

State of the Markets

From the desk of Darrell L. Cronk



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The amazing race

“In the usual progress of things, the necessities of a nation in every stage of its existence will be found at least equal to its resources.” — Alexander Hamilton

A few weeks back, I wrote a *State of the Markets* — titled “[This much I know to be true](#)” — that was an attempted framework for how to think about the transformational evolution of artificial intelligence (AI). In this sequel, I want to expand and expound on this great transformation and how it is reshaping almost everything within our geopolitical, economic, and market purview.

When we talk about this era of AI, we hear terms like “The AI Revolution” and “The AI Boom.” But more and more, I find myself thinking about the rapid evolution of AI as “The Amazing Race.”

The television series, which premiered in 2001, is still on the air after 38 seasons. Two-person teams race around the world, completing challenges, fighting through obstacles, and navigating detours, setbacks, and exhaustion. As the competition grows more intense, you see unlikely alliances form, key information strategically withheld, and sometimes even attempts at brute force and deception.

What we’re seeing today across the globe is the world’s two superpowers, the U.S. and China, racing around the globe, seeking to secure the natural resources that will be critical for victory in the amazing AI race. In our view, investors should view the latest chapter — the capture and arrest of Venezuelan President Nicolas Maduro — as larger than Maduro or Venezuela, and as more than an attempt to curb drug trafficking. Venezuela is just one of many episodes we’ll see in the race for control of the world’s natural resources, specifically the commodities and minerals it will take to scale AI infrastructure.

The Maduro extraction was as flawlessly executed as it was audaciously conceived. New weapons and tactics were deployed, coordinated perfectly, and cloaked in secrecy. Russia’s S-300 anti-aircraft systems and China’s JY-27A stealth radar installations were blinded in an electronic flash, rendered utterly impotent. The failure of such advanced hardware reordered the geopolitical map almost instantaneously.

If 2025 was all about trade and tariffs in the U.S., then 2026 will likely be all about positioning geographically to a.) secure natural resources and b.) keep adversaries — think China, Iran, and Russia — out of the Western Hemisphere.

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The historian in me can't help but reflect back to 1823, when President James Monroe, in a speech to Congress, declared that the Western Hemisphere was hereby closed to European colonization, and that any incursion by Europe into the Americas would be viewed by the U.S. as a hostile act. Bold words for a nation not yet 50 years old, a nation with just 24 states that extended as far west as Missouri. His declaration, when hardened into policy, would come to be known as the Monroe Doctrine.

More than 80 years later, President Theodore Roosevelt added his own corollary to the Monroe Doctrine, telling Congress that the U.S. had both a right and a duty to intervene in Latin America to maintain stability and order. That was in 1904, a year after Great Britain, Germany, and Italy blockaded Venezuela as punishment for refusing to pay its debts. Roosevelt wanted Europe out of Latin America.

Today, both China and the U.S. are operating on the premise that the AI race will be won not solely with the best minds working on the best innovation but with the raw materials needed to build the fastest chips, the industrial metals needed to build the most advanced data centers, and the energy needed to quench AI's thirst for power.

What Venezuela, Greenland, Taiwan, and Ukraine have in common

What do Venezuela and Greenland have in common? Why does China have its eyes on Taiwan and the Democratic Republic of the Congo (DRC)? Why is Ukraine so strategically important to Russia, Europe, and the U.S.?

If you want to pinpoint the geopolitical hot spots in a year in which geopolitical uncertainty represents one of the greatest risks to what otherwise looks to us like a strong year for markets, you'd be wise to scan the globe for commodities, energy sources, and raw materials that are most critical to the buildout of AI.

The key ingredients needed to scale AI infrastructure include energy, industrial metals, and precious metals. Demand for copper, aluminum, lithium, cobalt, and silicon are expected to triple by 2030, and the price of precious metals like gold, silver, platinum, and palladium soared to record levels in 2025.

- In the wake of the U.S. Special Operations mission in Venezuela, President Donald Trump quickly turned the conversation to Greenland. It's important to recognize that both countries have the gallium, germanium, indium, tantalum, and silicon used in advanced AI chips. Both also have thorium, which is critical to uranium-233 and thus critical to generating the nuclear power needed to power data centers. We expect the focus to remain on Greenland, Colombia, Mexico, Canada, and the Panama Canal; all are either resource-rich or strategically situated within the Western Hemisphere.
- China has eyes on Taiwan. It's no coincidence that Taiwan produces over half the world's market share of semiconductors. In Africa, the Trump Administration intervened in 2025 to broker peace agreements attempting to end the fighting between the DRC and Rwanda. The potential prize? While the DRC controls 68% of the world's production of cobalt, used in lithium batteries, China does most of the mining. The DRC also controls about 10% of the world's supply of copper, a coveted commodity used in electrical wiring in data centers. And China has built a significant presence in South America, particularly the Lithium Triangle — Chile, Argentina, and Bolivia — enabling China to control 70% of global lithium processing capacity for batteries and data center power systems.
- Russia has boots on the ground in Ukraine and eyes on the Arctic Circle. There are plenty of political reasons for Russia's interest in controlling Ukraine, but Ukraine's large deposits of rare earth minerals have the attention of both Europe and the U.S. Ukraine also has the largest confirmed lithium reserves in Europe and some of the world's largest titanium reserves, all key ingredients for establishing AI

dominance. And we expect that the largely untapped, mineral-rich Arctic will be the object of superpower attention and muscle flexing for decades to come.

U.S. markets historically have declined when confronted with geopolitical surprises, but they advanced on the January 3 news from Venezuela. One might argue that equity markets saw Venezuela as one small win for the U.S. in this leg of the amazing race for AI dominance. After all, both the U.S. and China appear to recognize that winning the AI arms race is no longer just a business imperative but a national security imperative.

Importantly, Venezuela also sets a precedent that military action and use of force, once off the table or at least viewed as a measure of last resort, now enter the calculus as active considerations in the race for AI leadership. Whether the muscular assertion from the White House that the “real world” is governed by “strength, force, and power” will be challenged remains to be seen.

Sun Tzu, the Chinese military general, wrote in *The Art of War*: “Be extremely subtle even to the point of formlessness. Be extremely mysterious even to the point of soundlessness.” And China has been remarkably silent.

How investors should think about geopolitical risk in 2026

Investors constructing a portfolio in these times need to be cognizant of geopolitical risk. Yes, we see a strengthening economy as 2026 marches on, and yes, we see tailwinds in tax refunds to consumers, deregulation, and falling short-term interest rates. But we expect volatility along the way, and in our view, a geopolitical surprise is one of the likeliest candidates to trigger market setbacks.

We’ve entered another period in history when superpowers are more likely to make bold moves to secure or defend natural resources and strategic economic routes outside of their own borders. Some of these moves may backfire. Some of these moves may be met with resistance. Managing investments in this environment means managing risk, pressure testing portfolios to see whether they can weather AI’s storms. Smart investors pray for sunshine and carry an umbrella.

On our agenda for 2026: Pay attention to commodity supply-and-demand dynamics; gain healthy exposure to industrial metals; expand your view of AI beyond technology stocks and chatbots; and become good students of history, geography, and geology.

Regular readers know that these missives tend to be more analytical than dramatic, but make no mistake: AI is an amazing race that the West must absolutely win. No matter how much we may harden our critical defense, industrial, and technology infrastructure, those countries with superior intelligence will have the potential to utterly dominate. There is no security for those in second place.

What we see playing out on the global stage is as clarion a call as the Monroe Doctrine. It’s telling us that the bottleneck in AI isn’t in the algorithms anymore; it’s in the engineering of data pipelines and compute clusters and in the securing of natural resources needed to supply power, manufacture chips, and conduct energy. The race has begun to secure the critical components to deploy what we can now build into world-changing innovations.

No one can yet articulate what winning this race means. But the companies and countries that have already gone all-in on AI are betting that losing means a slow road to obsolescence. And so, the stakes loom larger and the competition grows more intense. At a company level, every earnings call is a referendum on who’s winning and

losing, and at a country level, every bold move unlocks a new opportunity set and a new set of risks to be navigated.

It's worth reflecting on the fact that never in history has something quite like this happened. The mightiest companies, with valuations beyond what could have been imagined just a couple of decades ago, are no longer leaning on the market-share domination that got them here. They are leveraging the world's greatest intellectual technology talent and spending unprecedented amounts of capital on an amazing race into the unknown. No guard rails. No airbags. No guarantees. No choice but to win.

Risk considerations

Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market.

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