

# Commodity Outlook: Finding antivenoms in the Year of the Snake

Published 4 March 2025

**Nitesh Shah**

Head of Commodities and Macroeconomic Research, WisdomTree Europe

## Key Takeaways

- In the Year of the Snake, we are searching for antivenoms to counter the potential threats posed by trade wars, a strong US dollar, and a China that may be unable or unwilling to overcome its economic weakness.
- We see strong opportunities in gold, silver, aluminium, copper, zinc and European natural gas, as each of these has compelling drivers that could withstand broader headwinds in the commodity complex.
- As policies become clearer, we may find that our fears were overstated, potentially paving the way for a relief rally across the broader commodity complex. Until then, we place our confidence in these antivenoms.
- Related Products WisdomTree Core Physical Gold, WisdomTree Core Physical Silver, WisdomTree Aluminium, WisdomTree Copper, WisdomTree Zinc, WisdomTree European Natural Gas Find out more

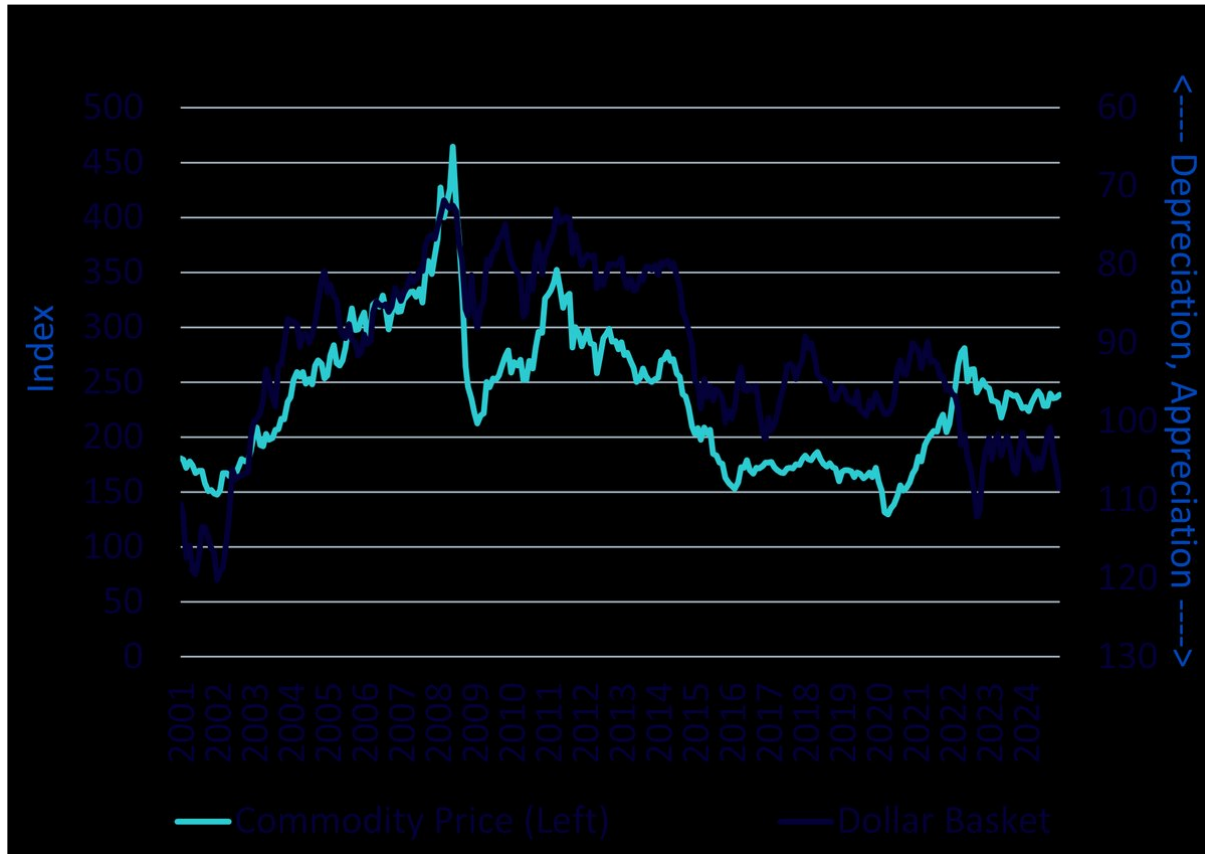
We are about a month into the Chinese Year of the Snake. The preceding Year of the Dragon (10 February 2024 to 28 January 2025) brought significant momentum to the asset class with broad commodities rising 10%, precious metals rising 36%, industrial metals rising 12%, and even energy and agriculture mustering a late gain (close to 2% each)<sup>1</sup>. However, the Year of the Snake presents several macro challenges for commodities. Renewed trade protectionism from the US, under the new Trump Administration, is likely to dampen global trade. Additionally, higher bond yields and a strong US dollar create further headwinds for the commodities market. China's reticence to stimulate big is also holding back the asset class.

Despite these headwinds, we have identified several micro factors that could provide support for certain commodities—what we refer to as our 'antivenoms'. We remain optimistic about precious metals, aluminium, and European natural gas. Additionally, some of the macroeconomic challenges may ultimately prove less severe than initially anticipated, creating potential upside opportunities for commodities that currently reflect bearish sentiment.

## Strong US dollar

The recent strength of the US dollar has historically correlated with weaker commodity prices. While this pattern has been inconsistent post-COVID-19, the dollar's resurgence could once again pressure commodities. Historical data suggests a strong dollar often aligns with declining commodity values.

## Figure 1: Commodities and US dollar

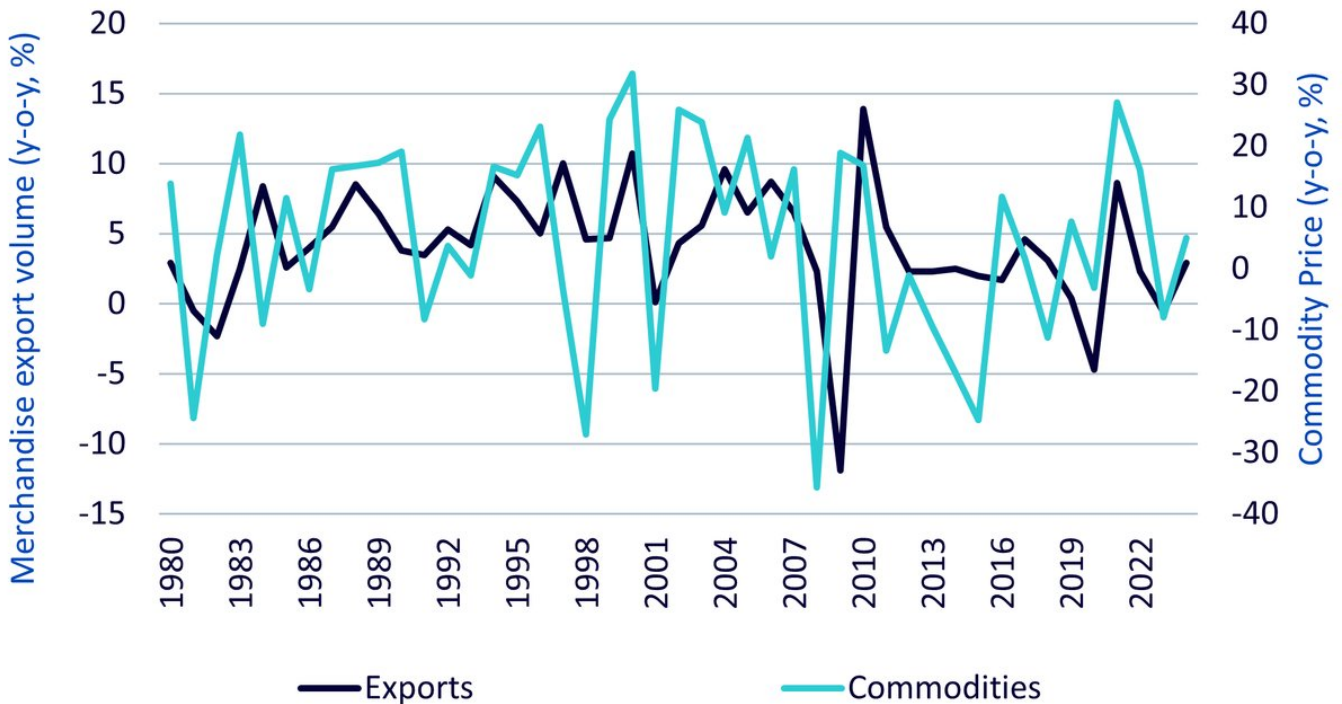


Source: WisdomTree, Bloomberg. 2001 to 2024. Commodity is Bloomberg Commodity Index Total Return. **Historical performance is not an indication of future performance and any investments may go down in value.**

## Trump's trade policies and market impact

Donald Trump's return to the presidency introduces uncertainty into trade and commodity markets. Trump's first presidency saw a trade war with China and other nations, negatively impacting global trade and commodity prices. While extreme tariff measures have often been bargaining tactics, the risk of real implementation remains. In his second term, some tariffs were announced and then delayed; at the time of writing, we still have no real guide as to whether they will be implemented or when. This uncertainty is already dampening market sentiment and increasing long-term interest rates, further constraining commodities.

## Figure 2: Export volume and commodity price performance



Source: WisdomTree, Bloomberg. Commodity is Bloomberg Commodity Index Total Return. **Historical performance is not an indication of future performance and any investments may go down in value.**

## Economic and inflationary concerns

Tariffs could raise inflation in the US while simultaneously depressing global commodity prices due to reduced demand. This dynamic may complicate the Federal Reserve's (Fed) efforts to control inflation, potentially leading to prolonged high interest rates.

## Climate policy reversals

Trump has vowed to withdraw from the Paris Climate Agreement and declared a "national energy emergency," reversing climate regulations and boosting fossil fuel production. His administration is expected to cancel a \$6 billion Department of Energy program aimed at industrial emissions reduction and repeal incentives for electric vehicles. These changes could suppress demand for critical materials used in clean technology, such as base metals.

At the same time, deregulation of oil, gas, and mining operations may increase the supply of key commodities like copper, aluminium, nickel, and cobalt. Major projects, such as Rio Tinto's copper mine in Arizona, could proceed after years of delays. While immediate production increases are unlikely in 2025, long-term supply growth is possible.

## Geopolitical risks and energy markets

A ceasefire between Israel and Hamas, brokered just before Trump's inauguration, has eased some geopolitical risk, though its stability remains uncertain. As we write, a peace deal between Russia and Ukraine is being brokered by the US. Short-term oil price spikes are possible if sanctions are initially tightened to get parties to the negotiating table but, ultimately, we could see easing oil and gas prices if a deal is hashed out.

The US has been pressuring Europe to purchase more American natural gas, but Russia's LNG shipments to the EU remain significant. A resolution of the Russia-Ukraine war could weaken US leverage in energy negotiations, making Europe less dependent on American gas.

Stricter enforcement of Iranian oil sanctions under Trump could drive oil prices higher. However, OPEC2 members may counteract this by increasing supply, potentially offsetting price gains.

## **China's economic strategy and commodity demand**

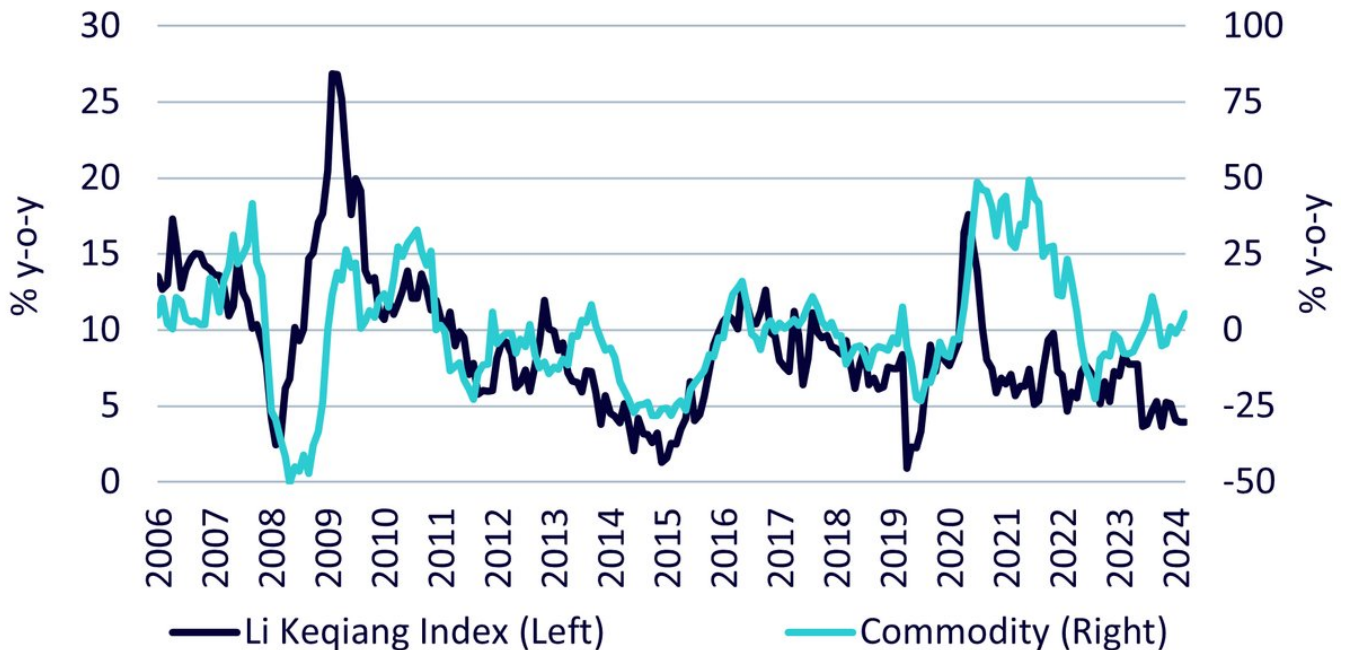
China remains the world's largest consumer of commodities, yet its recent economic weakness has limited demand growth. Unlike previous economic cycles where China launched large stimulus measures, its current approach focuses on smaller, targeted interventions. The government has stabilised the real estate sector but remains wary of excessive stimulus due to debt concerns.

China is investing heavily in clean technology and renewable energy infrastructure, supporting metal prices despite weak real estate demand. US tariffs on China could accelerate its push toward energy independence, promoting domestic adoption of solar, battery, and electric vehicle technologies.

Trade tensions could escalate into retaliatory actions, such as China restricting exports of critical materials, as seen with gallium, germanium, and graphite in response to semiconductor disputes. Further restrictions could impact global supply chains for energy transition materials.

China's depreciating Yuan complicates economic policy. The People's Bank of China has been intervening to stabilise the currency, limiting its ability to cut interest rates. While a policy shift to boost growth led to short-term market gains in 2024, further action remains constrained by currency pressures.

## **Figure 3: Li Keqiang Index and commodity prices**



Source: WisdomTree, Bloomberg. January 2005 – December 2024. Li Keqiang index: 40% outstanding bank loans, 40% electricity production, 20% rail freight volume. Commodity is Bloomberg Commodity Index Total Return. **Historical performance is not an indication of future performance and any investments may go down in value.**

## WisdomTree's antivenoms

Gold is scaling all-time highs as uncertainty is driving demand for the safe haven asset higher.

Threats of rising inflation and potential economic instability from tariffs are further positive.

Central bank demand remains extremely elevated and does not show signs of cooling.

Our forecast for gold indicates further upside at \$3,070/oz at the end of this year.

For more see: [Gold Outlook to Q4 2025](#)

Silver has a high correlation with gold (close to 80%).

Silver is due a catch up with gold's outperformance.

Industrial demand for silver is at record highs despite a lacklustre general manufacturing environment.

Photovoltaics demand for silver is rising with higher installation and higher volumes of silver per installation.

Silver is in a supply deficit.

Silver currently is not considered a critical raw material but has potential under the new US Administration as frameworks are reevaluated.

For more see: [Silver Outlook to Q4 2025](#)

Aluminium is heading for a multi-year production deficit.

China, the world's largest producer of aluminium, has a government-imposed production cap of 45 million tonnes per year and is close to it now.

China has cancelled rebates on exports, significantly dampening the incentive to export.

Rising copper prices have driven aluminium demand higher in transmission and distribution cabling.

Aluminium production outside China is also expected to remain limited in 2025.

After being in surplus in 2024, copper is heading for a production deficit in 2025.

Miners have reduced their production guidance, while industrial demand likely to grow.

Electrification and energy transition uses are a key driver of demand growth.

China's spending on grid infrastructure is at all-time highs. Grid infrastructure is copper (and aluminium) intensive.

We had a significant production deficit in zinc in 2024 and that is likely to continue into 2025 before easing in 2026.

Zinc production capacity has been constrained, and price signals have not been strong enough to drive speed in upgrades.

A colder winter has drawn down European natural gas storage to below average and significantly below 2023 and 2024 levels (the relevant benchmarks given higher storage dependency after the Ukraine war).

Mandated fill levels have ironically removed the incentive to put more gas in storage as summer 2025 prices are higher than winter 2026 (backwardation in futures curve).

That backwardation in futures is a performance enhancer for rolling futures strategies.

For more see: [European natural gas is the hottest energy commodity so far this year](#)

## Conclusion

In the Year of the Snake, we are searching for antivenoms to counter the potential threats posed by trade wars, a strong US dollar, and a China that may be unable or unwilling to overcome its economic weakness.

We see strong opportunities in gold, silver, aluminium, copper, zinc and European natural gas, as each of these has compelling drivers that could withstand broader headwinds in the commodity complex.

As policies become clearer, we may find that our fears were overstated, potentially paving the way for a relief rally across the broader commodity complex. Until then, we place our confidence in these antivenoms.

For WisdomTree's full Market Outlook, please click [here](#).

1 Source: Bloomberg, 10 February 2024 to 28 January 2025, using Bloomberg Total Return Indices.

2 Organization of the Petroleum Exporting Countries.

## Important Risks Related to this Article

### IMPORTANT INFORMATION

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or

distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

### **Jersey ETCs – Issuer Disclaimer**

The products discussed in this document are issued by WisdomTree Metal Securities Limited and WisdomTree Commodity Securities Limited (the "Issuer"). The Issuer is regulated by the Jersey Financial Services Commission. Investors should read the prospectus of the Issuer before investing and should refer to the section of the prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the securities offered by the Issuer.

### **WisdomTree Metal Securities Limited**

Securities issued by the Issuer are direct, limited recourse obligations of the Issuer alone and are not obligations of or guaranteed by any of HSBC Bank plc and JP Morgan Chase Bank, N.A. any of their affiliates or anyone else or any of their affiliates. Each of HSBC Bank plc and JP Morgan Chase Bank, N.A. disclaims all and any liability whether arising in tort, contract or otherwise which it might have in respect of this document or its contents otherwise arising in connection herewith.

### **WisdomTree Commodity Securities Limited**

Securities issued by the Issuer are direct, limited recourse obligations of the relevant Issuer alone and are not obligations of or guaranteed by Citigroup Global Markets Limited ("CGML"), Citigroup Global Markets Holdings Inc. ("CGMH"), Merrill Lynch International ("MLI"), Bank of America Corporation ("BAC") or any of their affiliates. Each of CGML, CGMH, MLI and BAC disclaim all and any liability whether arising in tort, contract or otherwise which they might have in respect of this document or its contents otherwise arising in connection herewith.

“Bloomberg®” and the Bloomberg Commodity Index(es)<sup>SM</sup> referenced herein are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the indices (collectively, “Bloomberg”) and have been licensed for use for certain purposes by WisdomTree UK Limited and its permitted affiliates including WisdomTree Commodity Securities Limited (together, WisdomTree). Bloomberg is not affiliated with WisdomTree, and Bloomberg does not approve, endorse, review, or recommend the exchange-traded product(s) referenced herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the index(es).

### **Issuer Disclaimer Wording – WisdomTree Multi Asset Issuer PLC**

WisdomTree Multi Asset Issuer PLC (the “Issuer”) issues products under a Prospectus (“WTMA Prospectus”) approved by the Central Bank of Ireland, drawn up in accordance with the Directive 2003/71/EC. The WTMA Prospectus has been passported to various European jurisdictions including the UK, Italy and Germany and is available on this document.

### **For investors in Switzerland**

This document constitutes an advertisement of the financial product(s) mentioned herein.

In Switzerland, this communication is only targeted at Qualified Investors.

The prospectus and the key investor information documents (KID) are available from WisdomTree’s website: **https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports**

### **For investors in Monaco**

This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.