

# What's next for commodities?

## UBS House View Briefcase

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### Key message

Commodity prices were volatile at the end of January, but precious metals, oil, and industrial metals all posted gains for the month. As this volatility begins to subside, we believe the fundamental outlook for commodities remains supportive, driven by supply-demand imbalances, geopolitical shifts, and structural trends.

### 01 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.

### 02 As volatility subsides, we believe fundamentals remain supportive.

- We see gold resuming its climb, rising as high as 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.
- We project further supply shortages for copper and aluminum that 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.

### 03 Commodities can help diversify portfolios, with various ways to invest in them.

- Commodities can face periods of 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.

### New this week

Gold prices rose 2.5% on 13 February after softer-than-expected US inflation data boosted expectations for additional Fed rate cuts this year, helping to blunt the impact of more solid jobs data earlier in the week.

### One liner

Commodities can help diversify portfolios and offer exposure to structural trends.

### 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 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 in our view.

### 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.

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