

# Favor commodities

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Author: Sagar Khandelwal, Strategist, UBS Switzerland AG

- **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) Gold should continue to benefit from central bank buying and elevated investor demand as Fed rates fall further. 3) We expect a widening market deficit in copper to push prices higher by year-end.



Look at gold and broader active commodity exposure for diversifying returns as resource competition intensifies.  
 Source: Woliul Hasan\_Unsplash

### Broad commodities

Commodity price leadership has shifted from precious metals to energy, underlining the value of an active and diversified commodity allocation. We see further upside for commodities overall in 2026, with returns driven by a combination of supply-demand imbalances, geopolitical risks, and long-term trends. For investors with substantial allocations and significant unrealized profits in gold, broadening commodity exposure can help diversify sources of future return. We continue to prefer an active approach to commodity exposure.

### Precious metals

Gold has regained its poise after its steepest decline in 13 years on 30 January. The rebound has reflected political, geopolitical, and economic uncertainties, which continue to drive safe-haven demand. We see 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. Our base case is for gold to rise to USD 6,200/oz over the coming months, before ending the year around USD 5,900/oz.

Silver, meanwhile, should benefit from higher gold prices and tighter near-term fundamentals.

### Energy

Brent crude has had its best start to a year since 2022. Oil prices have been supported by three main factors. First, cold weather in the US in January led to production shut-ins, lowered crude production, and lifted energy demand. Second, disruptions in Russia and Kazakhstan were also supportive of prices, with drone attacks impacting Russian production and lowering the exports from the Caspian Petroleum Consortium export terminal. Lastly, tensions in the Middle East and concerns of supply disruptions have seen market participants adding a modest risk premium to prices, although crude exports from the region have not yet been disrupted and Iranian crude exports remain high.

We anticipate a modest price setback over the coming weeks, absent an escalation of tensions in the Middle East that leads to supply disruptions. A gradual fading of the risk premium and easing supply disruptions resulting in a better-supplied market should bring Brent back into the USD 60-70/bbl range, in our view. We set our new end-March 2027 Brent forecast at USD 67/bbl and now see a wider WTI

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to Brent discount of USD 4/bbl (from USD 3/bbl before).

### **Industrial metals**

We believe supply disruptions and structural demand should continue to offset weaker manufacturing data in China and shield metal prices from larger pullbacks. We believe sector-specific factors will support well-bid prices in the coming quarters.

The copper price has pulled back from the record high set in late January. Nevertheless, our latest balance forecasts point to a widening market deficit of 520,000 metric tons in 2026, compared with a deficit of 203,000 metric tons in 2025. Against this backdrop, we expect the copper price to rise to USD 14,500/mt by year-end and maintain our Attractive view.

### **Livestock**

Recent industry data on cattle continues to show supportive fundamentals, with US beef cow numbers hitting a 75-year low. Elsewhere, tariff uncertainties raise risks of further tightening in US beef inventories. We see opportunities, including in lean hogs, to reengage in the sector as we approach mid-2026.

### 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 and commonly known indices, 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.

**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

**Note: For equities, we have a five-tier rating system with two additional preferences**

**Most Attractive:** We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.

**Least Attractive:** We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.

When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

## Appendix

### Risk information

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