UBS

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Chief Investment Office GWM
Investment Research

Can commodities continue to rally in 2026?

UBS House View Briefcase

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Key message

Commodities should 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 portfolio diversifier.

01 Tight supply and rising demand should 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 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 help 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 macroeconomic 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 many 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

Gold hit fresh record highs last week amid ongoing political and geopolitical uncertainty, closing the week just under USD 4,600/oz. Year-to-date, bullion has risen 6.5%, following a near 65% gain in 2025.

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 2.8% global copper consumption growth (up from 2.2%) in both 2025 and 2026.
- We now expect gold prices to rally to USD 5,000/oz by March, stay there till September, and ease toward USD 4,800/oz by the end of 2026.

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

Non-traditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- Hedge Fund Risk: There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, “junk bonds,” derivatives, distressed securities, non-U.S. securities and illiquid investments.
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- Real Estate: There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- Private Equity: There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- Foreign Exchange/Currency Risk: Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer’s “home” currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

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