

# What is next for commodities?

## UBS House View Briefcase

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### Key message

Commodity prices have cooled, but the rationale for owning them remains intact. We believe broad commodity exposure can continue to enhance portfolio diversification, improve inflation sensitivity, and provide access to structural demand trends. We continue to favor a broad, actively managed allocation rather than relying on a single geopolitical or macro theme.

#### 01 **Prices have eased, though commodities remain very much on investors' radar.**

- The price of Brent crude oil has fallen sharply from its mid-May high, as the market has looked through the worst-case Iran war disruption scenario and priced a reopening of supply routes.
- Gold remains well below its January peak, as firmer real yields, a stronger USD, and less dovish Fed expectations have raised the opportunity cost of holding a non-yielding asset.
- Still, broad commodities are still up more than 15% YTD, based on the UBS CMCI Composite total return index (USD).

#### 02 **But the pullback does not remove the underlying support for commodities.**

- Oil markets absorbed the disruption better than feared, but that adjustment relied heavily on reserve releases and weaker Chinese buying, leaving inventories thinner and the market more exposed to renewed supply shocks.
- Gulf exports and tanker flows are recovering, but remain well below pre-war levels, with normalization likely to take some time.
- Gold is supported by central bank demand and reserve diversification, while AI infrastructure, electrification, and weather risks support industrial metals and selected agricultural commodities.

#### 03 **So we continue to favor commodities, with a focus on active management.**

- Commodities have historically shown low correlations with equities and bonds, making them a useful portfolio diversifier, especially when stock-bond correlations are elevated.
- A diversified, regularly rebalanced exposure is the simplest way to capture most of the asset class's benefits, while selective tilts can add value when conviction is high.
- However, investors must be aware of unique risks such as price swings and costs associated with futures or physical holdings.

### New this week

Tanker traffic through the Strait of Hormuz continues to rise, with reports of Japanese tankers exiting in recent days. Still, export flows remain below pre-war levels.

### One liner

Commodities can help diversify portfolios and offer exposure to structural trends.

### Did you know?

- Investors can access commodities through diversified indices, exchange-traded funds (ETFs), exchange-traded commodities (ETCs), or structured investments.
- Returns can be strong when supply-demand imbalances or macro risks, such as inflation or geopolitical events are elevated.
- From January 1999 through May 2026, commodities showed a correlation of 0.44 with global equities and -0.04 with US bonds, supporting their role as a differentiated return source.
- For investors with substantial allocations and significant unrealized profits in gold, broadening commodity exposure to include copper, aluminum, and agricultural assets can help diversify sources of future return, in our view.

### Investment view

Commodities will continue to play a prominent role in portfolios, in our view, offering diversification amid supply-demand imbalances, geopolitical risks, and the global energy transition. We like broad commodity exposure, with an active approach amid still elevated volatility.

## Non-Traditional Assets

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