

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.
- For crude oil, we expect prices to start recovering 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 should post further gains, in our view, supported by central bank buying, large fiscal deficits, lower US real interest rates, 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 commodities.

- 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.
- 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

Brent crude oil rose from its lowest level in nearly five years last week amid renewed geopolitical uncertainties. US President Donald Trump ordered a “blockade” of all sanctioned oil tankers entering and leaving Venezuela, escalating pressure on Venezuelan President Nicolas Maduro. About 40% of the dark fleet loading crude oil from Venezuela is under US sanctions.

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 2010-21.

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 commodities exposure, gold, and select commodity-linked equities.

Non-Traditional Assets

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