

# Can commodities continue to rally in 2026?

## UBS House View Briefcase

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### Key message

We believe that the recent strong performance by industrial and precious metals has scope to continue, and think commodities are set to play a more prominent role in portfolios in 2026, with returns driven by supply-demand imbalances, geopolitical risks, and long-term trends.

## 01 Commodities have rallied strongly this year.

- Precious metals have extended their strong rallies as political, geopolitical, and economic uncertainties continue to drive “safe-haven” demand.
- Copper is trading near its record highs, while oil has had a volatile start to the year amid tensions in the Middle East.
- The UBS Bloomberg CMCI commodities index has risen 4.8% year-to-date.

## 02 Tight supply and rising demand should further support many commodities this year.

- Both copper and aluminum are projected to encounter further supply shortages that may push prices higher. The global transition to clean energy and electrification continues to drive demand for these metals, making them a key structural investment.
- For crude oil, we expect a more sustainable price recovery in the second half of the year. The current surplus should diminish with solid demand growth and moderating non-OPEC+ supply amid limited OPEC+ spare capacity.
- Gold is supported by central bank buying, large fiscal deficits, lower US real interest rates, and ongoing geopolitical risks.

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

- Commodities can face periodic 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, 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 hit fresh record highs last week amid ongoing political and geopolitical uncertainty. Year-to-date, bullion has risen 15.5%, following a near 65% gain in 2025.

### One liner

Commodities could rally in 2026 and may also help diversify portfolios.

### Did you know?

- Returns are generally strongest when supply-demand imbalances or macroeconomic 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.
- When the outlook is favorable, we typically suggest an up-to-5% portfolio allocation to a diversified commodity index.
- 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.

### Investment view

Commodities are poised for attractive returns in 2026, in our view, offering portfolio diversification amid supply-demand imbalances, geopolitical risks, and the global energy transition. We like broad commodity exposure, gold, and select commodity-linked equities.

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