Commodity Carry: the uncorrelated hedge with positive carry

Published 18 November 2025

Tobias Lazar
Associate Director, Quantitative Research

Key Takeaways

- The WisdomTree Enhanced Commodity Carry delivers uncorrelated returns through a systematic commodity carry strategy.
- Proven resilience during market stress, including the October 2025 correction.
- Benefits from curve dynamics - short front, long deferred futures.
- Acts as a hedge with positive carry, unlike traditional long volatility tools.

Every portfolio, like a successful team, relies on the right mix of characters. You have the defenders who make sure you stay in the game and the playmakers who help you control it. But in tight situations, the real difference comes from the player who sees the game differently — and thrives under pressure.

The WisdomTree Enhanced Commodity Carry (CRRY) isn't here to be like everyone else. It's here to zag when everything else zigs, delivering returns and diversification when traditional markets falter.

How the strategy works

Launched on 30 April 2025, CRRY now has six months of live performance.

In commodity markets, carry represents the gain or cost that arises as a futures contract converges towards the spot price over time. This premium reflects the compensation or expense associated with providing liquidity along the futures curve, influenced by storage costs, interest rates, and convenience yield. CRRY seeks to isolate and harvest this premium systematically.

In our first blog post on Commodity Carry, Harvesting Commodity Carry, we explained the index behind CRRY. It captures this premium by going short front-month futures, where carry costs tend to be highest, and long a basket of deferred contracts, where carry costs are typically lower, using the same commodity weights as the Bloomberg Commodity Index ex Precious Metals.

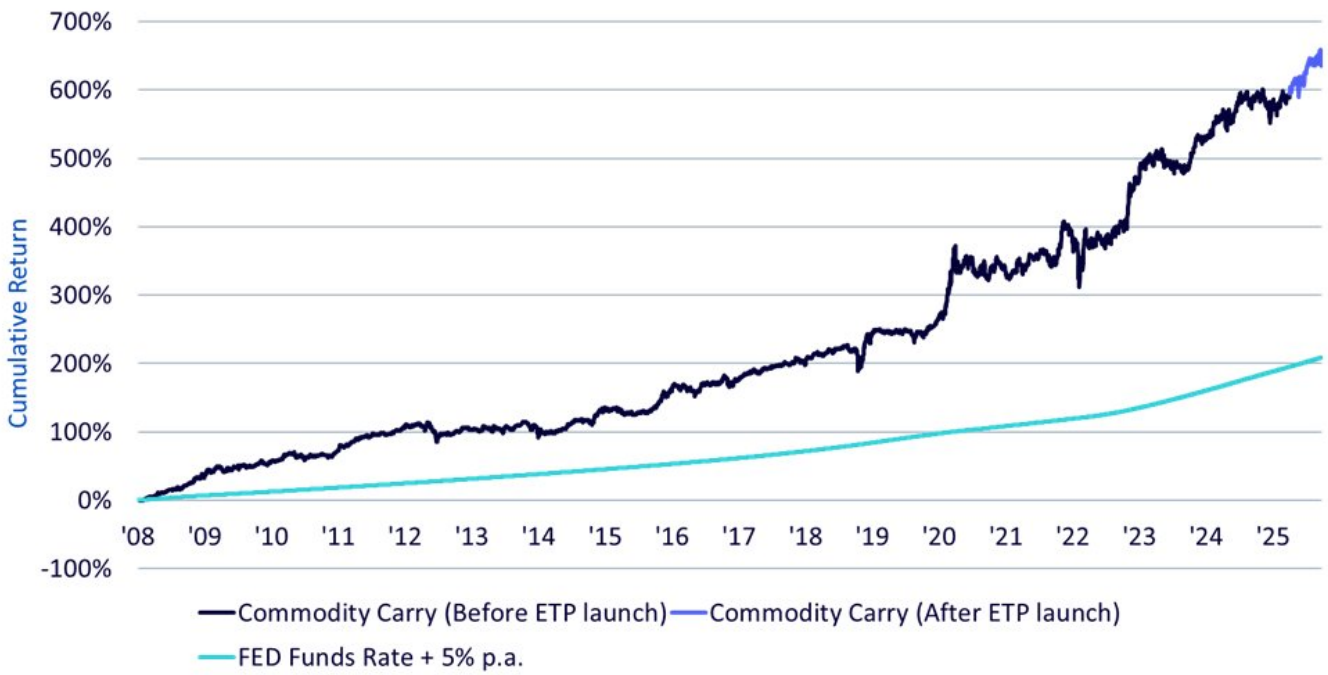
The short leg consists of the most liquid front-month contracts, which tend to exhibit the largest negative carry. The long leg is diversified across maturities to balance carry potential and liquidity:

- 60 per cent in contracts deferred by three months

- 30 per cent in contracts deferred by six months
- 10 per cent in contracts deferred by twelve months

This structure enables consistent exposure to the carry premium while keeping the strategy market neutral and broadly diversified across commodity sectors.

Figure 1: Commodity Carry Total Return Index backtest and live performance



Source: WisdomTree, Bloomberg. Data from 31 January 2008 to 23 October 2025. The timeseries includes backtested data. Since ETP launch period: 30 April 2025 – 23 October 2025. Commodity Carry refers to the BNPIF73T Index, the index underlying the WisdomTree Enhanced Commodity Carry ETP. FED Funds Rate +5% p.a. is the hypothetical cumulative return of the US federal funds effective rate plus 5% per annum, accrued daily. **Historical performance is not an indication of future performance and any investments may go down in value.**

Zagging in real time: Commodity Carry's early record

In its first six months, CRRY has already been tested by conditions that most strategies face only after years of trading. Renewed U.S.-China trade tensions, geopolitical flare-ups, and a sharp equity pullback in October have all challenged global risk assets. Through each episode, CRRY has demonstrated resilience, delivering positive returns and maintaining minimal correlation to traditional markets.

Since the ETP launch in April 2025, the strategy has achieved a total return of 5.6 per cent and continues to mirror the behaviour seen before the ETP launched, which delivered an annualised return of 11.9 per cent from February 2008 to April 2025, with an annualised volatility of 9.8 per cent.

Table 1: Commodity Carry Asset Class Correlations

Source: WisdomTree, Bloomberg. Data from 31 January 2008 to 23 October 2025. The timeseries includes backtested data. Since ETP launch period: 30 April 2025 – 23 October 2025. Commodity Carry refers to the BNPIF73T Index, the index underlying the WisdomTree Enhanced Commodity Carry ETP. Global Equities refers to the MSCI ACWI Total Return Index, Commodities to the Bloomberg Commodity Total Return Index, and Global Fixed Income to the Bloomberg Global Aggregate Total Return Index (Unhedged). Historical performance is not an indication of future performance and any investments may go down in value.

Correlations have remained near zero compared to global equities and fixed income, and have been strongly negative versus broad commodities. In short, Commodity Carry has so far behaved exactly as anticipated, as a source of alternative carry that zags when the rest of the portfolio zigs.

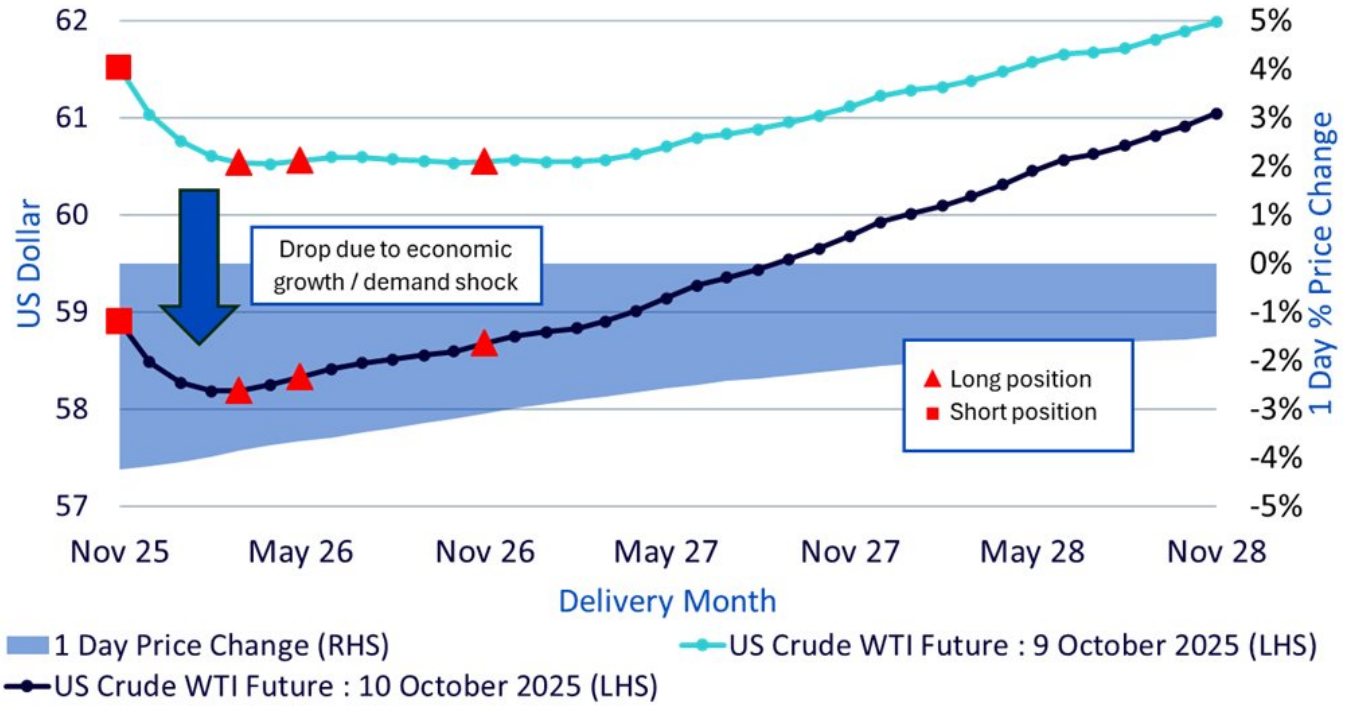
Why Carry works when markets fall

To understand why Commodity Carry zags when traditional markets zig, it helps to look at how information and volatility flow through the commodity futures curve. Research by Lautier et al. (2019)1 shows that price discovery tends to concentrate in the front end of the curve, where liquidity and sensitivity to shocks are highest.

Imagine a stone hitting still water. The initial splash sends out a wave that loses strength as it moves outward. Commodity markets behave much the same way. The front month contracts absorb the shock first; deferred contracts adjust more gradually.

Commodity Carry captures that pattern. It is short the nearby futures, where shocks are most intense, and long the deferred ones, where volatility has already faded. The result is a structure that often benefits when expectations for economic growth suddenly decline, precisely the conditions that usually weigh on equities.

Figure 2: WTI Futures Curve Drop on 10 October 2025



Source: Bloomberg. Data from 9 October 2025 to 10 October 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

The correction on 10 October 2025 offered a clear test of CRRY's behaviour. That day, the S&P 500 fell 2.7 per cent and the MSCI World Index declined 2.3 per cent as renewed trade tensions between the United States and China reignited fears of slower global growth.

Energy and industrial metal prices dropped sharply because demand for these commodities is closely tied to economic activity. The impact was concentrated in the front of the futures curves, where contracts reacted most strongly to the growth shock. The shaded area in Figure 2, which represents the change in the futures prices over the day for WTI Crude Oil, clearly highlights how the curve moved more at the front than at the back. Commodity Carry has been positioned to capture that dynamic. By being short the nearby contract and long deferred ones, it benefited as the front end sold off while the back end remained relatively stable. On the day, the strategy gained 0.85 per cent, demonstrating its ability to provide diversification and resilience when equity markets stumble.

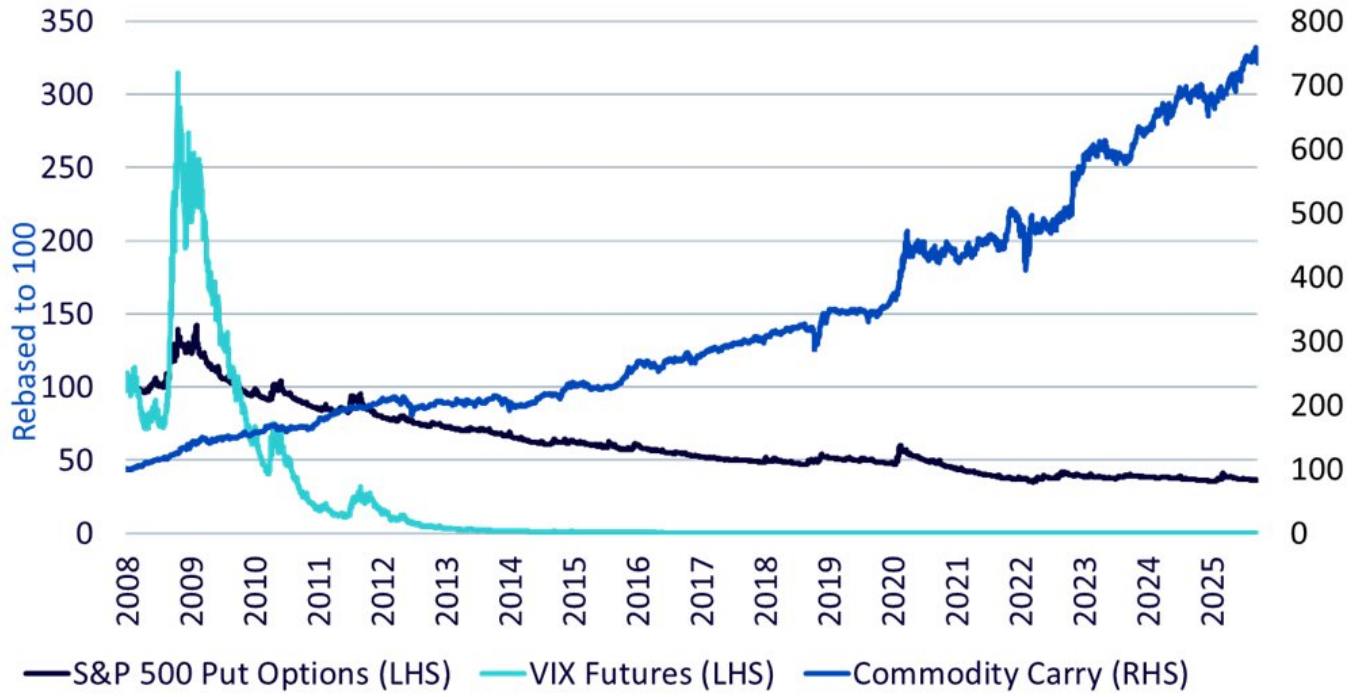
Why Commodity Carry defies the typical hedge trade-Off

Looking at the ten worst days of the S&P 500 in Table 2, we find that Commodity Carry reacted with positive returns in nine out of ten instances. In this sense, Commodity Carry provides a portfolio hedge for equity downturns, similar to holding put options or being long VIX futures.

Table 2: Hedging properties of Commodity Carry (ten worst days of the S&P 500)

Source: WisdomTree, Bloomberg. Data from 31 January 2008 to 23 October 2025. Commodity Carry refers to the BNPIF73T Index, the index underlying the WisdomTree Enhanced Commodity Carry ETP. S&P 500 refers to the SPXT Index (S&P 500 Total Return Index). Historical performance is not an indication of future performance and any investments may go down in value.

Figure 3: The rare luxury of positive carry



Source: WisdomTree, Bloomberg. Data from 31 January 2008 to 23 October 2025. Commodity Carry refers to the BNPIF73T Index, the index underlying the WisdomTree Enhanced Commodity Carry ETP. S&P 500 refers to the SPXT Index (S&P 500 Total Return Index). S&P 500 Put Options is the hypothetical return of repeatedly purchasing a one-month, at-the-money put option and holding until maturity, while earning interest on the collateral. VIX Futures is the S&P 500 VIX Short-Term Futures Total Return Index. **Historical performance is not an indication of future performance and any investments may go down in value.**

While hedging a portfolio with instruments like put options or VIX futures is effective in the short term, the long-term costs are significant (see Figure 3), as such strategies are long equity volatility. In other words, they perform well when market volatility spikes, which typically occurs during sharp market correction, but they also have “negative carry”, where they tend to lose money in good times.

Commodity Carry appears to be the exception, historically outperforming in bad times while still performing in good times.

There are two explanations for this. The first is that the futures curve for many commodities is typically in a state of contango with a curved profile that is steeper in nearby contracts and flatter in the deferred ones.

Hence, by construction, being short the front and long the back of the curve results, all else equal, in a positive roll yield or carry.

The second, risk-based explanation is that while the strategy benefits from sudden demand shocks, it is negatively affected by unexpected supply shocks. In such cases, for example, when a winter turns colder than expected or when sanctions disrupt markets, the curve reacts most strongly at the front end, with near-term futures prices rising fastest. Because of its short position in those contracts, the Commodity Carry index is negatively affected in those scenarios.

Overall, both historical simulation and live results show that the strategy benefits from its positive carry to deliver consistent performance in good times while also demonstrating strong hedging capabilities in equity drawdowns.

Conclusion

Putting this together, we have a unique character: an uncorrelated, ‘anti-fragile’ instrument with positive carry. Every successful team needs the player who performs when the game heats up. In a portfolio, CRRY can play that role.

1 Lautier, Raynaud & Robe (2019), “Shock Propagation Across the Futures Term Structure: Evidence from Crude Oil Prices”, The Energy Journal

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 affer 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.

Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short term basis. Any investment in short and/or leveraged products should be monitored on a daily basis to ensure consistency with your investment strategy. You should understand that investments in short and/or leveraged exchange-traded products held for a period of longer than one day may not provide returns equivalent to the return from the relevant unleveraged investment multiplied by the relevant leverage factor. Potential losses in short and/or leveraged exchange-traded products may be magnified in comparison to investments that do not incorporate these strategies. Please refer to the section entitled “Risk Factors” in the relevant prospectus for further details of these and other risks associated with an investment in short and/or leveraged exchange- traded products. You should consult an independent investment adviser prior to making an investment in short and/or leveraged exchange-traded products in order to determine its suitability to your circumstances.

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.

WisdomTree Multi Asset Issuer PLC Exchange Traded Products (“ETPs”) are suitable for financially sophisticated investors who wish to take a view on the underlying indices and can understand the risks of investing in products offering leveraged or short exposures.

ETPs offering daily leveraged or daily short exposures (“Leveraged ETPs”) are products which feature specific risks that prospective investors should understand before investing in them. Higher volatility of the underlying indices and holding periods longer than a day may have an adverse impact on the performance of Leveraged ETPs. As such, Leveraged ETPs are intended for financially sophisticated investors who wish to take a short-term view on the underlying indices and understand such risks. As a consequence, WisdomTree is not promoting or marketing WisdomTree Multi Asset Issuer PLC ETPs to retail clients. Investors should refer to the section entitled "Risk Factors" and “Economic Overview of the ETP Securities” in the WTMA Prospectus for further details of these and other risks associated with an investment in Leveraged ETPs and consult their financial advisors as needed. Neither WisdomTree, nor the Issuer has assessed the suitability of any Leveraged ETPs for investors other than the relevant Authorised Participants.

While many leveraged WisdomTree Multi Asset Issuer PLC ETPs reset the leverage or short exposure on a daily basis, certain WisdomTree Multi Asset Issuer PLC ETPs utilise leverage in longer term strategies, where leveraged exposures may be reset monthly. These products are also only suitable for financially sophisticated investors who have understood the specific risks within the prospectus of the relevant product.

The BNP Paribas Enhanced Commodity Carry Excess Return Index is the exclusive property of BNP Paribas (“BNPP”). The BNP Paribas Enhanced Commodity Carry Excess Return Index is used by WisdomTree under licence. The Index-linked Securities are not endorsed or approved in any way by BNPP. BNPP do not make any warranties whatsoever in relation to use of the BNP Paribas Enhanced Commodity Carry Excess Return Index and are not liable for any losses caused by the use thereof.

The methodology of and rules governing the index (the "Index Methodology" and the "Index") are proprietary. None of the sponsor of the Index (the "Index Sponsor"), the index calculation agent (where such party is not also the Index Sponsor, the "Index Calculation Agent") nor, where applicable, the index Investment Advisor (the "Index Investment Advisor") guarantee that there will be no errors or omissions in computing or disseminating the Index.

The Index Methodology is based on certain assumptions, certain pricing models and calculation methods adopted by the Index Sponsor, the Index Calculation Agent and, where applicable, the Index Investment Advisor, and may have certain inherent limitations. Information prepared on the basis of different models, calculation methods or assumptions may yield different results. You have no authority to use or reproduce the Index Methodology in any way, and neither BNP Paribas nor any of its affiliates shall be liable for any loss whatsoever, whether arising directly or indirectly from the use of the Index or Index Methodology or otherwise in connection therewith.

The Index Sponsor reserves the right to amend or adjust the Index Methodology from time to time in accordance with the rules governing the Index and accepts no liability for any such amendment or adjustment. Neither the Index Sponsor nor the Index Calculation Agent are under any obligation to continue the calculation, publication or dissemination of the Index and accept no liability for any suspension or interruption in the calculation thereof which is made in accordance with the rules governing the Index. None of the Index Sponsor, the Index Calculation Agent nor, where applicable, the Index Investment Advisor accept any liability in connection with the publication or use of the level of the Index at any given time.

The Index Methodology embeds certain costs in the strategy which cover amongst other things, friction, replication and repo costs in running the Index. The levels of such costs (if any) may vary over time in accordance with market conditions as determined by the Index Sponsor acting in a commercially reasonable manner.

BNP Paribas and its affiliates may enter into derivative transactions or issue financial instruments (together, the "Products") linked to the Index. The Products are not in any way sponsored, endorsed, sold or promoted by the sponsor of any index component (or part thereof) which may comprise the Index (each a "Reference Index") that is not affiliated with BNP Paribas (each such sponsor, a "Reference Index Sponsor"). The Reference Index Sponsors make no representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the relevant Reference Index and/or the levels at which the relevant Reference Index stands at any particular time on any particular date or otherwise. No Reference Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the relevant Reference Index and the relevant Reference Index Sponsor is under no obligation to advise any person of any error therein. None of the Reference Index Sponsors makes any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Products. BNP Paribas and its affiliates have no rights against or recourse to any Reference Index Sponsor should any Reference Index not be published or for any errors in the calculation thereof or on any other basis whatsoever in relation to any Reference Index, its production, or the level or constituents thereof. BNP Paribas and its affiliates shall have no liability to any party for any act or failure to act by any Reference Index Sponsor in connection with the calculation, adjustment or maintenance of the relevant Reference Index and have no affiliation with or control over any Reference Index or the relevant Reference Index Sponsor or the computation, composition or dissemination of any Reference Index. Although the Index Calculation Agent will obtain information concerning each Reference Index from publicly available sources that it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by BNP Paribas or any of its affiliates nor the Index Calculation Agent as to the accuracy, completeness and timeliness of information concerning any Reference Index.

BNP Paribas and/or its affiliates may act in a number of different capacities in relation to the Index and/or products linked to the Index, which may include, but not be limited to, acting as market-maker, hedging counterparty, issuer of components of the Index, Index Sponsor and/or Index Calculation Agent. Such activities could result in potential conflicts of interest that could influence the price or value of a Product.
© BNP Paribas. All rights reserved.

For Investors in Switzerland – Qualified Investors

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.

Offering materials for the offering of the securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. The products mentioned herein have not been approved by the Israel

Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute “an offer to the public” under sections 15 and 15a of the Israel Securities Law, 5728-1968 (“the Securities Law”) or section 25 of the Joint Investment Trusts Law, 5754-1994 (“the Joint Investment Trusts Law “), as applicable. The products are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum (“the Addendum”) to the Securities Law, “Sophisticated Investors”) who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

This prospectus or this document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a product is purchasing such product for its own benefit and account and not with the aim or intention of distributing or offering such product to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing a product for another party which is a Sophisticated Investor).

Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law,

5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. A recipient of this document may be required to provide confirmation that it is a Sophisticated Investor purchasing a product for its own account or, where applicable, for other Sophisticated Investors.

The securities have not been and will not be registered under the United States Securities Act of 1933, as amended ("the 1933 Act") or the securities laws of any of the states of the United States. The securities may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "US Person". The securities are being offered outside the United States pursuant to the exemption from registration under Regulation S under the 1933 Act. Offering materials for the offering of the securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful.