The Bishop Report NEWS BRIEF
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Raw Material Costs Increased 18.5% YOY in 1Q26

It appears in many ways, 2026 is going to be a repeat of 2025, with the price of virtually everything, from energy to food, building supplies, white goods, vehicles, and electronics being affected by political turmoil and war, inflation, increased overhead, or the potential of hefty tariffs. Although many of us were under the false (yet hopeful!) assumption that energy prices in the form of crude oil would start to decline or at least level off in 2026, the ongoing saga over the Strait of Hormuz has caused the opposite to happen. A critical maritime chokepoint, the narrow waterway that forms the strait, normally carries about 20% of the world's daily petroleum supply and almost all the exported liquefied natural gas (LNG) from Qatar. It is also a key route for cargo and container ships that carry raw materials, fertilizers, and manufactured consumer goods, with more than 125 commercial vessels traditionally traveling through the area every day!

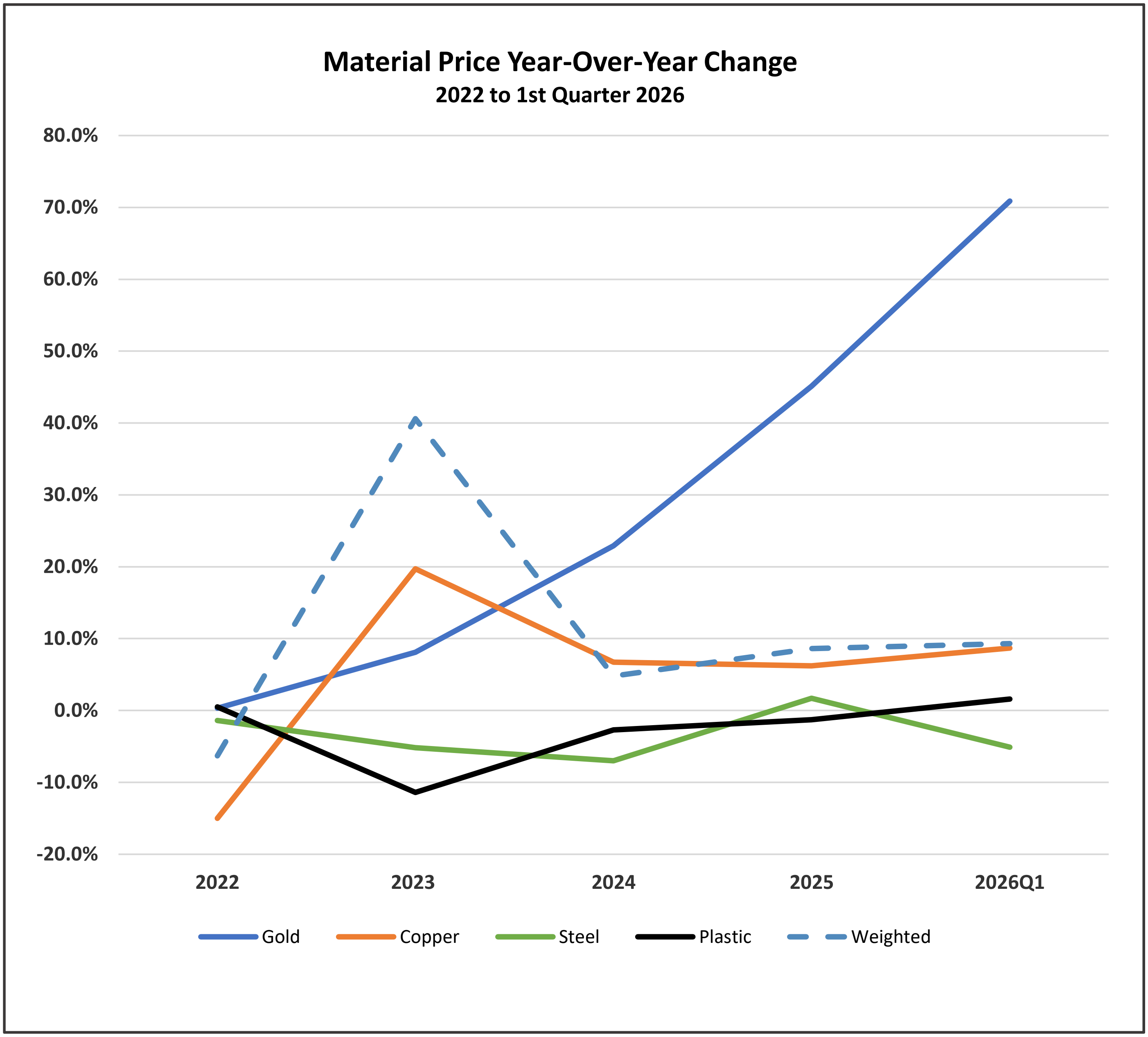
With Iran attempting to restrict traffic through the strait, by charging illegal tolls (tolls to travel the strait are against international law), and the US attempting to prevent this and protect shippers, utilizing the US military in exchange for a payment of a 20% of cargo value, the fate of commercial shipping is presently at a quandary. For those companies that rely on this travel route to secure raw materials, this not only adds additional delivery time, but also unwanted or unneeded additional costs. Accounting for roughly 75% of the raw materials cost of connectors, gold, copper/brass, steel, and thermoplastics derived from petroleum and natural gas, are all affected by these additional challenges.

The following table shows the year-over-year change in 1Q26 for each material. Gold, which took a monumental leap in price during the second half of 2024, continued to climb from a +39.4% increase in the first quarter of 2025 to a +40.2% increase in the second quarter, to a +41.9% increase in the third quarter, to a +57.0% increase in the fourth quarter of 2025, to an unbelievable +70.9% increase in the first quarter of 2026. In fact, although it has declined some since then, the average price for gold in February of 2026 was over $5,275 per troy ounce versus a little over $2,875 in February of 2025! Although all other materials except thermoplastics, where year-over-year pricing declined -1.2% in the first quarter of 2026, also showed a year-over-year increase, the increase in gold is by far the largest influence in year-over-year pricing of raw materials used in the manufacturing of connectors.

Change in Material Cost 1Q2026
Year-Over-Year

Material	1Q26 YOY	Usage Weight	1Q26 Weighted
Gold	70.9%	13.3%	9.5%
Copper/Brass	18.6%	46.7%	8.7%
Steel	11.7%	6.7%	0.8%
Thermoplastics	-1.2%	33.3%	-0.4%
Total Change	25.0%	100.0%	18.5%

The following chart shows the YOY change in the cost of these materials over the last four years and for the first quarter of 2026.



On a sequential or quarter-over-quarter (QOQ) basis, material costs increased +9.6% when comparing 4Q2025 with 1Q2026. The weighted total cost for connectors on a sequential basis also increased +7.8% in the first quarter of 2026, significantly higher than last quarter, where on a sequential basis, total cost increased only +5.7%.

Change in Material Cost
Quarter-Over-Quarter
4Q2025 versus 1Q2026

Material	1Q26 QOQ	1Q26 Weighted
Gold	18.1%	2.4%
Copper/Brass	6.1%	2.8%
Steel	8.1%	0.5%
Thermoplastics	6.0%	2.0%
Total Change	9.6%	7.8%

If we examine 1Q2026 from a year-to-date perspective, as the chart below shows, total raw materials increased +17.2% year-to-date, and +11.1% from a weighted perspective, with the greatest increase, as would be expected, seen in gold, where prices increased +53.5%. This strong increase, coupled with the increase of +9.1% in copper/brass and +8.8% in steel were the force behind the double-digit YTD increase and double-digit weighted increase.

Change in Material Costs
Year-to-Date
1Q2026

Material	1Q26 YTD	Usage Weight	1Q26 Weighted
Gold	53.5%	13.3%	7.1%
Copper/Brass	9.1%	46.7%	4.2%
Steel	8.8%	6.7%	0.6%
Thermoplastics	-2.7%	33.3%	-0.9%
Total Change	17.2%	100.0%	11.1%

Bishop Comments

Bishop continues to maintain that as long as a high level of geopolitical uncertainty remains, price volatility of many raw materials and especially of precious metals like gold and even silver, become a key contributing factor of fluctuating material costs. Although for many it appears gold consistently increases, as previously mentioned, gold has declined since January of 2026, driven down primarily by the stronger US dollar and expectations that interest rates will rise, all making gold less attractive to investors.

It does need to be noted that in certain regions, like the Asia Pacific region, the fastest growing region in 2024 and 2025, where connector sales increased +19.2% and +32.6% respectively year-over-year, increases in wages have also been a key factor in the increased cost of connectors. Consistently outpacing the rest of the world in real wage growth (pay adjusted for inflation), emerging countries in the Asia Pacific region, like India and Vietnam, are seeing real salary increases close to +9%, with a special focus on specialized training in the technology and engineering sectors, creating a strong competitive hiring environment.

As for price increases in steel and copper/brass, it is anticipated that modest growth will be recorded in most regions, based on continued geopolitical tensions and demand. Demand for petroleum/crude oil also needs to be touched on. Not only is petroleum a key component of thermoplastics used in connector insulators and shells, because of its excellent dielectric properties, light weight nature, and ability to be easily molded into a desired shape, but it is also a key component of plastic packaging, used not only for electronic components but also in the food industry, and as a possible source of energy to heat and cool buildings and often to generate electricity to run equipment. Another interesting area of petroleum use that is growing is in the production of composite connector shells and structures. When paired with reinforcements like carbon or glass fibers, high-performance polymers like PEEK (Polyetheretherketone) and PEI (Polyetherimide), are frequently used in aerospace and space structures due to their high thermal and mechanical stability.

Based on information like what has been previously discussed, Bishop believes raw material prices will increase moderately in 2026, probably in the 5% to 15% range. This increase will be driven strongly by how high gold prices will reach and how high crude oil per barrel gets. It is important to note that this price increase does not consider any raw material pricing instabilities that may occur that have not been discussed or mentioned in the previous paragraphs.