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Paul Gooden
Portfolio Manager



George Cheveley
Portfolio Manager



Dawid Heyl
Portfolio Manager

Gold and copper remain supported; oil and grains could recover

Big picture: how are commodity markets positioned today?

Commodities enter 2026 on a solid footing. Gold remains well supported by a softer US dollar, geopolitical risks and central bank demand. For precious-metals equities, gold miners' cost discipline and improving margins also point to a positive outlook.

Copper is one to watch among base metals. Tight supply and firm demand from power and data-related infrastructure drove its price to new highs in 2025, and these trends remain intact. Aluminium could benefit from higher copper prices as market participants look for substitutes for copper. The iron ore and coal markets look steadier at the moment.

In energy, oil prices have been under pressure and may stay weak early in the year as incremental OPEC barrels are absorbed. However, we expect oil prices to find a bottom and recover as the market focuses on tighter medium-term supply/demand balances. The US intervention in Venezuela adds further uncertainty, but the long-term implications for the oil price are negative (see later in this outlook). Meanwhile, natural gas demand continues to grow. Finally, in agriculture, grain markets should tighten after 2025's surplus, as lower planting and steady biofuel and feed demand improve the market balance.

Precious metals: can gold's rally continue?

After two years of extremely strong performance in gold, investors are understandably asking whether the rally can continue. What we can say is that the key drivers of the gold price remain supportive: a softer US dollar, persistent geopolitical tensions, expectations of US Federal Reserve interest-rate cuts, growing concern over fiscal deficits, and continued central bank buying. Taken together, these factors suggest gold prices are likely to hold around current levels or edge higher rather than fall significantly.

As a result, gold miners should continue to benefit from strong margins, which at current gold prices are four to five times higher than in 2024. Silver also appears well supported at the higher trading range it entered last year, reinforcing a constructive outlook across the precious metals complex. Platinum, the top 2025 performer within precious metals, looks set for another strong year as the market remains in deficit, with supply shortfalls estimated to be c.10% of demand. This imbalance will likely require higher prices to encourage investors to release stockpiled material.

Base metals and bulks: which markets look most promising?

Base metals, particularly copper and aluminium, delivered strong gains in 2025, while iron ore and coal were broadly flat. Overall, we remain broadly positive on base metals and bulks, and valuations are undemanding in parts of this sector.

Copper stands out as the tightest of the major markets. Supply disruptions have been widespread, while demand should remain firm, supported by global power-infrastructure investment and a surge in data-centre construction. We expect to maintain an overweight position in copper-linked equities early this year, given historically low inventories and a forecast market deficit that could create a supply squeeze.

The aluminium market should start the year solidly supported, though capacity additions planned in Indonesia from 2027 are likely to weigh on the medium-term picture. We expect iron ore and coal to trade sideways through 2026 as the Simandou iron-ore project in Guinea ramps up and China's centralised iron-ore buyer, China Mineral Resources Group (CMRG), continues to take a more active role in the market. But we believe consensus expectations for long-term iron-ore prices are too conservative.

Energy: when might oil find a bottom – and what’s driving natural gas demand?

Oil markets look oversupplied in the first half of 2026, and we enter the year with an underweight position in the sector and a defensive tilt within our energy holdings. Overall, we expect oil to find a bottom during the first half of 2026 and to recover later in the year as it becomes clear that both OPEC and US shale are operating near capacity. That could present an attractive entry point into oil-leveraged equities. However, as we noted earlier, recent geopolitical events in Venezuela add further uncertainty. The near-term implications are ambiguous, but the long-term implications for the oil price are negative as Venezuela has significant untapped reserves, although it would take several years to develop them. That said, the implications for energy equities are nuanced, with for example select oil services companies and US refiners potential beneficiaries.

In contrast, the US natural gas market is buoyant. Demand continues to grow, supported by the expansion of liquefied natural gas (LNG) export capacity along the Gulf Coast and the increasing energy needs of data centres. Our exposure remains focused on companies positioned to benefit from this structural growth in demand.

Agriculture: can grains recover?

Global grain markets were oversupplied in 2025 following record harvests in the US and other major producing regions. While inventories have risen in these markets, stock levels elsewhere remain moderate, leaving us more optimistic about 2026. Current low prices are expected to discourage planting, particularly on less productive land. In the US, early indications suggest a shift towards alternative crops and higher levels of fallowing, which should lead to tighter balances in corn and soybeans by the second half of 2026.

From a demand perspective, the US ethanol mandate (a government requirement to blend ethanol, which is primarily produced from corn, into the fuel supply) may offer additional upside if clarity emerges on biofuel standards. The current target for total biofuel production, with ethanol as the largest component, represents a c.8% increase from 2025 to 2026. Also, strong livestock prices are likely to encourage herd rebuilding, supporting demand for feed grains. Together, these factors suggest a more favourable environment for select agricultural equities in 2026.

How are your portfolios positioned now?

At the time of writing, we are underweight energy and agriculture, overweight precious metals, and approximately at-weight in base metals and bulks. But as we have discussed, multiple dynamics are playing out in commodity markets at present, so it will be important for investors to remain ready to adjust allocations as conditions evolve during the year. And, as ever, an active and highly selective investment approach is key, because within each natural-resources sector we continue to see significant variation in asset quality, management expertise, operational resilience, business strategy and balance-sheet strength, as well as in political exposure and other external risk factors.

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Australia

Level 28 Suite 3, Chifley Tower
2 Chifley Square
Sydney, NSW 2000
Telephone: +61 2 9160 8400
australia@ninetyone.com

Botswana

Plot 64289, First floor
Tlokweng Road, Fairgrounds
Gaborone
PO Box 49
Botswana
Telephone: +267 318 0112
botswanaclientservice@ninetyone.com

Channel Islands

PO Box 250, St Peter Port
Guernsey, GY1 3QH
Telephone: +44 (0)1481 710 404
enquiries@ninetyone.com

Germany

Bockenheimer Landstraße 23
60325 Frankfurt am Main
Telephone: +49 (0)69 7158 5900
deutschland@ninetyone.com

Hong Kong

Suites 1201-1206, 12/F
One Pacific Place
88 Queensway, Admiralty
Telephone: +852 2861 6888
hongkong@ninetyone.com

Luxembourg

2-4, Avenue Marie-Thérèse
L-2132 Luxembourg
Telephone: +352 28 12 77 20
enquiries@ninetyone.com

Namibia

Am Weinberg Estate
Winterhoek Building
1st Floor, West Office
13 Jan Jonker Avenue
Windhoek
Telephone: +264 (61) 389 500
namibia@ninetyone.com

Netherlands

Johan de Wittlaan 7
2517 JR Den Haag
Netherlands
Telephone: +31 70 701 3652
enquiries@ninetyone.com

Singapore

138 Market Street
CapitaGreen #27-02
Singapore 048946
Telephone: +65 6653 5550
singapore@ninetyone.com

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www.ninetyone.com

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South Africa

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)21 901 1000
enquiries@ninetyone.com

Sweden

Västra Trädgårdsgatan 15,
111 53 Stockholm
Telephone: +46 8 502 438 20
enquiries@ninetyone.com

Switzerland

Dufourstrasse 49
8008 Zurich
Telephone: +41 44 262 00 44
enquiries@ninetyone.com

United Kingdom

55 Gresham Street
London, EC2V 7EL
Telephone: +44 (0)20 3938 1900
enquiries@ninetyone.com

United States

Park Avenue Tower, 65 East 55th Street
New York, 10022
US Toll Free: +1 800 434 5623
usa@ninetyone.com