The ‘hot picks’ leading the broad commodity rally

Published 13 March 2025

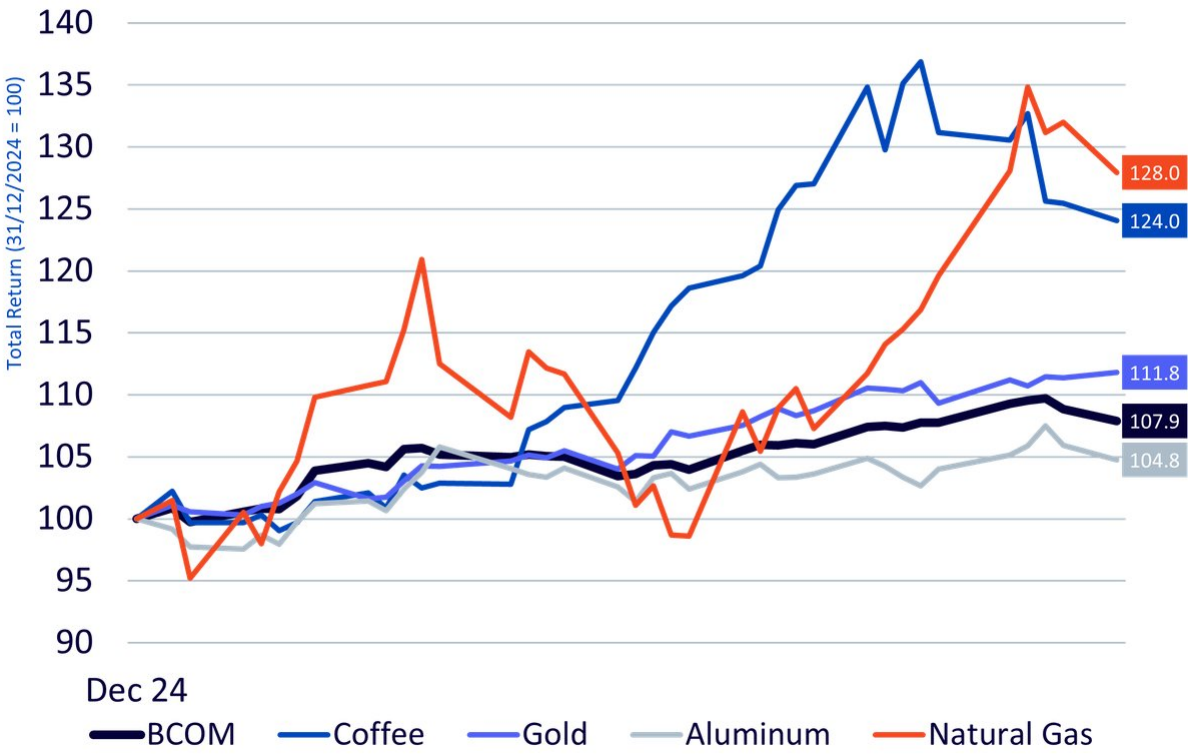
Luca Berlanda
Director, Quantitative Research

Key Takeaways

- Commodities are experiencing a widespread uptrend, supported by supply constraints, geopolitical risks, and strong demand.
- Natural gas is benefiting from cold weather and record LNG exports, aluminium from tariffs and supply cuts, coffee from weather-driven shortages and speculation, and gold from central bank demand and geopolitical uncertainty.

The broad commodities market has shown impressive strength in 2025, defying economic uncertainty and macroeconomic headwinds. Year-to-date (YTD), the Bloomberg Commodity Index (BCOM), widely regarded as the benchmark for broad commodity exposure, has risen by nearly 8% (see Figure 1). Several key commodities have surged, driven by supply constraints, geopolitical events, and shifting macroeconomic dynamics.

Figure 1: Commodities YTD total return



Source: Bloomberg, WisdomTree. Data from 31-12-2024 to 24-02-2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

In Figure 2, we highlight the performance of all commodities within the BCOM index and their respective target weights for 2025. Notably, 21 out of the 24 commodities have posted positive YTD returns, indicating a broad-based rally rather than one dominated solely by a handful of heavyweight commodities.

In this blog, we spotlight four standout commodities—natural gas, aluminium, coffee, and gold—each representing a major sector within the broader commodity space. We will explore the factors driving their bullish trajectory and what may lie ahead.

Figure 2: Performance of commodities within BCOM Index

Commodity	Sector	2025 BCOM target weight	YTD total return	YTD roll return
Natural Gas	Energy	7.8%	28.0%	16.2%
Coffee	Softs	3.0%	24.0%	6.3%
Soybean Oil	Grains	3.4%	14.3%	1.1%
Copper	Industrial Metals	5.4%	13.0%	-1.0%
Silver	Precious Metals	4.5%	12.3%	2.5%
Sugar	Softs	3.0%	10.5%	0.9%
Gold	Precious Metals	14.3%	11.8%	1.8%
HRW Wheat	Grains	1.8%	7.8%	2.0%
Corn	Grains	5.6%	6.2%	1.3%
ULS Diesel	Energy	2.2%	6.4%	5.0%
SRW Wheat	Grains	2.8%	5.9%	2.0%
Aluminium	Industrial Metals	4.2%	4.8%	0.0%
Soybean	Grains	6.0%	2.7%	-0.4%
Gasoil	Energy	2.9%	3.2%	4.4%
Brent Crude	Energy	8.0%	2.3%	4.8%
RBOB Gasoline	Energy	2.2%	1.6%	4.3%
Lead	Industrial Metals	0.9%	1.5%	-1.4%
Live Cattle	Livestock	3.6%	2.0%	-0.9%
Lean Hogs	Livestock	1.7%	0.8%	-5.7%
Nickel	Industrial Metals	2.4%	0.6%	-0.3%
WTI Crude	Energy	7.0%	0.2%	4.1%
Cotton	Softs	1.6%	-1.8%	1.8%
Zinc	Industrial Metals	2.3%	-4.7%	0.4%
Soybean Meal	Grains	3.5%	-7.0%	-2.6%

Source: Bloomberg, WisdomTree. Data from 31-12-2024 to 24-02-2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Natural gas (sector: energy)

US natural gas has experienced significant price gains this year (+28% on a total return basis[1]), driven by a confluence of weather-related demand spikes and structural shifts in global supply. The extreme cold snap that gripped the US early in the year led to a sharp rise in heating demand, pushing Henry Hub Natural Gas prices higher. As temperatures dropped below seasonal norms, storage withdrawals exceeded expectations, tightening available supply and driving prices up.

Adding to this bullish momentum, US Liquefied Natural Gas (LNG) exports have hit record highs. Europe's continued efforts to secure alternative energy sources—away from Russian gas—have resulted in sustained demand for US LNG. At the same time, production cuts in the US due to weather-related disruptions further exacerbated the supply-demand imbalance. Looking ahead, the interplay between storage levels, weather patterns, and global LNG demand will dictate price action. With expectations of continued colder-than-normal temperatures and geopolitical tensions still affecting energy markets, natural gas remains a volatile but potentially promising bet.

It's also worth noting that of the total 28% return, 18.4% can be attributed to roll yield[2]. This is particularly significant given that the natural gas forward curve has shifted into backwardation in recent months. This

shift has allowed investors to benefit from positive roll returns, a rarity in a market where the cost of carry is usually high. However, it's important to note that natural gas is heading back into seasonal contango and that, to maintain strong performance, spot prices will need to move significantly higher to offset the negative roll returns.

Aluminium (sector: industrial metals)

Aluminium has emerged as a strong performer in the industrial metals complex, with prices rising above $2,700 per metric ton[3], marking a nine-month high. A key driver has been the US government's announcement of increased tariffs on aluminium imports, particularly affecting supply chains from major exporters such as Canada.

On the global stage, production cuts in China have also played a crucial role. With Beijing enforcing strict production caps and carbon emission targets, aluminium smelters have been forced to slow down operations, tightening global supply.

Meanwhile, demand remains robust, particularly from sectors benefiting from the energy transition. Aluminium is a critical material in electric vehicles, renewable energy infrastructure (such as solar panels and wind turbines), and power transmission lines. This structural demand, combined with supply constraints, sets the stage for sustained strength in aluminium prices.

Additionally, an unusual front-month backwardation has formed in the aluminium futures curve; while the YTD roll yield has been mildly negative, the recent shift into backwardation underscores increasing supply tightness.

Coffee (sector: agriculture and livestock)

Arabica coffee prices have skyrocketed, recently surpassing $4.30 per pound—a level not seen in years. This surge can be attributed to a combination of supply-side disruptions and speculative market positioning.

Brazil, the world's largest Arabica coffee producer, has been hit by prolonged drought conditions since April 2024. With crops under stress, yield expectations for the upcoming harvest have been revised downward. The biennial bearing cycle of Arabica coffee, which alternates between high and low production years, is exacerbating the tight supply outlook. 2024/2025 season was supposed to be a high-yield season, but adverse weather has limited the output gains.

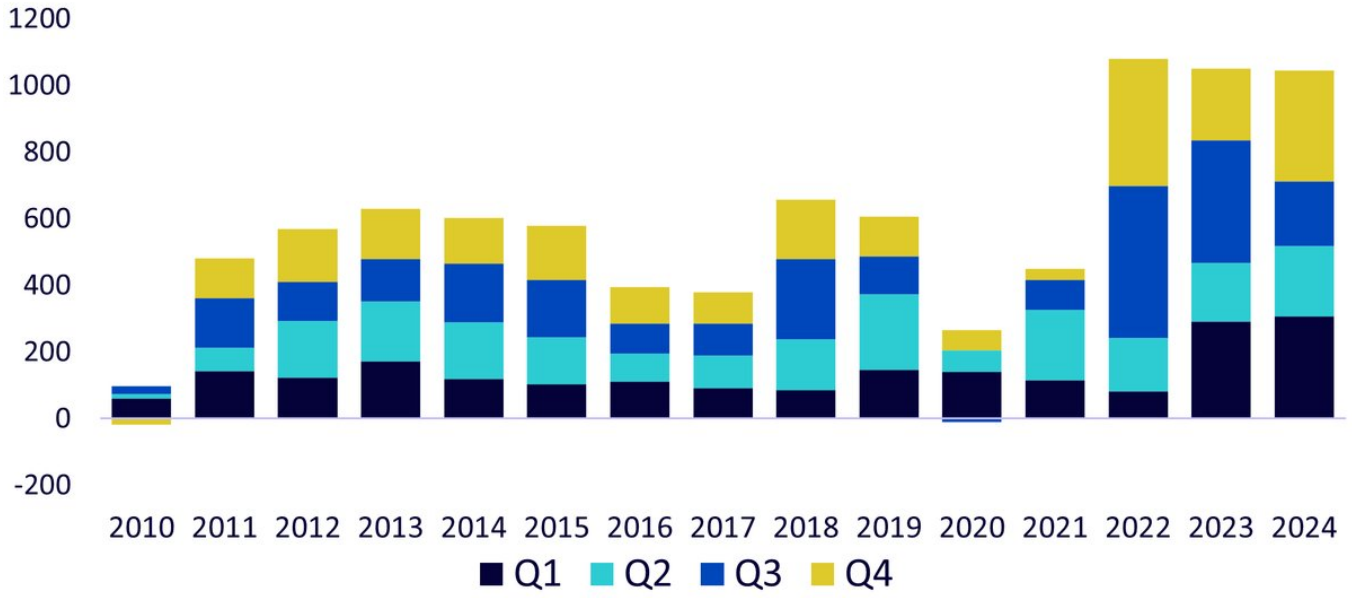
On the speculative front, the Intercontinental Exchange (ICE) recently increased margin requirements for Arabica coffee contracts, forcing short traders to unwind positions. This liquidation of shorts fueled further upside momentum, creating a self-reinforcing price rally. Looking ahead, weather patterns in Brazil, the evolution of speculative positioning, and global supply chain disruptions will determine the future trajectory of coffee prices.

Gold (sector: precious metals)

Gold has, once again, proven its resilience, climbing steadily despite a strong US dollar and rising bond yields—two factors that typically weigh on the precious metal. The key bullish forces driving gold's performance in 2025 include heightened geopolitical risks, central bank demand, and inflation concerns.

One of the most significant structural drivers has been robust central bank buying. According to the World Gold Council, central banks have continued their gold accumulation, with purchases remaining near record levels (2024 central banks' gold purchases have been just 1% lower than 2023, with a very strong 4th quarter in 2024[4]). This trend has been particularly strong among emerging market economies looking to diversify reserves away from the US dollar.

Figure 3: Central bank demand for gold



Source: WisdomTree, World Gold Council, Q1 2010 to Q4 2024. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Meanwhile, gold's safe-haven appeal has been reinforced by geopolitical instability. Ongoing conflicts and trade tensions have driven investors toward gold as a hedge against uncertainty. Furthermore, inflationary pressures remain a concern, with global central banks walking a fine line between controlling price increases and maintaining economic stability. If inflation expectations rise further, gold could see additional upside momentum.

Conclusion

The broad commodities complex has had a strong start to 2025, with natural gas, aluminium, coffee, and gold leading the charge. Structural supply constraints, geopolitical tensions, speculative positioning, and

strong demand fundamentals have all contributed to the recent gains. While volatility remains a factor, these commodities continue to present interesting investment opportunities.

[1]Bloomberg, WisdomTree. Data from 31-12-2024 to 24-02-2025.
[2]Ibid.
[3]Ibid.
[4]WisdomTree, World Gold Council, Q1 2010 to Q4 2024.

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.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares ("Shares”) representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer (“WT Prospectus”). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares.

The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to

redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification.

WisdomTree Enhanced Commodity UCITS ETF

The methodology of and rules governing the index (the "Index Methodology" and the "Index") are proprietary and shall not be reproduced or disseminated without the prior written consent of the “Index Sponsor” (as defined in the “Index Rules” **available on http:** //www.wisdomtree.eu/home). None of 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 the Index Sponsor 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. The Index Sponsor 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. The Index Sponsor 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. The Index Sponsor 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 the Index Sponsor or any of its affiliates nor the Index Calculation Agent as to the accuracy, completeness and timeliness of information concerning any Reference Index. The Index Sponsor 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.

WisdomTree Enhanced Commodity ex-Agriculture UCITS ETF

The Morgan Stanley RADAR ex Agriculture & Livestock Commodity Index (the "Index") is the exclusive property of Morgan Stanley Capital Group Inc. and/or its affiliates (collectively, "Morgan Stanley"), which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) ("S&P Dow Jones Indices") to maintain and calculate the Index. The Index Components comprising the Index are the property of S&P Dow Jones Indices, its affiliates and/or their third party licensors and has been licensed by S&P Dow Jones Indices for use by Morgan Stanley in connection with the Index. S&P Dow Jones Indices, its affiliates and their third party licensors shall have no liability for any errors or omissions in calculating the Index. The Index is not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices, its affiliates or their third party licensors and neither S&P Dow Jones Indices, its affiliates nor their its third party licensors make any representation regarding the advisability of investing in the Index. Morgan Stanley and the Index names are service mark(s) of Morgan Stanley and have been licensed for use for certain purposes by WisdomTree. The Fund referred to herein is not sponsored, endorsed, or promoted by Morgan Stanley. Neither Morgan Stanley nor any other party (including without limitation any calculation agents or data providers) make any express or implied warranties, and hereby expressly disclaim all warranties of merchantability or fitness for a particular purpose, with respect to the Index or any Index related data. Without limiting any of the foregoing, in no event shall Morgan Stanley or any other party (including without limitation any calculation agents or data providers) have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) with respect to the Index, Index related data, the Fund, or any shares or investment units, even if notified of the possibility of such damages.

WisdomTree Broad Commodities UCITS ETF

"Bloomberg®" and the Bloomberg Commodity Index(es)SM 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 Management Limited and WisdomTree Issuer ICAV (together, WisdomTree). Bloomberg is not affiliated with WisdomTree, and Bloomberg does not approve, endorse, review, or recommend the WisdomTree Broad Commodities UCITS ETF. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the index(es).

Notice to Investors in Switzerland – Qualified Investors

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

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

Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority (“FINMA”). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe

for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

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.