Commodity Outlook: Resilience amid realignment in the Year of the Snake

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Key Takeaways

- Gold's resilience: Consolidating near record highs, gold remains supported by US deficits, dollar weakness, and geopolitical risks. We see potential for a breakout to $3,850/oz by mid-2026.
- Metals in focus: Tariffs have distorted prices and boosted US stockpiles, but long-term drivers, energy transition, AI infrastructure, and defence spending, underscore strong structural demand for copper and aluminium.
- Energy volatility: The Organisation of the Petroleum Exporting Countries and partner countries accelerated supply unwind has pressured oil, keeping Brent range-bound at $60–$70/bbl. Meanwhile, dollar depreciation offers a broad tailwind across the commodity complex.

When we published "Finding Antivenoms in the Year of the Snake" in March 2025, we identified trade and geopolitics as the decisive pressure points for commodity markets. That view has been vindicated. Conflicts in Eastern Europe and the Middle East remain unresolved, while April's "Liberation Day" tariffs unleashed one of the most significant shocks to global trade in over a century. Yet despite this turbulence, commodities have not wilted. Quite the opposite: they have shown remarkable resilience.

So far in 2025, precious and industrial metals have led the charge, while energy markets, though volatile, have avoided outright collapse. Beneath the surface lies a deeper story – a weakening US dollar, disrupted supply chains, and long-term structural demand shifts extending far beyond today's headlines.

Precious metals: Gold holds its shine

Gold has once again assumed its classic role as a safe-haven asset. After peaking at $3,500 per ounce in April, prices have consolidated in a tight range, supported by geopolitical risks, fiscal imbalances, and concerns about central bank independence.

We view this consolidation as a "loading the spring" phase – a period of stability that often precedes a major breakout. Our forecast calls for gold to reach $3,850 per ounce by Q2 2026.

The reasons are straightforward:

- **Trade uncertainty:** Investors continue to hedge against the disruptive tariff environment.

- **Debt trajectory:** US deficits are set to rise by over $3 trillion in the coming decade, raising questions about fiscal sustainability.
- **Institutional fragility:** Political pressure on the Federal Reserve recalls episodes from the late 1970s, when gold staged historic rallies.
- **Geopolitical risk:** Tensions remain elevated, from Iran's standoff with the International Atomic Energy Agency to the grinding Russia-Ukraine conflict.
- **Dollar weakness:** A softening greenback makes gold more attractive globally.

In short, gold is more than just a defensive trade, it is becoming the clearest expression of systemic unease.

Industrial metals: Tariffs and transformation

Metals are the backbone of three major themes shaping the global economy:

- **The energy transition:** Renewables, electrification, and grid expansion require massive amounts of copper and aluminium.
- **Defence rearmament:** Europe's rising military budgets will translate into higher demand for metals in infrastructure, weapons, and equipment (Figure 1).

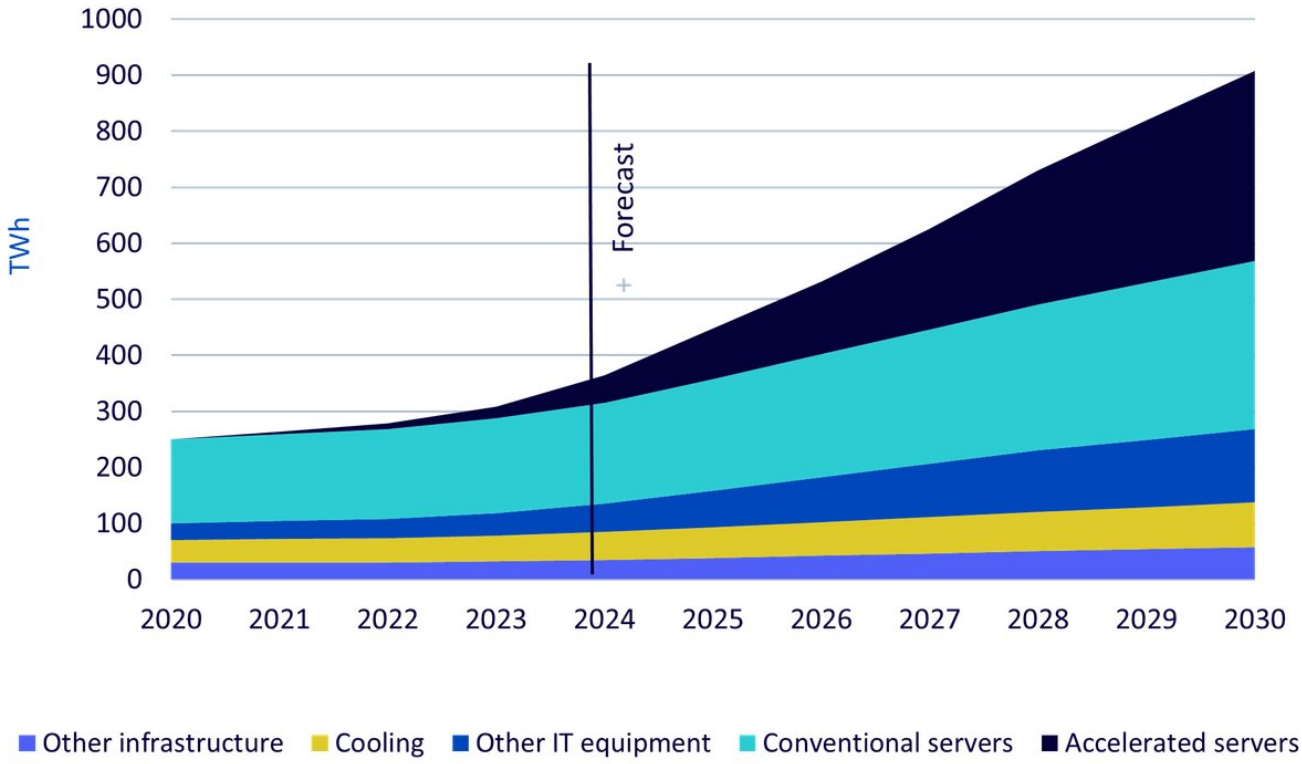
Figure 1: Global copper and aluminium demand from defence



Source: Bank of America, From mine to missile: the metals behind modern defence, 15 July 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

- **AI and digital infrastructure:** Data centres are power-hungry (Figure 2), indirectly driving demand for metals that enable sustainable electricity generation.

Figure 2: Global data centre electricity consumption by equipment



Source: WisdomTree, International Energy Agency, Energy demand from AI, 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

The near-term noise of tariffs should not distract from these longer-term supply constraints. Exploration spending has stalled, and aluminium smelting faces acute challenges due to its energy intensity and rising competition for grid resources. The result: a persistent supply-side squeeze that will underpin prices over the medium term.

Energy: OPEC+ unwinds, markets react

If metals have been resilient, energy has been volatile. Brent crude surged nearly 20% in June before dropping by 11% in two weeks. This turbulence is not an anomaly; it has become the defining feature of oil markets in 2025.

The key driver has been the Organisation of the Petroleum Exporting Countries and partner countries (OPEC+), which has accelerated the unwinding of its voluntary production cuts. By September 2025, a full year ahead of schedule, the group is expected to remove 2.2 million barrels per day of supply. Motivations

vary, from Saudi Arabia's frustration with quota cheating, to geopolitical bargaining with Washington, to efforts to claw back market share from US shale and Brazilian production.

Even so, the outlook remains capped. With China's demand stagnating and electrification advancing, Brent crude will likely remain range-bound at $60–$70 per barrel. Short-term spikes will occur, but they are unlikely to be sustained.

The dollar's slide: A quiet tailwind

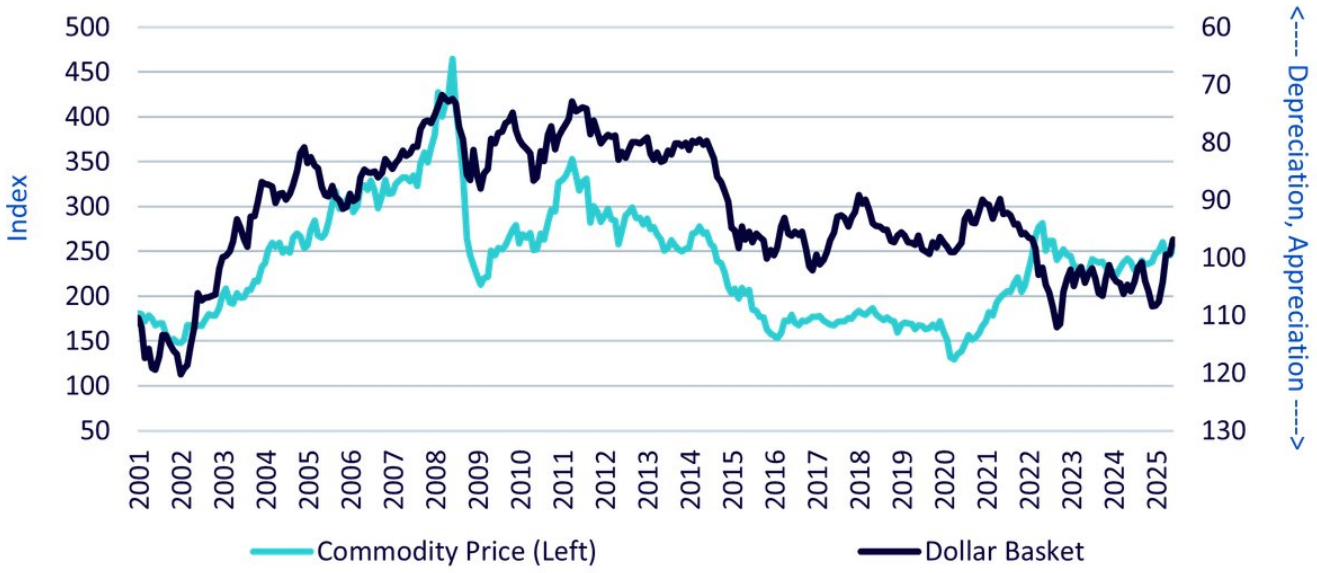
Perhaps the US dollar's reversal is the most underappreciated driver of commodity strength. After rising to 110 in January, its strongest since 2022, the dollar index has fallen to 97 by mid-year, a decline of 12%. This represents the steepest depreciation since the onset of the pandemic.

A weaker dollar boosts commodities in multiple ways:

- Prices become cheaper in local currencies, lifting global demand.
- Emerging markets, in particular, benefit from improved affordability.
- Real assets like commodities attract flows as an inflation hedge.
- Lower dollar revenues discourage supply growth, tightening balances.

Market consensus points to further declines into 2026. While not an official policy, Washington's tolerance for a soft dollar reinforces the supportive backdrop for commodities.

Figure 3: Commodities and the US dollar



Source: WisdomTree, Bloomberg, January 2001- June 2025. Bloomberg Commodity Index Total Return and Dollar Basket (DXY).
Historical performance is not an indication of future performance, and any investments may go down in value.

Trade wars and supply chains: The serpent strikes

Tariffs remain the single largest source of disruption to global commodity flows. The April "Liberation Day" announcement marked the most aggressive escalation in US tariffs in over a century. Aluminium, steel, and semi-finished copper products were hit with 50% duties, while agriculture also faced new barriers, including a 30% tariff on Brazilian exports.

For now, energy flows have been spared, reflecting the administration's desire to shield consumers from higher fuel costs. However, the ripple effects are felt in refined products such as diesel, where Canada-to-US flows are under scrutiny.

These policy shocks fragment supply chains, forcing producers and consumers to rewire sourcing strategies. The uncertainty has added a risk premium to metals like platinum, palladium, and silver, which markets fear could face tariffs in the future.

The bigger picture: Scarcity, security, strategy

Looking across sectors, three themes dominate:

- **Scarcity:** Years of underinvestment in exploration and infrastructure mean supply struggles to keep up with structural demand.
- **Security:** Geopolitics, defence spending, and tariff wars reshape supply chains, forcing investors to factor resilience into allocations.
- **Strategy:** The dual-track energy system, the rise of AI, and fiscal stress in the US are all elevating commodities from a cyclical trade to a strategic allocation.

Conclusion: Coiled potential

As we head deeper into the Year of the Snake, commodities are not just reacting to shocks; they are expressing the underlying fragilities of the global system. Gold is consolidating before another potential breakout. Industrial metals face near-term headwinds but are structurally indispensable. Oil is volatile but capped. The weakening dollar provides a broad tailwind to the entire complex.

For investors, the lesson is clear: volatility is the new normal, but so is opportunity. In a world defined by fragmentation and uncertainty, commodities remain not just a hedge but a reflection of the age itself.

For WisdomTree's full Market Outlook, please click here.

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