THE LONG LOOK

POSITIONING SIX MONTHS TO TWO YEARS OUT

WEEK OF 25 OCTOBER 2026

WEEKLY POSITIONING MEMO

The war moved from the strait to the wellhead

Prepared for M. Shenher · MDS Capital Inc. · Data as of close, Friday 23 October 2026

> For eight months the oil trade has been about transit: barrels existed, they simply could not get through Hormuz safely. In the past ten days the Houthis put drones over Saudi production, Aramco emptied its headquarters, and the question changed from whether the barrels can move to whether they will be pumped at all. The IEA puts effective OPEC+ spare capacity at 0.27 million barrels a day. There is no buffer behind this.

S&P 500	S&P/TSX	WTI CRUDE	BRENT	GOLD
7,624	**35,788**	**$103.27**	**$116.72**	**$3,994**
−0.5% wk	−1.1% wk	+67.9% y/y	+79.0% y/y	−6.6% m/m
SILVER	**COPPER**	**URANIUM**	**US 10-YEAR**	**USD/CAD**
$53.88	**$6.48**	**$90.10**	**5.00%**	**1.4004**
−15.6% m/m	+27.1% y/y	+17.2% y/y	+98bp y/y	−1.0% wk

Close, Friday 23 October 2026. Copper and uranium in USD/lb. Fed funds at the upper bound of the 3.75–4.00% target range; prediction markets put a 28 October hold at roughly 94% and a December hike at roughly 76%. Bank of Canada unchanged at 2.25%, deciding 28 October with a Monetary Policy Report. US CPI 3.7% (Sep); Canada CPI 3.1% (Sep), up from 3.0%, with energy +19.0% y/y and gasoline +27.8%.

WHAT CHANGED SINCE 18 OCTOBER

One thesis of mine broke in four days, and it broke in my favour

Last week's memo said that defence price targets were “a melting number” and told you to discount the published upside on General Dynamics and Lockheed. Four days later Northrop reported a record $110B backlog with a 1.5× book-to-bill and raised guidance; two days after that Lockheed reported a record $292B backlog, beat on both lines and raised the full year; RTX raised as well. Baird took Northrop from $550 to $675. Lockheed rose 9.4% on the week, Northrop 6.1%. The claim was wrong and it was wrong quickly. I am leading with it because the direction of target revisions is an input I use explicitly, and I read it backwards.

The rest of the week ran the other way. The ten are down 2.6% equal-weighted since the 16 October close, the bench 2.1%, against an S&P 500 down 0.5% and a TSX down 1.1%. Three weeks, three times the list has lost to doing nothing. The metals did the damage again: Wheaton −9.9%, Agnico −8.2%, Hudbay −6.9%, with gold breaking $4,000 for the first time since the summer as the ten-year touched 5.00%. The power names fell with the AI complex — Vistra lost 9.8% in a single session on 22 October after Meta raised the low end of its 2026 capital spending to $135B and the market decided data-centre financing was a risk rather than a certainty.

THE 18 OCT TEN	THE 18 OCT BENCH	S&P 500	BEST / WORST
−2.6%	**−2.1%**	**−0.5%**	**LMT / WPM**
Equal-weighted, 16 Oct to 23 Oct close	Ahead of the list again, by half a point	7,659 → 7,624 over the same window	+9.4% against −9.9%, across both lists

Two other items close out business from last week. The Western Canadian Select differential is confirmed, and it is wide. I flagged it as a single-source item I could not verify and told you to confirm it before adding to any oil sands position. Enverus has WCS settling roughly $25 under WTI in the week to 21 October, about $8 wider than early September, and BOE Report's daily series put it at $26.40 on 15 October. The cause is the one I guessed at: very large crude carriers to Asia now cost $30–40 a barrel against under $10 before the war, so Canadian heavy that would be re-exported from the Gulf Coast is instead staying there. The refiner captures the spread; the pure upstream producer pays for it. That is settled and it shapes this week's ranking.

Cheniere leaves the ten, four days after signing its best contract of the year. On 22 October it agreed to supply QatarEnergy 4 million tonnes a year through 2054, split between Sabine Pass and Corpus Christi, Henry Hub plus a fixed fee. A Gulf LNG producer buying American molecules on a twenty-eight-year term is the single most eloquent datum in this memo. The business is better than it was last Sunday. But the stock rose to $298.67, within 1% of its high, and the gap to consensus is now 5.3% — below the threshold at which I exclude Valero, Marathon, Suncor and Canadian Natural. Applying the rule to a name I like is the only way the rule means anything. It goes to the bench, at the top of it.

THE SETUP

Transit risk was survivable because the barrels existed. Production risk is not.

The eight-month framing of this crisis has been a logistics story, and the market has treated it as one: a chokepoint, a freight premium, a tanker-rate spike, an insurance repricing. All of that assumed the oil was

being produced and the problem was moving it. In the week to 23 October that assumption came under direct attack. Houthi strikes killed at least four people in Saudi Arabia on the Wednesday evening; two more were killed and eight injured at King Fahd International Airport in Dammam; Saudi air defences intercepted a drone aimed at the Shaybah field, with falling debris killing two workers. Aramco ordered staff out of its headquarters on 22 October — the first such evacuation since the Yemen war resumed — and the United States told non-essential government employees to leave the kingdom. Brent settled at $116.72 and WTI at $103.27, up 3.1% and 3.8% on the Friday alone.

Set that against the capacity arithmetic, which is the part the headlines are not carrying. The IEA's October report puts effective OPEC+ spare capacity at 0.27 million barrels a day. Saudi sustainable capacity is listed at 12.11 mb/d against 8.3 mb/d supplied in September, but sustainable capacity on paper and deliverable barrels within ninety days are not the same number, and the kingdom has touched 12 mb/d once, for one month, in 2020. Global on-land inventories are at their lowest since at least 2016, down 509 mb from end-February. The 11 September bombing of the Saudi East-West pipeline already removed one of the two ways out of the Gulf that does not involve the strait.

What is balancing this market is not supply. It is demand destruction of 2.6 mb/d in 2026, a quarter of it diesel, on the IEA's own numbers. That is the uncomfortable centre of this memo: the reason $103 crude has not become $130 crude is that the world is consuming materially less of it, which is what a global industrial slowdown looks like in the one dataset that cannot be revised away. Every cyclical position on this list is long an economy that is currently clearing an oil shock by using less oil.

FORCE 01 · MONETARY

Five per cent on the ten-year is the number actually setting prices

The policy rate has not moved since 16 September, but the ten-year reached 5.00% on 23 October and the long end is doing the tightening. Prediction markets put a 28 October hold at about 94% and a December move at roughly 76%. Chair Warsh spoke at the IMF in Bangkok on 16 October, praised “synchronous tightening” globally and refused to pre-commit. Gold below $4,000 and silver down 15.6% in a month are arithmetic consequences of a 5% real-yield environment, not verdicts on the metals.

FORCE 02 · SUPPLY

The buffer is gone and the attacks moved inland

Effective OPEC+ spare capacity of 0.27 mb/d; on-land stocks the lowest since 2016; Gulf crude exports recovered to 13.9 mb/d in September but the IEA calls the recovery “fragile” and has frozen its fourth-quarter projections because of the October attacks. Diesel cracks above $100 a barrel, with Middle East and Russian distillate exports halved. US middle distillate inventories roughly 12% below the five-year average.

FORCE 03 · LEGISLATION

Record backlogs against a funding deadline nobody has met

Three primes reported in four days and all three raised. Northrop's backlog is $110B, Lockheed's $292B, book-to-bill 1.5× and 4.0× respectively. Yet the government still runs on the stopgap signed 2 September at FY2026 levels, expiring 11 December, and the FY2027 defence bill has not reached a floor in either chamber. Polymarket had Democratic House control at 91.5% on 20 October. The order book and the appropriation are two different things on two different clocks.

FORCE 04 · TRADE

Bricks moved, wall unchanged

On 23 October the White House reshuffled the 50% Section 338 list: seaweed, packing boxes and some plywood out; cocoa powder, vinyl flooring, shampoos and carpets in — more added than removed, effective end of month. Trade lawyer Barry Appleton's summary is the honest one: Washington “didn't lower the tariff wall,” it “moved some bricks around.” Canada's surtaxes on C$27.6B stand. Energy remains excluded. Carney says he would sign “this afternoon if the US were there.”

HOW THIS LIST IS BUILT

The method, unchanged — with one threshold made explicit

1 · Universe. Every company listed on the major US and Canadian exchanges. No sector is off limits.

2 · Screens applied first. Minimum US$1B market capitalisation; public at least three years, so no IPOs; at least five covering analysts; and a promotion screen that removes any name whose recent move traces to marketing rather than an earnings or contract event.

3 · Five inputs. Monetary policy and rates; commodities and geopolitics; new and pending legislation in Canada and the US; disclosed political trading flow; and published sell-side consensus, ratings and target changes.

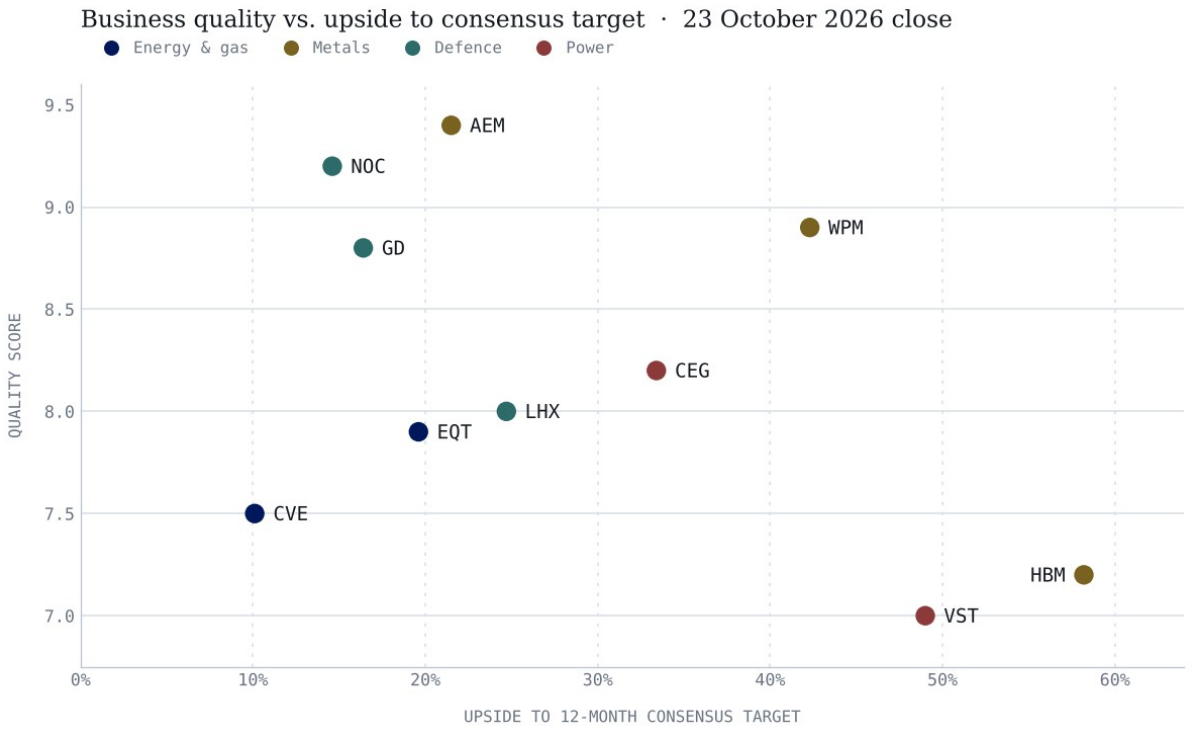
4 · Two scores per name. Business solidity, a 1–10 in-house score on balance sheet, asset or reserve life, jurisdiction, free cash conversion and management record. And potential return, the upside to published 12-month analyst consensus.

5 · Ranked solidity first, return second, over a six-to-twenty-four-month horizon. Every name gets a thesis and an explicit line on what would break it.

The threshold I have been applying by feel, and am now stating: a name with less than roughly 8% upside to published consensus goes to the bench regardless of quality. It has been doing the work silently for three editions — it is why Valero, Marathon, Suncor and Canadian Natural sat out last week — and this week it removes Cheniere, which I would rather own than most things on the list. A rule that only bites names you dislike is not a rule.

RANKING FRAMEWORK

Solidity against return, plotted



Quality is my own 1–10 score on balance sheet, reserve or asset life, jurisdiction, free cash conversion and management record. Upside is to the published 12-month consensus target at the 23 October close. Names

toward the upper right offer the better trade-off; names on the left are held for durability, not headline return.

The horizontal axis is more honest than I said it was

Last week I argued that energy targets understated the case because analysts had not marked their decks to $100 crude. That was half right and the half I missed matters. TD Cowen's 15 October revision raised its WTI deck to $85 for 2026, $78 for 2027, $72 for 2028 and $65 long-term — against $103 spot. The sell side has looked at $103 and deliberately declined to capitalise it, on the view that a 2027 surplus arrives if Middle East exports normalise. So energy upside is not a stale number; it is a conservative one, and the conservatism is a judgment about mean reversion rather than an oversight. That is a better reason to trust it, and it is also why Valero at 6.75× forward can trade at consensus while printing the best quarter in its history.

THE TEN

Ranked by solidity first, return second

Every name is profitable, established and index-liquid. No IPOs, no shells, no story stocks. One name is new this week and is marked as such; Cheniere has been demoted to the bench on the consensus threshold, not on its merits, and the note above says why.

01 Agnico Eagle Mines

NYSE: AEM · TSX: AEM · Gold · Canada · 12–24 months

Price $173.94 · Mkt cap $88.08B · P/E 14.89 · Fwd 15.66 · Yield 1.04% · Buy (22) · Target $211.37 (+21.5%) · Quality 9.4

Held at number one, with the quality score cut from 9.6 to 9.4 and the reason stated plainly: nothing has happened to the business, but a 1–10 score that includes free cash conversion cannot sit still while the metal falls 6.6% in a month and the ten-year sits at 5.00%. Agnico is down 8.2% on the week and 32% from its 52-week high of $255.24. The gap to consensus has widened from 14.3% to 21.5% at a $211.37 target from twenty-two analysts.

What has not changed is the part that earns the ranking. Assets in Canada, Finland and Australia; no expropriation risk, no permitting theatre, no sulphuric-acid or winter-weather story of the kind that removed Kinross from this list last month. At 15.7× forward — cheaper than a month ago in both price and multiple — you are paying a modest premium for the only large gold producer on this board that has not surprised on costs. If the thesis is that the de-rating is monetary rather than operational, then the correct response is to own the operator that will still be producing at the same cost when the monetary condition reverses.

WATCH A December hike takes real yields higher and gold equities lower regardless of asset quality. Q3 lands 28 October after the close — the same day the FOMC and the Bank of Canada both decide — with the call the following morning. Expect a noisy tape and do not read the two-day move as a verdict on the quarter.

02 Northrop Grumman

NYSE: NOC · Defence · United States · 12–24 months

Price $551.44 · Mkt cap $78.34B · P/E 17.39 · Fwd 18.72 · Yield 1.79% · Buy (26) · Target $631.67 (+14.6%) · Quality 9.2

Promoted from fourth and upgraded from 8.9 to 9.2, because last week's thesis was tested by an actual quarter and passed. On 20 October Northrop reported sales up 7% to $11.1B, adjusted free cash flow up more than 40% to $1.8B, a record $110B backlog up 20%, bookings above $16B for a 1.5× book-to-bill, raised 2026 segment operating income to $4.94–5.04B and lifted EPS guidance by $0.70. Management guided 2027 sales up 5–7% with all four segments growing and operating income growing faster than sales. Baird moved its target from $550 to $675.

The argument I made last week was that the de-rating was an appropriations problem rather than an order problem, and that the resolution had a date on it. The backlog number is the evidence. Sentinel completed its first full vertical assembly at Vandenberg and has Air Force approval to proceed toward a 2027 first flight; B-21 Aeronautics sales rose 14%. The stock is still 29% below its 52-week high of $774 and the consensus target of $631.67 from twenty-six analysts is now rising rather than falling. Note the five-year beta remains the lowest on this list — this is the only genuine index diversifier here.

WATCH The CFO flagged that B-21 burns roughly $100M a quarter and that Aeronautics margins face pressure as the programme scales. A second continuing resolution on 11 December, or a midterm result that puts the FY2027 topline in play, keeps the discount in place into 2027 even with the backlog intact.

03 Wheaton Precious Metals

NYSE: WPM · TSX: WPM · Precious streaming · Canada · 12–24 months

Price $120.89 · Mkt cap $54.93B · P/E 26.44 · Fwd 26.81 · 52w $92.57–165.76 · Strong Buy (16) · Target $172.02 (+42.3%) · Quality 8.9

The worst performer across either list this week at −9.9%, and the largest upside in the precious complex at 42.3% to a $172.02 target, the only Strong Buy among the metals names at sixteen analysts. Quality trimmed from 9.1 to 8.9 on the same logic applied to Agnico: the structure is intact, the realised margin is not immune.

The streaming argument is doing exactly what it is supposed to do, which is to fall without adding a second problem. Wheaton buys metal at a fixed contractual cost, so it has no diesel line, no labour inflation, no sulphuric acid, no grade reconciliation, no sustaining capex and no single mine whose weather can reset guidance. Kinross had all of those and lost 7.0% this week on top of a guidance cut last month; Pan American lost 9.2% with four operating jurisdictions. Wheaton lost roughly the same amount for a purely monetary reason, which is the loss you want to be taking. One honest flag: the forward multiple has gone up to 26.8× while the price fell, which means consensus has cut forward estimates faster than the stock has fallen. That is a number to interrogate, not to wave through.

WATCH The stream is a leveraged claim on the metal price and gold has just broken $4,000. A 26.8× multiple has considerably further to compress than a 12× miner does, and in a rates-driven de-rating the expensive quality name is not the safe one — it is the one with the most multiple to give back.

04 General Dynamics

NYSE: GD · Defence · United States · 12–24 months

Price $349.36 · Mkt cap $94.38B · P/E 21.31 · Fwd 19.93 · Yield 1.82% · Buy (24) · Target $406.78 (+16.4%) · Quality 8.8

Held at 8.8, up 1.5% on the week, and the one defence name that has not yet reported. That is the whole position: Northrop and Lockheed have both printed record backlogs and raised, and General Dynamics trades at 19.9× forward against a $406.78 consensus from twenty-four analysts that has not moved in a fortnight. Either it confirms the sector read on 30 October or it is the exception, and the market is currently pricing neither.

The government base remains the reason to own it: $76.6B of Navy submarine backlog, three Virginia-class awards in September, and a Canadian angle that matters for a Canadian holder — Ottawa's roughly C$2B, 190-vehicle order sits with GD Land Systems, and the Parliamentary Budget Officer puts the NATO commitment at C$163.6B of cash by 2035. The caveat I raised last week stands and is unresolved: Gulfstream. RBC cut Q3 deliveries to 38 from 41 and moved to Sector Perform at $360 on 15 October; TD Cowen went to $380, Citi to $374. Three analysts below the published average means the average is lagging.

WATCH The Q3 call is 30 October at 9:00 ET. Treat the 16.4% upside as overstated by perhaps a third until Gulfstream deliveries are in the release. If the business-jet cycle is softening while the government cycle is accelerating, this becomes the lowest-quality way to own the sector rather than one of the best.

05 Constellation Energy

NASDAQ: CEG · Power & nuclear · United States · 12–24 months

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Price $253.45 · Mkt cap $89.80B · P/E 24.54 · Fwd 20.49 · 1-yr −27.6% · Buy (25) · Target $338.07 (+33.4%) · Quality 8.2
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Held at 8.2 and down 6.6% on the week, caught in a sector move that had nothing to do with it. Meta raised the low end of its 2026 capital spending to $135B on 21 October and the market read growing commitments as financing risk rather than demand confirmation; every AI-adjacent power name sold off into the Thursday. Constellation is now down 27.6% over twelve months and trades at 20.5× forward against a $338.07 consensus from twenty-five analysts, 33.4% above the price.

What the sell-off ignores is that Constellation's exposure is contracted, not speculative. The 6 October Google agreement brings 890MW of new nuclear capacity to PJM through uprates at eleven reactors across six sites under a twenty-year power purchase agreement, with a separate fifteen-year deal covering 2,700MW of existing generation, against over $4.3B of committed investment. A twenty-year PPA with Google, and a twenty-year PPA with Amazon at Calvert Cliffs signed on 30 September, are not sentiment. An uprate is also the lowest-risk megawatt in the industry: no new site, no new licence, no construction schedule to slip.

WATCH The first uprate is not expected until 2028, at the far edge of the window, and a twenty-year contract protects the volume but not the multiple. If the market decides hyperscaler capex is peaking, this de-rates again whatever the contract book says. Q3 on 9 November.

06 L3Harris Technologies [NEW]

NYSE: LHX · Defence · United States · 12–24 months

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Price $253.97 · Mkt cap $47.29B · P/E 25.66 · Fwd 20.07 · Yield 1.97% · Buy (20) · Target $316.65 (+24.7%) · Quality 8.0
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Promoted from the bench, where I have had it for two editions saying it was “one quarter of evidence away from the ten.” That quarter arrives on 29 October, and the sector has now supplied three independent reads on what it is likely to contain. L3Harris sits at $253.97, 33% below its 52-week high of $379.23, at 20.1× forward against a $316.65 consensus from twenty analysts — 24.7% upside, the widest in defence and nearly five times what Lockheed now offers after its 9.4% week.

The order flow was never the problem: $4.7B of PAC-3 propulsion, $250M of GMLRS motors at record volume, VAMPIRE deliveries, and a position in the munitions and missile-defence lines that both parties have signalled they will protect regardless of the topline. The problem was governance and sentiment. Sam Mehta took over as chief executive on 17 August, so 29 October is his first full quarter, and TD Cowen's cut from $370 to $280 and RBC's to $265 were made before Northrop and Lockheed demonstrated what the munitions cycle is actually producing. I am taking the position ahead of the print rather than after it, which is the opposite of what I did with Lockheed last week and the reason I am doing it.

WATCH This is deliberately an earnings bet, and the smallest, most levered and least diversified of the three defence primes here. A first quarter under a new chief executive is where kitchen-sinking happens. If 29 October brings a reset rather than a confirmation, this is the name that falls furthest.

07 EQT Corporation

NYSE: EQT · Natural gas · United States · 12–24 months

Price $55.63 · Mkt cap $34.80B · P/E 12.90 · Fwd 18.87 · 52w $47.94–68.24 · Buy (27) · Target $66.54 (+19.6%) · Quality 7.9

Held at 7.9, up 2.4% on the week to $55.63, with 19.6% to a $66.54 consensus across twenty-seven analysts — still the widest coverage on this list. The structural case is unchanged and is getting stronger by the month: LNG Canada took final investment decision on Phase 2 on 29 September, and Cheniere has now sold 4 mtpa of American molecules to QatarEnergy through 2054. Every one of those contracts is a bid for Appalachian gas a decade out.

The question I raised last week is still open and I am still not pretending otherwise. The forward P/E of 18.87 remains above the trailing 12.90, which is consensus saying earnings fall rather than rise — the only name in the ten where that is true. Hedge roll-off is the likely explanation; the company's 13 October preliminary disclosure showed a $100M derivative gain with $70M of net cash settlements. Mizuho trimmed to $68 from $72 on 15 October while keeping Outperform. Note also that TD Cowen cut its AECO forecasts by 5% for 2026 and 18% for 2027 on high regional storage, which is a Canadian benchmark but a directional signal about North American gas that I would not ignore.

WATCH Q3 lands 27 October after the close, with the call at 10:00 the following morning. The earnings bridge is the first question, not the production number. Gas remains weather-levered and a mild winter breaks the near-term case whatever the export curve says.

08 Cenovus Energy

NYSE: CVE · TSX: CVE · Integrated oil · Canada · 6–18 months

Price $33.13 (21 Oct close) · Mkt cap $61.17B · P/E 12.86 · Fwd 6.93 · Yield 1.83% · Buy (16) · Target $36.48 (+10.1%) · Quality 7.5

Held at 7.5, marginally up on the week, and the name most directly affected by the WCS question being settled. The answer is genuinely two-sided. On the upstream leg it is bad: at a $25–26 differential, every barrel of Christina Lake bitumen realises materially less than the WTI screen implies, and the Athabasca acquisition agreed on 5 October at C$12.00 a share adds 45 MBOE/d of exactly that exposure while taking net debt from roughly C$3B to about C$5B against a stated C$4B target.

On the downstream leg it is the best thing that could have happened. A wide heavy differential is an input cost for a refinery, and Cenovus owns refining. Valero just reported a $39.24 per barrel refining margin against $13.14 a year earlier, with the segment earning $8.8B against $1.7B; diesel cracks have been above $100. An integrated producer captures the discount on one side of the house and pays it on the other, which is precisely why TD Cowen raised its Cenovus target to C$55 from C$50 on 15 October while flagging wider differentials. At 6.93× forward this is the cheapest multiple in the ten by a wide margin, and the 10.1% upside to $36.48 is the thinnest — a target that has not been refreshed since the Athabasca deal.

WATCH A Hormuz or Saudi de-escalation collapses the freight premium, narrows WCS and compresses the crack spread simultaneously — this is double-levered in both directions. Note also that the US pricing feed for this name had not refreshed past the 21 October close when this memo was prepared; the price shown is that close, not Friday's.

09 Hudbay Minerals

NYSE: HBM · TSX: HBM · Copper & gold · Canada · 12–24 months

Price $21.98 · Mkt cap $9.77B · P/E 12.68 · Fwd 11.92 · 52w $14.34–32.15 · Strong Buy (23) · Target $34.77 (+58.2%) · Quality 7.2

Held at 7.2 and now the largest gap on the board at 58.2% to a $34.77 consensus from twenty-three analysts at Strong Buy, up from 49.4% a week ago. The stock fell 6.9% to $21.98, 32% below its 52-week high, while copper fell only 0.8% to $6.476 and remains up 27.1% on the year. It trades at 11.9× forward against Freeport's 16.7× for comparable exposure.

The disconnect is now a month old and still has no company-specific explanation. On 28 September Hudbay raised the Snow Lake life-of-mine gold forecast roughly 60% to 2.8Moz and extended reserve life two years to 2043, with 2026–2030 output up 37%; Goldman lifted its target the following day. Since then the underlying reserve position has improved and the equity has lost a fifth of its value because precious-metals beta dragged it down with gold. Copper is an industrial and grid story constrained on the supply side, not a rates story, and a name whose gold component is being punished for a monetary reason while its copper component is being ignored is the clearest mispricing I can point to on this list.

WATCH Peruvian jurisdiction exposure, a nominal 0.10% yield, and the fact that copper at $6.48 is itself a long way above its historical mean — a Chinese demand disappointment is the fastest route to giving back a dollar. The IEA's 2.6 mb/d of demand destruction is a warning about industrial activity generally, not just oil. Q3 is late, on 12 November.

10 Vistra

NYSE: VST · Power · United States · 12–24 months

Price $140.16 · Mkt cap $47.04B · P/E 23.89 · Fwd 13.82 · 52w $132.66–203.66 · Strong Buy (23) · Target $208.86 (+49.0%) · Quality 7.0

Held at 7.0 after a 7.8% week that included a 9.8% single-session fall on 22 October, taking the stock to $140.16 against a 52-week low of $132.66. The trigger was Meta's capital spending disclosure, not anything Vistra said or did. The consensus target of $208.86 from twenty-three analysts now implies 49.0% upside, the second widest on this board.

I am keeping it, and the reason is the one I criticised myself for missing with Valero six weeks ago: selling a name into a drawdown caused by someone else's news flow is how you turn sector beta into a realised loss. The specifics support holding. Vistra's own data-centre assumption is roughly 12–15GW in ERCOT by 2030, against a queue that has at times been quoted above 400GW — management is already discounting the hype the market is now un-pricing. Of the 2,609MW in the Meta agreement, 2,176MW comes from plants that already operate, so the contract does not depend on new build. The multiple is 13.8× forward and roughly 9× NTM EV/EBITDA, down from about 13× a year ago. What is genuinely different from last week is that the balance sheet got more expensive: the $1.5B of junior subordinated notes priced on 10 September at 7.00% and 7.25% is what a levered merchant generator pays when the ten-year is at 5%.

WATCH The highest-beta position in the ten and the only one at a 52-week low. Texas power prices are a drag with 2027 ERCOT forwards below last year's, and Raymond James has already cut to $176. The real test is 6 November: first Meta deliveries are scheduled for late 2026, and if that timeline slips, 22 October was about Vistra after all rather than about Meta's financing. Size this one by what you can afford to be wrong about.

BENCH

Ten more that made the screen but not the cut

These passed the quality filter and would be in the ten at a different price or on different news. Five are excluded on the consensus threshold alone — Cheniere, Valero, Marathon, Lockheed, and both of Suncor and Canadian Natural trading above target. Given TD Cowen's $85 WTI deck for 2026, read those exclusions as a statement about the sell side's oil assumption rather than about the businesses.

TICKER	COMPANY	PRICE	FWD	UPSIDE	WHY IT IS ON THE BENCH
LNG	Cheniere Energy	$298.67	16.34	+5.3%	Demoted from number three on the threshold, not the thesis. The 22 October QatarEnergy agreement — 4 mtpa split between Sabine Pass and Corpus Christi, Henry Hub plus a fixed fee, running to 2054, with 1 mtpa contingent on the Sabine expansion FID — is the strongest single contract signed by anything on either list this quarter. The stock is within 1% of its 52-week high and consensus offers 5.3%. Own it; do not add here.
VLO	Valero Energy	$419.28	6.75	+1.0%	Reported the best quarter in its history on 22 October — $23.90 adjusted against $21.07 expected, a $39.24 refining margin against $13.14, segment earnings of $8.8B against $1.7B — and the stock fell 5.7% on the week. That is the market calling peak margin, and it is the single most informative price reaction of the week. Consensus now sits 1% above spot on a 6.75× multiple.
MPC	Marathon Petroleum	$457.22	5.78	+0.3%	The lowest forward multiple in the screened universe at 5.78×, down 4.4% on the week ahead of its own print. Same argument, same exclusion. A 5.8× multiple on record earnings is either the cheapest asset on the board or an accurate statement that 2027 earnings are materially lower. The crack spread decides which.

TICKER	COMPANY	PRICE	FWD	UPSIDE	WHY IT IS ON THE BENCH
LMT	Lockheed Martin	$604.18	18.90	+5.0%	Up 9.4% on the week, the best performer across either list, on a record $292B backlog, a 4.0× book-to-bill and raised guidance on all three metrics. I said last week that Northrop offered the same exposure with a wider gap; Northrop delivered 6.1% against Lockheed's 9.4%, so the call cost about three points. The gap has now closed to 5.0% and the threshold applies.
CCJ	Cameco	$78.60	50.24	+59.8%	Largest upside in the universe for the second straight week and still excluded on valuation. The long-term uranium price is $96–97/lb, above the 2007 peak, yet Cameco fell 11.9% in a month on a nuclear-sector sell-off with no company news on its three worst days. Contracts roll slowly: Q2 uranium earnings fell nearly 40% while prices rose. At 50× forward with a 0.22% yield the structure is right and the entry is not. Q3 on 30 October is the test.
PAAS	Pan American Silver	$40.15	10.54	+49.9%	Down 9.2% to a level 43% below its high, at 10.5× forward with 49.9% to target. The cheapest precious exposure on the board and the one I keep passing over for Wheaton, on operating risk across Peru, Mexico, Chile and Brazil and the thinnest coverage here at eight analysts. If gold stabilises above $3,900 this is the higher-torque recovery vehicle.
KGC	Kinross Gold	$22.34	8.49	+38.8%	Down 7.0% to within 2% of its 52-week low, at 8.5× forward. Still carrying the 23 September guidance cut — La Coipa weather, Round Mountain grades, AISC to $1,850–1,900/oz. Q3 on 28 October is the quarter that either establishes a pattern of two or breaks it. I will not re-enter before seeing it.
FCX	Freeport-McMoRan	$65.18	16.73	+21.5%	The copper bellwether, down 6.3% on the week and now offering 21.5% to a $79.20 target. Genuine upside, but 16.7× forward against Hudbay's 11.9× for comparable copper-gold exposure, and Grasberg concentrates jurisdiction risk in a single asset. Hudbay remains the better expression of the same view.
SU	Suncor Energy	$79.38	9.81	−11.5%	Up 1.7% to within 1% of its 52-week high. TD Cowen raised its target to C$125 from C$116 on 15 October on the integrated-refining argument that also supports Cenovus, and BofA carries $112 — but the published aggregate sits 11.5% below spot. The integrated structure is right for a wide-differential world; the aggregate target is not usable until it refreshes.
CNQ	Canadian Natural Res.	$55.06	13.20	−11.4%	Best long-life reserve base in Canada and the highest yield on either list at 3.23%, up 2.3% to within 1% of its 52-week high. But it is the purest upstream heavy-oil exposure here, which is the wrong side of a $25 WCS differential, and it has no refining leg to recapture it. TD Cowen lifted the target to C$82 from C$73 regardless. Above the published aggregate; excluded.

POLITICAL FLOW

Still the weakest of the five inputs, and still worth one paragraph

AltIndex shows 275 disclosed trades worth roughly $5.0M over the last thirty days, 39% buys to 61% sells — against 277 trades at 38/62 a week ago and 357 trades at 45/55 in early September. The sector mix by trade count is industrial products, retail, medical devices, semiconductors, REITs and oil and gas. The largest single disclosure is $175K of Marsh & McLennan by Rep. Kevin Hern. Nothing in that set bears on this list.

The caveats are the same ones I recorded last week and they are getting worse rather than better: the aggregate includes trades dated 14 September, outside any thirty-day window ending 25 October; the sector percentages do not reconcile with their own trade counts; and CapitolTrades has not returned usable current data from this environment for two consecutive weeks. The reform remains dead — the Senate failed cloture on H.R. 7008 by 53–47 on 30 September and nothing is scheduled. I am keeping this input in the method because the brief specifies it, but a 45-day disclosure lag on a dataset I cannot reconcile is not a signal, and I will not dress it up as one. If it stays this thin through November I will propose replacing it with something with more information content, such as insider Form 4 flow in the names we actually hold.

OTHER FACTORS

Eight things worth weighing that were not in the brief

01 The buffer, not the barrel, is the number to watch now

Every oil framework this memo has used for two months has been about flows: how much is transiting, what freight costs, where the risk premium sits. The IEA's October report reframes it. Effective OPEC+ spare capacity is 0.27 million barrels a day. Saudi sustainable capacity is carried at 12.11 mb/d against 8.3 mb/d supplied in September, but “sustainable capacity” is a ninety-day definition and the kingdom has reached 12 mb/d once, briefly, in 2020. Reuters' own estimate of what Riyadh could realistically bring up and hold is 600,000 to 1 million barrels a day. Global on-land inventories are the lowest since at least 2016, down 509 mb from the end of February.

Put the Houthi drones next to that arithmetic. A strike that damages Saudi processing — not a terminal, not a pipeline, but a stabilisation train of the Abqaiq type — has no offset anywhere in the system. In 2019 Abqaiq took 5.7 mb/d offline for a fortnight and the market absorbed it because OPEC had several million barrels of genuine spare and the OECD was holding comfortable stocks. Neither condition exists today. This is the single largest unhedged risk in the memo, and it is asymmetric: it would take energy sharply higher, take precious metals higher with it on the inflation impulse, and take everything else lower.

02 What is balancing this market is a recession signal, not a bull signal

The IEA has global demand falling 2.6 mb/d in 2026 to 102.4 mb/d, with a 2.5 mb/d year-on-year decline in the fourth quarter and diesel accounting for about a quarter of it. Even after a partial 2 mb/d recovery in 2027, demand stays roughly 620 kb/d below 2025. That is the reason $103 crude has not become $130 crude despite a vanished supply buffer: the world is using materially less oil.

This deserves more weight than it is getting, including from me. Diesel is the industrial fuel — freight, agriculture, construction, mining. A quarter of the demand destruction landing in distillate, at the same time as US middle distillate inventories sit 12% below the five-year average and cracks exceed $100, is not a story about efficient substitution. It is a story about activity. Every cyclical position on this list — copper at Hudbay, merchant power at Vistra, business jets at General Dynamics, industrial gas demand at EQT — is

long an economy whose oil consumption is contracting at a rate normally associated with recessions. I am not changing the positioning on this, because the alternative is to hold nothing, but I would rather you held it explicitly than discovered it in a drawdown.

03 The refiners printed the peak and the tape said so within the hour

Valero's Q3 was, by its own account, the best quarter in company history and the second consecutive record: $23.90 adjusted against $21.07 expected, a refining margin of $39.24 a barrel against $13.14 a year earlier, segment operating earnings of $8.8B against $1.7B, on a 3-2-1 crack spread up more than 150% year on year. The stock rose 2.6% in the premarket and finished the week down 5.7%. Marathon fell 4.4% in sympathy ahead of its own print. Consensus on both now sits within a point of spot.

This is the most useful single data point of the week, because it tells you what the market believes about duration rather than about level. Nobody disputes the earnings; the dispute is whether a $39 margin is a run rate or a window. The sell side has answered by refusing to capitalise it: Valero at 6.75× forward and Marathon at 5.78× are not cheap stocks, they are stocks whose forward earnings are assumed to fall by half. For this memo the read-through is straightforward and it is why Cenovus stays in the ten while Valero stays out: you want the crack spread captured inside an integrated business where it offsets a wide heavy differential, not as a standalone pure-play whose multiple already embeds mean reversion.

04 Energy consensus targets are conservative by design, and I said the opposite last week

Last week's memo told you that published downside on Valero, Marathon, Suncor and Canadian Natural was “a statement about analyst decks rather than about value.” TD Cowen's 15 October revision shows the decks are a deliberate position, not a lag: WTI at $85 for 2026, $78 for 2027, $72 for 2028, $65 long-term, against $103 spot, explicitly on the view that a 2027 global surplus arrives if Middle East output normalises. Cash flow per share estimates went up about 5% for 2026 and 6% for 2027, and every Canadian target was raised — CNQ to C$82, Cenovus to C$55, Suncor to C$125, Imperial to C$158 — while the oil deck stayed far below spot.

So when a Canadian producer trades above its consensus target, it is not because an analyst forgot to update a spreadsheet. It is because the analyst has priced a normalisation you may or may not believe in. That makes the consensus screen more meaningful, not less: it is now a disagreement about the oil path rather than a data lag. If you think Hormuz and the Saudi exposure persist into 2027, the bench energy names are cheap and the screen is wrong. If you think the IEA's 2027 recovery of 7.7 mb/d of supply happens, the screen is right. I do not know which, and I would rather tell you where the disagreement sits than pretend to resolve it.

05 The list now carries a three-name defence cluster on one appropriation date

Northrop, General Dynamics and L3Harris are 30% of this list and share a single binding event: whether FY2027 defence appropriations pass, lapse into a second continuing resolution, or produce a partial shutdown on 11 December. The stopgap signed 2 September funds agencies at FY2026 levels until then; the defence bill has not reached a floor in either chamber. Add the 3 November midterms, where Polymarket had Democratic House control at 91.5% and Senate control at 64.5% on 20 October, and you have two dated events hitting three positions in the same five-week window.

The mitigant is real: munitions, readiness and allied replenishment have bipartisan support and are the least likely lines to be cut, and the backlogs reported this month are contractual rather than appropriated hope. But

if you size these three as independent positions you are taking roughly a third of the portfolio on one vote. Treat them as one allocation with three expressions. The same discipline applies to the metals cluster — Agnico, Wheaton and Hudbay's gold component all respond to the same real-yield variable, which means a December hike hits six of ten names here simultaneously while the defence three sit it out. That is the correlation structure, and it is tighter than the sector labels suggest.

06 The currency reversed, and this week it cost you

USD/CAD went from 1.4141 to 1.4004 over the week, the Canadian dollar up about 1.0%, reversing roughly a third of the move I described last week as free return on an unhedged US position. Last week's warning was that the asymmetry from here was unattractive; that proved right within five days. On an unhedged US holding, a point of currency subtracted from an already negative week.

The driver is the policy gap narrowing in expectation rather than in fact: the Fed is 94% priced to hold on 28 October and the Bank of Canada decides the same morning with a Monetary Policy Report, after September CPI came in at 3.1% — above August's 3.0%, but with CPI excluding gasoline at 2.2% and excluding energy at 2.1%, both lower than August. Canada's inflation problem is almost entirely imported energy, which is an argument for the Bank to look through it. Four of the ten are dual-listed and buyable on the TSX in Canadian dollars — AEM, WPM, CVE and HBM — with PAAS, CNQ, SU and CCJ available the same way on the bench. Do that deliberately. For Northrop, General Dynamics, L3Harris, Constellation, EQT and Vistra you are taking an unhedged currency view whether you intend to or not.

07 Account location, with the composition now tilted further toward US dollars

US dividends held in a TFSA suffer the 15% US withholding tax with no foreign tax credit recovery; held in an RRSP under the treaty they generally do not. Six of the ten are now US-only and three of them carry the highest US-dollar yields on the list: L3Harris at 1.97%, General Dynamics at 1.82%, Northrop at 1.79%. All three are structurally RRSP positions, and the defence allocation discussed above is therefore also an RRSP allocation. Constellation, EQT and Vistra belong there too on the same logic, though their yields are nominal.

The four Canadian dual listings — Agnico, Wheaton, Cenovus and Hudbay — can sit in a TFSA without the leakage, and they are conveniently the lower-yield, higher-torque end of the list, which is the right place for tax-free growth in any case. Confirm specifics with your accountant; this is a structural point, not a filing position.

08 The promotion screen: the Canadian regulators have now named the pattern

The scheme I have described for two editions — sub-$10M Asia-domiciled listings on the Nasdaq Capital Market promoted through WhatsApp groups, using the exchange listing as the credential — now has a formal Canadian regulatory alert behind it. The Canadian Securities Administrators have issued an investor alert on surging “ramp-and-dump” schemes run through fraudulent investment groups, and Bloomberg has documented the role that a Wall Street listing plays as the stamp of legitimacy. The Indian enforcement authorities uncovered a parallel WhatsApp operation on 19 October. This is no longer an emerging pattern; it is a documented, cross-border, regulator-acknowledged one.

Carry forward the second variant as well, because it is the one that will look respectable to a sophisticated reader: Washington taking direct equity in critical-minerals and strategic companies gives every junior explorer with a tungsten or gallium showing the vocabulary to announce “engagement with federal offtake programmes” and watch a thin stock double on no contract. The screening rules are unchanged — US$1B

minimum capitalisation, three years public, five covering analysts — and they would have excluded every instrument in both schemes. Treat any announcement of government interest that is not a signed, dollar-denominated agreement as marketing, and treat any investment group that found you rather than the other way round as a crime in progress.

RISK REGISTER

What breaks this memo

HIGHEST PROBABILITY

A December hike into a 5% ten-year

Markets price roughly 94% for a hold on 28 October and about 76% for a move on 9 December. The long end has already done much of the work, with the ten-year at 5.00% and economists surveyed in October expecting it to stay above 5% until mid-2027. A second hike hits Agnico, Wheaton, Hudbay's gold leg, Constellation, Vistra and Cenovus at once. Only the three defence names are genuinely insulated.

HIGHEST IMPACT

A successful strike on Saudi processing

Effective OPEC+ spare capacity is 0.27 mb/d and on-land inventories are the lowest since 2016. Aramco has evacuated its headquarters; drones have reached Dammam and Shaybah. A hit on an Abqaiq-class stabilisation facility has no offset in the system. This is the one scenario that takes energy and precious metals up together and everything else down.

UNDERPRICED

Demand destruction is the balancing mechanism

Oil demand down 2.6 mb/d in 2026 on IEA numbers, a quarter of it diesel, is why $103 crude has not become $130 crude. If the clearing mechanism for this shock is industrial contraction rather than new supply, then copper, merchant power, business jets and industrial gas demand are all mispriced on this list, and the oil price is the least of the problems.

STRUCTURAL

Three defence names, one appropriation, one election

Thirty per cent of the list resolves on the 3 November midterms and the 11 December funding deadline. The backlogs are contractual and the munitions lines are bipartisan, but a second continuing resolution keeps the sector discount in place through 2027. Size the three as one allocation, not three.

Standing exclusions

- No IPOs or companies public under three years, per your brief.
- No pre-revenue or story-stage mining and biotech, however good the geology or the data.
- No name whose recent move is traceable to promotional flow rather than an earnings or contract event — including announcements of unsigned federal “engagement,” and anything reaching you through a messaging group.
- No sub-$1B market capitalisation and no fewer than five covering analysts, regardless of thesis quality.
- Imperial Oil excluded on a data basis, not a quality one. At $135.57 and 11.05× forward it is exactly the integrated structure this memo argues for, and TD Cowen raised it to C$158 on 15 October. But stockanalysis.com carries no aggregated consensus or target for it, so I cannot compute upside on the same basis as every other name, and I will not mix methodologies inside one ranking. Worth your own look.
- Tankers excluded again despite the freight dislocation. Those rates exist because insurers withdrew war-risk cover; they mean-revert violently the moment cover returns. A trade with a stop, not a six-to-twenty-four-month position.
- MP Materials excluded again. The rare-earth thesis may be right; the instrument remains speculative on an earnings basis.

CALENDAR

What moves the list over the next seven weeks

TUE 27 OCT	EQT Q3 after the close, call 10:00 the next morning. The forward multiple above the trailing multiple is the first question, not production.
WED 28 OCT	FOMC decision and the Bank of Canada decision with Monetary Policy Report, on the same day. Also Agnico Eagle Q3 after the close (call 29 Oct) and Kinross Q3. The most consequential date in this calendar.
THU 29 OCT	L3Harris Q3 — Sam Mehta's first full quarter as chief executive, and the entire basis of this week's new position. Cheniere Q3 the same day.
FRI 30 OCT	General Dynamics Q3 call at 9:00 ET — Gulfstream deliveries are the number that matters. Cameco Q3, where contract pricing and Cigar Lake are the questions.
TUE 3 NOV	US midterm elections. Prediction markets had the House at 91.5% Democratic on 20 October. A flip puts the FY2027 defence topline into pricing before any analyst changes a number. Reporting also suggests the administration has deferred decisions on escalation against Iran until after this date.
FRI 6 NOV	Vistra Q3, with first Meta deliveries scheduled for late 2026 — the test of whether 22 October was about Meta or about Vistra. Pan American Silver and Canadian Natural the same week.
MON 9 NOV	Constellation Energy Q3, the first full quarter including the Google and Amazon agreements.
THU 12 NOV	Hudbay Q3 — late, and the only read on whether the Snow Lake reserve upgrade is converting.
SUN 29 NOV	OPEC+ full ministerial and JMMC to set 2027 policy, against an effective spare capacity figure of 0.27 mb/d.
WED 9 DEC	FOMC December decision — roughly 76% priced for a hike as of this weekend.
FRI 11 DEC	Continuing resolution expires. Appropriation, second CR, or partial lapse — the dated catalyst behind three positions.
UNDATED	Canada's Budget 2026, expected November with no date announced; the Section 338 list changes take effect at month end; Cenovus/Athabasca closing targeted December; and any movement from the Pakistani and Qatari mediation channels on Hormuz.

STANDING NOTE

This is research and information gathering, not investment advice, and I am not a licensed adviser. Every price, multiple, rating and target above is as published at the close of Friday 23 October 2026 and will be stale within days. The Cenovus US price is the 21 October close, flagged in the entry, because the feed had not refreshed. Consensus targets are the sell side's opinion, not a forecast I endorse. Quality scores are my own judgment and three were cut this week for reasons stated in the entries. Two corrections from the 18 October edition are carried in the text rather than buried: the claim that defence price targets were “a melting number” was wrong and was reversed by three sets of results within four days, and the Western Canadian Select differential, flagged last week as unverified, is confirmed at roughly $25–26 under WTI. Where sources disagree — the Rio Times ticker and its article text conflicted on Friday's metals prices, and AltIndex's aggregates do not reconcile with its own trade table — I have said so rather than pick one. Do your own work on anything here before committing capital, and speak to your own advisers about tax and account structure.

Sources · Trading Economics (commodities, S&P 500, TSX, USD/CAD, US 10-year) · Statistics Canada, September CPI · Bank of Canada, 28 October announcement · DeFi Rate, FOMC odds · IEA Oil Market Report, October 2026 · Al Jazeera, Hormuz control claims · Al-Monitor and Rigzone, Aramco evacuation · Straits.live daily brief · Rio Times, Friday settlements · Capp Notes, 23 October close · Enverus and BOE Report, WCS differential · Investing.com, TD Cowen oil deck · OilPrice, diesel cracks · BOE Report, Valero Q3 and Cheniere–QatarEnergy · Northrop Grumman Q3 call summary · Investing.com and 24/7 Wall St, Lockheed Q3 and the defence rally · FedTools, stopgap to 11 December · TIKR, Vistra/Meta and Cameco · CP24, Section 338 list changes · Epoch Times, Warsh at the IMF · AltIndex, congressional trades · Canadian Securities Administrators, ramp-and-dump alert · company data from stockanalysis.com, prices at the 23 October 2026 close.