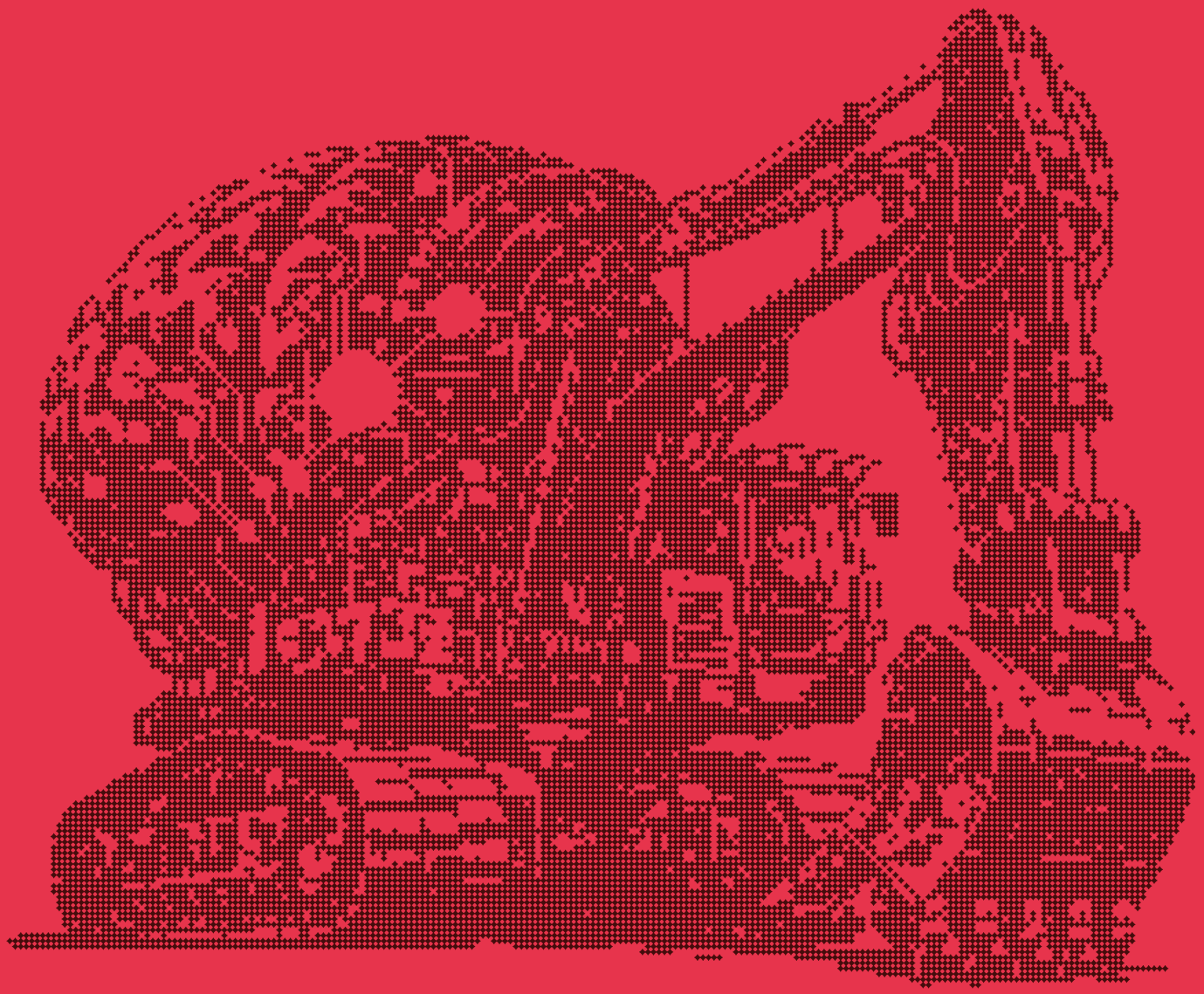
Investment OUTLOOK

May 2026



A monthly round-up of GLOBAL MARKETS *and trends*

In this issue:
Balancing minds and mines in portfolios

Please read the important information section

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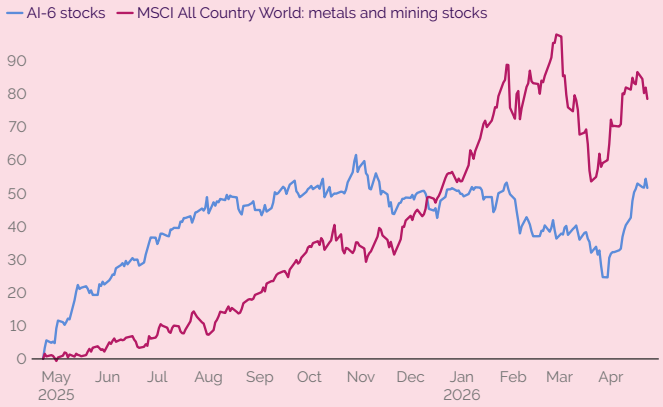
Balancing MINDS *and* MINES *in portfolios*

Daniel Casali
Chief Investment Strategist

Large-cap artificial intelligence (AI)-linked technology stocks ("the minds") may have risen around 60% over the past year, but they have been outpaced by an 80%+ gain in the metals and mining sector ("the mines").[1] This surge in metal and mining stocks reflects rising earnings expectations, driven by strong current metals demand from AI-driven data-centre construction, years of underinvestment in mining capacity, and intensifying geopolitical competition for critical minerals.

Global metals & mining stocks and AI-6* performance



Source: LSEG Datastream /Evelyn Partners as at 24 April 2026. Performance is percentage change over 1 year. *AI-6 is Microsoft, Oracle, Alphabet, Meta Platforms, Amazon, Nvidia

At the same time, there are growing concerns that software and digital-services companies are becoming more exposed to AI-driven disruption, as automation reshapes tasks that once supported their growth. Investors may increasingly need to balance the growth potential of these digital minds against the scarcity and strategic importance of physical mines.

A key risk is that escalating tensions in the Middle East could push energy prices high enough to slow the global economy, reducing demand for cyclical commodities, at least in the short term.

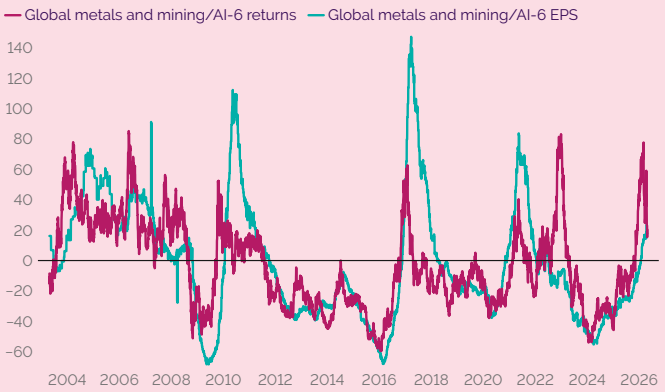
Investors are rotating away from minds to mines

After years of limited investment, the mines are seen as essential to powering high-tech economies. This shift goes beyond a typical commodity cycle. It reflects a broad reset in global priorities, as countries upgrade electricity grids, rebuild industrial capacity, and strengthen energy and defence security in a period of rising geopolitical uncertainty.

By contrast, parts of the technology and software sector are facing pressure as AI increasingly takes over tasks such as coding, design, and document work. The gap between winners and losers is widening. Mining companies face none of this disruption. Instead, they benefit directly from AI's growing need for physical infrastructure, all of which depends on metals.

Importantly, the earnings cycle is turning. Analysts expect faster earnings per share growth for the global metals and mining sector over the next 12 months than for AI-focused mega-caps.

Relative performance of global metals and mining vs AI-6* - EPS and returns



Source: LSEG Datastream / Evelyn Partners. As at 24th April 2026. *AI-6 is Nvidia, Meta Platforms, Alphabet, Microsoft, Amazon, Oracle

This suggests that market leadership can continue to lean toward the mines, supported by three key forces:

i) Rising long-term demand from AI and electrification;

ii) Structurally tight supply after years of underinvestment and;

iii) The emergence of metals (and other resources) as a strategic asset.

We consider these factors below.

1) Rising long-term demand from AI and electrification

Investment in AI and the global shift toward electrification are together driving solid demand for base metals. Large-scale data centres are being built at a rapid pace and require huge volumes of copper for wiring, as well as steel, aluminium and specialised materials for cooling and power systems.

As highlighted in our November 2025 Investment Outlook, AI systems consume vast amounts of electricity: this is not just for training models, but for the day-to-day running. Without major upgrades to power grids and new generation capacity, AI growth could stall. Investors increasingly recognise the future of AI depends on whether the energy system can keep pace with rising electricity use.

Copper is central to this transition. Upgrades to grids and power infrastructure are expected to drive around 60% of global copper-demand growth by 2030, with China contributing more than half of this.[2]

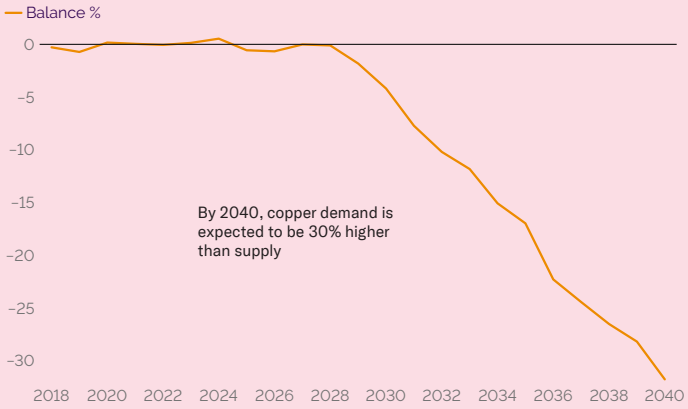
2) Structurally tight supply after years of underinvestment

A supply gap is emerging in the mining industry, and particularly for critically important metals for the global economy, like copper. Berenberg (a European research and investment bank) projects that mined global copper production will peak in 2029.[3]

Copper-exploration budgets have dropped by nearly half since 2012, and new mines typically take 5–10 years to come online.[4] This slow development cycle, combined with years of under investment, is now limiting future supply.

With demand still rising, the world has already shifted into a copper deficit, where recycled copper is increasingly being used to fill the gap. Berenberg expects this deficit to widen to nearly 32% by 2040.[5]

World copper demand as a % of supply



Source: Berenberg, copper supply deficit, April 2026

In short, the copper required for AI-driven data-centre growth is not being mined fast enough. Without significant new investment, growth in the digital economy could run into a very real physical constraint.

3) The emergence of metals and resources as a strategic asset

Today, metals are also strategic assets in the intensifying geopolitical rivalry between China and the US. This rise in "resource nationalism" is putting upward pressure on raw-material prices. For example, rising copper inventories would normally signal ample supply. However, copper prices have climbed as inventories increased, suggesting that governments may be willing to pay more to secure the metal for national-security reasons.

Beyond copper, China now dominates processing and refining across many critical minerals, including rare earths, lithium, silver, and nickel. That gives it significant influence over prices and availability, as well as the production of batteries, electronics, and defence technologies. The US views this as a strategic weak point. Washington is responding by pushing to diversify supply chains through tariffs, export controls, investment restrictions, and incentives for domestic mining and processing.

Both nations understand that future economic, military, and technological strength depends on reliable access to key minerals. Metals are now central to national security, linking industrial policy and elevating miners into crucial geopolitical assets. In this environment, secure, high-quality deposits in stable jurisdictions become sources of political and economic power.

Risks from the Middle East conflict

The war between Iran and US/Israel could push the global economy into recession and reduced demand for metals, at least in the short term.

Disruptions to shipping through the Strait of Hormuz may also affect the metals and mining sector too. Nearly half of the world's traded sulphur moves through this corridor. Sulphur is used to process copper, nickel, cobalt, lithium, and uranium. Any slowdown raises costs, constrains mineral processing, and heightens the risk of production interruptions.

Ultimately, the events in the Middle East could, reduce profitability across the mining industry through lower sales revenues and higher production costs.

Investment implications

Global equities have rallied, as corporate earnings remain resilient. However, prolonged disruption to oil flows through the Strait of Hormuz raises the risk of renewed inflation and slower global growth.

In this environment, diversification across inflation-resilient assets is essential. These include:

- Metals and mining equities, which benefit from structural demand and growing geopolitical scarcity.
- Energy stocks, which provide a natural hedge against supply disruptions.
- Inflation-linked bonds, given the potential for sticky inflation.
- Gold, serving as a store of value during geopolitical stress, and diversified hedge funds, which add uncorrelated return streams.

Conclusion

The convergence of digital innovation and physical resource scarcity is reshaping global markets. AI is transforming industries at extraordinary speed, but the metals required to build, power, and secure this digital future are becoming more strategic, scarce, and contested. Portfolios best positioned for this new era will balance the transformative potential of the "minds" with the enduring strategic importance of the "mines."

Speak to us

Source

[1] LSEG, Evelyn Partners

[2] Goldman Sachs, Moderating Our Expected Decline in Copper Prices, 17 February, 2026

[3,5] Berenberg, Metals and Mining, December 2025

[4] Bernstein, global metals and mining, The Long view – copper, 5 October 2025

Author:
Daniel Casali

For further information:
E: contact@evelyn.com | T: 020 3131 5203

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