

Can commodities rally in 2026?

UBS House View Briefcase

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Key message

Commodities are set to play a more prominent role in portfolios in 2026. Our forecasts point to attractive returns, supported by supply-demand imbalances, heightened geopolitical risks, and long-term trends like the global energy transition. Within the asset class, we see particular opportunities in copper, aluminum, and agriculture, while gold remains a valuable diversifier.

01 Tight supply and rising demand should support many commodities next 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.
- We expect stalling supply growth in non-OPEC+ countries and a modest demand recovery to oil prices higher from mid-2026.
- Gold should post further gains, in our view, supported by central bank buying, large fiscal deficits, and ongoing geopolitical risks.

02 Commodities can diversify portfolios.

- Commodities can play a valuable role in portfolios, but they can face periodic volatility.
- 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.
- When the outlook is favorable, we typically suggest an up to 5% portfolio allocation to a diversified commodity index.

03 We see numerous ways to invest in raw materials.

- Investors can access commodities through diversified indices, ETFs, or structured investments.
- However, they should be aware of unique risks such as price swings and costs associated with futures or physical holdings.
- 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.

New this week

The Baltic Exchange's dry bulk index, a measure of the rates paid for vessels moving dry bulk commodities, hit a nearly two-year high at 2,275 points on 21 November, according to Reuters. Standing 7% higher for the week, the move was driven chiefly by rates for larger vessel rates.

One liner

Commodities could rally in 2026 and may also help diversify portfolios

Did you know?

- Major economies' shift toward renewable energy, along with emerging demand from data centers, is expected to drive strong, long-term copper demand. We therefore now expect global copper consumption to grow by 2.8% in both 2025 (up from 2.2%) and 2026.
- We project central bank and sovereign wealth gold buying of 900 metric tons in 2026, which is a modest slowdown from 2025 but well above the annual run rate of around 450-500 metric tons from 2010-2021.

Investment view

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

Non-Traditional Assets

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