UBS

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Chief Investment Office GWM
Investment Research

Favor commodities

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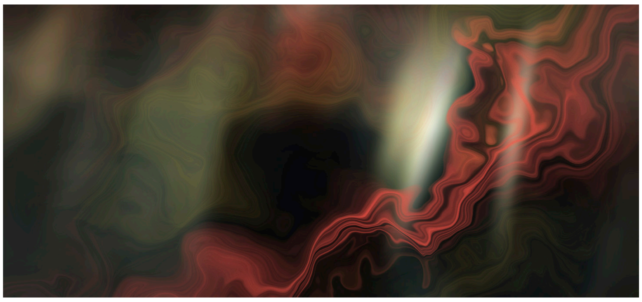
- **Why?** 1) Commodities have historically shown low correlation with equities and bonds, providing portfolio resilience during periods of market volatility. 2) Gold remains an effective portfolio diversifier amid rising government debt and continued geopolitical uncertainties. 3) The global shift toward clean energy is also making industrial metals a key long-term investment theme.
- **Why now?** 1) Supply-demand imbalances and continued geopolitical risks should drive the performance of commodities this year. 2) Copper and aluminum are likely to remain undersupplied, supporting further price gains in 2026. 3) Tightness in cocoa, coffee, and weather risks in grains create attractive entry opportunities for agricultural commodities.



Commodities are set to play a bigger role in portfolios in 2026, and broadening exposure beyond gold can help diversify future returns. Source: Woliul Hasan_Unsplash

Video: [Favor commodities: Further upside for gold, silver & oil]

Precious metals

Precious metals have extended their strong rallies as political, geopolitical, and economic uncertainties continue to drive "safe-haven" demand. We believe there is scope for prices to move higher, with lower real yields and fears over rising global debt levels underpinning continued gold demand from central banks and investors. For those with an affinity for gold, we believe a mid-single-digit allocation remains appropriate in a balanced USD portfolio. We keep our gold target at USD 5,000/oz, with upside risks to USD 5,400/oz if (geo)political or economic risks escalate.

Energy

Oil prices have had a volatile start to the year amid domestic protests in Iran and US President Donald Trump's threat of intervention. While investors have been hesitant to price in sustained risk premiums amid a somewhat oversupplied market, we expect a combination of stalling supply growth in non-OPEC+, and a modest demand recovery to push prices meaningfully higher from mid-2026.

Industrial metals

Ongoing supply constraints and structural demand drivers should support industrial metals this year, especially copper and aluminum, which are both projected to encounter further supply shortages. The global transition to clean energy and electrification continues to drive demand for these metals, making them a key structural investment.

Agriculture and livestock

After a year of poor performance, we believe agricultural commodities offer a compelling entry point. Greater recognition of ongoing tightness in select soft commodities, persistent weather-related uncertainty, and a step back in US-China tensions should all support prices. Investors should consider agriculture for its improving fundamentals and low correlation to economic cycles. For livestock, recent industry data on cattle indicates ongoing supportive fundamentals, with US beef cow numbers at four-decade lows and tightening domestic beef inventories.

Global asset class preferences definitions
The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid, commonly known stock indexes, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.
Most attractive – We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Attractive – We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral – We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive – We consider this asset class to be unattractive. Consider alternative opportunities.
Least attractive – We consider this asset class to be among the least attractive. Seek more favorable alternative opportunities.

Appendix

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