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## The Arctic: Hot Times in Cold Places

In a noisy news cycle, it's easy to get distracted by short-term headlines. But beneath the noise, there are structural, long-term shifts that can shape markets for decades. The Arctic<sup>1</sup> is one of those shifts: a region where natural resources, shipping routes, and military positioning are drawing intense focus from the world's biggest powers. We believe commodities and natural resources are stepping back into the investment spotlight. The Arctic offers a case study in how to identify and financially position for these enduring trends.

### The New Race for Resources

Access to strategic minerals is fast becoming the modern-day "arms race." Energy, rare earth metals, and industrial minerals are the raw inputs for everything from national defense to the smart phones in our pockets, the cars we drive, and the data centers that power our digital lives.

While the U.S. has been slow to act, the COVID induced break in supply lines of critical materials has awakened a sense of urgency regarding the importance of securing these resources. Meanwhile, Russia and China have been building Arctic capabilities for years. Russia through military and infrastructure dominance and China by calling itself a "Near-Arctic" state to justify its involvement<sup>2</sup>. According to the U.S. Geological Service,



the Arctic could contain up to 13% of the world's recoverable oil and 30% of its natural gas<sup>3</sup>. It also holds significant deposits of phosphate, bauxite, diamonds, iron ore, gold, silver, copper, zinc, and rare earth metals. Greenland's glaciers produce over 1 billion tons of "rock flour" annually<sup>4</sup>, which is an ultra-fine mineral powder shown to replenish nutrients in agricultural soil, with potentially game-changing implications for the global food supply.

### Why the Arctic?

Two reasons stand out. First, geography – the strategic military advantage. The Arctic offers a direct path between the U.S. and Russia, meaning shorter missile ranges and a prime location for early-warning defense systems. At the top of the world, political enemies are a lot closer and therefore, easier to strike. Russia has been fortifying its Arctic capabilities for decades, while the U.S. is now beginning to rebuild its own Arctic fleet and supporting infrastructure. The second reason is economic potential.

### Control of the Sea Lanes

The Arctic offers shorter, more cost-effective shipping routes. The Northern Sea Route (Russia) cuts travel time between Europe and East Asia, especially for



low-value bulk goods like energy products. Russia operates 8 nuclear-powered icebreakers with 8 more under construction, one capable of breaking through 4 meters of ice. There's also the Northwest Passage (North America), but the U.S. currently has just 1 heavy icebreaker, 50 years old, but is funding a fleet expansion through the recently passed One Big Beautiful Bill. Shipping dominance translates into trade advantages, control of supply chains, and leverage in global commerce.

### China's Arctic Ambitions

Though not an Arctic nation, China's growing mineral demand and industrial ambitions have driven it to invest heavily in the region. This includes partnerships with Russia's two largest Arctic liquified natural gas (LNG) terminals<sup>5</sup>, building four icebreakers, and supporting Russia economically and diplomatically in exchange for access to Arctic resources.

### Signals for Investors

The Arctic exemplifies how global priorities are shifting toward resource security. This means commodities, once sidelined, may again be central drivers of market cycles. The build-up of infrastructure, the jockeying for shipping routes, and the strategic partnerships formed today are all signals that long-term demand for energy, minerals, and related technologies will persist. For investors, these developments present opportunities in sectors ranging from mining and energy to defense and shipping.

### Bottom Line

The Arctic is no longer just a frozen expanse at the top of the globe, it is a focal point of economic ambition and strategic positioning. For investors willing to look beyond the noise, it is also a clear indicator of where



the next era's opportunities may emerge.

As always, if you would like to discuss any of these ideas in more detail and what they might mean for your specific situation, we'd welcome the conversation.

<sup>1</sup>Approximately 4% of the Earth's surface

<sup>2</sup><https://www.isdp.eu/publication/the-ice-silk-road-is-china-a-near-arctic-state/>

<sup>3</sup><https://pubs.usgs.gov/fs/2008/3049/>

<sup>4</sup><https://www.reuters.com/business/environment/climate-friendly-farming-greenlands-melting-glaciers-offer-an-answer-2021-11-18/>

<sup>5</sup>Yamal LNG and Arctic LNG-2

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