Bloomberg, July 2026.

[3] Hormuz and the Energy Transition: Change Doesn't Just Happen, Council on Foreign Relations, June 2026.

[4] SPR Quick Facts, U.S. Department of Energy.

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Current Publication Date: August 2026