(UBS)

Why commodities are set to play a more prominent role in portfolios in 2026

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Commodity prices were volatile at the end of January, but precious metals, oil, and industrial metals all posted gains for the month. While volatility may continue in the near term, we believe the fundamental outlook for commodities remains supportive, driven by supply-demand imbalances, geopolitical shifts, and structural trends.

Commodity prices rose in January despite sharp swings.

- Precious metals prices—while volatile—rose in January as political, geopolitical, and economic uncertainties drove "safe-haven" demand.
- The copper price hit a record high in late January before consolidating.
- Oil prices were boosted by temporary supply disruptions in the US and Kazakhstan, as well as a weaker US dollar and geopolitical tensions in the Middle East.

Further volatility is likely in the near term, but we believe fundamentals remain supportive.

- We see gold consolidating in the USD 4,500-4,800/oz range in the near term, but expect it to rise to USD 6,200/oz by mid-year, supported by central bank and investor demand, large fiscal deficits, lower real US interest rates, and geopolitical risks. For silver, given the recent extreme volatility (60-120%), we remain cautious and believe it is too early to build long-term exposure.
- We project further supply shortages for copper and aluminum, which should support prices over the medium term, while structural drivers (e.g., electrification) underpin long-term demand.
- We forecast Brent crude oil at USD 65/bbl in June and USD 67/bbl in December.

Commodities can help diversify portfolios, and we see various ways to invest in them.

- As we have seen recently, commodities can face volatility, but they can also play a valuable role in portfolios as they have historically shown low correlation with equities and bonds.
- Investors can access commodities through diversified indices, exchange-traded funds (ETFs), exchange-traded commodities (ETCs), or structured investments.
- However, they should be aware of unique risks such as price swings and costs associated with futures or physical holdings.

Investment view

Commodities are set to play a more prominent role in portfolios in 2026, in our view, offering diversification amid supply-demand imbalances, geopolitical risks, and the global energy transition. We like broad commodity exposure, and continue to favor gold, which we see as an attractive hedge.

Did you know?

- Returns are generally strongest when supply-demand imbalances or macro risks—like inflation or geopolitical events—are elevated. In such periods, broad commodity exposure can help diversify portfolios and protect against shocks.
- Commodities have also experienced long periods of strong out- and underperformance versus equities. Hence, we generally see them as a tactical, not permanent, component of a long-term portfolio.
- For investors with an affinity for gold, we believe a modest allocation of up to a mid-single digit percentage can enhance diversification and buffer against systemic risks.
- For investors with substantial allocations and significant unrealized profits in gold, broadening commodity exposure to include copper, aluminum, and agricultural assets can help diversify sources of future return.

Original report – **What's next for commodities?, 3 February 2026.**

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