

Metals, MULLAHS *and* MIDTERMS

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Two major forces are shaping global markets today: rising resource nationalism and the upcoming US midterm elections in November. Geopolitical tensions have escalated rapidly this year. The dramatic US military capture of Venezuelan President Nicolás Maduro, the seizure of a Russian-flagged oil tanker and even the suggestion of acquiring Greenland for its minerals shows the extent that President Donald Trump is willing to go to secure strategic resources: even if that means breaking international norms. Trump has also voiced strong support for Iranian protestors challenging the mullahs (religious leaders) in Tehran.

At the centre of these dynamics are China and the US, who are locked in a contest for raw materials that are vital to economic growth, technological supremacy and national security. For Trump, it is a delicate balancing act to keep energy prices low and voters satisfied ahead of November's midterms.

Rising resource nationalism

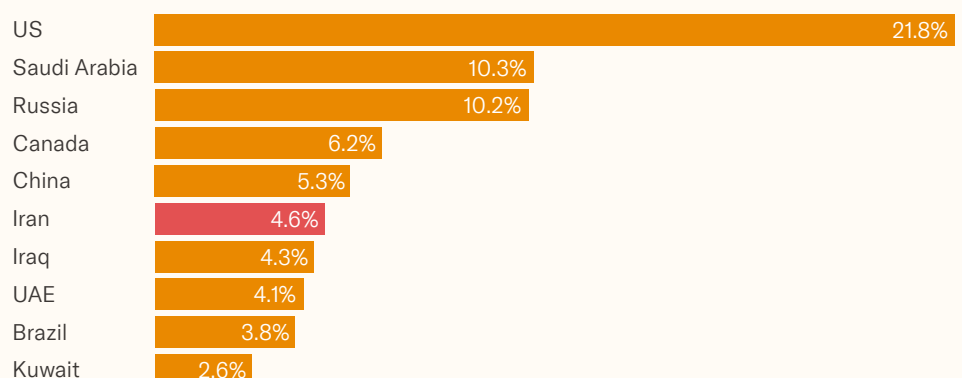
Resource nationalism is where governments assert control over natural resources. It is becoming a defining feature of global geopolitics. For China, the priority is securing critical inputs to climb the value-added ladder in manufacturing and technology, boosting productivity and sustaining growth. This has become even more pressing as it has a shrinking working-age population which now acts as a drag on economic expansion.

While resource nationalism is not new, it was supercharged by Trump's tariff hikes on Liberation Day in early April last year. China responded by imposing export restrictions on rare earths later that month and tightening controls further in October. Beijing has since added silver to the list of resources it is willing to use as leverage in its strategic competition with the US.

China's rare earth restrictions are a direct response to US pressure and underscore Beijing's grip on materials vital for the West's defence systems, semiconductors, and clean-energy technologies. In a world increasingly defined by electrification and digitalisation, control over these inputs equates to strategic power.

Considering the US perspective, the events in Venezuela and Iran this year may not be coincidental. Both countries are major suppliers of crude oil to China, together accounting for roughly 20% of China's seaborne oil imports. Trump may be seeking to destabilise these regimes and potentially install US-friendly governments, using China's oil dependence on Venezuela and Iran as leverage in upcoming talks with President Xi.

Major oil nations share of global production



Source: LSEG / Evelyn Partners as at 14 Jan 2025.



Expect resource nationalism to be on the agenda when Trump and Xi meet later this year. The first summit is scheduled for April in Beijing, followed by a second in Washington mid-year. These meetings will be less about tariffs and more about who controls resources.

Trump's midterms

For Trump, geopolitics ultimately serves a domestic goal: keeping energy prices low and inflation contained ahead of the midterms. His strategy is that forceful moves to secure resources and keep prices down could bolster real consumer spending and hiring. A strong economy gives Republicans a fighting chance to retain control of Congress, though history shows that incumbents from the ruling party tend to lose seats in midterms. A loss of the Republican majority in the House would cripple his legislative agenda and raise impeachment risks, effectively rendering him a lame-duck president for the remainder of his term. Against this backdrop, foreign policy and economic decisions are increasingly filtered through an electoral lens.

Beyond geopolitics, Trump is pulling fiscal and monetary levers to ease household financial strain. With his approval rating slipping, Trump is turning to unconventional policies to lift his popularity, even in areas where he lacks authority. Recent proposals include:

- capping credit card interest rates at 10% for a year,
- directing government-backed mortgage agencies to buy \$200 billion in mortgage bonds to lower housing costs, and;
- pressing the Federal Reserve to cut rates.

Taking stock

For investors, the implications are clear: expect heightened financial and currency market volatility as resource nationalism fuels headlines about supply disruptions, export bans, and geopolitical flashpoints.

Despite the noise, corporate earnings remain resilient, and global equities should continue to grind higher as company earnings growth persists, supported by accommodative policy and steady demand.

At the same time, gold stands out as an all-weather hedge, offering protection against geopolitical shocks, threats to central bank independence, and ballooning public debt in the West. With fiscal pressures mounting and political incentives to spend, gold's role as a store of value is more relevant than ever.

Risk Warnings

The value of your investment and the income derived from it can go down as well as up and you can get back less than you originally invested.

Past performance is not a guide to future performance.

Speak to us

Source

¹ Gavekal Research, Venezuela, Iran And The Message For China, January 5th 2026

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