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Build resilience through gold and commodities

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- **Why?** 1) Gold and commodities can strengthen portfolio resilience by hedging fiscal, geopolitical, inflation, and supply risks. 2) Exposure across energy, industrial metals, agriculture, and precious metals provides access to distinct return drivers. 3) Broader commodity exposure and copper should benefit from structural demand, including investment in power networks, data centers, and electrification.
- **Why now?** 1) Central bank demand and concerns about rising public debt should continue to support gold. 2) High real yields and a firm US dollar could create opportunities to add gold exposure on pullbacks below USD 4,000/oz, before lower real yields support renewed momentum. 3) Structural demand for copper is rising while supply is responding slowly, creating the potential for the market to tighten.



Gold and commodities can add returns and stability to portfolios in 2027, with geopolitical risks and structural demand providing support. Source: Pexels_Jean Paul Wright

Maintain long-term gold exposure

We see gold as an important source of portfolio resilience, providing potential protection against fiscal, monetary, and geopolitical uncertainty. Structural demand remains supportive: central banks continue to diversify reserves, Chinese buying is robust, ETF holdings have remained resilient, and concerns about rising public debt and debt-servicing costs persist. Gold's reduced sensitivity to the recent rise in real yields suggests these forces are providing a stronger offset than in previous cycles.

Near-term headwinds nevertheless warrant some tactical nuance. High US real yields and a firm dollar increase the opportunity cost of holding a non-yielding asset and could allow gold to trade below USD 4,000/oz in the short run. However, we expect structural buyers to provide support around that level. As markets scale back expectations for further Fed tightening, real yields should ease and gold should regain momentum in 2027.

We recommend maintaining a long-term allocation rather than treating gold as a short-term directional trade. Investors should rebalance after large price moves and consider using pullbacks below USD 4,000/oz to add exposure.

Use actively managed broad commodities

Commodities are more than just oil and gold. A diversified allocation across a broad range of energy, industrial metals, agriculture, and precious metals can provide a differentiated return stream.

The structural case is also constructive. AI infrastructure, electrification, power grid investment, and the energy transition are supporting demand for industrial metals. Energy can provide protection against disruptions to production and shipping. Agriculture adds exposure to weather and crop cycles that differ from conventional financial-market risks.

We prefer an actively managed approach because commodity leadership can shift rapidly across sectors as inventories, geopolitics, weather, demand, supply discipline, and forward curves evolve. Static indices may concentrate exposure according to production weights rather than expected returns. Active strategies can respond to changing opportunities, manage volatility, and account for collateral income and the effects of contango or backwardation.

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Favor copper

Copper is our preferred industrial metal. Power networks, electrification, data centers, and AI infrastructure require substantial copper.

Supply is only responding slowly. New mines require long development periods, ore grades are declining in several established regions, and large projects face political, environmental, and execution risks. Stronger demand can therefore tighten the market before additional production becomes available.

Global grid investment is projected to reach USD 500bn in 2026, with annual investment across the sector potentially approaching USD 3tr by 2030. We expect copper to reach USD 15,500 per tonne by end-2027.

We think the metal will remain sensitive to Chinese activity, global manufacturing, inventories, trade policy, substitution, and changes in mine supply. These factors can generate substantial corrections even within a favorable long-term trend. We therefore recommend building exposure during periods of weakness and holding it alongside broader commodities.

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.
Absolute view
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. 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."
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.
Relative preferences
For the multi asset view, we also include relative preferences to help investors compare between items.
Preferred: We view this item more favorably than others within its asset class.*
In line: We see this item similarly to others within its asset class.*
Least preferred: We view this item less favorably than others within its asset class.*
*In the case of cross-asset, compared to other asset classes.
Note: 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.

Appendix

Risk information
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