

# Commodity investment looking for a home

Published 30 October 2024

## Nitesh Shah

Head of Commodities and Macroeconomic Research, WisdomTree Europe

## Key Takeaways

- More professional investors have exposure to commodities in 2024 relative to 2023, and our survey indicates that 38% of them want to increase their exposure.
- The decline in exposure to precious metals is curious, given the stellar rally. We expect the rally to continue; thus, investors should look to return to gold and silver.
- The survey indicates that more investors have exposure to natural gas than oil. But do they have the right natural gas exposure to meet their needs?
- Industrial metals are the second-best-performing subsector of commodities this year, but fewer investors are exposed. If excess bearishness turns around, we could see further upside.
- Related Products WisdomTree Core Physical Gold, WisdomTree Physical Swiss Gold, WisdomTree Energy Transition Metals, WisdomTree European Natural Gas Find out more

Our annual professional investor survey has revealed some interesting results. Firstly, more investors are in commodities this year (79% in 2024 vs. 71% in 2023)<sup>1</sup>. That is unsurprising given how 2023 was tough year for commodities (especially in comparison to 2021 and 2022) and the improvement in the asset class in 2024 (Figure 1).

## Figure 1: Performance across assets compared

Bonds

3.4%

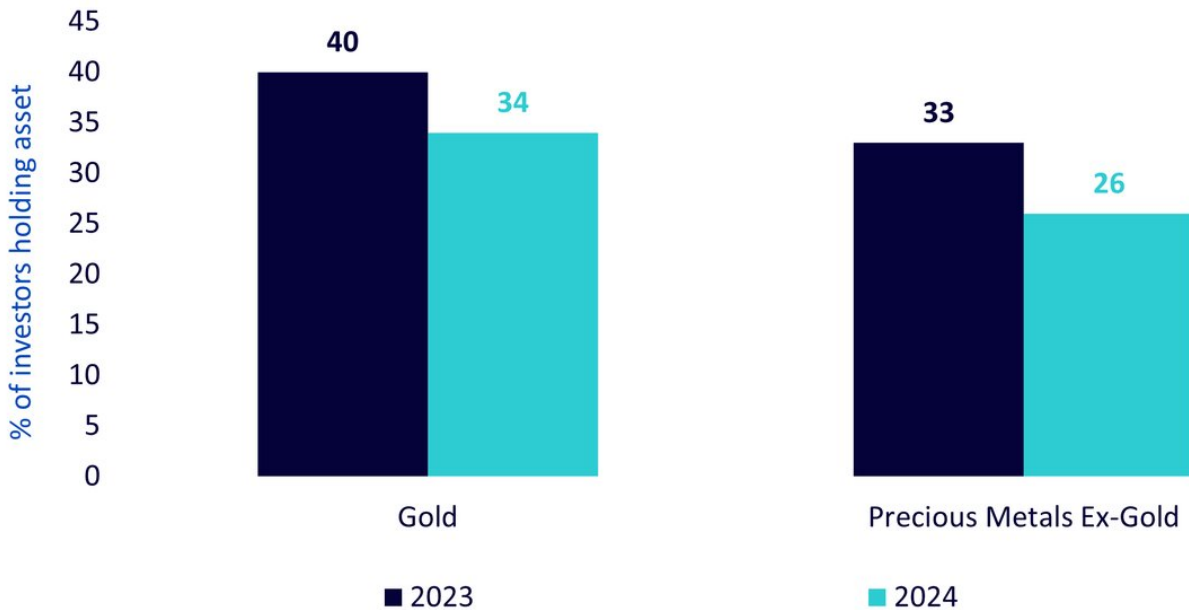
*Source: WisdomTree, Bloomberg. All returns are in USD. 31 Dec 20 to 4 Oct 2024. Data: Equity - MSCI World, Bond - Bloomberg Barclays Agg Sovereign TR Unhedged, Real Estate - EPRA/NAREIT Global, Bloomberg Commodity Total Return Index, Cash - US T-Bill 3 Mth. Historical performance is not an indication of future performance and any investments may go down in value.*

It has been a volatile year for commodities, with some sharp rallies, punctuated by some intense corrections. Those corrections have, however, opened great buying opportunities.

## Precious metals

Precious metals have led the pack in performance this year, with close to a 32% year-to-date (YTD) return on gold and a 43% YTD return on silver<sup>2</sup>. Curiously, fewer investors in the survey had exposure this year than last year (Figure 2).

## Figure 2: Investor survey: % of investors holding gold and precious metals



Source: WisdomTree, Censuswide. Pan-Europe Professional Investor Survey Research, a Survey of 817 professional investors across Europe, conducted June-July 2024. **Historical performance is not an indication of future performance and any investments may go down in value.**

Beyond this survey, evidence from gold exchange-traded commodity (ETC) flows corroborate that there were continuous outflows from May 2022 to May 2024 (Figure 3). However, since then we have seen inflows resume. Throughout the period of outflows, gold prices had been notching fresh highs. Clearly, some investors have missed an opportunity. But it's not too late. As we discuss in our latest gold outlook, gold will likely continue to hit new highs and our internal forecasts within our outlook point towards \$3,030/oz by Q3 2025<sup>3</sup>.

## Figure 3: Gold held in exchange-traded commodities

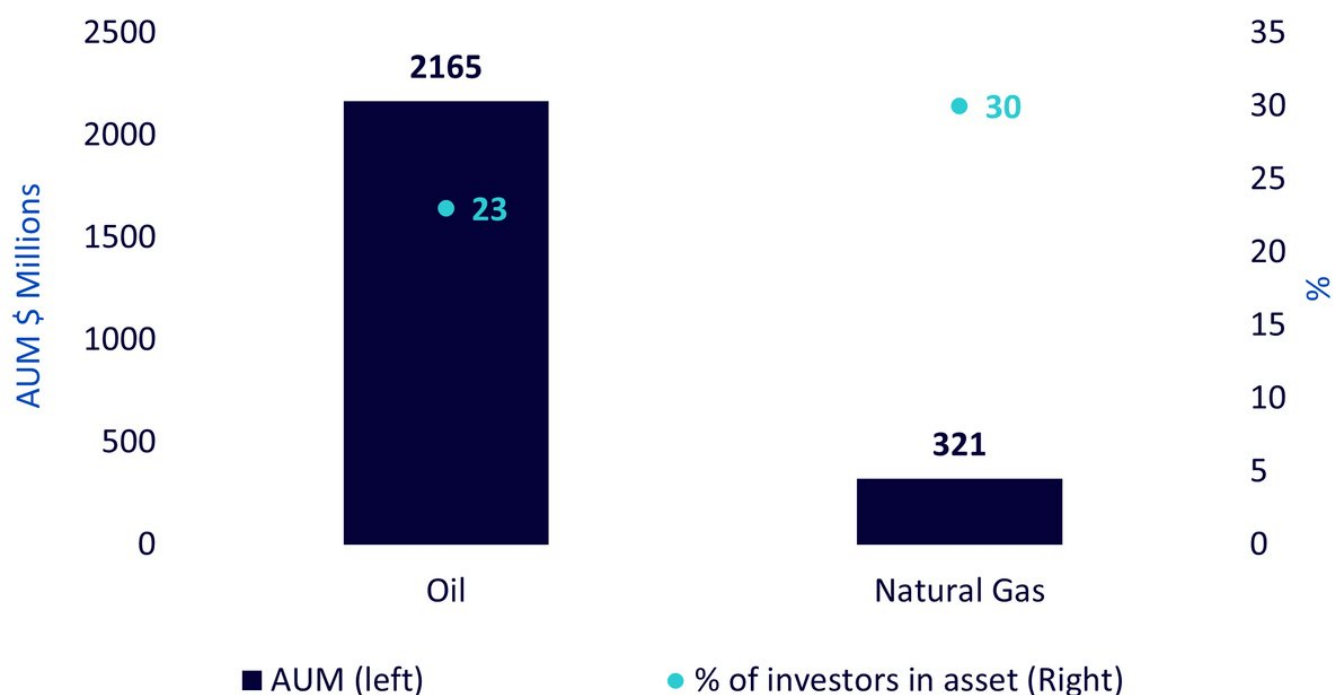


Source: WisdomTree, Bloomberg. Daily data from July 2018 to October 2024. **Historical performance is not an indication of future performance and any investments may go down in value.**

## Energy

Another surprise when reading the results of this survey is that there are more investors in natural gas than oil. The gap has widened in natural gas's favour over the past year. However, in terms of assets under management (AUM), there are far more assets in European-issued oil ETCs than in European-issued natural gas ETCs (Figure 4). The survey seems to indicate that while there are fewer oil investors, they must be larger in scale to account for the higher AUMs they collectively hold.

### Figure 4: European ETC AUM and Investor Exposure



Source: WisdomTree, Censuswide. Pan-Europe Professional Investor Survey Research, a Survey of 817 professional investors across Europe, conducted June-July 2024. WisdomTree's tracking of European AUM from multiple sources as of 18 October 2024. Includes delta-one and leveraged holdings. Oil includes both Brent and WTI exposures. **Historical performance is not an indication of future performance and any investments may go down in value.**

Until recently, US Henry Hub natural gas futures were the only investable ETC available on the market. So, this large pool of European investors hold a US-focused natural gas product. In September 2024 (after the survey date), WisdomTree launched a European Title Transfer Facility futures ETC. This could be a more attractive proposition for European investors hedging local energy price shocks and looking for tactical opportunities.

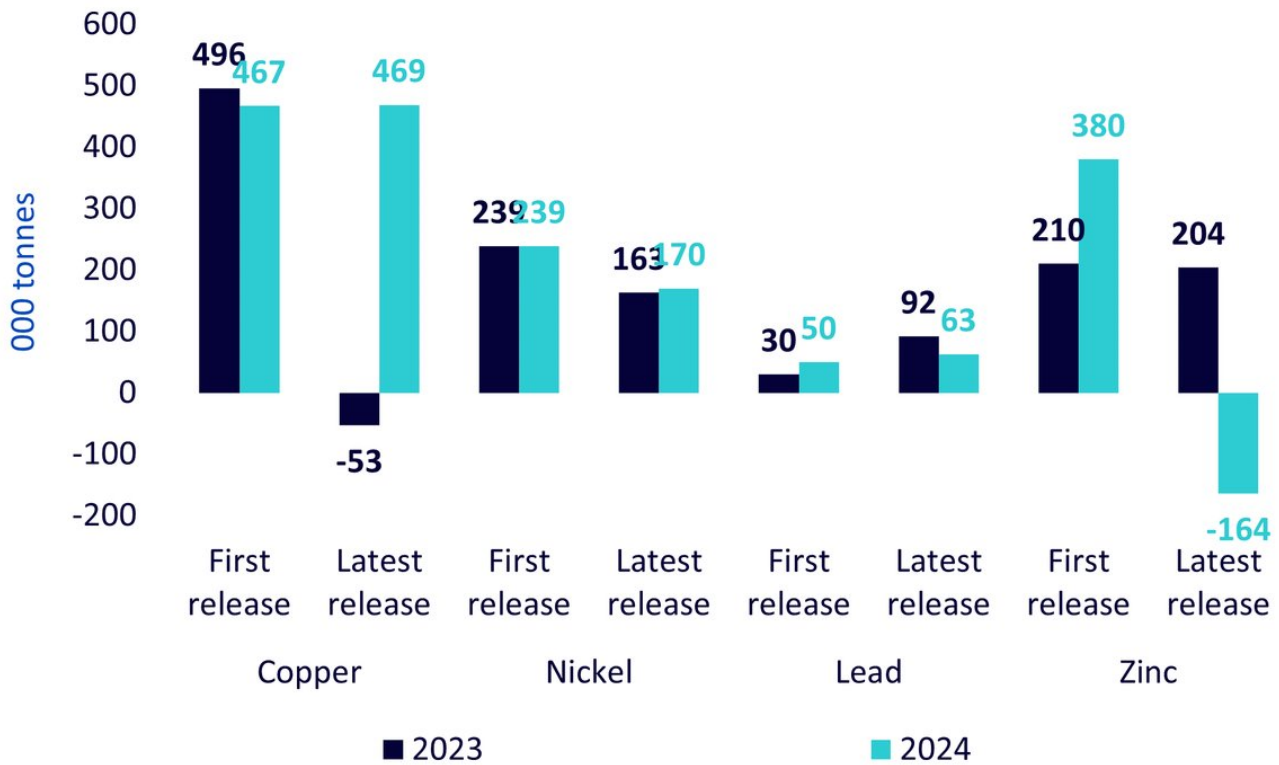
## Industrial metals

Looking at industrial metals, fewer investors have exposure to the asset class in 2024 (27%) compared to 2023 (29%). With industrial metal prices falling last year and many people focusing on metal supply surpluses in 2024, sentiment has been cooling. This year, prices have been volatile but are up. Industrial metals have risen 14% YTD and are the second-best-performing commodity subsector. We believe the cooling of sentiment was premature, and some investors missed an opportunity.

We would like to point out that supply-demand balance forecasts can be wildly out at times, and investors should continue to reassess production and demand dynamics. For example, in January 2022, the International Copper Study Group predicted that there would be a 467k tonne surplus in 2023 when, in reality, we had a 53k tonne deficit (Figure 5). In October 2023, the International Lead and Zinc Study Group

predicted a 380k tonne surplus in zinc in 2024 (Figure 5). By September 2024, they revised this forecast to a 164k tonne deficit for 2024.

**Figure 5: International study group supply balance forecasts**



Source: International Copper Study Group, International Lead and Zinc Study Group, International Nickel Study Group, Latest forecasts from September and October 2024. **Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.**

### Broad commodities

The investor survey revealed that fewer investors were exposed to broad commodity products in 2024 (24%) than they were in 2023 (28%). In terms of ETC flows, we have also observed that investors have been more selective, opting for large exposures to individual commodities rather than baskets. That may be a consequence of more tactical trades based on high-conviction views.

However, given the many uncertainties ahead of us, a large, diversified portfolio of commodities can help diversify risk. Commodities have a low correlation with other assets and, indeed, amongst each other, making a broad basket very appealing.

**Figure 6: Correlations across assets compared**

*Source: WisdomTree, Bloomberg. Monthly Data. All returns are in USD. September 1984 to September 2024. Data: Equity - MSCI World, Bond - Bloomberg Barclays Agg TR Unhedged, Bloomberg Commodity Total Return Index and sub-indices for its subcomponents. Historical performance is not an indication of future performance and any investments may go down in value.*

## Where could investors consider putting their money?

Given that, according to our survey, 38% of investors are looking to increase their commodity exposure, where could they be looking?

### Gold and silver

As we discussed in our recent outlooks ([Commodity Outlook: A strong setup for precious metals](#) and [Gold Outlook to Q3 2025](#)), we are optimistic about precious metals and believe the complex has solid potential. It's not just gold that will power forward. Silver, already outperforming gold YTD, could continue to outpace its yellow cousin, given that it could get a tailwind from increasing industrial demand, especially from the photovoltaics sector.

[WisdomTree Core Physical Gold \(WGLD\)](#) and [WisdomTree Physical Swiss Gold \(SGBS\)](#), with management fees of 12 basis points (bps) and 15 basis points (bps), respectively, offer very low-cost access to the asset class, with its physically backed nature removing all adverse effects of negative roll yield from the investment.

### Strategic metals

An energy transition, a data centre and artificial intelligence (AI) boom and a rapid rollout of 5G technology will all be a metal-intensive demand story. This could all be super-charged with China following through with the fiscal stimulus its economy needs, and many expect the government to maintain its growth targets. China's industrial policy in recent years has shifted from expanding city limits to the energy transition. We believe that it is more beneficial to base metals like copper, aluminium and zinc rather than iron ore (a construction-driven material).

[WisdomTree Energy Transition Metals \(WENT\)](#) offers a basket of metals whose demand will be lifted by the energy transition. The metals' weights are driven by the scale of growth in the transition, corrected for supply surpluses. We believe the Chinese stimulus, AI, and 5G boom will provide additional tailwinds to the metals.

### European natural gas

As we discussed earlier, European ETC Investors have a new tool to match their needs, a product exposed to the Dutch Title Transfer Facility (TTF) benchmark. TTF gas prices are up 25% YTD, while US-focused Henry Hub (HH) prices are down 9%. Given that 30% of European investors in the survey have exposure to natural gas (most of which will be to US Henry Hub, given the absence of a TTF ETC product at the time of the survey), we believe they could consider a product that may more closely match their needs<sup>4</sup>.

In recent years, energy-priced shocks have hit Europe harder than the US, spiking European gas prices by a greater amount. With the European gas system more reliant on storage than ever, gas prices are likely to be more volatile. Natural gas stores in Europe are 95% full<sup>5</sup>, but that only equates to 29 days of consumption, so if Europe is hit by any outages of liquified natural gas shipments, it remains vulnerable. This time last year, natural gas storage levels were 98% full, and we had a mild winter. There is no guarantee of a mild winter again. In fact, a La Niña weather pattern, which has a 60% chance of forming this winter according to the National Oceanic and Atmospheric Administration's Climate Prediction, usually brings colder weather.

[WisdomTree European Natural Gas \(TTFW\)](#) offers a unique and compelling opportunity for tactical investments and hedging tools. Through this ETC, we have once again democratized access to a coveted asset class. Prior to the launch of our product in September 2024, investors would have had to access the futures market directly or find equity proxies to get exposure.

1 WisdomTree, Censuswide. Pan-Europe Professional Investor Survey Research, a Survey of 817 professional investors across Europe, conducted June-July 2024.

2 21 October 2024

3 [WisdomTree Gold Outlook to Q3 2025](#)

4 See [Investors deserve hedging tools as European natural gas futures come of age](#)

5 Gasunie, Aggregate Gas Storage Inventory, 13/10/2024

## 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 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.

### **WisdomTree Metal Securities Limited**

The products discussed in this document are issued by WisdomTree Metal 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.

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 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 European Natural Gas**

The BNP Paribas Rolling Futures W0 TZ Index is the exclusive property of BNP Paribas ("BNPP"). The BNP Paribas Rolling Futures W0 TZ Index is used by WisdomTree Multi Asset Management Limited under licence. The Index-linked Securities/Index-linked notes are not endorsed or approved in any way by BNPP.

BNPP do not make any warranties whatsoever in relation to the BNP Paribas Rolling Futures W0 TZ 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 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.

### **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.