



Investment Insights

Our monthly look at what's driving global markets

Double, double toil and trouble

Precious metals, politics and a long-term perspective

Mining for returns

Exploring a changing landscape for energy and materials

When to leave the AI party

A framework for measuring market overexuberance

Quick take

In this month's issue

Double, double toil and trouble

Precious metals, politics and a long-term perspective

Despite heightened geopolitical uncertainty and frequent policy shocks, global markets made further progress at the start of the year, supported by easing monetary conditions and resilient corporate earnings.

Precious metals saw large gains before retreating, reflecting a mix of sensible diversification, safe-haven demand and, more recently, speculative excess.

Gold remains the preferred diversifier, given its tendency to behave differently from equities and other risk assets, even as short-term volatility has increased.

Uncertainty around the next Federal Reserve (Fed) chair has drawn investor attention, though markets appear reassured by expectations of continued inflation discipline.

In a world prone to sudden alarms, the focus remains on long-term fundamentals – diversification, a robust investment process, and confidence in innovation and compounding growth over time.

Read the full story on page 3.

When to leave the AI party

A framework for measuring market overexuberance

Enthusiasm for AI-related stocks has drawn comparisons with past market bubbles, but valuations alone offer a poor guide to when enthusiasm has gone too far.

Rather than relying on gut instinct, a broader set of indicators – including debt growth, equity issuance, dealmaking and trading activity – can provide more reliable warning signs of market excess.

So far, key late-cycle signals seen in previous bubbles remain absent – leverage is limited, mergers are subdued and speculative behaviour is restrained.

Today's AI boom is also structurally different, centred on a small group of highly profitable hyperscalers whose investment decisions shape the entire ecosystem.

By developing a framework to closely monitor activity across the AI supply chain, we aim to spot early signs of overheating – helping investors avoid leaving the party either too early or too late.

Read the full story on page 7.

Mining for returns

Exploring a changing landscape for energy and materials



Mining is benefiting from powerful structural trends, with rising demand for copper and uranium driven by electrification, the energy transition and the rapid expansion of AI-related infrastructure.

Supply constraints – including ageing mines, declining ore grades and years of underinvestment – are also supporting higher prices for these key metals.

Gold had also surged to record highs as investors seek protection from geopolitical risk and macroeconomic uncertainty, though its longer-term return outlook is less certain.

These dynamics have pushed valuations higher in the mining sector, with investors favouring companies exposed to metals with the strongest long-term supply and demand fundamentals.

Within the sector, the focus is on copper and uranium producers with strong growth potential, where structural shortages are expected to support returns over a multi-year horizon.

Read the full story on page 5.

This month's cover image shows an aerial view of an open pit mine in Cobar, a town in Outback New South Wales, Australia, located about 700km northwest of Sydney, known as *The Copper City*.

Snapshot

The global economy and markets

Key facts and figures from around the world, including high costs limiting Venezuelan oil production, resilient wage growth in the US, easing inflation in the eurozone, modest UK growth and a sharp rise in copper prices. We also include the latest performance across equities, bonds and commodities.

Find out more on page 10.

Double, double toil and trouble Precious metals, politics and a long-term perspective



John Wyn-Evans, Head of Market Analysis

The world seems to be changing rapidly and often unpredictably, but toil and trouble is nothing new. Precious metals in particular have had a turbulent time lately. Even so, we continue to see them as credible diversifiers, and we maintain our belief in individuals and companies to innovate and compound growth over the long term.

The school I attended in Wales between the ages of seven and 10 ambitiously put on a Shakespeare play every year. I reached the pinnacle of my acting career at the age of 10, playing Lady Macbeth. I died twice in one night. The Royal Academy never called.

With certain shares and commodities doubling, then doubling again before running into the toil and trouble of profit-taking, the famous line from *Macbeth*, “Double, double toil and trouble”, feels like an apt title for this month’s commentary.

Off to a good start

An old stock market saying holds that “as goes January, so goes the year”. That is not as simplistic as it

sounds because markets tend to follow the underlying direction of economic growth and corporate earnings. It usually takes some sort of policy change or exogenous event to alter that path.

January offered another array of novel things to worry about, including the arrest of the President of Venezuela, a US threat to the sovereignty of a Nato ally and the formation of an American armada heading for the Persian Gulf, with the potential for intervention in Iran. There was another round of tariff sabre-rattling and ongoing uncertainty about who would be the next chair of the Fed. The common source of all these worries is the US government. Gone are the days when the US was the global hegemon and peacekeeper, presiding over the rules-based system that has dominated global trade, diplomacy and finance since the Second World War. Now it is the disruptor.

Yet global equity and bond markets, and therefore balanced portfolios, made further advances in January (figure 1.1). The global economy appears to be in decent shape despite the concerns. The effects of past interest rate cuts have been supportive, with more to come, as has capital expenditure linked to the spread of generative AI in our lives. Companies’ fourth-quarter earnings announced so far suggest profits are growing, and the outlook for 2026 remains positive.

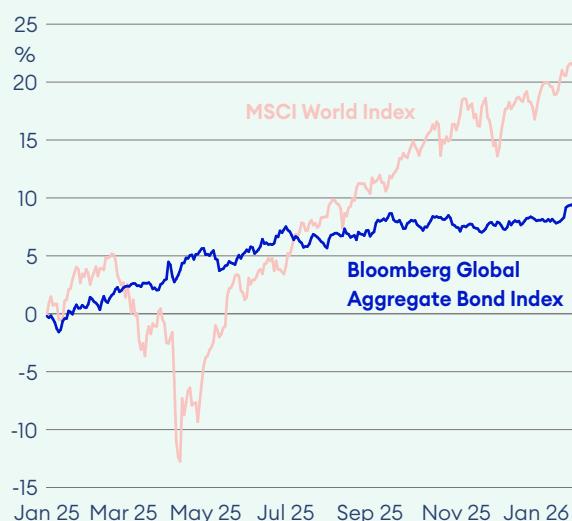
Prec(oc)ious metals

One of the more remarkable features of recent times has been the extraordinary rise in precious metals prices. As with most speculative runs, this one is built on sound foundations, although the sharp retrenchment heading into February suggests markets may have run ahead of themselves. Since Russia invaded Ukraine and the US froze Russia’s dollar assets, central banks around the world, mainly those of countries not aligned with the US, have been shifting paper dollar-based reserves into something more tangible.

There has also been safe-haven demand for gold from investors seeking insulation from geopolitical risk. Purchases of gold, seen as a hard asset that holds its value, may also be driven by concerns over currency ‘debasement’. This is where governments and central banks encourage more inflationary growth and suppress interest rates to reduce government debts

Figure 1.1: A strong period for balanced portfolios

Global equities and bonds have both delivered positive total returns over the past year.



Source: Factset, Rathbones

in real, inflation-adjusted terms. At the same time, this erodes the real value of low-risk savings such as cash or government bonds.

Gold's gains have also come in the context of a wider global commodity buying spree. This reflects the idea that as nations become more focused on national security, they may stockpile strategic reserves.

Shorter supply chains also imply larger inventories and greater investment in domestic manufacturing. Add to this ongoing demand for AI-related infrastructure and commitments to higher defence spending, and the result is a looming shortage of critical metals and minerals. This has been exacerbated by supply constraints, with producers slow to increase output after the last major commodity boom ended badly in 2016. You can read our views on metals and mining on page 5.

The result has been a spectacular rise in the price of gold and silver in particular, although other metals have also been strong. In dollar terms, gold almost tripled from around \$1,800 per troy ounce just before Russia's full-scale invasion of Ukraine in February 2022 to a peak of \$5,417 in January. Silver arrived later but more than managed a 'double, double', rising from \$24 at the beginning of 2024 to a peak of \$117 (figure 1.2).

We still believe these increases were rooted in sensible portfolio diversification. However, they appear to have been overtaken by a combination of speculative and momentum-driven purchases, including some funded by borrowed money. At the time of writing, gold and silver prices were down 9% and 24%, respectively,

from their highs, but only back to levels first reached in mid-January.

We continue to view precious metals, with a preference for gold, as credible diversifiers within balanced portfolios, given their tendency not to move in tandem with equities and other risk assets.

Bank of Kevin

A long-running saga has been the race to replace Fed chair Jerome Powell when his term ends in May. Investors are concerned because President Trump, who has nominated former Fed member Kevin Warsh, wants interest rates to be significantly lower to stimulate the economy. This risks pushing inflation higher and undermining confidence in the dollar and US governance more broadly.

Warsh's record at the Fed from 2006 to 2011 places him firmly in the hawkish camp, favouring tighter monetary policy. That makes him an unusual choice. Even in the aftermath of the global financial crisis, he stood out for his criticism of the Fed's bond-buying, or money-printing, programmes. One can only wonder whether he has executed a philosophical U-turn in pursuit of this role. A broadly positive market reaction so far, including some recovery in the dollar, suggests investors hope he will stick to his inflation-fighting instincts. We will not be making any portfolio changes on this basis, not least because he still requires Senate approval.

The long now

Often in these commentaries, we aim to dispel fears about the long-term consequences of events having an immediate impact on markets. But for some, even our long-term approach looks extremely short-term. The Long Now Foundation, of which I am not an affiliate, encourages people to consider developments over millennia. Its flagship project, begun 30 years ago, is a clock designed to tick once a year and run for the next 10,000 years. It is still not finished.

According to the project's leader, Danny Hillis: "We have a bias toward the sudden, and a bias toward noticing the dangerous and the negative. Electronic media amplifies that, and maybe it seems like things are more hopeless than they really are."

Even for us, a 10,000-year investment horizon is a stretch. But in uncertain times we continue to return to the anchor of a robust investment process and our belief in individuals and companies to innovate and compound growth. Sometimes this is in defiance of here-today, gone-tomorrow political leaders with short-term agendas.

Figure 1.2: Gold and silver prices surge

Prices have risen sharply over the past 12 months, reflecting strong demand and volatility, though they have recently lost some of their gains.



Source: Factset, Rathbones

Mining for returns Exploring a changing landscape for energy and materials



Richard Board, Equity Analyst

Mining may seem unglamorous, but it has a crucial role to play in the future of both energy and technology, with potential rewards for long-term investors.

What are the biggest long-term trends in this sector?

Structural shifts in global energy markets and technological developments have meant that already-stretched supplies of copper and uranium are failing to keep up with increasing demand. This is boosting appetite for mining stocks with exposure to these metals, pushing share prices and valuations higher.

There are several constraints on copper production, amid growing demand from electrification, renewable energy and data centre expansion related to AI. Two major limitations are declining ore grades (the amounts of copper being extracted from a given amount of rock) and ageing mines (figure 2.1). The rising amount of capital needed to extract the same amount of copper and bottlenecks in the granting of mining permits are also curbing production. Recent disruptions at major mines have exacerbated this trend, with growth

in global copper supply forecast to lag increases in demand through to at least 2027.

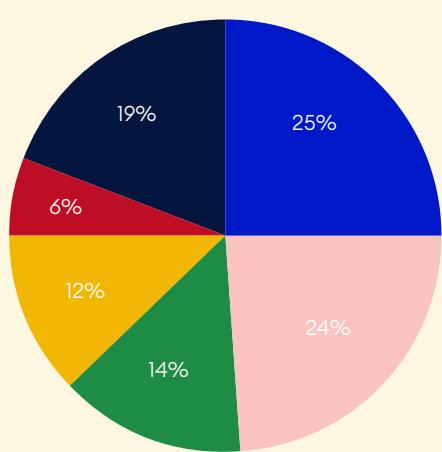
There's a structural deficit in the supply of uranium. This is because of years of underinvestment following Japan's Fukushima nuclear accident, coupled with the resurgence of nuclear power for energy security and AI-driven electricity demand (figure 2.2). New mine development remains slow and secondary sources (residual mineral resources left after the mining of the primary ore) are dwindling. This supports a multi-year investment case for high-quality miners with exposure to the structurally growing demand for uranium.

Another major trend in the sector over the past two years has been a sharp and sustained rise in the gold price to successive all-time highs. This was fuelled by demand for the perceived safety of gold amid intensifying geopolitical risks and doubts about the dollar's status as the global reserve currency. Although gold has recently suffered a sharp sell-off, its role as a store of value and hedge against macroeconomic risk should continue to attract capital, reinforcing its strategic importance within the mining sector.

Figure 2.1: Ageing mines

More than half of mines operating in 2023 were more than 20 years old.

- 0–10 years
- 11–20 years
- 21–30 years
- 31–40 years
- 41–50 years
- 50+ years



Source: BHP 2024 Chilean copper site tour, Rathbones

How are these trends affecting valuations?

These improving fundamentals have led to strong share price gains and pushed up the valuations (prices relative to earnings per share) of mining companies across copper, uranium and gold. There's been a clear outperformance among producers of these metals even as valuations have risen across the entire mining sector.

The shares of miners active in other precious metals that have rallied in tandem with gold, such as platinum and silver, have also seen strong gains. They have benefited from similar macroeconomic tailwinds and safe-haven demand that have been driving gold's gains. In contrast, diversified mining groups more focused on iron ore have underperformed amid relatively lacklustre demand for bulk materials. This divergence highlights investors' willingness to pay a premium for companies that are best positioned for long-term growth and favourable supply and demand dynamics.

What's the best way to invest in mining?

We're focusing on stocks with significant exposure to copper and uranium, which stand to benefit the

most from the combination of supply constraints and long-term growth in demand. The structural trends underpinning these commodities, such as electrification, decarbonisation, and the increasing energy demands of AI data centres, should support mining stocks with exposure to them over a multi-year investment horizon. Meanwhile, limited new project approvals and rising capital intensity restrict future supply growth.

However, we have less conviction in the ability of precious metals to sustain their strong gains over the longer term, given their sensitivity to economic and geopolitical factors. Our preference within mining is for companies with strong organic growth opportunities. In particular, those with so-called brownfield expansion projects – the development or redevelopment of existing mine sites. Compared with ‘greenfield’ projects, on undeveloped land, brownfield projects allow miners to grow with lower initial costs, faster completion of projects and fewer risks to achieving expected levels of production.

What are we watching in the short term?

Risks of supply disruptions or project delays in copper and uranium remain front of mind, as any further tightening of supplies could give a boost to prices. Supply disruption was particularly pronounced in the copper market in 2025: of the world's 20 largest mines, five are either temporarily suspended or have encountered major operational setbacks.

Copper mining in particular could be fertile ground for mergers and acquisitions, given its strategic importance and fragmented supply base. Major

Uranium stands out as a key beneficiary of growing demand from the energy transition.

transactions could serve as catalysts for pushing valuations higher still. In terms of the economic outlook, we're focused on geopolitical developments and signals on the strength of the global economy. These factors can influence investor sentiment towards mining, which is a cyclical industry dependent on global growth.

How is the energy transition affecting demand for materials?

Uranium stands out as a key beneficiary of growing demand from the energy transition. Nuclear power's very low carbon emissions across the entire lifecycle, from initial development of nuclear plants through to electricity production, make it a critical enabler of decarbonisation and energy security. Nuclear power is expanding as countries seek reliable, low-carbon baseload power, fuelling sustained demand for uranium.

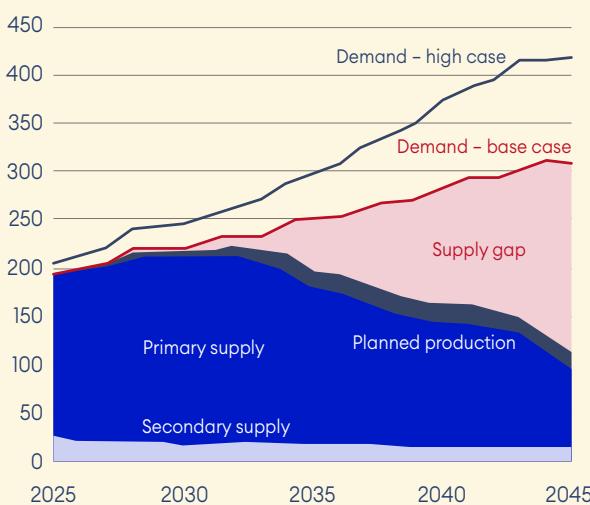
Copper is equally vital, underpinning the electrification of transport, industry and especially the expansion and upgrading of power grids needed to bring renewable energy to its users. At the moment, grid investments, particularly in the US, are being driven by the rapid expansion of AI data centres and the rebuilding of domestic manufacturing bases as globalisation goes into reverse. These trends also increase the need for reliable, low-carbon nuclear power.

Among precious metals, we expect long-term demand for platinum and palladium to decline as electric vehicle (EV) adoption accelerates, eliminating the need for the catalytic converters that require these metals. Demand has proven more resilient than anticipated, with slower-than-expected EV penetration and continued need for these metals in internal combustion engines, including in hybrid vehicles.

As we navigate this shifting landscape, we're staying cautious around areas like platinum and palladium, where demand looks unsustainable over the long term. Instead, we're focusing on copper and uranium miners, which we see benefiting for years to come from growth in the need for these metals. This is likely to come from the rebuilding of domestic manufacturing bases and the rapid expansion of datacentres and the infrastructure needed for the global energy transition. Meanwhile, their share prices should continue to get extra support as this growth looks set to outstrip increases in supply for the foreseeable future.

Figure 2.2: An uncertain supply outlook

Uranium oxide has a structural primary and secondary supply gap (millions of pounds).



Source: UxC Q3 2025 Uranium Market Outlook,
Rathbones

When to leave the AI party A framework for measuring market overexuberance



Oliver Jones, Head of Asset Allocation

How do you know the perfect time to leave a party? There's an art to staying long enough that you don't miss out on a good time, while still departing before suffering the consequences of earlier overindulgence. Investors in AI-related stocks may be asking themselves a similar question. How can we know when enthusiasm about AI is about to go too far, and it's time to call a taxi home?

We don't believe we're at that stage in the AI cycle now, but it always pays to be prepared. Trusting gut feel, as you would at a real party, isn't enough. That's why – and here's a key difference with partygoing – we've created a comprehensive set of conditions to monitor for signs of a major, imminent deterioration in AI sentiment. To do that, we've drawn on both the academic evidence from historical bubbles and the specifics of the AI ecosystem today.

A more reliable guide

The valuation of stocks – their prices relative to their profits, sales or other accounting measures – is a

useful starting point in assessing market exuberance. But valuations alone are a notoriously unreliable guide to short-term performance. And US tech sector valuations are still far below the highs they hit in the dotcom bubble at the turn of the century. Focusing on valuations in isolation risks missing a lot of other potentially relevant information.

A much broader view of market activity and performance can help us gauge the mood more accurately. For example, there's clear evidence, across countries and in data going back all the way to the 1800s, of a link between rising private-sector debt (as opposed to government debt) and subsequent crises. Booms fuelled by private debt are inherently unstable, as the economist Hyman Minsky famously illustrated. Any surge in corporate debt issuance – something which is not happening currently – would therefore be a potential warning sign that financial markets could be near a tipping point, or 'Minsky moment'.

A message from the past

The final innings of several recent booms have also been accompanied by rapid increases in firms issuing new equity on public markets, coupled with surging fundraising in private markets. Both those things are essentially symptoms of a party getting out of control. It pays to be cautious when investors are rushing headlong into private equity without due care for the details – as they did ahead of the dotcom crash, the global financial crisis, and the period of speculative excess in US equities just after the pandemic (figure 3.1).

It's a similar story with corporate dealmaking – mergers and acquisitions. A rapid rise in dealmaking can be a sign of overconfidence, with buyers paying over the odds for targets which are a poor fit. The disastrous US mega-deal between email service provider AOL and traditional media conglomerate Time Warner at the peak of the dotcom bubble is the classic example. Both equity raising and corporate dealmaking are still currently subdued – but we continue to monitor them in case that changes.

Another related factor is the volume of trading activity in markets. The late stages of bubbles have often been associated with frenzied increases in trading, particularly in options markets in more recent history.

Figure 3.1: When the party gets too crowded

This chart shows US private equity fundraising as a share (%) of overall corporate equity value, a useful barometer of investor exuberance.



Source: LSEG, Rathbones

Options trading has been on the rise again, but not yet as sharply as it was in the speculative boom of 2021, or immediately prior to the dotcom crash and global financial crisis (figure 3.2).

A different crowd at the party

We're also closely watching the relative performance of different types of stocks. In the late stages of the dotcom bubble, there was an extraordinary outperformance from the least profitable stocks, from very young stocks (those of firms founded only a few years ago), and from recent winners (top-performing stocks maintained their winning streaks to a very unusual extent). This period of sustained outperformance from unprofitable new stocks portended the eventual crash. Markets today are not, to quote the singer Prince, partying like it's 1999. But once again, any change on that front would make us more cautious.

The factors we've outlined so far are drawn from experience. But no historical boom is a perfect mirror of the current one. The partygoers this time are a different crowd. There's no historical equivalent of the AI industry. We've identified a basket of 169 global stocks whose business models have a strong exposure to AI. As a starting point, we monitor the price performance and sales growth of this basket. But we also go well beyond that, delving into the minutiae of the AI supply chain.

A whole new ecosystem

This starts with an understanding of the structure of today's AI ecosystem. Just five companies – the

Markets today are not, to quote the singer Prince, partying like it's 1999.

“

so-called 'hyperscalers', Amazon, Alphabet, Meta, Microsoft and Oracle – dominate global investment in AI. They directly account for nearly two-thirds of the investment spending for our basket of AI stocks, and indirectly an even larger proportion. If their AI investment spending slowed sharply, the whole supply chain would dry up.

To keep an eye out for any early warning signs of this, we monitor developments at key points throughout the supply chain, both 'upstream' and 'downstream' of the hyperscalers. Ironically, AI-based tools help us here. Especially a tool that reads and synthesises the information from huge volumes of documents, including companies' regulatory filings and earnings calls with investors – more than even a large team of human analysts could.

We use this tool to summarise what users of AI, the hyperscalers' customers, are saying about their plans for adopting AI, including the extent to which they can generate new revenue or cut costs from it. And we use it to summarise what the hyperscalers' suppliers, plus their suppliers in turn, are communicating. In this way we can monitor demand for key products related to AI investment, and information about new orders and backlogs.

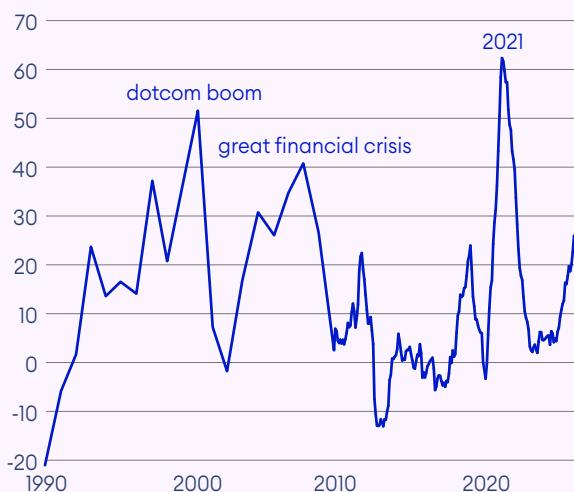
We track sentiment separately from firms supplying AI chips, memory and servers – key ingredients for the data centres behind the AI revolution. We even look at firms providing equipment to chipmakers, firms supplying cooling solutions to data centres, and real estate investment trusts that specialise in leasing data centres. This could help us quickly spot any faltering either in demand for AI products or of the hyperscalers' investment plans. That might show up in weakening orders to key suppliers before any official announcement from the hyperscalers themselves, for example.

Not too early, not too late

It's impossible to anticipate turning points in markets exactly. But compared to relying on valuations and anecdotes alone, our evidence-based framework should give us a much better chance of spotting whether optimism about AI has reached unsustainable levels. It should help us balance the twin risks of leaving the party too early, or too late.

Figure 3.2: Speculation heats up

The rolling 12-month growth (%) in equity options trading provides a window into rising risk-taking and late-cycle market behaviour.



Source: OCC, Rathbones

Snapshot

The global economy and markets

Figure of the month

\$80–90

The cost per barrel of producing Venezuela's untapped oil. Most of it is heavy crude, which is more expensive to extract and sells at a discount to Brent crude. With Brent priced at around \$64, production costs are already higher than the likely selling price. Combined with political constraints, this makes a significant increase in Venezuelan oil output unlikely, despite interest from the US.

At a glance

3.7%

US annual wage growth in the fourth quarter of 2025

1.3%

UK annual GDP growth in the three months to November 2025

1.7%

Eurozone inflation in January 2026

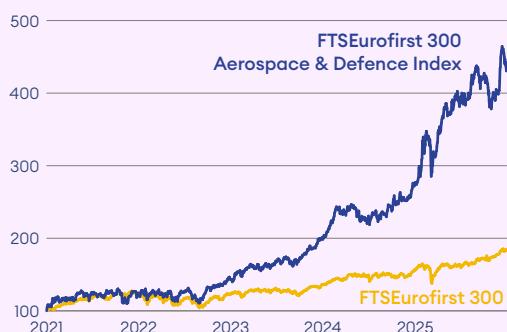
44%

Rise in copper price during 2025

Key market indicators

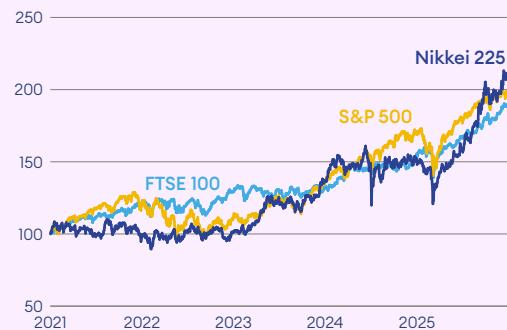
Equities

Total return in local currencies (1 Feb 2021 = 100)



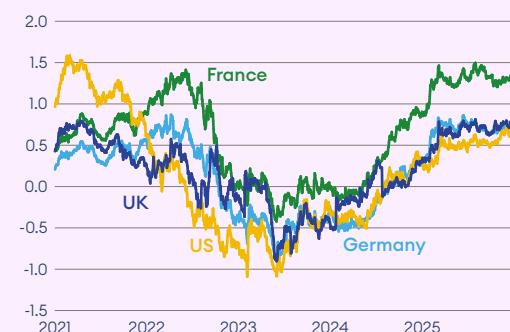
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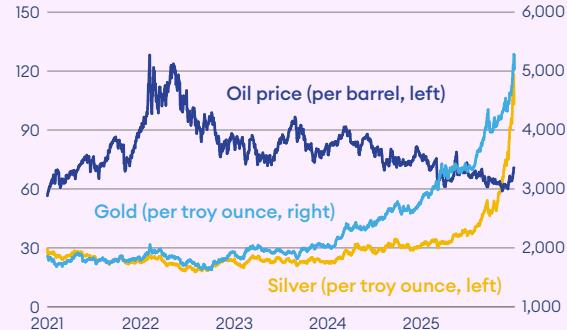
Government bonds

Difference between 2- and 10-year yields (%)



Commodities

Oil, gold and silver prices in US dollars



Sources: FactSet, LSEG, Rathbones

Find out more Knowledge and insight

Alongside this monthly *Investment Insights* publication, we share a wide range of updates and analysis, from regular strategy commentary and video briefings to in-depth reports, all designed to help you understand what's driving the global economy, financial markets and the outlook for investment returns. To explore more, visit www.rathbones.com/en-gb/wealth-management/knowledge-and-insight



Video updates

Stay informed with regular update videos from Ed Smith, our Co-Chief Investment Officer, that explain how geopolitical tensions, market movements and global economic trends could affect your portfolio.

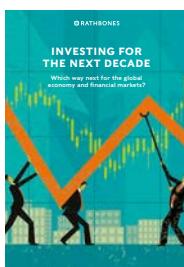


Weekly and monthly digest

Keep up to date with regular insights from John Wyn-Evans, our Head of Market Analysis, as he explores the key themes shaping the global economy and investment environment.

Research reports

In line with our focus on long-term investing, we produce in-depth reports. These publications reflect the thinking behind our portfolio decisions and explore how structural trends, risks and opportunities could affect investors over the long term.



The next decade for the global economy is likely to look very different to the 2010s. *Investing for the next decade* explores how the opportunities in fixed income have changed, the possible outlook for equities and why we believe the extraordinary outperformance of the US could end.



Geopolitical risks have risen in recent years, from conflict in the Middle East to tensions in the Taiwan Strait. *Peace of mind in a dangerous world* outlines the four risks we monitor most closely, the warning signs we look for, and how we prepare portfolios to help protect your investments.

Experience and expertise

Rathbones has a large and experienced in-house research team, covering global equities, fixed income, multi-asset strategies and responsible investing. With specialists dedicated to analysing market trends, sectors and individual securities, our team brings deep insight and rigorous discipline to every portfolio. This depth of knowledge allows us to uncover opportunities, manage risk effectively and respond quickly to changing conditions, helping you to invest with greater confidence.

You can access this expertise in a range of ways, from fully bespoke discretionary portfolios to ready-made multi-asset funds, tax-efficient investment strategies and specialist services for complex needs. To find out more and for details of your local office, visit www.rathbones.com/en-gb/wealth-management/contact-us



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