PICARD ANGST

The Age of Electricity

360° Commodities Expertise - Key Insights

Quarterly Report

Q1 2026

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Newsletter

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Welcome

Dear Investors,

Commodity markets entered 2026 in a markedly different position than many transition-focused narratives would have suggested only a few years ago. Rather than a broad-based demand slowdown, the past year was characterised by resilience across energy, metals and agriculture, alongside increasing dispersion between sectors and individual commodities. Structural forces – geopolitics, supply concentration, electrification, infrastructure renewal and energy security – continued to shape outcomes more forcefully than cyclical factors alone.

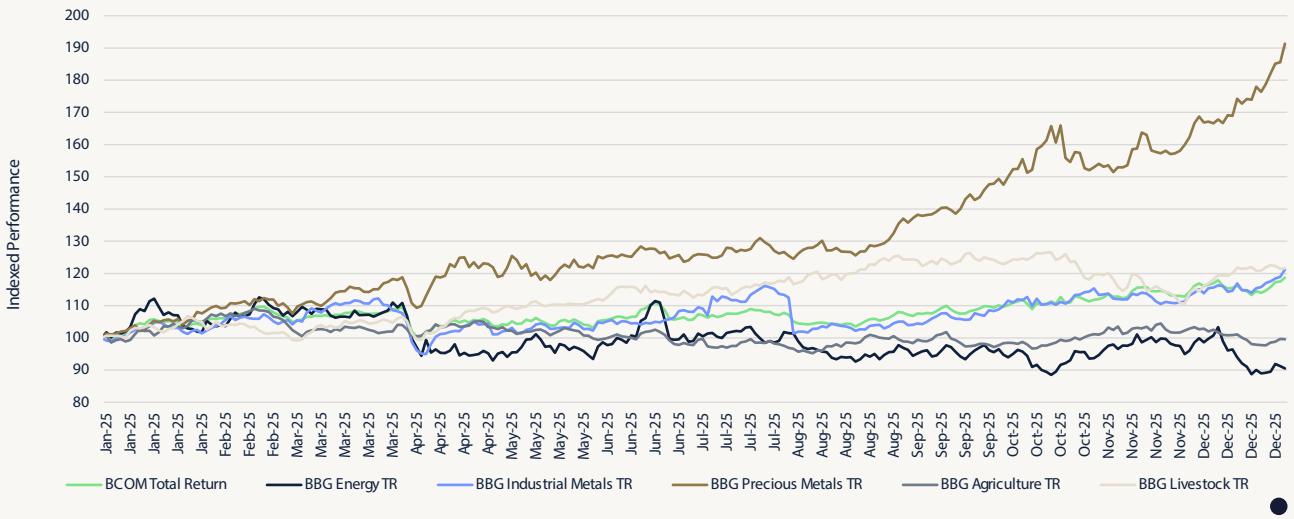
This dispersion was also reflected in performance. Commodities delivered a constructive year overall, but leadership broadened beyond a single theme. Precious metals were the clear outperformer, supported by sustained central-bank buying, elevated geopolitical risk and safe-haven demand. Industrial metals and livestock also trended higher, consistent with improving cyclical sentiment and still-tight supply dynamics. Agriculture was broadly stable, benefiting from favourable crop conditions and easing input costs, while energy lagged amid ample supply, OPEC+ uncertainty and softer near-term demand expectations.

"Even as oil and gas remain critical, electricity demand is growing at about double the rate of total energy demand"

The disconnect between headline prices and underlying fundamentals remained a defining feature of 2025. In several markets, prices softened despite persistent physical tightness or declining buffers; elsewhere, sharp rallies and reversals reflected positioning, policy signals and supply disruptions rather than a clean shift in balances. This environment reinforces the importance of analysing commodities not as a homogeneous asset class, but as a set of markets increasingly driven by distinct fundamentals.

Chart 1: Peformance of the Blomberg Commodity Total Return Index (BCOM) and the Bloomberg Sub-Sectors Indices

Source: Bloomberg



Within this context, the world is moving into an “Age of Electricity.” While oil and gas will remain essential for many years, electricity demand is growing at roughly twice the pace of overall energy demand. Electrification and digitalisation are reshaping consumption patterns and material intensity, reinforcing the strategic relevance of commodities.

Against this backdrop, we are pleased to introduce Picard Angst AG’s Commodities Competence Center, which brings together our long-standing expertise in global commodity markets. Since 2003, Picard Angst has developed research-driven, systematic and transparent approaches to investing across energy, metals and agriculture. We combine in-depth research, tailored advisory solutions and disciplined execution to design strategies that meet institutional standards and individual objectives, providing access to diversified exposures and investment opportunities arising from the energy transition and broader resource transformation.

In the following pages, you will find a review of market performance, key sector insights and selected charts highlighting recent trends. This quarterly investor letter covers the fourth quarter of 2025 and developments into early January 2026. **Editorial deadline: 31 January 2026**. The commodity universe is vast and complex – too broad to cover every market or company in detail – so our aim is to highlight the themes we consider most relevant, while expanding coverage in future editions.

We hope you enjoy this first quarterly letter of 2026 and invite you to share your feedback, questions or requests for further discussion on commodity-related topics.

With best wishes and with confidence that this commodity cycle still has much to offer,

Pablo Gonzalez
David Michael Lincke

Commodity Markets Overview

Commodity Indices

Commodity Futures Indices TR	Ticker	Return	QTD	2025	3Y p.a.	5Y p.a.
Picard Angst Commodity	PACITR	TR	11.7%	6.0%	7.7%	13.4%
Bloomberg Commodity	BCOMTR	TR	5.8%	3.7%	4.0%	10.6%
S&P GSCI	SPGCCITR	TR	1.0%	3.2%	3.9%	14.6%
FTSE/CoreCommodity CRB	CRYTR	TR	0.4%	1.3%	7.5%	16.0%

Commodity Equity Indices TR	Ticker	Return	QTD	2025	3Y p.a.	5Y p.a.
S&P Global Natural Resources	SPGNRUN	TR	6.7%	6.9%	6.7%	10.6%
MSCI World Energy	NDWUENR	TR	2.0%	5.2%	6.1%	19.5%
Stoxx Europe 600 Oil&Gas	SXER	TR	8.3%	3.4%	13.2%	14.8%
S&P Oil Gas E&P	SPSIOPTR	TR	-3.8%	3.2%	0.4%	19.8%
MSCI World Metals & Mining	NDUWMMIN	TR	15.3%	10.3%	16.3%	14.0%
Stoxx Europe 600 Basic Resource	SXOPV	TR	20.0%	7.5%	9.6%	10.1%
S&P Global NR Metals & Mining	SPGNEUT	TR	4.7%	4.4%	6.4%	17.6%
NYSE Arca Exch Gold BUGS	HUINTR	TR	14.9%	14.4%	46.7%	20.0%
NYSE Arca Gold Miners	GDMNTR	TR	14.9%	13.5%	46.7%	21.2%
FTSE Gold Mines	TFTMIGMI	TR	14.9%	12.0%	49.8%	21.3%

Commodity Futures

Energy Futures		Closing Price	Unit	Return	QTD	2025	3Y p.a.	5Y p.a.
CO	Crude Oil - Brent (ICE)	60.85	USD/bbl.	TR	-5.4%	-6.3%	0.9%	18.0%
CL	Crude Oil - WTI (Nymex)	57.42	USD/bbl.	TR	-5.7%	-7.9%	0.9%	15.7%
XB	Gasoline - RBOB (Nymex)	170.54	USd/gal.	TR	-4.7%	-2.2%	2.6%	22.7%
QS	Gas Oil - Low Sulphur (ICE)	622.75	USD/MT	TR	-4.0%	8.3%	6.0%	29.4%
HO	Heating Oil (Nymex)	212.06	USd/gal.	TR	-4.5%	10.7%	1.8%	29.1%
NG	Natural Gas - Henry Hub (Nymex	3.69	USD/MMBtu	TR	-2.9%	-20.7%	-35.2%	-15.1%
FN	Natural Gas - UK (ICE)	73.81	GBp/therm	TR	-15.0%	-38.3%	-39.5%	2.2%
TZT	Natural Gas - TTF Dutch (ICE)	28.16	EUR/MWh	PR	-10.5%	-34.7%	-26.1%	7.2%
JKL	LNG - Japan/Korea (Platts)	9.61	USD/MMBtu	PR	-13.1%	-32.5%	-31.2%	-7.7%
XA	Thermal Coal - API2 Rotterdam (	96.90	USD/MT	PR	3.4%	-15.0%	-24.9%	7.0%
XO	Thermal Coal - API4 Richards Ba	86.20	USD/MT	PR	-0.2%	-19.3%	-25.1%	-0.2%
UXA	Uranium - UxC U3O8 Swap (CM	81.60	USD/lb.	PR	-0.4%	11.9%	17.1%	22.2%

Metals Futures		Closing Price	Unit	Return	QTD	2025	3Y p.a.	5Y p.a.
LP	Copper (LME)	12'465.99	USD/MT	TR	22.6%	47.5%	16.7%	12.2%
HG	Copper (CMX)	568.20	USd/lb.	TR	16.5%	38.7%	15.3%	11.0%
LA	Aluminum (LME)	2'978.80	USD/MT	TR	11.7%	20.4%	8.0%	8.0%
LN	Nickel (LME)	16'545.57	USD/MT	TR	9.1%	7.7%	-18.2%	0.1%
LX	Zinc (LME)	3'093.56	USD/MT	TR	7.4%	8.7%	4.2%	5.1%
LL	Lead (LME)	1'980.58	USD/MT	TR	0.5%	1.8%	-3.8%	1.3%
LT	Tin (LME)	40'556.00	USD/MT	TR	15.4%	44.6%	22.0%	22.5%
CVT	Cobalt (Comex)	24.32	USD/lb.	TR	20.6%	102.6%	-3.5%	-3.1%
LJC	Lithium Carbonate - CIF CJK (CI	11.98	USD/kg	TR	54.5%	26.3%	-53.3%	
SCO	Iron Ore - Singapore (SGX)	107.19	USD/MT	TR	6.7%	19.3%	13.1%	8.1%
KEE	Coking Coal - China (DCE)	1'511.00	CNY/MT	PR	-3.0%	-10.3%	-21.1%	-13.9%
JBO	Steel Scrap - CFR Turkey (Platts	368.62	USD/MT	PR	8.6%	6.8%	-1.6%	-2.7%
RBT	Steel - Rebar China (SHF)	3'105.00	CNY/MT	PR	5.4%	-1.7%	-9.2%	-7.2%
GC	Gold (CMX)	4'341.10	USD/t oz.	TR	12.2%	62.5%	32.4%	17.1%
SI	Silver (CMX)	70.60	USD/t oz.	TR	51.0%	138.6%	42.1%	20.9%
PL	Platinum (Nymex)	2'034.50	USD/t oz.	TR	26.7%	124.4%	24.8%	14.5%
PA	Palladium (Nymex)	1'651.40	USD/t oz.	TR	28.0%	79.6%	-2.0%	-7.5%

Agricultural Futures		Closing Price	Unit	Return	QTD	2025	3Y p.a.	5Y p.a.
C	Corn (CBT)	440.25	USd/bu.	TR	3.5%	-9.8%	-12.9%	1.8%
W	Wheat - SRW (CBT)	507.00	USd/bu.	TR	-2.1%	-17.0%	-21.0%	-11.3%
KW	Wheat - HRW (KCBT)	514.75	USd/bu.	TR	1.6%	-15.9%	-17.9%	-5.0%
S	Soybean (CBT)	1'030.50	USd/bu.	TR	2.9%	4.7%	-4.8%	3.7%
KC	Coffee - Arabica (ICE)	348.75	USd/lb.	TR	-0.1%	28.2%	44.2%	30.9%
DF	Coffee - Robusta (ICE)	4'109.00	USD/MT	PR	-2.2%	-18.1%	30.0%	24.5%
CC	Cocoa (ICE)	6'065.00	USD/MT	TR	-11.2%	-41.6%	63.3%	32.1%
SB	Sugar - No. 11 (ICE)	15.01	USd/lb.	TR	-8.7%	-16.8%	0.3%	6.8%
JO	Orange Juice - FC (ICE)	205.20	USd/lb.	TR	-18.8%	-56.6%	18.2%	23.8%
SM	Soybean Meal (CBT)	294.50	USD/T.	TR	5.3%	-9.6%	-8.4%	-0.3%
BO	Soybean Oil (CBT)	48.07	USd/lb.	TR	-2.5%	19.5%	-5.5%	10.5%
KO	Palm Oil - Malaysia (BMD)	3'998.00	MYR/MT	TR	-4.2%	10.1%	12.3%	23.0%
JN	Rubber - Japan (OSE)		JPY/kg	TR	4.9%	-6.5%	7.3%	-3.2%
LC	Live Cattle (CME)	232.00	USd/lb.	TR	-0.1%	31.5%	20.3%	12.7%
FC	Feeder Cattle (CME)	350.25	USd/lb.	TR	-0.2%	38.8%	20.9%	10.4%
LH	Lean Hogs (CME)	85.10	USd/lb.	TR	-3.8%	7.7%	1.8%	8.3%

Commodity Equities

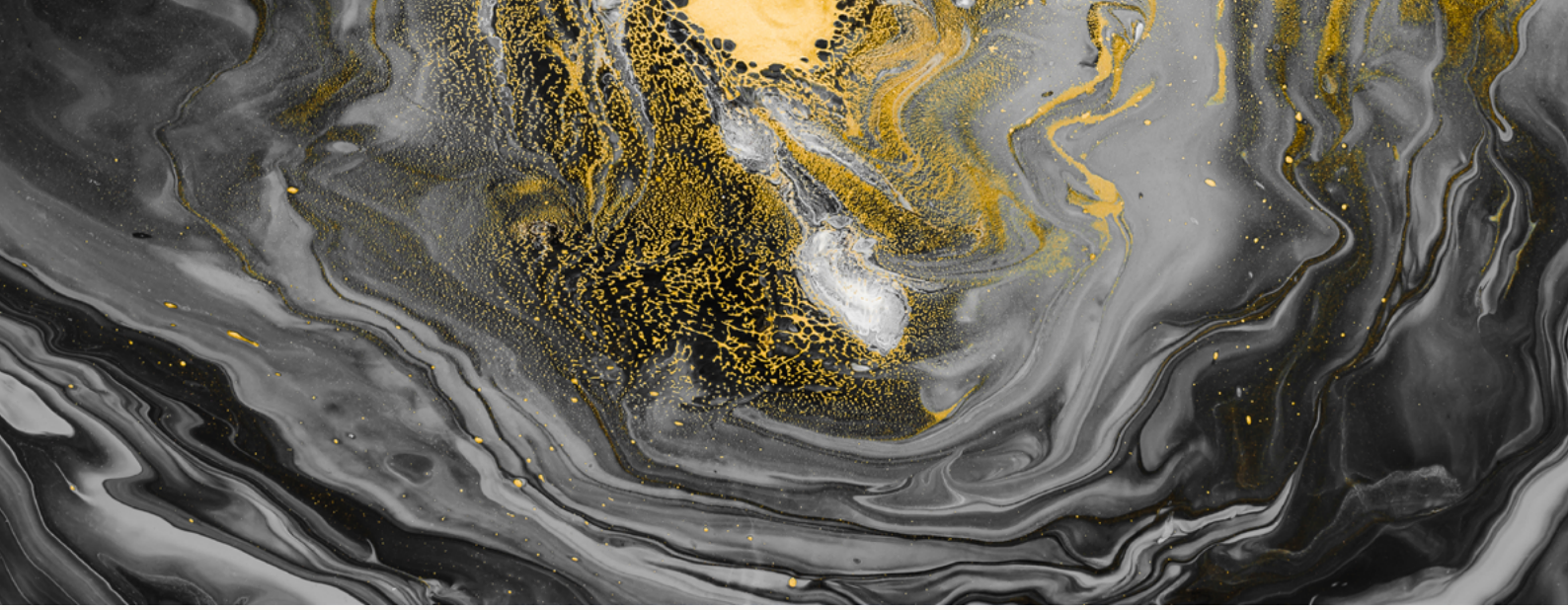
Major Oil & Gas Companies		Market Cap	Industry Group	QTD	2025	3Y p.a.	5Y p.a.
ARAMCO AB	Saudi Aramco	1'596'555	Integrated Oil	-2.0%	-10.3%	-1.2%	0.9%
XOM US	Exxon Mobil	547'768	Integrated Oil & Gas	7.7%	16.0%	6.6%	29.0%
CVX US	Chevron	334'768	Integrated Oil & Gas	-0.8%	10.1%	-1.2%	17.4%
857 HK	PetroChina	250'596	Integrated Oil & Gas	18.3%	46.8%	43.5%	38.9%
SHEL LN	Shell	210'110	Integrated Oil & Gas	4.5%	23.9%	13.9%	20.4%
TTE FP	TotalEnergies	145'776	Integrated Oil & Gas	10.7%	27.3%	7.3%	15.7%
883 HK	CNOOC	137'738	E&P - Oil	11.8%	19.5%	39.9%	36.7%
COP US	ConocoPhillips	121'335	E&P - Oil & Gas	-0.1%	-2.3%	-4.4%	22.9%
386 HK	Sinopec	97'766	Integrated Oil & Gas	15.3%	11.2%	15.3%	15.8%
BP/ LN	BP	92'821	Integrated Oil & Gas	3.0%	25.5%	5.8%	16.6%
PETR4 BZ	Petrobras	79'632	Integrated Oil	-2.1%	6.7%	28.7%	30.2%
CNQ CN	Canadian Natural Resc	71'648	E&P - Oil Sands	7.2%	15.8%	12.1%	29.5%
EQNR NO	Equinor	64'970	Integrated Oil & Gas	-1.7%	9.0%	-3.6%	15.3%
ENI IM	ENI	60'654	Integrated Oil & Gas	10.4%	49.7%	17.8%	20.3%
SU CN	Suncor Energy	59'608	Integrated Oil Sands	7.2%	29.9%	16.9%	26.8%
EOG US	EOG Resources	57'146	E&P - Oil & Gas	-5.4%	-11.4%	-3.2%	21.8%
IMO CN	Imperial Oil	47'730	Integrated Oil Sands	-4.1%	44.1%	24.2%	39.0%
FANG US	Diamondback Energy	43'346	E&P - Oil	5.8%	-5.6%	7.6%	30.9%
OXY US	Occidental Petroleum	42'068	Integrated Oil & Gas	-12.5%	-15.0%	-11.8%	20.3%
CVE CN	Cenovus Energy	33'986	Integrated Oil Sands	0.5%	15.8%	-1.5%	25.6%
ONGC IN	Oil & Natural Gas Corp	33'597	Integrated Oil & Gas	1.6%	0.4%	20.6%	23.3%
EQT US	EQT	31'540	E&P - Natural Gas	-1.2%	17.6%	18.4%	35.0%
WDS AU	Woodisde Energy	30'215	E&P - Oil & Gas	3.3%	13.6%	-3.4%	8.3%
1605 JP	Inpex	25'513	E&P - Oil & Gas	12.3%	66.2%	28.5%	35.7%
ECOPETL CB	Ecopetrol	25'215	Integrated Oil	8.7%	44.8%	17.4%	7.8%
EXE US	Expand Energy	23'788	E&P - Natural Gas	4.4%	14.3%	9.1%	

Major Industrial Metals Compa		Market Cap	Main Exposure	QTD	2025	3Y p.a.	5Y p.a.
BHP AU	BHP	165'692	Iron Ore, Copper, Metallurgic	7.8%	31.6%	6.5%	11.4%
SCCO US	Southern Copper	148'215	Copper, Molybdenum	20.0%	68.1%	40.8%	23.6%
RIO LN	Rio Tinto	143'734	Iron Ore, Aluminum, Bauxite	22.6%	44.8%	11.6%	10.3%
2899 HK	Zijin Mining	140'451	Copper, Gold	9.3%	157.9%	53.4%	35.0%
GMEXICOB MI	Grupo Mexico	85'570	Copper	9.3%	107.6%	45.3%	23.6%
FCX US	Freeport-McMoRan	84'303	Copper, Molybdenum	30.0%	35.4%	11.7%	15.8%
GLEN LN	Glencore	75'217	Trading, Thermal Coal, Copp	19.0%	27.1%	-1.8%	17.1%
3993 HK	CMOC	69'439	Trading, Copper, Cobalt, Mol	22.6%	280.5%	80.0%	33.5%
VALE3 BZ	Vale	66'710	Iron Ore	27.5%	68.2%	1.6%	6.1%
AAL LN	Anglo American	51'116	Iron Ore, Copper, Metallurgic	10.7%	44.2%	5.6%	10.2%
CCO CN	Cameco	50'790	Uranium	9.4%	78.7%	59.5%	47.3%
ANTO LN	Antofagasta	47'001	Copper	19.1%	125.4%	35.8%	21.3%
FMG AU	Fortescue	46'133	Iron Ore	18.8%	41.9%	13.8%	11.4%
1378 HK	China Hongqiao	45'451	Aluminum, Alumina	23.4%	196.1%	75.9%	47.6%
NUE US	Nucor	39'911	Steel	20.9%	42.1%	8.9%	27.1%
MT NA	ArcelorMittal	37'940	Steel	28.5%	100.7%	22.5%	16.5%
2600 HK	Chalco	31'968	Aluminum, Alumina	50.7%	183.5%	59.1%	37.5%
358 HK	Jiangxi Copper	26'202	Trading, Copper, Gold	42.6%	267.2%	63.0%	34.0%
TATA IN	Tata Steel	25'780	Steel	5.4%	27.0%	16.5%	21.4%
STLD US	Steel Dynamics	25'349	Steel	21.9%	50.7%	21.9%	37.8%
TECK/B CN	Teck Resources	24'726	Copper, Zinc	9.6%	19.4%	9.8%	23.2%
FM CN	First Quantum Mineral	24'450	Copper	18.6%	108.3%	8.9%	8.7%
SQM/B CI	SQM	21'915	Lithium, Iodine	64.2%	92.0%	-1.8%	12.5%

Major Precious Metals Compa		Market Cap	Main Exposure	QTD	2025	3Y p.a.	5Y p.a.
NEM US	Newmont	124'535	Gold	18.8%	172.8%	31.8%	14.3%
AEM CN	Agnico Eagle	99'217	Gold	1.0%	119.8%	51.7%	22.3%
ABX CN	Barrick Mining	82'154	Gold, Copper	33.3%	187.2%	39.5%	17.2%
WPM CN	Wheaton Precious Me	61'530	Gold, Silver	5.3%	110.7%	45.8%	24.5%
2259 HK	Zijin Gold International	58'455	Gold, Silver	21.0%			
ANG SJ	AngloGold Ashanti	50'402	Gold	24.4%	308.7%	69.1%	33.3%
FNV CN	Franco-Nevada	47'007	Gold, Silver, Oil & Gas	-6.6%	78.2%	16.2%	11.7%
GFI SJ	Gold Fields	45'665	Gold	3.7%	245.2%	66.9%	40.7%
K CN	Kinross	40'559	Gold	13.7%	206.0%	93.5%	33.5%
FRES LN	Fresnillo	36'967	Silver, Gold	41.2%	510.9%	65.0%	27.4%
AMMN IJ	Amman Mineral	32'712	Gold, Copper, Smelting	-11.2%	-26.6%		
1787 HK	Shandong Gold	29'890	Gold	-6.4%	178.0%	35.1%	14.9%
NST AU	Northern Star	26'502	Gold	13.5%	93.5%	37.9%	16.3%
VAL SJ	Valterra Platinum	24'432	Palladium, Platinum, Rhodiu	18.9%	210.9%	6.5%	5.3%
PAAS CN	Pan American Silver	23'331	Gold, Silver	34.4%	160.7%	50.0%	10.7%
RGLD US	Royal Gold	22'376	Gold, Silver, Zinc	11.1%	70.5%	26.9%	17.3%

Major Agriculture Companies		Market Cap	Main Exposure	QTD	2025	3Y p.a.	5Y p.a.
MAADEN AB	Saudi Arabian Mining	74'457	Phosphate, Aluminum, Gold	-4.8%	21.4%	12.3%	35.2%
NTR US	Nutrien	32'039	Potash, Phosphates, Nitroge	6.1%	43.3%	-1.7%	8.7%
ADM US	Archer-Daniels-Midlan	31'324	Agribusiness, Oilseeds, Nutr	-2.9%	18.3%	-11.9%	5.6%
BG US	Bunge	20'846	Agribusiness, Edible Oils, Mi	10.5%	18.6%	-0.8%	9.2%

Notes: All performance figures are expressed in USD. Returns are generally based on total return (TR) calulations. Return indicated by „PR" on the commodity futures side is based only on Price Returns and no total return calculation is available through an Index from S&P GSCI or Bloomberg. Indices classified as „Fut." for Commodity Futues and „Eq." for Commodity Equities. Companies are ranked by Market Capitalization in USD millions. Industry group and main exposure classifications are based on the PA database and company data. For Oil & Gas companies, a fossil fuel is considered the main exposure if it accounts for more than 75% of the company's energy mix. For Industrial and Precious Metals companies, only main exposures contributing at least 10% to revenues are shown, listed from largest to smallest exposure. More information on each company upon request. Compnay financial figures based on trailing figures.



Energy Overview

Market Commentary

Key Takeaways

- Oil prices stay soft despite geopolitics, as oversupply and flexible U.S. production dampen risk premiums.
- The “Age of Electricity” accelerates power demand, keeping gas, coal and nuclear relevant for reliability.
- Late-2025 signals hint U.S. shale growth may cool, tightening the medium-term supply outlook.

Energy markets in 2025 and early 2026 were characterised by a widening gap between headline price weakness and persistent geopolitical risk, underscoring how structurally different today’s market has become. Developments in Venezuela and Iran – events that would previously have sent crude prices sharply higher – now generate only transient price responses. While these countries remain symbolically important as founding members of OPEC, their ability to materially disrupt global supply has diminished. Crude prices have fallen for a third consecutive year, and the market remains oversupplied as OPEC+ gradually unwinds voluntary production cuts.

A defining shift since earlier geopolitical oil shocks in 1979 or 2003 has been the transformation of the United States into the world’s largest oil producer. The shale revolution has made global supply far more responsive to prices, allowing producers to ramp activity up or down much faster than in past cycles. This structural flexibility has reduced the geopolitical risk premium embedded in oil prices and altered the risk-reward calculus for investment in politically unstable producers such as Venezuela, even as volatility remains a recurring feature given ongoing risks in Russia, the Middle East, and Iran.

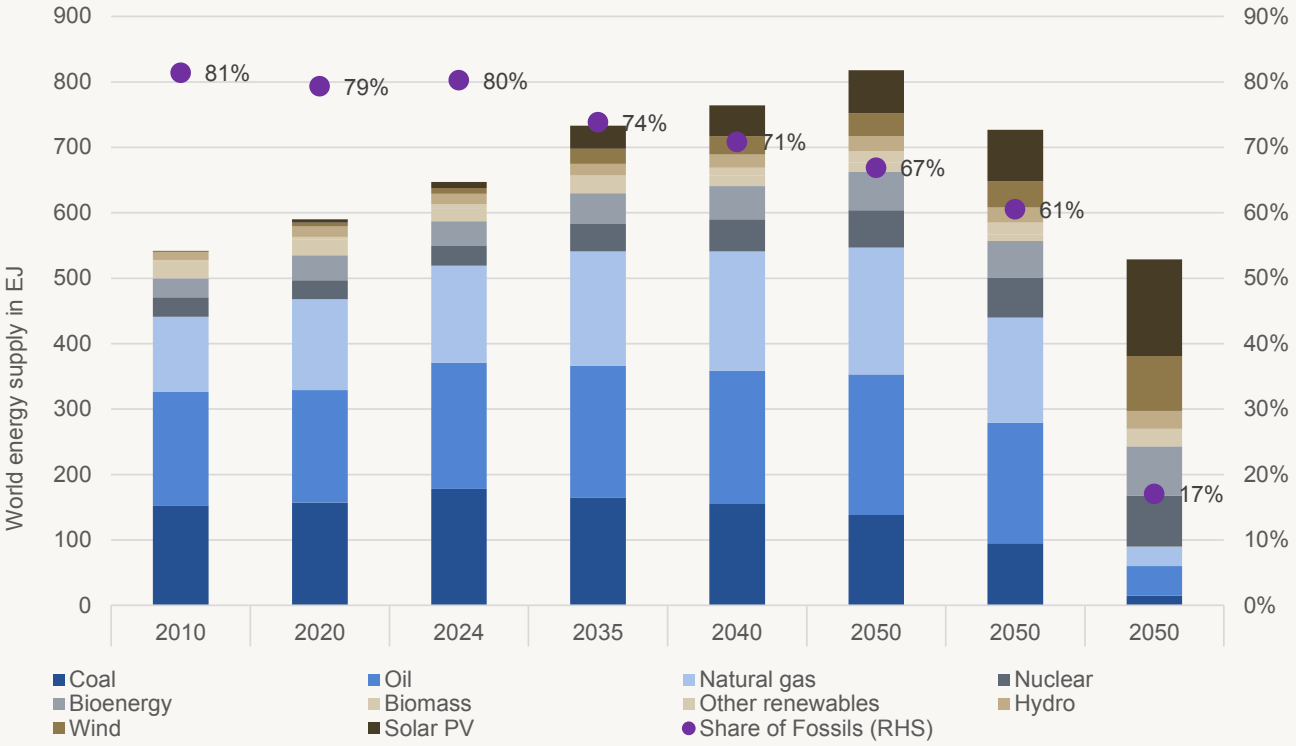
Despite persistent bearish sentiment, demand has proven more resilient than prevailing narratives of rapid demand destruction might suggest. Non-OECD economies – and China in particular – absorbed a large share of excess supply through inventory accumulation rather than end-use consumption. More broadly, assumptions of rapid substitution and elastic reinvestment continue to underestimate the role of decline rates and the energy intensity of the transition itself. Rather than a simple substitution, the transition has increasingly looked like an energy addition, as electrification and digitalisation lift overall energy demand.

This reassessment was reflected in meaningful revisions to the IEA’s November 2025 World Energy Outlook. Under the newly introduced Current Policies Scenario, global oil demand rises by roughly 6 mb/d from 2023 levels to around 120 mb/d by 2050 without peaking – an explicit break from earlier decline-based projections. Even in the Stated Policies Scenario, demand assumptions were revised higher, pushing the timing of peak oil demand further to the right.

Only under a highly ambitious Net Zero pathway do fossil fuels fall below 20% by 2050 – an outcome dependent on rapid, globally coordinated climate policy and execution. Notably, the Net Zero framing appeared less central in the IEA’s latest communication than in prior years, reinforcing the broader market perception that global energy demand is proving more persistent – and more difficult to substitute – than many earlier transition narratives implied.

Chart 1: Fossils make up 80% of our primary energy consumption today

Source: IEA World Energy Outlook 2025



Downstream and adjacent markets reinforced this picture. Refining margins remained volatile but structurally supported by limited capacity additions and episodic disruptions, while natural gas markets oscillated between oversupply and acute weather-driven tightness. Power markets emerged as a central theme, with accelerating electricity demand from data centres and electrification exposing grid constraints and supporting continued coal use in some regions alongside renewed interest in nuclear baseload. Against this complex backdrop, energy equities proved relatively resilient, supported by capital discipline and shareholder-return frameworks, even as investor focus increasingly shifts toward medium-term supply risks, policy uncertainty, and the balance between affordability, sustainability, and energy security.

CRUDE OIL prices declined by roughly 6–7% YoY in 2025, depending on benchmark, as broad-based supply strength outweighed repeated geopolitical price spikes. Throughout the year – and particularly during 4Q25 – oil markets were repeatedly influenced by geopolitical developments, including uncertainty around potential Ukraine peace talks, evolving U.S. – China relations, ongoing Middle East tensions and shipping-route risks, and shifting U.S. sanctions regimes affecting producers such as Russia, Iran, and Venezuela. While these events periodically lifted prices, none resulted in sustained physical supply disruptions.

Global oil demand growth picked up modestly in 2025, led by developing economies, but remained subdued overall, reflecting slower economic growth, weaker industrial activity, and ongoing trade disruptions. Estimates diverged significantly across agencies, with demand growth ranging from around 0.8 mb/d (IEA) to 1.4 mb/d (OPEC), underscoring persistent uncertainty around the true pace of consumption growth. China was a particularly important factor during the year. Chinese crude oil imports rose 17% YoY in December, while full-year 2025 imports increased by 4.4%, according to official data. Daily import volumes reached record highs both in December and on a full-year basis, highlighting China's continued role as the marginal absorber of excess global supply. Import growth appeared driven less by end-use fuel demand than by inventory accumulation and energy-security considerations. For 2026, oil demand growth estimates continue to differ meaningfully across agencies, ranging from 0.9 mb/d (IEA) to 1.4 mb/d (OPEC), with the EIA closer to the upper end at around 1.3 mb/d. Growth is expected to be stronger YoY, supported by firmer global activity as trade tensions ease, crude prices remain lower, and fiscal and monetary policies stay supportive. Notably, the IEA has revised its 2026 demand outlook higher for three consecutive months. Most incremental demand is projected to come from non-OECD economies, with China and India contributing roughly 0.2 mb/d each and the rest of Asia adding around 0.3 mb/d, while OECD demand growth slows to approximately 0.1 mb/d.

On the supply side, global crude output increased by an estimated 2.4–2.9 mb/d in 2025, depending on the agency, although recent estimates have been trimmed modestly due to sanctions and logistical constraints. A key driver has been the conversion of final investment decisions taken between 2020 and 2022 – particularly offshore – into first oil, notably in Brazil, Guyana, Norway, and the U.S. Gulf of Mexico. U.S. shale production continued to expand during 2025, reaching slightly above 10 mb/d, and has accounted for roughly 90% of all non-OPEC+ supply growth over the past 15 years. However, several late-2025 indicators pointed to a marked slowdown in U.S. shale growth on a YoY basis, raising the probability of an inflection point with meaningful implications for future balances, particularly as OPEC+ spare capacity tightens.

"Late-2025 signals point to an inflection in U.S. shale growth as OPEC+ spare capacity tightens."

Outside U.S. shale, there is limited evidence that oil majors have meaningfully replenished the longer-dated project pipeline. The OPEC+ alliance, which produces about half of global oil supply, added an estimated 1.2 mb/d in 2025 and decided to pause output hikes in 1Q26. Producers outside the alliance are estimated to have added around 1.3 mb/d last year. Attention is increasingly shifting toward 2027 and beyond, when supply growth looks less robust as current project pipelines thin.

As a result, the crude oil market was in surplus during 2025 and is expected to remain oversupplied in 2026, particularly in 1H26. Estimates vary widely, with the IEA projecting a surplus of up to 4 mb/d during 1Q 2026, while, while most forecasters expect the surplus to narrow to below 2 mb/d by year-end as demand rises. Importantly, the surplus is widely expected to decline over the course of the year, and demand may be revised higher given that physical market indicators have not yet pointed to material weakness. By 2027, oil will have spent more than two years in retreat, not because demand failed to materialise, but because supply growth overshot otherwise resilient consumption. At the same time, fewer analysts now expect peak oil demand to be reached within the next five years. Most agencies agree that incremental demand growth is increasingly driven by petrochemical feedstocks rather than transportation fuels.
Against this loose fundamental backdrop, two stabilisers mattered for price formation: inventories – especially in China – and a persistent geopolitical risk premium. According to the IEA, global crude inventories increased by roughly 400 million barrels in 2025, with around 240 million barrels held at sea, including approximately 160 million barrels linked to sanctioned producers such as Russia, Iran, and Venezuela. Interpreting oil-on-water data remains challenging given longer shipping routes and logistical distortions caused by sanctions.

Some estimates suggest that around 50–70% of the global inventory build in 2025 occurred in China. The EIA estimates that Chinese crude inventories increased by roughly 900 kb/d between January and August 2025, effectively soaking up supply that would otherwise have exerted additional downward pressure on prices. While China does not publish official inventory data, third-party estimates suggest combined strategic and commercial stocks reached record levels in 2025, potentially exceeding 1.2 billion barrels by year-end.

This stockbuilding helps explain why crude prices did not fall further despite record-bearish sentiment, with futures positioning reaching extreme levels exceeded only once previously, immediately after Tariff Liberation Day.

Geopolitical risk remained the other key factor keeping markets on edge. 2026 began with heightened developments, including events in Venezuela and growing instability in Iran. Each recalibration of risk involving the United States, Russia, Iran, or Venezuela has continued to lift prices temporarily, even as underlying supply–demand fundamentals remain loose.

Russian crude production remained resilient in 2025, averaging close to the Energy Ministry's target of around 10.2 mb/d of liquids. Indian purchases of discounted Russian crude stayed robust despite sanctions risks, with imports at 1.3 mb/d in December, down from peak levels near 2 mb/d earlier in the year. In a peace-deal scenario, some analysts estimate Russian liquids output could rise relatively quickly toward around 11 mb/d, though reaching technical capacity of roughly 12 mb/d would require several years and the return of Western technology.

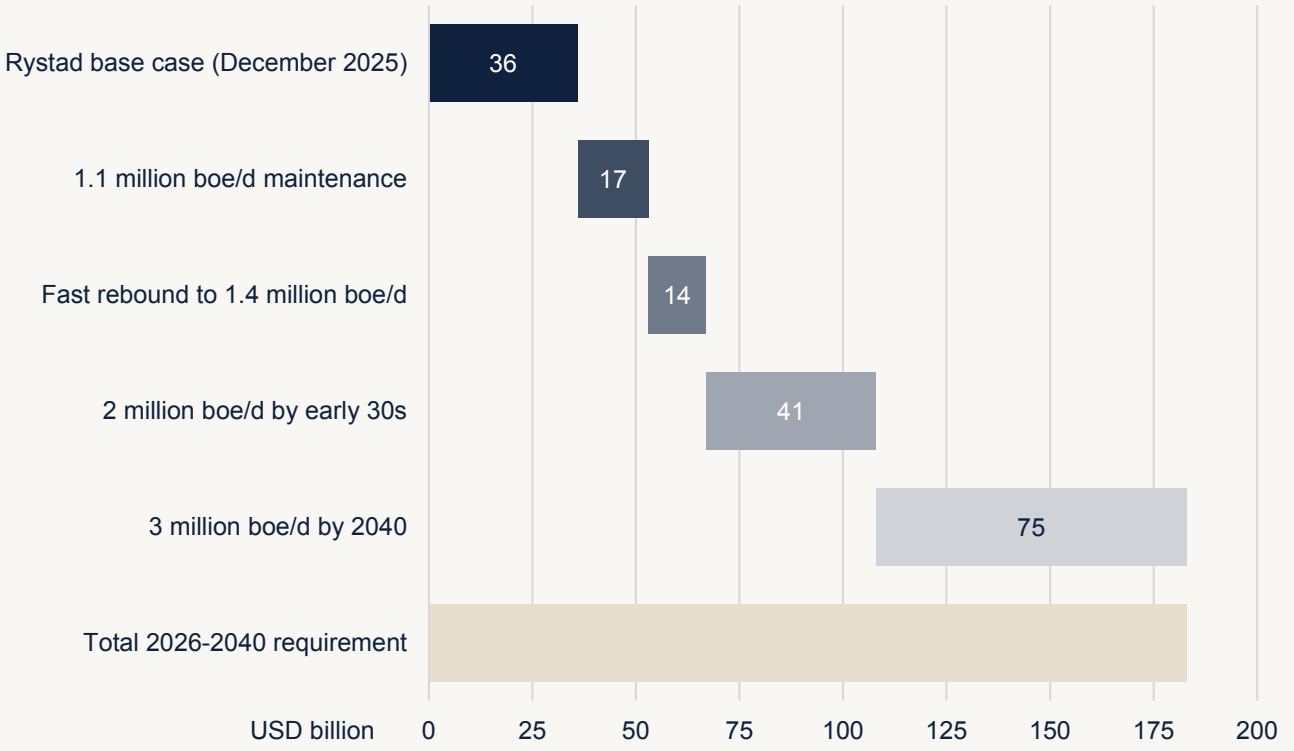
Following the capture of Venezuelan President Nicolás Maduro and subsequent U.S. airstrikes, the oil market absorbed developments with limited disruption, as no immediate damage to infrastructure was reported. Venezuela's near-term supply relevance remains limited: after a prolonged production collapse, output stands near 800 kb/d, accounting for less than 1% of global supply. The most notable near-term impact is expected to be trade-flow reallocation, with up to around 500 kb/d of Venezuelan crude exports potentially redirected from China toward the U.S. Venezuela's longer-term recovery remains highly uncertain. While near-term stabilisation could be achieved through limited service-led investment, scaling toward around 2 mb/d in the early 2030s and 3 mb/d by 2040 would require substantial capital, technical partnerships, and regulatory clarity. Rystad Energy estimates that around USD 183 bn in oil and gas capex would be required over 2026–2040, with spending heavily back-loaded. U.S. interest in Venezuelan oil has resurfaced, but most firms remain cautious, citing security risks and weak legal protections.

Most recently, attention has shifted back to Iran, where escalating protests – including reports involving oil workers – have raised fears of broader disruption. The U.S. imposed a 25% tariff on countries trading with Iran and threatened severe retaliation. China remains Iran's key economic partner, buying roughly 1.3–1.5 mb/d of Iranian crude. Despite elevated rhetoric, oil prices have so far responded only modestly, reflecting ample supply and changing macro-financial dynamics.

"Global refined product demand growth was modest, with strong Asian jet fuel demand and weak OECD gasoline demand."

Chart 2: Rebuilding Venezuela's oil system requires ~$183bn to reach 3mboe/d by 2040

Source: Rystad Energy



REFINED PRODUCTS. In the United States, average retail prices for gasoline and diesel declined through 2025, reflecting lower crude prices and broader inventory builds, although refined product markets remained seasonally tight. Demand for middle distillates, particularly diesel and heating oil, proved resilient into late 2025, supported by Northern Hemisphere winter heating needs.
Globally, refined product demand growth remained modest, with jet fuel demand in Asia particularly strong, while OECD gasoline demand remained weak. Forecasts continue to point to moderate growth in total refined product demand through 2025 and 2026. In China, total fuel oil imports declined in 2025 after reaching record highs in 2024, as lower import tax rebates weighed on demand from independent refiners.

Refining margins remained volatile throughout the year, influenced by geopolitical risk premia and a persistently high level of unplanned outages. Refiners entered 2025 with weak sentiment amid concerns about global overcapacity pressuring margins and earnings. Sentiment improved materially as it became clear that many new refining assets are struggling to ramp up – despite some successful ramp-ups in the Middle East and Asia – and that the market was tightening more quickly than anticipated.

A major turning point came with escalating Ukrainian drone attacks on Russian refining infrastructure, which significantly tightened product balances. The frequency and precision of these attacks increased as the year progressed, with at least 14 refineries and four export terminals reportedly hit in November alone. It is estimated that more than around 1.0 mb/d of Russian refining capacity was impacted at peak levels. Analysts estimate that, if no further attacks occur, most affected capacity could return by the end of 1Q26, with a lighter-than-usual spring 2026 maintenance season following recent repairs.

Globally, refining capacity net additions remain very limited in 2026, while product demand continues to hold up. This tight capacity outlook contrasts with the vulnerability of ageing assets, particularly in the Atlantic Basin, where outage risk remains elevated. Some analysts argue there is limited scope for further refinery closures in the United States, although others continue to highlight closure risks in California and along the U.S. East Coast. In Europe, there may still be candidates among smaller refineries below 100 kb/d, including assets in Germany and Italy.

Venezuela has returned to the spotlight, though near-term implications for refining margins are expected to be modest given the limited volumes involved, and this assessment refers to market-wide rather than asset-specific impacts. Over the medium term, increased availability of heavier crude grades could benefit complex refiners, partially offset by the likelihood of weaker diesel margins as additional supply enters the market.

NATURAL GAS and **LNG** were the weakest-performing major energy futures/swap complex in 2025, with negative total returns of –21% for Henry Hub, –38% for UK natural gas, –35% for Dutch TTF, and –33% for Japan/Korea LNG, with all figures calculated on a consistent total-return basis. Global gas demand was broadly balanced in 2025, with some agencies estimating that demand declined by less than 1%, while others suggest it grew by around 1%, following a relatively strong increase in 2024. Tighter supply conditions in the first half of 2025 lifted spot prices, but higher prices – together with weaker industrial activity – subsequently weighed on consumption, particularly in Asia. Conditions began to ease from mid-2025 as global LNG production accelerated, with supply rising by almost 7% in 2025, around three-quarters of which occurred in 2H25.

Natural gas remains highly weather-sensitive, and by mid-January 2026 volatility returned sharply. Winter temperatures are a key input for price formation given gas's role in residential and commercial heating and its importance for power generation, especially during cold spells. Colder weather increases heating degree days, accelerates storage withdrawals, and can tighten regional balances quickly. Forecast visibility remains limited beyond roughly ten days due to the complex interaction of climate drivers.

Against this backdrop, U.S. natural gas prices surged to USD 5.28/MMBtu amid a severe winter storm in mid-January, with gains amplified by short covering after speculative positioning had turned bearish. Spot markets experienced extreme volatility in several regions as supply tightened, particularly in the Northeast, Gulf Coast, and California, where cash prices spiked to roughly USD 28–58/MMBtu. The rally was driven by forecasts for sustained below-normal temperatures across most of the U.S., boosting heating demand and accelerating storage withdrawals. Freeze-offs in southern producing regions further increased supply risks, with production losses estimated at around 3–6% of U.S. output over the subsequent two weeks. Extreme cold also strained power grids, reinforcing gas demand and keeping near-term volatility elevated.

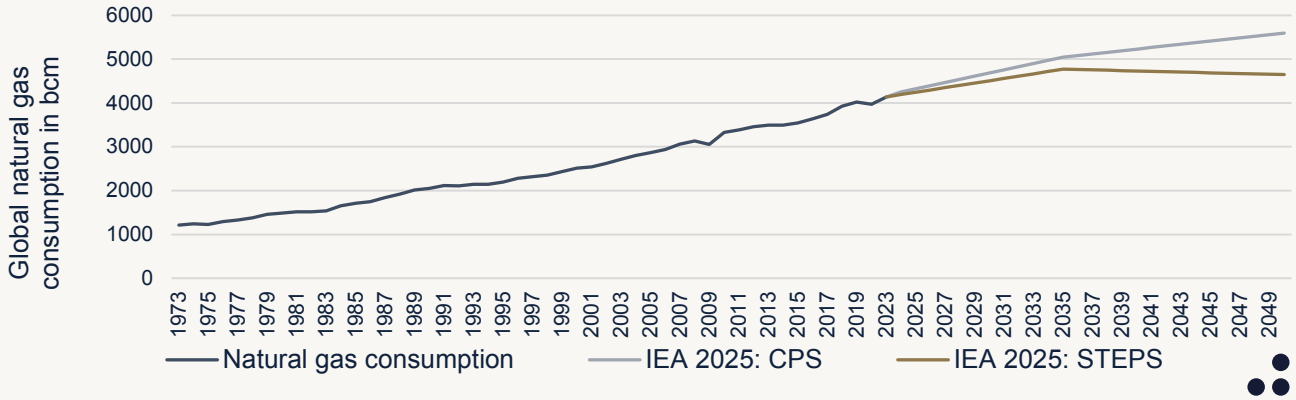
Turning to balances, weather will ultimately determine the path through the remainder of the heating season. As of mid-January, U.S. inventories stood 138 bcf above the five-year average, while European gas storage was around 48% full (approximately 50 bcm), roughly 10 percentage points lower YoY and about 15 percentage points below the seasonal average. However, Europe's build-out of LNG import capacity has been sufficiently robust – and global LNG supply growth sufficiently strong – that, despite low storage levels, the continent may navigate the winter without major disruption, assuming conditions do not turn materially colder.Investment momentum in global LNG supply, led by the United States, remained strong in 2025, with more than 90 bcm per year of liquefaction capacity reaching final investment decision. Global LNG supply growth is expected to accelerate further in 2026 to more than 7%, the fastest pace since 2019, and this wave of new supply is expected to be central to rebalancing global gas markets. Some analysts expect LNG markets to remain relatively tight through 2027, but the arrival of additional capacity is likely to tip the market into surplus from 2028 onward, lowering utilisation rates.

UBS expects liquefaction capacity growth from 2028 onward to outpace demand by roughly 50 mtpa (≈68–72 bcm p.a.) of additions versus ~38 bcm p.a. of demand growth – implying ~50 bcm of scenario-based spare liquefaction capacity by 2030 and lower utilisation rates. However, LNG project slippage is persistent: since 2018, over half of projects have started first exports about six months later than planned, which – if repeated – could keep the market tighter into 2028. UBS also flags that a potential peace deal and a meaningful return of Russian gas could materially alter Europe's gas/LNG balance. Goldman Sachs is more cautious, arguing that 2025 marks the start of a multi-year LNG supply wave that could weigh on TTF/JKM prices through the late-2020s, with the trough potentially around 2028/29 if projects deliver broadly on schedule. While GS acknowledges recent disruptions and start-up delays, it sees 2025 realized and 2026 expected supply broadly tracking prior assumptions and continues to expect 2025–2030 supply growth to exceed Asia demand growth, raising the risk of periodic European storage tightness/congestion in 2028/29.

Russia's pipeline gas exports to Europe fell by 44% in 2025 to their lowest level since the mid-1970s following the closure of the Ukrainian route, as European countries continue to phase out Russian fossil fuel imports. The EU has stated that it aims to cease importing Russian gas by end-2027. Russian pipeline gas flows to Europe are now essentially limited to TurkStream. Analyst forecasts suggest overall Russian gas and LNG exports could remain broadly stable at around 150–160 bcm per year through 2035, with volumes to Europe declining but still around 40 bcm, and Turkey and Hungary remaining key buyers. Exports to China are expected to drive growth, increasing by around 17 bcm by 2030 versus 2025, reflecting the expansion of Power of Siberia capacity and Far East pipeline developments, subject to execution risk.

In the long-term, the IEA's World Energy Outlook 2025 shows that global natural gas demand continues to rise for longer than previously anticipated in both the Current Policies Scenario (CPS) and the Stated Policies Scenario (STEPS). This sustained growth is driven primarily by rapidly increasing electricity needs worldwide and a slower-than-expected expansion of renewable generation capacity. In the Current Policies Scenario (CPS) of the IEA, natural gas demand climbs

Chart 3: Natural gas: a rising cornerstone of global power demand
Source: Bloomberg, IEA, Wood Mackenzie, McKinsey



strongly, reaching around 5 600 bcm by 2050 (up from roughly 4 300 bcm today). A major driver of this outlook is the rapid rise in electricity demand – especially from data centres, AI and digitalisation – which reinforces the role of natural gas in the power sector. In the CPS, gas-fired generation grows more than any other source, keeping gas essential for system flexibility and for balancing the variability of renewables.

POWER. Electricity markets continued to move into sharper focus as structural demand growth accelerated, reinforcing the view that the global energy system is entering an "Age of Electricity." Power demand has been rising alongside electrification trends, weather-driven consumption swings, and the rapid expansion of digital infrastructure, while electricity costs have moved higher in many regions due to a combination of infrastructure renewal, climate-related damage, and policy-driven investment.

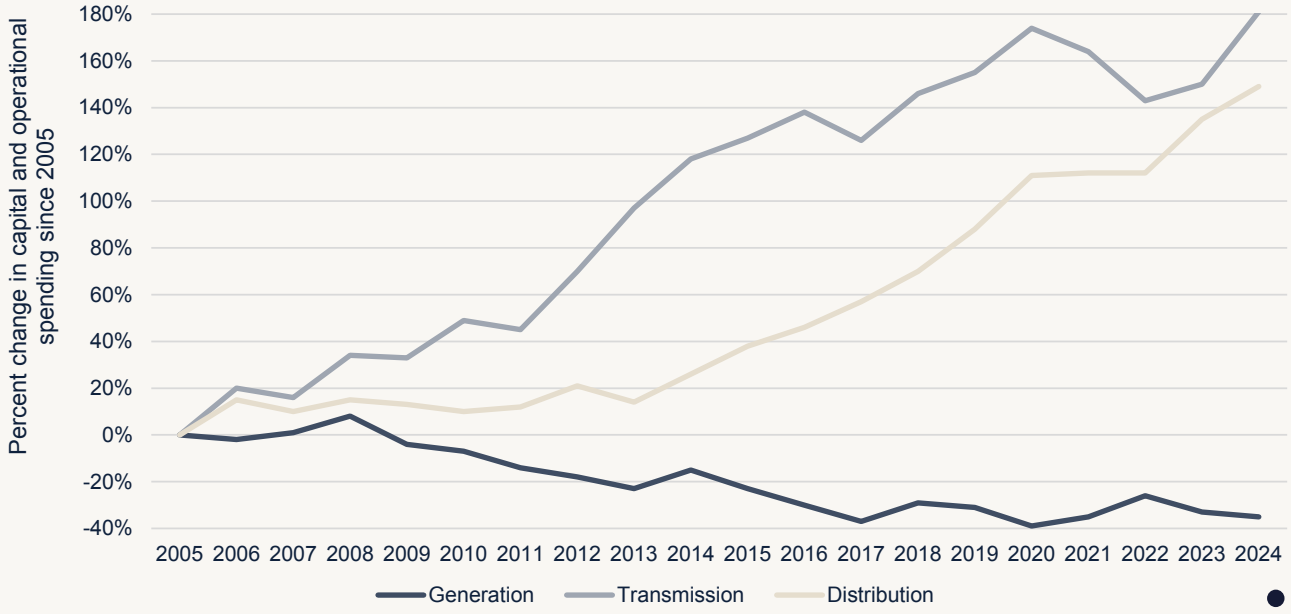
"Rising structural demand is ushering in a global 'Age of Electricity.'"

In the United States, electricity prices have risen markedly in recent years. Retail electricity prices increased by 6.7% YoY in December, according to the U.S. Bureau of Labor Statistics, and are up by roughly 38% since 2020. By comparison, broader consumer prices rose 2.7% YoY in December. Rising electricity bills are increasingly becoming a political issue, reflecting the growing burden on households and businesses. Key drivers include the replacement of ageing generation and grid equipment, grid rebuilding following storms and wildfires, and the implementation of state-level renewable energy mandates. Electricity consumption also continues to fluctuate strongly with weather conditions. The rapid expansion of artificial intelligence and cloud computing has significantly lifted long-term electricity demand projections. The AI boom has increased demand for new power generation capacity and contributed to persistent bottlenecks in grid interconnection queues. Data centre construction has continued at a record pace in the U.S., with monthly and annual capacity additions reaching 1.4 GW in December 2025 and 10 GW for full-year 2025, respectively. As a result, U.S. power demand growth reached 2.8% YoY during January–October 2025, marking the fastest pace in roughly two decades. According to some analysts, this surge pushed more than half of U.S. regional power markets into critical tightness during 2025, heightening reliability concerns.

At the same time, a recent study by Lawrence Berkeley National Laboratory and the Brattle Group suggests that rising U.S. electricity prices are being driven primarily by surging infrastructure costs rather than data-centre demand alone. The study finds that fixed costs associated with transmission and distribution have increased sharply, with transmission expenses nearly tripling and distribution costs more than doubling over the past two decades. Equipment prices have also risen well above inflation. Ageing grids and climate-related stresses are forcing utilities to invest heavily in resilience. By contrast, generation costs have fallen by roughly 35% since 2005, underscoring that grid investment rather than generation has been the dominant driver of rising electricity prices.

Chart 4: U.S. power prices rise on infrastructure, not only on data centers

Source: Washington Post, Lawrence Berkeley National Laboratory, Brattle Group, EIA



Nevertheless, longer-term electricity demand growth remains underpinned by structural factors. Incremental demand from data centres, broader electrification trends – including electric vehicles – and increased industrial activity are expected to continue supporting global power demand growth, reinforcing electricity's central role in the evolving energy system. Higher electricity demand and reliability concerns feed directly into coal burn in some regions and into renewed interest in nuclear baseload, both of which shaped energy markets through 2025 and early 2026.

THERMAL COAL prices declined by roughly 15–20% in 2025, reflecting weaker global import demand and easing supply-side tightness following the exceptional conditions of previous years. Global thermal coal export volumes fell by approximately 33 million tonnes, or around 3% YoY, to roughly 936 million tonnes, marking the lowest annual shipment total since 2022.

A synchronised decline in imports was observed across several key markets. Half of the world's top ten thermal coal importers recorded year-on-year declines in purchase volumes in 2025, according to data from Kpler, including the top three buyers, which collectively reduced imports by nearly 50 million tonnes. This broad-based slowdown has reinforced concerns that global seaborne coal trade may be approaching a structural peak, as an increasing number of power systems shift toward cleaner generation sources. That said, coal demand remains highly concentrated. China, India, and Japan have been the three largest thermal coal importers for more than a decade and together have accounted for around 60% of global imports since 2017. In 2025, their combined imports totalled approximately 565 million tonnes, or just under 59% of the global total, representing a decline of 49 million tonnes, or 8% YoY, and the lowest level since 2022. China remained by far the largest importer, with purchases of around 308 million tonnes, followed by India at 157 million tonnes and Japan at 100 million tonnes, based on Kpler data.

At volumes exceeding half a billion tonnes per year, the import behaviour of these three countries remains the primary focus for major exporters such as Indonesia and Australia. However, the synchronised decline in their collective imports increasingly points to a gradual erosion of coal's role in power generation and industrial use.

In China, rapid deployment of renewable energy, coupled with efforts to support domestic coal mining, is likely to reduce import requirements over time. India, meanwhile, continues to prioritise energy security and domestic production. The country is considering a substantial long-term expansion of coal-fired power capacity, potentially allowing new plant construction through 2047, reversing earlier expectations that net additions would peak around 2035. Discussions between the power ministry and NITI Aayog suggest coal-fired capacity could reach approximately 420 GW by 2047, an increase of around 87% from current levels, in support of India's development and energy independence objectives. However, this pathway may face mounting policy and financing challenges, as meeting India's net-zero 2070 target would likely require emissions to peak around 2045, and the country has yet to publish an updated emissions-reduction strategy beyond 2035.

On the supply side, most major Western coal producers have scaled back or halted new thermal coal investments amid investor pressure, stricter environmental regulations, and capital allocation constraints. The most notable supply-side development came from Indonesia, which announced a tentative 2026 coal production target of around 600 million tonnes. If realised, this would imply a 24% YoY reduction in output. Based on Indonesia's average export share of production over 2022–2025, and accounting for domestic market obligations, this would correspond to a potential reduc-

tion of roughly 110 million tonnes of exports, equivalent to around 10% of global seaborne thermal coal trade. Despite the scale of this potential supply cut, price impacts have so far been limited, as markets anticipate that reduced Indonesian exports could be partially offset by higher domestic production in China and India.

More broadly, market consensus increasingly views global coal imports as being on a long-term downward trajectory. The EIA expects coal-fired power generation to decline by 9% in 2026 and remain broadly flat in 2027, alongside a reduction in coal generation capacity of around 13 GW, or roughly 8%, over the next two years.

At the same time, coal demand has repeatedly surprised to the upside, particularly across parts of Asia. In the United States, the outlook has also improved. Jefferies notes that surging power demand – driven in part by electricity-intensive data centres – has supported coal generation, which rose by approximately 15–20% YoY, as lower-cost domestic coal regained share from natural gas. The IEA has similarly revised its coal demand outlook higher several times, reflecting coal's continued role in the global energy mix. Institutions such as Wood Mackenzie now expect coal demand to remain elevated for longer than previously anticipated, depending on scenarios, potentially peaking around 2026 or even growing modestly through 2030. Notably, McKinsey, which previously projected a 40% decline in coal demand over the coming decade, now forecasts a slight increase of around 1%, underscoring the resilience of coal demand despite accelerating energy transition efforts.

URANIUM markets experienced a strong resurgence through 2025, with momentum carrying into early 2026. Spot uranium prices approached USD 90/lb by end-January 2026, extending a steady uptrend from sub-USD 70/lb levels seen during the summer. Price strength has been underpinned by robust U.S. policy support, accelerating electricity demand, and growing interest from technology companies seeking reliable low-carbon baseload power. Major technology companies – including Microsoft, Google, and Amazon (AWS) – have increased their engagement with nuclear utilities and small modular reactor developers, either through direct investments or strategic partnerships, in order to secure future clean baseload supply. The global SMR pipeline has expanded meaningfully, with an estimated 15–30 GW of projects currently in development and more than USD 10bn committed by hyperscalers and partners through announced commitments and MoUs rather than fully deployed capital, toward deployments aimed at powering data centres in the early 2030s.

"The global SMR pipeline is scaling rapidly, with 15-30 GW in development & over $10bn committed to power data centres in the early 2030s."

Policy support for nuclear energy in the United States has strengthened further. The EIA forecasts a 2% YoY increase in U.S. nuclear electricity generation in 2026, largely reflecting the anticipated restart of the Palisades nuclear power plant. Despite this increase in output, nuclear's share of total U.S. electricity generation is expected to decline marginally from 19% to 18%, as growth in other generation sources outpaces nuclear. A major milestone was the launch of what has been described as the largest bi-national public-private partnership to build nuclear reactors on record. The U.S. government announced an USD 80bn partnership with Cameco and Brookfield-owned Westinghouse to support the revitalisation of American nuclear power. Under the agreement, Washington receives a participation interest in Westinghouse, entitling it to 20% of cash distributions above USD 17.5bn,

and holds an option to require an IPO if the company's valuation exceeds USD 30bn by 2029. According to analysts' expectations, the investment could support the construction of six to ten AP1000 reactors, adding around 12 GW of new capacity and increasing global uranium demand by approximately 3% once fully operational. Momentum has also continued to build across the U.S. nuclear fuel cycle, driven by efforts to reduce reliance on Russian enrichment services. In early January, the U.S. Department of Energy awarded USD 2.7bn to strengthen domestic enrichment capacity, allocating USD 900m each to General Matter, American Centrifuge Operating Company, and Orano Federal Services. These efforts aim to address Russia's dominant position in uranium enrichment, although fully replacing Russian services would require the construction of tens of thousands of centrifuges over several years at significant cost.

Globally, 2026 is shaping up as a year of record net reactor additions. China remains at the centre of new nuclear build activity, with more than ten construction starts expected in 2026 and at least 28 reactors currently in the licensing process. China is finalising its 15th Five-Year Plan (2026–2030), expected to be released in March, which is anticipated to set new targets for nuclear capacity by 2030 and clarify the country's strategic focus on reactor technologies. Over the longer term, the World Nuclear Association released its inaugural World Nuclear Outlook, concluding that announced national nuclear targets would more than meet the COP28 goal of tripling global nuclear capacity by 2050. Achieving this target would require a substantial acceleration in reactor grid connections, rising from roughly 14 GWe per year in the late 2020s to more than 65 GWe per year by the late 2040s, approximately double the peak construction rates achieved during the 1980s.

Despite this constructive demand backdrop, the uranium market remains structurally undersupplied. Utility contracting activity picked up in 2025, with estimated volumes of around 100 million pounds per year, still well below the roughly 150 million pounds per year considered necessary to replace annual consumption, based on a steady-state reactor fleet. Many utilities remain insulated from spot market price signals due to legacy contracts signed two to three years earlier, suggesting the next contracting cycle may need to clear at higher prices as inventories decline. The widening spread between price floors and ceilings in uranium contracts highlights differing risk perceptions between producers and utilities, with both sides seeking to protect against adverse price outcomes. Tightness has intensified at the front end of the nuclear fuel cycle into early 2026. SWU prices are near record highs as Western markets decouple from Russian supply, while conversion capacity remains structurally constrained.
On the primary supply side, production growth was weak in 2025. Some analysts expect Kazatomprom to announce production cuts for 2026, while attention remains focused on Cameco's McArthur River, where output was downgraded in 2025 due to challenges related to ground-freezing as mining moved into new ore zones. Producers that undershot their 2025 production targets may be forced to source material from the spot market in 2026 to meet contractual commitments.

A notable development in Kazakhstan has been the strengthening of state control over uranium resources. Legislative amendments approved by Kazakhstan's Senate require Kazatomprom to hold at least 75% ownership in projects seeking new uranium exploration licences, up from 50%. In addition, proposed rules would raise Kazatomprom's stake to 90% upon the renewal of existing mining contracts, regardless of foreign partners' prior ownership. Several joint ventures – including Zarechnoye (with China's SNURDC) and SMCC (with Uranium One) – are approaching contract expiry, with extensions likely to involve revised terms and additional financial commitments. These changes mark a further step toward greater state control over the world's largest uranium producer and could, over time, increase Kazakhstan's strategic independence from external political and commercial influences.

ENERGY EQUITIES delivered a surprisingly resilient performance in 2025, ending the year modestly positive at roughly +3% to +5% across major energy indices. This outcome stands in contrast to the decline in crude oil prices and broadly negative returns across energy commodities, underscoring the sector's improved financial resilience and the durability of its shareholder return frameworks. The start of 2026 has been characterised by heightened volatility in energy commodities, driven by geopolitics and weather, while equities have absorbed these swings with relative composure. Oil equities have held up despite expectations for significant inventory builds through FY26, with investor focus oscillating between macroeconomic conditions, geopolitical risks, and the timing of a clearer valuation entry point. While many investors have been waiting for oversupply and rising inventories to push oil prices materially lower, there is growing concern that elevated geopolitical risk may prevent such a clean reset from materialising.

"Oil equities remain resilient despite expected inventory builds, as investors weigh macro risks, geopolitics, & valuation timing."

Structurally, the energy sector is in a markedly different position than a decade ago. The period defined by unfunded scrip dividends and aggressive growth-driven spending has given way to a regime of capital discip line, cost control, and operational efficiency. Years of balance sheet repair and cost deflation have enabled companies to prioritise shareholder returns, with buybacks now playing a central role in valuation support. According to analysts' calculations, share repurchases now account for more than half of total cash returns across the sector, and since early 2021 the industry has reduced its aggregate share count by roughly 20%.

Over the same period, valuation multiples have gradually re-rated, and the valuation gap between European and U.S. majors has narrowed, based on cash-flow metrics. However, the rationale for prioritising buybacks is becoming less clear-cut. When valuations were deeply discounted, balance sheets were strong, and peak-demand concerns dominated the narrative, buybacks were an obvious choice. Today, equity multiples are higher, some balance sheets are less robust, and the long-term role of oil and gas in the energy mix is being reassessed upward. At the same time, lower commodity prices have reduced excess free cash flow

available for distributions. As a result, it would not be surprising to see a number of companies announce more cautious buyback guidance alongside results. According to Jefferies analysts, sector-wide distribution breakevens are typically cited above USD 70/bbl, while the average dividend breakeven for the oil majors is closer to USD 55/bbl.

Against this backdrop, equity performance has increasingly been driven by revisions to earnings and cash return expectations rather than multiple expansion. Multiple dispersion across the sector has compressed to multi-year lows, suggesting that investors are paying closer attention to underlying capital allocation decisions. As the cycle matures, scrutiny is likely to shift further toward spending plans and project selection, with companies needing to balance sustaining base production, funding selective growth, maintaining financial resilience, and continuing to return capital to shareholders.

The 4Q25 earnings season is expected to reflect the combined impact of lower realised prices, higher production volumes, and a catch-up in costs toward year-end. Refining should provide some offset, although margins weakened later in the quarter. Importantly, management commentary has already indicated that a sustained crude price below roughly USD 55–60/bbl could trigger a more pronounced pullback in activity, particularly among higher-cost producers.

This sensitivity is most visible in the U.S. shale sector. Major U.S. producers, which account for roughly one-fifth of global oil supply, have reiterated their commitment to capital discipline. Exxon and Chevron both signalled lower 2026 capex, with Exxon citing reductions in low-carbon and efficiency spending and Chevron positioning its budget at the low end of its long-term range. Among independents, Diamondback Energy noted it could reduce investment if oil prices remain in the USD 50–60/bbl range for an extended period. Harold Hamm, founder of Continental Resources, stated he is preparing to halt drilling in North Dakota's Bakken for the first time in more than three decades, citing margin pressure at current prices. The Bakken remains a bellwether for U.S. shale, but rising costs mean many wells now require around USD 58/bbl to break even.

With U.S. benchmark crude down roughly 26% YoY and trading near USD 60/bbl, producers have begun to pull back, compounded by higher equipment costs, fewer top-tier drilling locations, and a reported 15% decline in U.S. rig counts. Within North America, Canadian oil sands companies continued to outperform U.S. oily E&Ps in 2025, reflecting lower decline rates, longer reserve lives, and structurally lower breakevens. These characteristics have supported more stable dividend coverage and reinforced the relative defensiveness of the oil sands within the upstream universe during periods of price weakness.

Industry consolidation remained another defining feature of the year. M&A activity increased in 2025, and consolidation continues to be viewed positively, as larger, scaled operators have demonstrated tangible efficiency gains and cost reductions. Further consolidation appears likely. Despite the strategic importance of energy and natural resources in the evolving global order, the sector still represents less than 3% of the S&P 500, compared with roughly 10–15% historically, reflecting years of investor underallocation. That said, investor engagement appears to be gradually improving, with a growing number of market participants considering reentry as oversupply conditions begin to ease and capital discipline remains intact.

"Investor engagement is radually improving, as easing oversupply & sustained capital discipline encourage potential re-entry."

Sources: IEA, EIA, OPEC, BLS, National Bureau of Statistics of China, Ministry of Energy of the Russian Federation, Eurostat, Lawrence Berkeley National Laboratory, The Brattle Group, Kpler, Wood Mackenzie, Rystad Energy, UBS, Jefferies, JP Morgan, Goldman Sachs, Scotiabank, Company Reports

Industrial Metals

Market Commentary

Key Takeaways

- Industrial metals are shifting from cyclical trades to strategic assets driven by electrification and re-shoring.
- Copper leads: underinvestment, falling ore grades and frequent disruptions keep inventories thin and prices supported.
- Rising prices and scarcity value fuel mining-equity momentum, consolidation and renewed M&A around quality resources.

Industrial metals entered 2026 with renewed momentum, supported by a strong rally into the New Year. The LMEX Index recorded one of its best multi-week runs since mid-2024 as investors rotated into hard assets amid expectations of U.S. monetary easing, a weaker dollar, and increasingly fragmented global supply chains. What began as a cyclical rebound has increasingly taken on structural characteristics, with security-of-supply concerns, geopolitics, and rising material intensity from electrification and digitalisation moving to the forefront.

Copper remains the anchor of the complex, reflecting its central role in electrification and grid investment. Tight physical balances, thin inventories and recurring mine disruptions continue to collide with long-standing underinvestment and declining ore grades, keeping supply slow to respond. AI- and data-centre-related demand adds a sentiment layer, but the core driver remains structural demand from transmission, distribution and broader electrification. Aluminium has been supported by a more disciplined supply backdrop. China's capacity cap and structurally constrained European production – linked to high power prices – have limited supply growth, while demand remains firm across construction, renewables, EVs and grid expansion. Relative pricing continues to support incremental substitution away from copper, reinforcing aluminium's role in a power-intensive economy. Nickel remains the most policy-sensitive base metal.

Rapid Indonesian supply growth has kept the market structurally loose, yet early-2026 strength shows how quickly sentiment can shift on quota and regulatory headlines. At the same time, battery chemistry shifts – particularly the rising share of LFP – have moderated near-term EV demand growth, leaving nickel caught between long-term strategic relevance and near-term surplus dynamics. Zinc and lead have lagged the broader rally amid supply surpluses and cautious industrial demand, leaving both markets more dependent on a cyclical pickup or supply rationalisation to tighten. By contrast, smaller markets such as tin and cobalt have remained more disruption-prone: concentrated supply, low inventories and policy/geopolitical shocks have amplified volatility. Rare earths continue to sit at the nexus of geopolitics and industrial policy.

Temporary easing of Chinese export controls provided short-term relief, but supply concentration remains a strategic vulnerability, accelerating diversification efforts across

the U.S., Europe, Japan and Australia. Demand from EVs, wind, defence and advanced electronics remains structurally supportive.

In ferrous markets, fundamentals remain mixed. Steel demand is still constrained by China's property downturn even as exports remain elevated and trade policy shapes regional pricing. Iron ore has held up better than expected despite oversupply, supported by shipments and restocking, but rising Chinese port inventories keep downside risks in focus. Metallurgical coal is increasingly anchored by India, where rapid steel capacity expansion is offsetting weaker Chinese demand and positioning India as the key marginal driver of seaborne demand over the coming decade.

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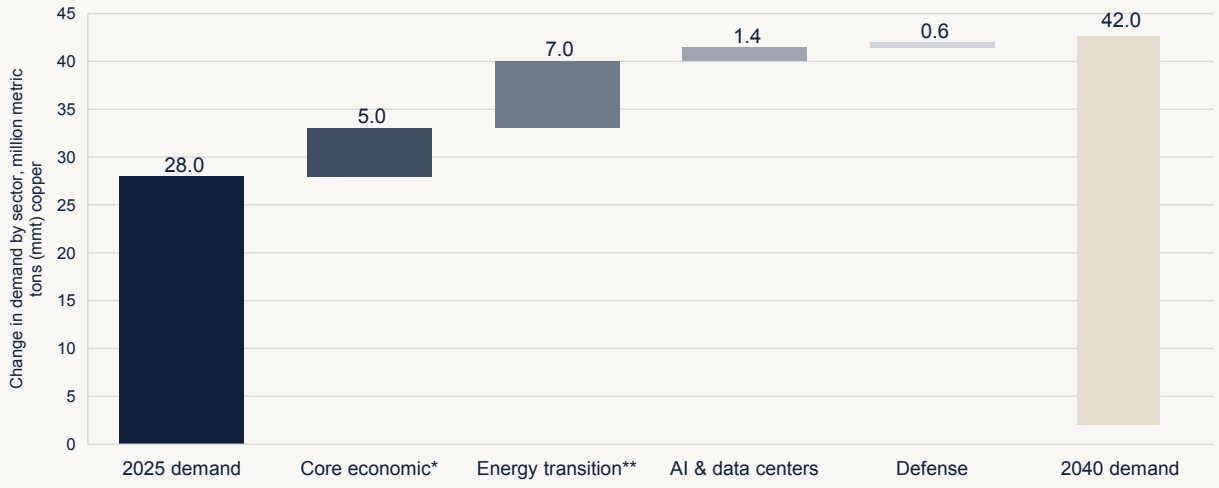
Chart 5: Copper demand jumps 50% by 2040 as electrification accelerates

Source: S&P Global

* incl. copper demand from construction, cooling, appliances, fossil power generation, machinery and ICE vehicles.

** Incl. copper demand from clean technologies, T&D and EVs.



but rising Chinese port inventories keep downside risks in focus. Metallurgical coal is increasingly anchored by India, where rapid steel capacity expansion is offsetting weaker Chinese demand and positioning India as the key marginal driver of seaborne demand over the coming decade.

Across the complex, industrial metals equities have responded positively. Higher metal prices, constrained supply growth, and long-dated demand visibility have driven renewed investor interest, supported by strong free-cash-flow generation and rising M&A activity. Consolidation – particularly focused on copper exposure – has reinforced the view that scarcity, rather than volume growth, is becoming the dominant investment theme.

Overall, industrial metals are no longer trading purely on short-term cyclical signals. With supply growth increasingly reliant on brownfield expansions rather than new discoveries, the sector is becoming more exposed to operational, environmental, and geopolitical risks just as demand becomes more power- and metal-intensive. This shift suggests that volatility, higher incentive prices, and strategic value are likely to remain defining features of industrial metals markets through 2026 and beyond.

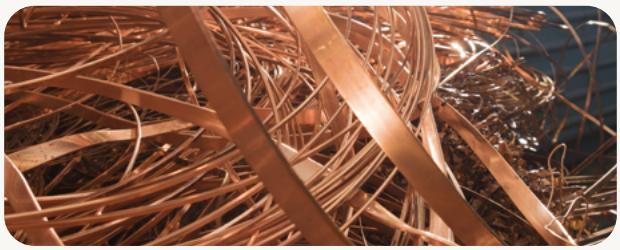
COPPER delivered an exceptionally strong performance in 2025, rising 47.5% YoY on a total-return basis and reaching multi-year highs. Momentum carried into early 2026, with prices setting new record levels above USD 13,600/t by end-January.

"Exploration spending is 40–50% below sustaining levels, while mining productivity has hovered around ~1% p.a. since 2018."

Demand remained robust throughout 2025, underpinned by infrastructure spending, electrification and accelerating investment in power networks. Expectations of rising copper demand from data centres have reinforced the narrative of a tight near-term market, and copper prices have shown a close correlation with AI- and data-centre-related equities. This linkage introduces sensitivity to shifts in sentiment around AI infrastructure spending, particularly if expectations for the pace of build-out soften. While agencies estimate that data centres accounted for roughly 26% of global copper demand growth in 2025 – despite representing only around 1% of total annual copper consumption – this largely reflects a sharp acceleration in capacity additions rather than a steady-state demand profile. Some analysts question whether this pace can be sustained over the medium term. At elevated price levels, demand destruction remains a risk, particularly in China, where higher costs have led some industrial users to defer or scale back purchases.

Even so, China's 2026 demand outlook remains constructive, albeit slower than in recent years, supported by continued grid investment, vehicle-replacement subsidies, smart electronics, and emerging demand from energy storage systems and data centres. Over the longer term, the demand outlook remains compelling.

Global copper demand is projected to rise from around 28 Mt in 2025 to 42 Mt by 2040 (+~50%) as economies become more electrified and power-intensive. According to S&P Global, much of this growth comes from core uses such as construction, machinery, appliances and cooling (~+5.0 Mt), alongside a larger contribution from energy transition and "energy addition" (~+7.0 Mt), driven by EVs, renewables, batteries and – most importantly – transmission and distribution upgrades. Data centres and digital infrastructure add a further demand layer (~+1.4 Mt) via copper-intensive power distribution, cooling and grid connections, while defence modernisation contributes a smaller but strategically relevant uplift (~+0.6 Mt). Emerging technologies such as robotics could add further upside over time, reinforcing copper's central role in a more electrified and digital economy.



On the supply side, 2025 was characterised by pronounced constraints, with mine outages and operational issues tightening the market. Disruptions at major mines in Chile and Indonesia, together with declining ore grades, were key contributors to the move to record prices. Copper enters 2026 with limited physical buffer. In 2025, mine supply disruptions exceeded 6% of global output, driven primarily by geotechnical failures and steadily declining ore grades. These issues are not easily reversible, and further slippage

in 2026 should be considered a base case rather than a tail risk. Meaningful mine supply growth therefore appears unlikely until later in the decade or the early 2030s.

Stress is also visible in the concentrate chain. Spot treatment charges collapsed to deeply negative levels in late 2025, reportedly reaching as low as –USD 50/t, while annual benchmark treatment charges for 2026 settled at a record low of USD 0/t. This signals tight concentrate availability, while also reflecting excess smelting capacity – particularly in China – implying that constrained mine supply and downstream overcapacity are operating simultaneously. With inventories already thin outside the United States and the LME curve in backwardation, the supply chain offers little cushion against further underperformance.

Structural underinvestment continues to weigh on future supply. Exploration spending remains 40–50% below levels required to sustain long-term production, and mining productivity has stagnated at around ~1% p.a. growth since 2018. Final investment decisions over 2023–25 remained limited, and the combination of low project approvals and elevated disruptions resulted in minimal mine production growth in 2025; most analysts expect only modest growth again in 2026. Many industry experts argue the next generation of copper projects requires sustained prices above USD 13,000/t to be economically viable. As prices approach these levels, the capex cycle may begin to turn, with approvals potentially accelerating in 2026–27. However, long development timelines – averaging ~16–18 years from discovery to production – mean projects approved today are unlikely to move the needle before the early-to-mid 2030s.

Chile has signalled an ambition to accelerate supply growth under its incoming pro-investment government. According to Chile's Mining Council, current output of just over 5 Mt could potentially rise toward 7 Mt over the next decade with improved execution and stable environmental and social standards, though reaching even 6 Mt remains challenging given declining ore grades, ageing assets, regulatory complexity and reduced exploration. At a global level, mine production is expected to peak around 33 Mt by 2030, constrained by ore grades and regulatory hurdles. Even if recycling volumes doubled to 10 Mt, S&P Global estimates the market would still face an annual shortfall of around 10 Mt, highlighting the consequences of prolonged underinvestment.

Geopolitical factors have added incremental tightness. Anticipation of potential 2026 trade tariffs on refined metals has encouraged front-loading of shipments, tightening availability outside the U.S. Strong U.S. imports have continued to draw metal into COMEX warehouses, effectively turning U.S. inventories into a quasi-strategic reserve; the possibility that refined copper tariffs extend into mid-2026 reinforces this dynamic. Global visible inventories have increased over the past year despite an underlying primary deficit, reflecting a reshuffling from off-exchange inventories into exchanges. Exchanges now hold a similar share of global inventories as during the global financial crisis, but this time the signal points to shrinking "invisible" inventories and increasing scarcity elsewhere. Against this backdrop, some market participants view copper as vulnerable to a future physical squeeze. Overall, most analysts expect the copper market to move into deficit in 2026–27, with tight conditions potentially persisting into the late decade.

ALUMINIUM prices moved above USD 3,000/t for the first time in more than three years in late 2025/early 2026, supported by a tighter supply backdrop and firm longer-term demand expectations. A key supply anchor remains China's self-imposed ~45 Mt smelting capacity cap, while structurally constrained production in Europe – driven by persistently high electricity prices – has limited the rebuild in global inventories.

"Aluminium demand in energy storage is increasing, with estimates nearing ~1 Mt in 2025, driven by lightweight components, housings, and power infrastructure."

Demand growth has been supported by electrification themes, including EVs and grid expansion, alongside continued investment in renewables. Aluminium use in energy storage systems is also rising, with some estimates suggesting usage is nearing ~1 Mt in 2025, reflecting the growing role of aluminium in lightweight structural components, housings and power-related infrastructure. Construction demand has also remained resilient, particularly in emerging markets. At current copper–aluminium spreads, substitution remains a recurring topic. Aluminium continues to replace copper in selected applications – power grids, HVAC and parts of automotive – but analysts generally expect incremental substi-

tution to remain modest in the medium term, as much of the economically attractive substitution has already occurred. That said, substitution still provides marginal support. Policy developments in China have added comfort to the supply outlook. In addition to the capacity cap, policy signals aimed at moderating alumina and base-metals overcapacity have reinforced expectations for more disciplined supply growth. Reflecting this, primary aluminium supply growth into 2026 is now estimated around ~1.5%, down from earlier expectations closer to ~2.5%, according to most analysts.

Outside China, power availability has become a binding constraint. Competition for affordable electricity has intensified as data-centre build-outs expand rapidly and are willing to pay multiples – often cited at around ~3x – of the power prices typically affordable for aluminium smelters. This complicates the economics of restarting curtailed capacity in Europe and raises questions around the timing and viability of new projects. In Indonesia, several Chinese-backed smelting projects are planned or under construction, including Tsingshan/Xinfa's 300 ktpa expansion at Weda Bay (2026E), Xinfa's 1.2 Mtpa project at Morowali (2026E–27E), Nanshan's 250 ktpa project (2027E) and Inalum's targeted 600 ktpa smelter in West Kalimantan (2028E). If realised, these could lift Indonesia's smelting capacity from roughly 1.6 Mtpa at end-2025E to around 2.5–3.2 Mtpa by end-2027E according to Goldman Sachs. However, increasing doubts around power availability and infrastructure readiness suggest higher execution risk, implying delays and slower ramp-ups remain likely. As a result, incremental Indonesian supply is expected to remain manageable – around ~1% of global supply per year or less – against structurally supportive demand.

NICKEL prices weakened through most of 2025, reflecting persistent oversupply and subdued demand growth. LME nickel began the year above USD 15,000/t but trended lower over subsequent months, at times dipping to around USD 14,000/t, while some regional markets reached multi-year lows. Sentiment remained broadly bearish, driven by continued supply expansion and limited near-term demand catalysts.

"Longer term, EV batteries remain a key demand driver for nickel, with supply growth in Indonesia shaping prices and policy sensitivity."

That dynamic shifted abruptly late in the year. Since mid-December, nickel prices have rallied by around 30%, rising to above USD 18,000/t, as uncertainty emerged around Indonesia's proposed 2026 mining quota framework. Headlines suggesting the Ministry of Energy and Mineral Resources (ESDM) could set ore quotas at 250–260 Mt for 2026, versus effective availability of roughly 300 Mt in 2025, triggered a reassessment of near-term supply risk and prompted short covering. Structurally, capacity continued to expand across both stainless steel feedstocks and battery-grade nickel sulphate, reinforcing Indonesia and China as the dominant supply hubs. Indonesia's vertically integrated model – linking mining, processing and downstream conversion – remains central to global supply growth, while Chinese operators play a key role in chemical processing and refining – with these timing estimates based on Goldman Sachs.

On the demand side, stainless steel remained the dominant end-use in 2025, with consumption growth concentrated in China and broader Asia, but not sufficient to absorb rising supply. EV battery demand continued to grow, but at a slower pace than previously expected. According to the IEA, part of this reflects shifting battery chemistry, with LFP gaining share at the expense of nickel-intensive chemistries, reducing near-term nickel demand growth from EVs.

Meanwhile, traditional industrial and construction demand remained muted amid macro headwinds. Over the longer term, EV batteries remain a key demand pillar, but the balance between rapid supply expansion – particularly in Indonesia – and downstream demand growth continues to define price dynamics and sensitivity to policy signals.

ZINC and **LEAD** prices were relatively subdued through most of 2025, impacted by supply surpluses and cautious industrial demand, though both finished the year modestly higher. Mine production increased for both metals. Zinc mine output rose across key producing regions including Australia, China, Mexico, Peru, South Africa and the DRC as previously disrupted operations normalised and new capacity ramped up. Refined zinc output lagged mine supply growth during 1H25, reflecting smelter bottlenecks, maintenance and reduced operating rates. Refined lead supply also expanded modestly, supported by higher production in China, Canada, India and other regions, with secondary (recycled) lead remaining an important component of total supply.

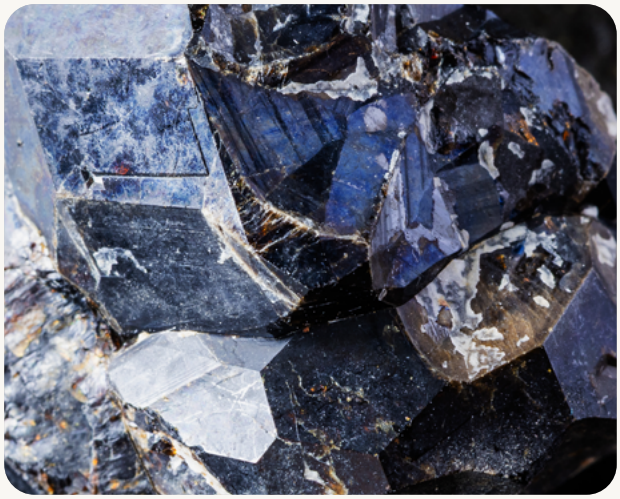
Demand remained relatively stable but unexciting, dominated by automotive and industrial battery usage. According to ILZSG data and forecasts, both zinc and lead recorded global supply surpluses in 2025, with projections suggesting surplus conditions may persist into 2026 absent a stronger recovery in industrial demand or meaningful supply disruptions. As a result, price performance has remained more constrained than in other base metals despite improved sentiment into year-end.

"Rare earths are critical to manufacturing, energy, and defence, with policy risk driving prices and availability."

TIN prices remained elevated and highly volatile throughout 2025, reflecting a market characterised by acute supply tightness and heightened sensitivity to disruptions. Volatility intensified into early 2026, with prices rising above USD 50,000/t (up over 30% YTD) as inventories remained critically low.

Supply constraints were central. In 1H25, disruptions included conflict-driven suspension at the Bisie mine in the DRC and additional disturbances linked to Myanmar. Government interventions also tightened supply at points during 2025. In Indonesia, actions targeting illegal mining reduced output intermittently, tightening export availability and adding to price pressure. Structural risks remain elevated given a limited pipeline of new projects, long development timelines and slow expansion at existing operations.

On the demand side, electronics and solder remained the largest source of consumption, supported by global electronics production and continued miniaturisation trends. Broader industrial demand – including tinplate for packaging and chemicals – grew more modestly, supported by manufacturing activity across Asia-Pacific. Inventories underscore the fragility of the market. Visible stocks fell to historically low levels, with LME inventories below around 1,000 t, leaving virtually no buffer against further supply disruptions and amplifying price sensitivity to even modest shocks.



COBALT prices staged a sharp recovery in 2025. After starting the year near multi-year lows around USD 24,000/t, prices more than doubled by year-end, with cobalt metal above USD 53,000/t, driven primarily by tightening supply.

Early 2025 was weighed down by oversupply, reflecting cobalt's role as a by-product of expanding copper and nickel output and its limited responsiveness to cobalt-specific price signals. Conditions shifted following policy action in the DRC, the dominant producer accounting for roughly 60–70% of global supply. In early 2025, the DRC introduced export restrictions intended to stabilise the market, sharply reducing feedstock availability for refiners and tightening intermediate supply chains as the year progressed.

On the demand side, industry estimates suggest modest YoY growth in 2025, though with some downgrades versus earlier forecasts. EV batteries remained the key growth driver, particularly for high-performance chemistries where cobalt supports stability and energy density. However, continued shifts toward lower-cobalt formulations and cobalt-free

chemistries – most notably LFP – have moderated demand growth relative to earlier expectations. Overall, market balances tightened materially in 2025, and the market is widely expected to remain in deficit as long as DRC export limits continue to constrain supply.

"According to some analysts, ESS could soon make up about 30% of lithium demand."

RARE EARTHS became one of the most geopolitically sensitive metal markets in 2025 as trade tensions between China and the United States increasingly focused on strategic materials. Rare earths remain central to advanced manufacturing, clean energy and defence supply chains, making policy risk a primary driver of pricing and availability.

A major development occurred in 4Q25, when China agreed to suspend export controls on rare earths and selected critical materials, according to a White House fact sheet. Beijing committed to issuing general licences allowing exports of rare earths as well as gallium, germanium, antimony and graphite to U.S. end users and their global suppliers. This move eased successive waves of restrictions introduced since 2022 and tightened further in 2024–25, rather than representing a single-step rollback. The one-year suspension was framed as a measure to reduce friction and promote cooperation, but was widely viewed as temporary rather than a structural resolution.

Despite this easing, efforts to reduce dependence on Chinese supply intensified. Finance ministers from the G7 and other major economies met in Washington to discuss diversification measures including price floors, partnerships and investment frameworks to support alternative supply chains. In parallel, the United States deepened engagement with domestic producers and magnet capacity through partnerships and direct investments; however, by early 2026 pressure emerged to revisit elements of these arrangements, including proposed price floors.

China's rare earth exports in 2025 reached their highest level since at least 2014 even as tighter controls were imposed on shipments of several medium and heavy rare earth elements from April. Customs data showed exports of 62,585 t in 2025 (+12.9% YoY), reinforcing the coexistence of restrictive signalling with continued high export volumes and adding uncertainty around policy durability. Prices firmed toward year-end, led by Nd-Pr amid tight spot supply and policy-driven sentiment, while NdFeB magnet prices strengthened as buyers sought to secure material. Demand signals remained mixed. EVs, wind and defence provided support, while consumer appliances softened. Australia also advanced a critical minerals reserve framework as the United States accelerated localisation efforts, reinforcing that rare earths are likely to remain a central geopolitical theme into 2026.

LITHIUM entered 2025 at deeply depressed prices after a prolonged oversupply phase, but conditions stabilised toward year-end and sentiment improved materially. The turning point came from mid-October as prices rose on accelerating Chinese battery demand and tightening supply expectations. Prices in China more than doubled from early November, driven by growing optimism around battery energy storage systems and renewed uncertainty over near-term availability. China's stationary storage battery output reached a record 170.7 GWh in October (+51% YoY), with LFP accounting for 137 GWh, underscoring the rapid scale-up of grid and behind-the-meter storage. This acceleration has prompted a reassessment of lithium demand expectations. A growing number of analysts have upgraded forecasts for stationary storage, reinforcing energy storage systems as a second major demand pillar alongside EVs. Some analysts estimate ESS could soon account for around 30% of lithium demand. Fastmarkets raised its global ESS shipment

forecast for 2026 by more than 60% to 750 GWh (from 460 GWh), with similarly strong growth expected in 2027, supported by rising power demand from AI data centres, grid congestion and the broader energy transition. CapIQ has similarly highlighted grid-scale storage as a rising contributor to lithium consumption from 2026 onward. Albemarle estimates lithium consumption for energy storage could increase by as much as 90% YoY to around 380,000 t in 2025, highlighting the speed of growth in this segment.

On the supply side, renewed tightness was catalysed by delays to CATL's lepidolite mine restart in Jiangxi, which had been widely expected by year-end 2025 but was pushed out due to environmental issues related to tailings. More broadly, the prior glut led to widespread curtailments and idling, and restarts will take time even with recovering prices. The rally was also amplified by positioning dynamics, with GFEX open interest rising sharply while registered inventories fell, contributing to a short squeeze in a relatively thin market. Policy developments added complexity. In Chile, Codelco and SQM finalised a joint venture (NovaAndino Litio SpA) to expand production in the Salar de Atacama while increasing state control, with the JV running through 2060 and new agreements from 2031; SQM also transferred Salar de Maricunga concessions to Codelco. In Bolivia, the new pro-U.S. government signalled it would honour existing contracts while seeking to restore investor confidence, increase transparency and attract foreign capital.

Reflecting these shifts, sentiment has turned more constructive, with some analysts now forecasting a return to supply deficits in 2026. Volatility remains a defining feature, however, given immature pricing mechanisms and limited inventory transparency, leaving prices periodically driven as much by sentiment and positioning as by fundamentals.

STEEL Global crude steel production fell by around 2% YoY in 2025 (World Steel), with China down roughly 4–5% while the rest of the world grew about 1%, led by India (+10% YoY). China's crude steel output declined below 1 billion tonnes to 960.8 Mt in 2025, the lowest level since 2018 (NBS), reflecting the prolonged property downturn. Despite weaker domestic consumption, exports surged. Net finished steel exports reached 113 Mt in 2025 (+9 Mt YoY), with exports of 119 Mt and imports of 6 Mt. December exports hit a record 11.3 Mt, partly reflecting front-loading ahead of announced export licence requirements from 2026. Exports to developed markets moderated under tariff pressure but were offset by increases to Southeast Asia, the Middle East and parts of Latin America, while reported shipments to "other countries" rose materially, limiting transparency.

In the United States, apparent demand strengthened in late 2025, with September/October up 15%/9% YoY, lifting 10M25 growth to around 5%. Section 232 tariffs continued to suppress imports in 2H25, with monthly imports stabilising around 1.6–1.7 Mt (approximately 19 Mt annualised, around 34% below 2024), supporting domestic shipments (+5.7% in 10M25). Hot-rolled coil prices rose around 19% from early-October lows.

In Europe, HRC prices increased as CBAM-related uncertainty encouraged buyers to tilt toward domestic supply. The EU's Carbon Border Adjustment Mechanism (CBAM) is designed to apply carbon-equivalent costs to certain imports, including steel, to align them with the EU ETS and limit carbon leakage; even ahead of full financial implementation, it is influencing procurement decisions by increasing uncertainty around future import costs. Against this backdrop, offers moved toward around EUR 700/t (EuroMetal). Several observers see CBAM as increasingly embedded in European steel pricing and trade decisions, with some agencies expecting EU steelmaker margins to improve in 2026 as the policy reshapes competitive dynamics.

IRON ORE was widely expected to be oversupplied in 2025 and beyond, yet prices surprised positively, holding for much of the year above USD 100/t. Seaborne supply remained robust, with early-2026 shipments from traditional exporters up around 10% YoY, led by Australia at roughly +15%, though against weather-affected comparables last year. Non-traditional supply and China's domestic production were broadly stable at end-2025.

Despite an around 8% rally since mid-December, inventory signals point to emerging softness. China's port inventories rose to above 150 Mt, the highest level in more than three years, while iron ore stocks at steel mills and finished steel inventories remained low to normal – suggesting accumulation is concentrated upstream. Port stockpiles have risen for an eighth straight week in 2026, lifting inventories by

around 6% YTD, reflecting strong mine output and softer underlying demand.

At the margin, commercial frictions have contributed to dislocations. An ongoing dispute involving China's state-backed China Mineral Resources Group and BHP has reportedly complicated contracting and shipment coordination for some flows, even as aggregate supply remains ample. Downstream restocking and an unseasonal rebound in hot-metal production have provided intermittent support, but the build in port inventories continues to reflect demand headwinds from the property slump and policy-driven efforts to address overcapacity.

Some analysts still see a path to rebalancing later in the decade as high-cost supply is priced out. Producer margins were broadly stable at around 42% in 4Q25 versus a long-term average near 45%, and Wood Mackenzie estimates roughly 180 Mt of supply sits in the 90th percentile of the cost curve, highlighting volumes potentially at risk in a prolonged downturn. On the demand side, India is increasingly expected to become a net importer, with net imports potentially reaching around 25% of iron ore demand by 2030 as steel capacity expands.

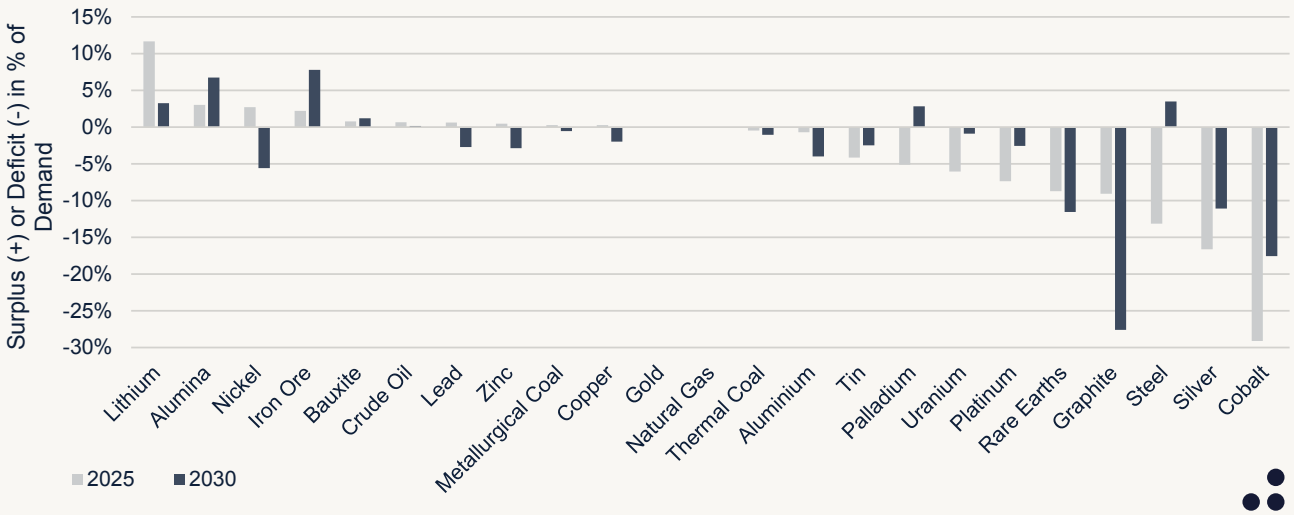
margin pressure. Notably, inventories at coke plants were relatively low, suggesting weakness was driven more by demand conditions and margin discipline than by downstream stockbuilding.

"Despite expectations of oversupply from 2025 onward, iron ore prices surprised positively, remaining above USD 100/t for much of the year."

METALLURGICAL COAL seaborne demand in 2025 was close to 300 Mt, with Japan/Korea/Taiwan accounting for around 30%, India around 26%, China around 14% and Europe around 15%. Metallurgical coal and coking coal prices were mostly negative through 2025, reflecting ample supply and persistent weakness in China's steel sector. China remained structurally oversupplied. Domestic availability was high while met coal and met coke prices approached five-year lows amid softer steel production and China's import structure has shifted materially. Coking coal imports rose from around 55 Mt in 2021 to around 120 Mt by 2024, including roughly 45 Mt landborne (primarily Mongolia) and around 75 Mt seaborne. Total metallurgical coal consumption is estimated around 750 Mt, with roughly 85% sourced domestically. With steel production moderating, China's met coal needs have eased, and over time a gradual increase in scrap usage is expected to cap blast-furnace-driven demand growth.

Chart 6: Most commodity markets were already in deficit in 2025

Bloomberg; S&P Global; Fastmarkets; SMM. IEA; OPEC; U.S. DOE/EIA; USGS; ICSG; ILZSG; IAI. WGC; WPIC; The Silver Institute; Cobalt Institute; ICSG; ILZSG; Tin International Association; IMOA; UxC. Wood Mackenzie; Roskill; Mordor Intelligence; WisdomTree. JPMorgan; UBS; Jefferies; Goldman Sachs; BMO; Scotiabank; Cantor Fitzgerald; Canaccord. Picard Angst CCC



India has been the key source of marginal growth. Restocking demand supported buying into 2025 and analysts expect momentum to continue into 1Q26 as steel demand improves. Since 2000, Indian crude steel output has grown around 10% p.a., driven by urbanisation and low per-capita steel intensity. Analysts expect production to grow around 9% p.a. through 2030, positioning India as the primary driver of seaborne met coal demand over the next 5–10 years.

Near-term support is reinforced by government policy, including higher capital spending and safeguard measures. India introduced a 12% safeguard duty on steel imports for 200 days from April 2025 to limit low-cost inflows. Looking ahead, analysts expect China's steel production to be broadly stable in 2026, while seaborne met coal imports may moderate modestly. Overland imports from Mongolia and Russia are expected to remain resilient given cost advantages and expanding rail capacity. Premium low-vol hard coking coal prices are up around 15% in early 2026, driven by near-term supply concerns linked to weather and operational issues in Australia and Canada, and renewed buying from India.

INDUSTRIAL METALS EQUITIES. Mining equities returned firmly to focus after a strong 2025, supported by rising metals prices against a backdrop of limited discoveries, slow production growth and restrained capex – conditions that tend to support higher incentive prices over time.

Improved copper and broader base-metal pricing translated into a strong equity move into year-end, with critical-metals producers also starting 2026 strongly. Pure-play base-metals names generally re-rated and outperformed diversified miners in 2025 as investors sought more direct exposure to copper and electrification themes.

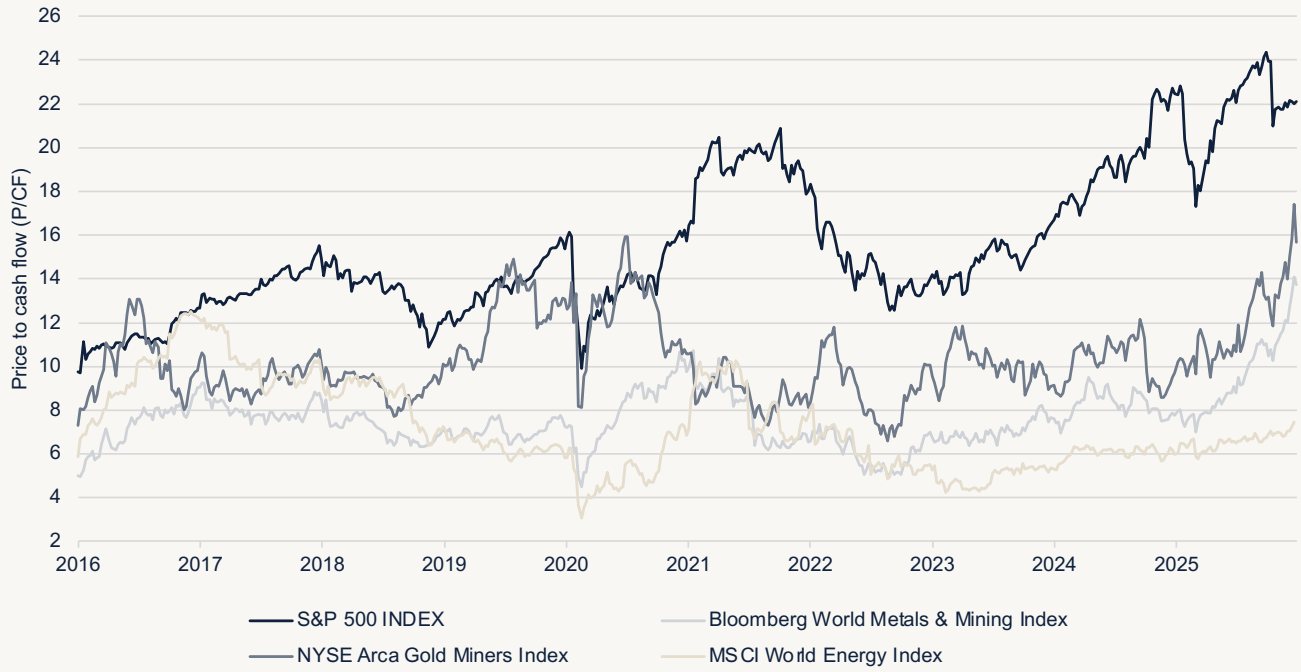
At the same time, major miners are generating substantial free cash flow, yet institutional participation remains relatively limited. Some analysts attribute this to industry complexity, reduced specialist expertise among generalists and scepticism that current metals prices will persist.

M&A appetite has picked up, reflecting the scarcity value of long-duration resources and limited organic reserve replacement. A key transaction was the Teck Resources–Anglo American deal, creating a larger, more diversified mining major with meaningful copper growth optionality in Chile and broader geographic diversification. BHP's continued focus on copper exposure remains an important backdrop to sector consolidation.

Megamergers have also re-entered the discussion. In early 2026, Glencore and Rio Tinto confirmed renewed prelimi-

Chart 7: A record year for Metals & Mining Equities and valuations re-rating to close the valuation gap

Source: Bloomberg



nary talks around a potential combination, reviving discussions that reportedly ended without agreement in late 2024. Any transaction would likely involve an all-share acquisition of Glencore by Rio, with UK takeover rules setting a 5 February 2026 deadline for a firm offer or withdrawal. While such a deal would be complex, the strategic rationale would centre on a more copper-weighted portfolio, marketing synergies and a larger, more liquid listed platform.

A recent McKinsey analysis adds context, pointing to a broader "risk reset" in mining capital allocation. In 1–3Q25, Latin America captured 74% of around USD 30 bn in global mining M&A deal value as investors prioritised stability and permitting visibility, while regions with large critical-mineral endowments attracted comparatively less capital. More broadly, senior producers remain under pressure to demonstrate growth while reserve pipelines are constrained, keeping acquisitions the most credible near-term lever.

Valuations remain a key part of the equity story. Price-to-cash-flow multiples for gold miners and diversified metals and mining have rebounded from cycle lows but continue to trade at a discount to broader equities, and trailing multiples only partially reflect the uplift in metals pricing since 4Q25. With copper scarcity, electrification demand and strategic re-shoring increasingly framed as multi-year themes, continued consolidation and sustained cash generation provide a constructive backdrop. If spot prices remain supported, the combination of still-reasonable valuations, tightening resource optionality and higher M&A intensity leaves industrial metals equities well positioned for further re-rating.

"Metals and mining price-to-cash-flow multiples have recovered from cycle lows but still trade at a discount to broader equities, while trailing multiples only partly reflect the rise in metals prices since 4Q25."

Sources: IEA, World Steel, ILZSG, S&P, Wood Mackenzie, Fastmarkets, McKinsey, University of Queensland, General Administration of Customs of China, National Bureau of Statistics of China, CMRG, ESDM, EuroMetal, LME, SHEF, Jefferies, UBS, Goldman Sachs, JP Morgan, TD Cowen, Company Reports

Precious Metals

Market Commentary

Key Takeaways

- Precious metals remain core diversifiers as fiscal stress, geopolitics and policy uncertainty keep safe-haven demand elevated.
- Gold's pullbacks look flow-driven: positioning and technicals amplify moves, while underlying strategic demand holds.
- Silver and platinum offer higher-beta upside, supported by structural deficits and expanding industrial applications.

Precious metals entered 2026 after a year of exceptional performance and heightened volatility, reflecting their central role in a rapidly shifting macro, political and geopolitical landscape. The complex delivered standout gains in 2025, led by gold, which rose over 60%, reaffirming its function as a core portfolio diversifier amid rising fiscal stress and geopolitical uncertainty. Silver and platinum significantly outperformed, with prices rising nearly 140% and over 120% respectively, while palladium gained close to 80%, underscoring a broad-based re-rating across precious metals relative to traditional asset classes.

The opening weeks of 2026 reinforced both the strategic appeal and tactical fragility of the complex. Political and geopolitical news flow drove sharp moves across precious metals, culminating in a historically large, positioning-driven sell-off late in January. While headlines around U.S. monetary policy leadership acted as a catalyst, the scale of the move reflected crowded positioning, thin liquidity and mechanical deleveraging following parabolic price advances rather than a sudden deterioration in fundamentals.

Short-term volatility was also amplified by technical and flow-driven factors. Following outsized gains in 2025, the annual rebalancing of major commodity indices introduced temporary selling pressure in gold and silver futures. Estimates suggested that roughly USD 4–6 bn of silver and around USD 5 bn of gold futures could have been sold over the rebalancing window. While these flows contributed to near-term price swings, they were mechanical in nature and faded as the month progressed. Despite episodic corrections, the structural backdrop remains supportive. Analysts generally expect precious-metal supply growth to lag demand even at elevated price levels. Incremental availability is likely to come primarily from recycling, scrap flows and inventory releases rather than new mine production. Mined output is projected to grow only marginally through 2025–27, constrained by permitting challenges, operational disruptions, capital discipline and a continued focus on reserve replacement and M&A rather than capacity expansion.

Taken together, precious metals enter 2026 characterised by strong strategic demand, limited supply responsiveness and elevated sensitivity to macro and policy signals. While sharp, positioning-driven corrections are likely to remain a feature of the market, the broader environment continues to favour precious metals as instruments of diversification and resilience in a world marked by fiscal pressure, geopolitical fragmentation and increasingly binding physical constraints.

“In a fragmented, fiscally strained world, precious metals remain core diversification assets.”

GOLD experienced an exceptional re-rating in 2025, reinforcing its role as a strategic real asset amid rising macroeconomic uncertainty, geopolitical fragmentation and growing concerns around sovereign debt sustainability. Total gold demand exceeded 5,000 tonnes for the first time on record, while prices reached repeated all-time highs, supported by falling interest rates, sustained central-bank buying, strong investment inflows and heightened geopolitical risk.

That strength was abruptly tested in late January 2026, when gold suffered one of the largest one-day declines on record, falling nearly 9% in a single session. On long-run measures of daily returns going back to the mid-1970s, comparable downside moves are extremely rare and typically associated with major stress episodes. The immediate catalyst was a sharp rebound in the U.S. dollar following reports – later confirmed – that President Trump plans to nominate Kevin Warsh as Federal Reserve Chair, a figure widely perceived as more hawkish and dollar-supportive. However, the scale of the sell-off reflected market structure as much as macro news.

After weeks of parabolic gains, gold had become a consensus macro long, with ETF inflows accelerating and non-traditional investors entering the market. Once prices broke key technical levels, stop-losses cascaded across London and U.S. trading hours, while heavy options positioning amplified the move as dealers adjusted hedges into falling prices. At times, liquidity thinned materially, accelerating the decline. Importantly, early signs suggest underlying demand remains intact. Physical buying reportedly held up into the Lunar New Year period, and gold began to attract dip-buyers more quickly than other precious metals. ETF flows and positioning metrics now represent a key signal for whether the correction evolves into consolidation or marks a renewed accumulation phase.

At the macro level, rising sovereign debt burdens and fiscal pressure remain central to the gold narrative. Government debt across advanced economies stands near historic highs relative to GDP, while deficits remain elevated and interest costs continue to rise. Historically, such environments have often been associated with financial repression and inflation running ahead of interest rates, eroding the real value of nominal assets. Against this backdrop, gold’s long-standing role as a store of value and alternative to fiat currencies continues to resonate with investors.

Demand dynamics have remained resilient. Interest has broadened across institutional and retail investors, while physical demand has held firm, supported in part by seasonal buying in Asia. Central banks remain a key structural pillar: although many analysts expect official purchases to moderate gradually, upside risks persist should geopolitical tensions remain elevated. Some market participants also question whether reported figures fully capture actual accumulation – particularly among emerging-market reserve holders – reinforcing perceptions of sustained strategic demand. From a positioning perspective, gold appears heavily owned in sentiment but still lightly owned in portfolios, especially in the United States, where allocations remain well below prior cycle peaks. This suggests that while gold can look overextended after sharp rallies, it is not structurally over-owned, leaving scope for renewed allocation flows once volatility subsides.

“Gold appears crowded in sentiment but underowned in portfolios, especially in the U.S., where allocations remain well below previous cycle highs.”

Looking ahead to 2026, analysts generally argue that the macro conditions historically associated with prolonged gold bear markets – strong growth, falling inflation expectations, a strengthening U.S. dollar and declining risk premia – remain largely absent. Instead, expectations of softer growth, persistent fiscal stress, geopolitical uncertainty and ongoing questions around monetary credibility continue to underpin the strategic case for gold.

While the recent correction highlights gold's sensitivity to abrupt shifts in policy expectations and positioning, it does not materially weaken the broader backdrop, suggesting that volatility rather than reversal is likely to characterise the next phase of the cycle.

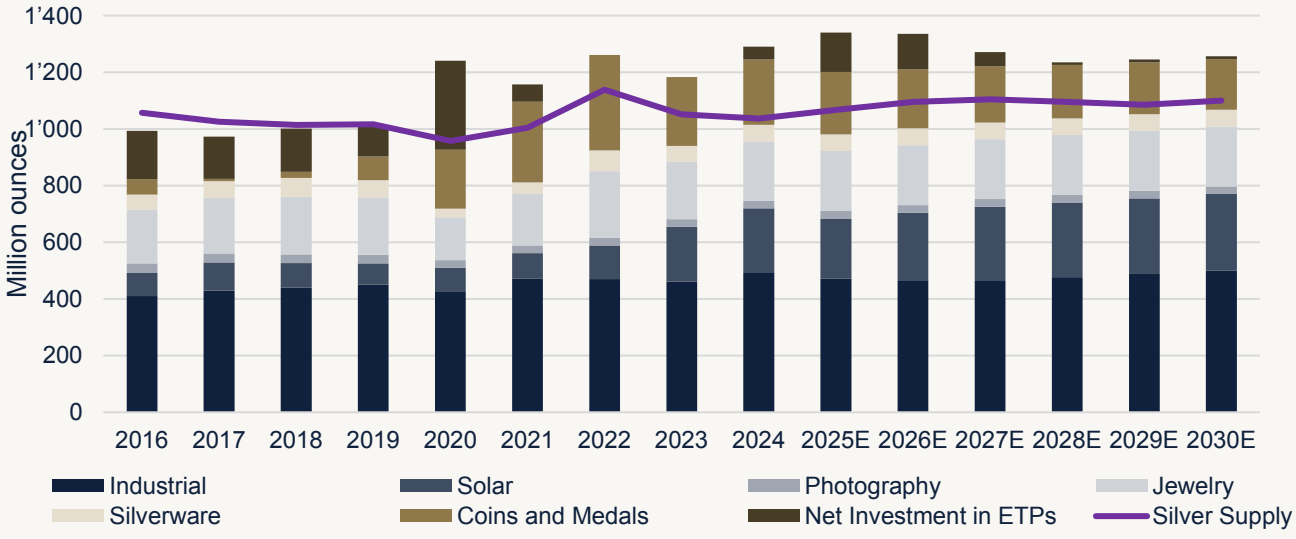
SILVER continued to trade as the high-beta expression of the precious metals complex, amplifying both upside momentum and downside volatility. The metal benefited from the same macro tailwinds as gold, while also drawing support from a long-running structural supply deficit and its expanding industrial relevance.

Into early January 2026, silver extended a historic rally, surging to around USD 108/oz and briefly exceeding USD 117/oz in some benchmarks, before reversing sharply alongside the broader complex. That advance culminated in one of the most violent reversals in modern commodity history. In late January, silver collapsed by roughly 26% in a single session, marking the largest daily decline on record. By that point, price action had become increasingly detached from near-term fundamentals and dominated by momentum, leverage and positioning. A wave of speculative buying – particularly from Chinese retail investors and equity-linked flows – combined with trend-following CTAs and a surge in options activity, pushed silver into a parabolic advance. At the peak, turnover in the iShares Silver Trust exceeded USD 40 bn in a single day, briefly making it one of the most actively traded securities globally. This left the market acutely fragile. Once prices began to roll over, the unwind was rapid. Dealers were forced to adjust gamma hedges into falling prices, accelerating the downswing, while profit-taking during the Asian session – where much of the rally had been driven – added further pressure. Shanghai silver contracts repeatedly hit daily limits, transforming what might otherwise have been a correction into a cascading liquidation.

Beyond price action, the physical market has remained a focal point. A multi-year supply deficit has steadily eroded visible inventories, leaving deliverable metal increasingly scarce. Persistent regional premiums – particularly in Shanghai – alongside elevated lease rates have signalled periods of tight nearby availability. Some market commentary also describes inventories in key hubs, including Shanghai and London, as lower than in recent years, reinforcing concerns around physical tightness.

Chart 8: A tightening silver market: industrial inelasticity meets supply constraints

Source: Silver Institute, UBS



"Silver mine supply is expected to stagnate in 2026, as limited ramp-ups are more than offset by ageing assets and declining grades."

Supply growth remains constrained. Mine production is expected to be broadly flat in 2026, as limited project ramp-ups are offset by ageing assets and declining grades. Recycling volumes are projected to rise, supported by high prices, but growth is capped by scrap availability and refining capacity.

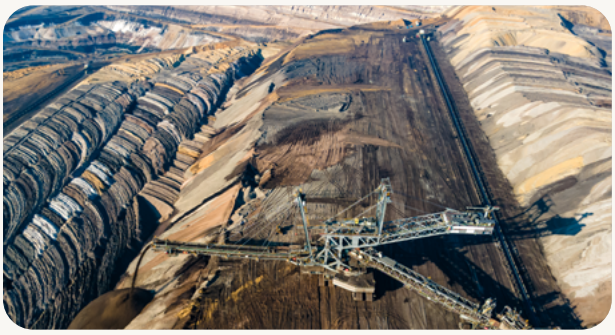
On the demand side, silver's role as an industrial and strategic metal continues to expand. Industrial consumption – spanning solar photovoltaics, EVs, semiconductors, advanced electronics, data centres and defence systems – has become the dominant driver. While solar has accounted for a substantial share of demand growth since 2020, some analysts argue that PV demand may be nearing a cyclical peak due to installation plateaus and continued thrifting. Others counter that broader electrification and digital-infrastructure trends support a structurally rising demand profile.

Policy has added a further dimension. In early 2026, China introduced export controls on refined silver, limiting shipments to a whitelist of approved companies. This framework centralises oversight of refined silver flows, prioritises domestic needs and introduces the potential for administrative delays, reinforcing silver's status as a strategic material rather than a freely flowing commodity.

Looking ahead, silver's outlook remains constructive but highly volatile. Structural supply constraints and industrial demand underpin the longer-term case, but recent price action highlights how quickly sentiment and leverage can overwhelm fundamentals in the short term. For commodity investors, silver remains best viewed as a leveraged complement to gold, offering upside participation with materially higher drawdown risk.

PLATINUM re-established itself as a structurally tight precious metal from late 2025 into early 2026, supported by multi-year supply deficits, depleted above-ground stocks and renewed investment interest. Platinum prices rose sharply in 2025 – up around 127% – reflecting a broad re-rating of platinum group metals alongside record-high gold prices and increasingly visible physical tightness.

According to the World Platinum Investment Council, the platinum market recorded its third consecutive large deficit in 2025, contributing to a 49% decline in above-ground stocks since 2022. Although the market is expected to move toward a broadly balanced position in 2026, the WPIC stresses that this would be insufficient to rebuild inventories, leaving physical conditions tight.



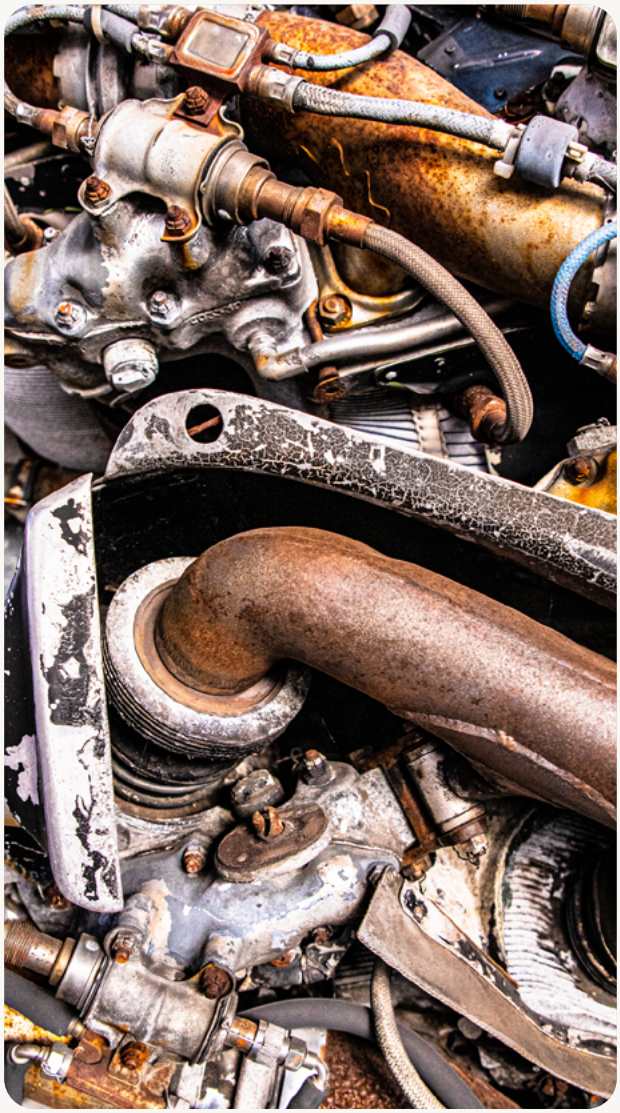
Elevated lease rates and backwardation in OTC forward curves continue to signal constrained availability. Market structure has also evolved with the launch of platinum futures on the Guangzhou Futures Exchange in late 2025. The new contracts have improved transparency through published warehouse stock data, attracted speculative and institutional participation, and strengthened China's role in global price discovery – adding momentum to an already constrained physical market.

"Per the WPICI, a third consecutive large platinum market deficit in 2025 has helped reduce above-ground stocks by 49% since 2022."

Looking further ahead, the WPIC projects that platinum deficits will re-emerge from 2027 onward, averaging around 348 koz per year through 2030, equivalent to roughly 4% of annual demand. Supply growth remains structurally limited, with total supply forecast to grow by just 0.9% CAGR from

2025 to 2030, driven primarily by recycling. Years of underinvestment, long project lead times and operational constraints – particularly in South Africa – are expected to prevent a rapid supply response. Nornickel broadly concurs on near-term constraints, while expecting some improvement in Russian output from 2026–27.

On the demand side, fundamentals remain resilient. Automotive demand remains relatively price-inelastic, jewellery demand is expected to soften modestly in 2026, and investment demand – highly volatile but potentially upside-skewed – remains an important swing factor. Overall, platinum enters 2026 with narrower deficits but persistent physical tightness, leaving the market sensitive to supply disruptions and investor positioning.



PALLADIUM is entering a structurally different phase of its cycle, with balance-sheet dynamics gradually shifting away from deficit conditions even as near-term constraints persist. The WPIC expects the palladium market to move into persistent surpluses from 2026 onward, driven primarily by rising recycling supply and softer long-term demand growth. WPIC forecasts palladium surpluses of approximately 200–500 koz per year between 2026 and 2030, with total supply growing at around 1.4% CAGR. Recycling is the dominant driver, reflecting the growing volume of palladium-rich gasoline vehicles reaching end-of-life. Mine supply growth remains limited, but recycling alone is expected to tilt the market into surplus. Nornickel's outlook is more cautious, projecting that palladium will remain broadly balanced in 2025–26, with downside risks to supply rather than a rapid accumulation of surplus. This divergence highlights uncertainty around the pace at which surplus conditions translate into looser physical availability.

As with platinum, the launch of palladium futures on the GFEX has increased transparency around Chinese inventories and drawn speculative participation, enhancing China's influence on marginal pricing. Combined with elevated lease rates in traditional markets, near-term conditions remain tighter than headline balances alone would suggest.

Demand dynamics remain relatively stable. Automotive demand is expected to stay broadly flat as hybrid penetration offsets gradual BEV adoption. WPIC expects that around two-thirds of the platinum substitution gains since 2019 will reverse by 2030, keeping palladium automotive demand near 7.7 Moz per year. Despite the projected shift toward surplus, prices may remain volatile due to policy risk, supply-chain uncertainty and the unresolved U.S. anti-dumping investigation into Russian palladium.

PRECIOUS METALS EQUITIES entered 2025 at a clear inflection point after several challenging years. From 2021 to 2023, gold prices were largely range-bound while miners faced elevated cost inflation and weak execution, resulting in persistent underperformance relative to bullion. That dynamic reversed decisively in 2025, with gold miners materially outperforming gold, reflecting the sector's embedded leverage once costs stabilised and prices moved into a higher range. Earnings momentum has turned decisively positive. Sell-side estimates show GDX EBITDA rising by over 80% in 2025, with net income up more than 110%, driven by higher realised prices and improved operational delivery. While spot upside to consensus gold assumptions now appears more balanced, analysts continue to see scope for further positive revisions into 2026.

Valuations remain supportive. According to Jefferies, gold miners trade at roughly 0.8x price-to-NAV, below the long-term average near 1.0x, with implied gold prices embedded in equity valuations meaningfully below spot. This provides investors with a margin of safety should bullion prices consolidate or retrace. Positioning further strengthens the case. Despite improved performance, generalist participation remains limited, with around USD 3 bn of net GDX outflows

in 2025 and no sustained inflows typical of a mature bull phase. As gold regains prominence in benchmark indices, underweight generalists may increasingly be forced to re-allocate. Balance sheets across the sector are materially stronger than in prior cycles. Many large producers are net-cash or low-leverage, generating substantial free cash flow and accelerating shareholder returns. Capital discipline has improved markedly, reducing the risk of value-destructive behaviour seen in earlier upcycles.

Corporate activity represents an additional catalyst. With reserve replacement a structural challenge and organic growth limited, M&A activity is expected to increase as producers seek long-life, high-quality assets. Recent reports of strategic reviews and consolidation discussions underscore growing pressure to deploy balance-sheet strength while valuations remain below intrinsic value.

Looking ahead to 2026, analysts broadly view the risk-reward profile for precious metals equities as favourable. Valuations are not stretched, earnings momentum remains positive, balance sheets are strong, and implied gold prices remain conservative relative to spot. While bullion volatility can drive short-term equity drawdowns, the sector offers attractive upside participation with a cushion against moderate gold-price retracements.

“For 2026, analysts generally see attractive risk–reward in precious-metals equities: valuations are reasonable, earnings momentum is positive, balance sheets are strong, and implied gold prices remain conservative versus spot.”

Sources: WGC, FT, Reuters, Bloomberg, S&P, WPIC, GFEX, Goehring & Rozencwajg, Jefferies, UBS, Goldman Sachs, JP Morgan, Saxo Bank, TD Cowen, Company Reports

Agricultural Overview

Market Commentary

Key Takeaways

- Agriculture looks well supplied, yet buffers are thin, leaving prices highly sensitive to weather and policy shocks.
- Corn and wheat trade on competitiveness and export flows, while soybeans hinge on U.S.–China trade dynamics.
- Softs normalised from extremes, but low stocks and index flows can quickly re-ignite volatility.

Agricultural markets enter 2026 against a backdrop of perceived abundance but constrained buffers. While the dominant narrative has shifted away from food insecurity toward more comfortable supply conditions, balance-sheet analysis suggests that global agricultural commodity availability remains tight relative to demand and historical buffers. This starting point – already low in 2025/26 – leaves markets vulnerable to weather, policy and logistical shocks even when headline balances appear less restrictive.

Across major row crops, competitiveness rather than outright scarcity remained the primary price driver through 2025. Corn and wheat prices were weighed down by comfortable global balances and intense export competition, while soybeans found intermittent support from improving U.S.–China trade visibility. Greater clarity on U.S.–China relations in 2026 could lift risk appetite and volatility across oilseeds, although renewed deterioration in relations remains a key downside risk.

Soft commodity markets have largely normalised from the extremes seen earlier in the cycle, but fragility persists. Cocoa and coffee corrected from historic highs as demand adjusted and supply prospects improved, while sugar moved closer to balance following several tight seasons. Low absolute stock levels, together with policy- and flow-driven dynamics, continue to inject volatility across softs.

On the demand side, structural headwinds are becoming more visible. Global population growth slowed to around 0.95% in 2024, China's population has entered contraction, and growth rates across many middle-income economies have also moderated. Alongside shifting consumption patterns in developed markets – including the marginal impact of weight-loss drug adoption – these trends are gradually moderating the pace of agricultural demand growth.

Overall, agriculture enters 2026 as a market of dispersion rather than synchronised tightening, with prices increasingly driven by trade policy, weather outcomes and demand elasticity rather than broad-based balance-sheet stress.

"Heading into 2026, agricultural markets reflect dispersion over tightening, as trade policy & weather drive pricing."

CORN prices ended 2025 down around 10% on a total-return basis. From late 2025 into early 2026, the market remained generally well supplied, with prices driven more by relative competitiveness than by outright scarcity. After trading at a discount to South American supply for much of 2025, U.S. corn prices firmed modestly as demand signals improved, while remaining competitive in global export markets. The supply backdrop stayed comfortable rather than tight. Recent balance-sheet updates pointed to larger-than-expected global carryout, reflecting upward production revisions in both the United States and China.
Entering 2026, this provides a meaningful buffer against shocks, limiting the scope for sustained rallies absent material weather or policy disruptions. Demand signals were mixed. Livestock numbers continued to contract, keeping feed demand subdued, while U.S. export inspections remained firm, reinforcing that global buyers continue to step in when U.S. offers are attractively priced. Looking ahead to 2026, corn is likely to trade as a stocks-and-competitiveness market, with price direction shaped by marginal shifts in exports, ethanol demand and weather risk rather than balance-sheet tightness.

SOYBEANS From late 2025 into early 2026, soybeans were shaped primarily by trade expectations and uneven demand, with sentiment closely tied to developments in U.S.–China relations. U.S. soybean market share in China fell sharply in 2025, dropping to 15% from 21%, as shipments stalled and buyers shifted toward South American supply. Brazil's share rose to 73.6%, while Argentina's increased to 7%, highlighting the erosion of U.S. export positioning. Against this backdrop, renewed U.S.–China consultations revived expectations of Chinese buying. Under the announced framework, China is set to purchase at least 12 Mt by end-2025 and 25 Mt annually in 2026–28. Historically, China has accounted for roughly the mid-50% range of U.S. soybean exports, making normalisation a key price driver. Soybean prices recovered on these headlines, ending 2025 up around 5% on a total-return basis.

Despite this improvement in sentiment, near-term supply remained comfortable, with ample global availability driven mainly by the United States and Brazil. While stocks are expected to stay elevated in 2025/26, some forecasters anticipate gradual tightening beyond 2026 as crush demand outpaces production growth. Brazil remains central to global supply, supported by another large crop, while Argentina's weather outlook remains a key swing factor. U.S. domestic crush demand stayed resilient, partially offsetting weaker export flows.

"China has historically taken around the mid-50% share of U.S. soybean exports, making normalisation a key price driver."

Looking ahead, soybeans are likely to trade as a trade- and demand-allocation market, sensitive to policy and weather rather than immediate scarcity.

WHEAT From late 2025 into early 2026, wheat markets remained anchored by ample global supply, with prices driven more by Black Sea policy and geopolitics than by tightening fundamentals. Despite a late-year rebound, U.S. wheat ended 2025 down more than 15% on a total-return basis. The global balance sheet stayed comfortable. JP Morgan estimates 2025/26 world wheat ending stocks up around 7% YoY to 278.3 Mt, driven by higher production in Argentina and Russia. Argentina's crop is forecast to rebound 50% YoY to a record 27.5 Mt, reinforcing global availability. Russia remained the key marginal price setter, managing exports through seasonal quotas and floating duties. While a 20 Mt grain quota applies from mid-February to end-June 2026 for non-EAEU shipments, Russian wheat exports are still expected to exceed 47 Mt in 2025/26, reflecting strong early-season flows and quota-exempt destinations.

Demand remained stable but highly price-sensitive, with rallies fading unless policy or logistics materially disrupted flows. Looking ahead to 2026, wheat is likely to remain a surplus- and Black Sea-driven market, with price direction hinging on Russian policy, regional logistics and Northern Hemisphere crop conditions.

COCOA From late 2025 into early 2026, cocoa transitioned from crisis-level tightness toward a more balanced but still fragile setup. After the historic rally, prices fell well over 40%

in 2025 as high prices curtailed demand and supply fears eased. Support re-emerged intermittently on renewed West African supply concerns and balance-sheet revisions. The ICCO's decision to cut its 2024/25 surplus estimate by more than 60% prompted a more cautious reassessment of market tightness.

Flow-driven factors gained importance, with attention turning to cocoa's re-entry into the Bloomberg Commodity Index in January 2026, which could trigger sizeable index-related inflows. Looking ahead, analyst forecasts point to a modest surplus in 2025/26 and a recovery in the stocks-to-grindings ratio. While this eases earlier tightness, it does not signal abundance. Cocoa remains structurally fragile, with prices sensitive to weather, disease, policy actions and index flows.

COFFEE From late 2025 into early 2026, coffee moved from acute tightness toward a more balanced but still vulnerable market. Prices remained elevated through much of 2025 before softening as supply prospects and policy conditions improved. Brazilian data highlighted this tension. Export revenues reached a record USD 15.6 bn in 2025 even as volumes fell nearly 21% to around 40 million bags, reflecting price strength amid constrained availability. Production signals were mixed. Brazil saw uneven recovery across varieties, while improving rainfall lifted expectations for the 2026/27 crop. Robusta markets eased on improved Vietnamese export prospects.

A key inflection point came with the removal of U.S. tariffs on Brazilian coffee, allowing stocks held in bonded warehouses to flow back into the U.S. market and easing tightness. Brazil supplies roughly one-third of U.S. imports. Looking ahead, coffee is moving away from peak tightness but remains highly sensitive to weather, inventories and policy, suggesting continued volatility even as balances improves.

SUGAR From late 2025 into early 2026, sugar shifted toward a more balanced but still fragile supply–demand setup. Analyst estimates for 2025/26 (April–March) point to a modest surplus of roughly 0.8–0.9 Mt, following several years of stock drawdowns that left buffers at multi-year lows. Brazil remains the key swing factor. Cane allocation between sugar and ethanol continues to dominate outcomes, with 2026/27 expected to be broadly neutral as higher corn-ethanol availability weighs on ethanol prices and caps incentives for a sharp swing back to sugar.

Demand has softened. Consumption forecasts have been revised lower, with some analysts warning growth could be flat to slightly negative, particularly given weaker import demand from Indonesia and China. Looking ahead, sugar is likely to trade as a balance- and ethanol-driven market, with volatility persisting due to low absolute stocks and biofuel dynamics.

LIVE CATTLE From late 2025 into early 2026, the cattle complex remained structurally supported by exceptionally tight supply, which translated into strong performance: Live Cattle gained more than 30% and Feeder Cattle more than 38% in 2025 on a total-return basis. This backdrop is consistent with a historically constrained U.S. herd: as of January 1, the U.S. cattle and calves inventory stood at roughly 86.2 million – the smallest since 1951. Herd rebuilding has been slow because ranchers have continued to market animals for slaughter to capture strong beef margins, rather than retaining heifers to expand breeding stock. In other words, robust demand and attractive prices have pulled supply forward, delaying the replenishment cycle.

"The U.S. cattle herd started 2026 at ~86.2 million – the lowest level since 1951."

As a result, near-term supply is set to tighten further before any meaningful recovery becomes possible, since rebuilding requires holding back animals from the meat supply chain to increase calving. High meat prices have already contributed to firmer global food measures (including the FAO meat and food price indices), reflecting supply constraints and the gradual pace of herd recovery.

While demand has held up so far, elevated retail prices increase the risk of gradual demand rationing over time. Looking ahead to 2026, live cattle prices are therefore likely to remain supported until herd rebuilding gains traction. Key swing factors will include pasture conditions (and thus retention decisions), feed costs, and demand elasticity at the consumer level.

LEAN HOGS followed a more balanced and range-bound path. Supply remained relatively ample due to productivity gains, limiting tightening despite steady demand. Export flows remained sensitive to price competitiveness. Against this backdrop, lean hog prices ended 2025 up just over 7% on a total-return basis.

Looking ahead to 2026, lean hogs are likely to trade as a cost- and demand-sensitive market, with upside dependent on improved exports or more meaningful supply contraction.

Sources: Bloomberg, Reuters, USDA, FAO, ICCO, ISO, CONAB, China General Administration of Customs, National Coffee Association U.S., Cecafe, World Grain, LMIC, FT, WSJ, Reuters, Bloomberg, Brownfield Ag News, Farm Progress, JP Morgan, Citi, StoneX

Conclusion & Outlook

As 2026 begins, commodity markets appear to be moving into a structurally different phase. What initially looked like a cyclical rebound is increasingly shaped by deeper forces: geopolitical fragmentation, rising strategic redundancy and a shift toward greater self-reliance across defence, finance, energy and supply chains. Even where tensions have temporarily eased, the underlying message is clear – countries are prioritising security, resilience and control. These shifts are inherently more resource-intensive and less efficient, placing sustained pressure on raw-material demand.In this environment, competition for resources is intensifying. The duplication of supply chains, reshoring of industrial capacity, strategic stockpiling and higher defence spending all imply structurally higher input requirements and costs. Markets have begun to reflect this through higher commodity prices and rising government yields. After gold's exceptional performance set the stage, commodities and other real assets appear increasingly positioned to outperform financial assets over an extended period, particularly as fiscal pressure and global debt burdens continue to rise. Commodities also sit at the base of the global price pyramid. A renewed upswing in commodity prices tends to transmit through manufactured goods, wholesale prices and consumer inflation, and ultimately into wages and services. In a world characterised by strategic redundancy and supply-chain duplication, this transmission mechanism is likely to remain active, raising the risk of a re-acceleration in inflation even as growth moderates.

From an investment perspective, positioning still looks early. Rotation into the sector has begun, but so far it has been driven primarily by precious metals – especially gold – rather than broad-based exposure across the commodity complex. Investor allocations to commodities remain historically low, particularly outside gold, leaving energy, industrial metals and agriculture structurally under-owned in portfolios. This matters because commodity markets tend to reprice rapidly when marginal demand improves or supply tightens, amplifying the impact of even modest shifts in capital flows.

"Commodity allocations remain historically low outside gold, leaving energy, industrial metals, & agriculture underowned."

Equity markets reflect a similar dynamic. Historically, commodity and mining cycles tend to unfold in phases. The early phase features rising prices but scepticism around durability, with restrained capital spending and limited valuation expansion. Gold appears to be moving beyond this stage, while parts of the broader metals complex may be nearing an inflection point. The next phase – typically marked by broader participation from generalist investors, expanding valuation multiples and renewed investment in growth – does not yet appear fully underway. Valuation models for

commodity-related equities continue to embed conservative long-term price assumptions, well below prevailing spot levels, implying meaningful upside potential should “higher for longer” pricing gain wider acceptance.

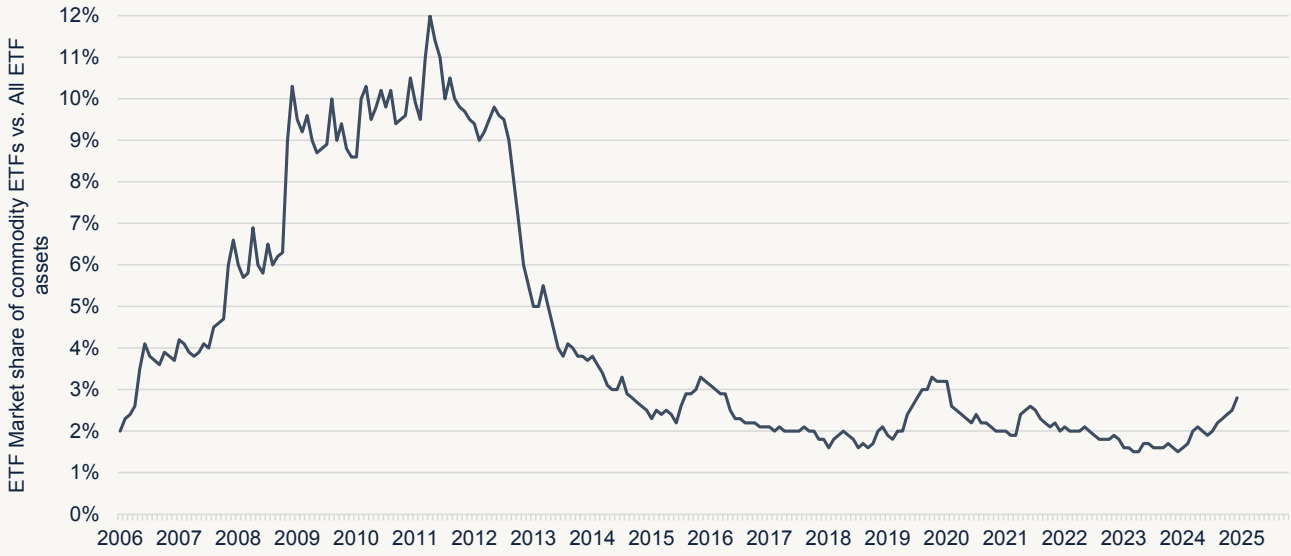
“Commodity-equity valuations still assume long-term prices well below spot, suggesting upside if ‘higher for longer’ gains traction.”

Fundamentally, the supply backdrop reinforces this view. Many commodity markets were already in deficit in 2025, with tight conditions expected to persist or intensify toward 2030. This is not a story of isolated bottlenecks, but of broad structural imbalance driven by energy-transition demand, geopolitical realignment, trade fragmentation and resource nationalism. Strategic materials linked to electrification, defence and advanced technologies appear particularly exposed. A decade of capital discipline, ESG constraints and long project lead times has thinned the supply pipeline, making these deficits difficult to resolve quickly.

Against this backdrop, we remain constructive on the commodities complex in 2026. While volatility will remain a defining feature, the combination of constrained supply, evolving demand and still-low investor participation suggests commodities retain an important role as diversifiers and potential beneficiaries of a changing global order.

Chart 9: Commodities remain structurally under-owned

Source: Estimated reconstruction based on Topdown Charts / LSEG visualization



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Commodity Investment Solutions

All Commodity Plus Fund

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Metals AMC

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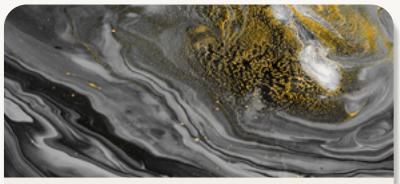

Energy Champions Fund

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Industrial Metals Champions Fund

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Precious Metals Champions Fund

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Crucial Minerals Certificate

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Performance Overview

Commodity Solutions	January	YTD	1 year	2 years	3 years	4 years	5 years	10 years
Commodity Direct Investments								
All Commodity Plus Fund – P	7.2%	7.2%	26.0%	29.8%	23.9%	38.1%	74.2%	101.9%
Metals AMC	7.5%	7.5%						
Commodity Equities								
Energy Champions Fund – I2	8.1%	8.1%	10.0%	5.1%	5.2%	15.2%	125.6%	56.2%
Scoring to Peers	18%	18%	11%	11%	39%	33%	69%	13%
Industrial Metals Champions Fund – A	19.4%	19.4%	126.5%	119.7%	70.6%	89.5%	131.4%	
Scoring to Peers	100%	100%	81%	70%	67%	71%	81%	
Precious Metals Champions Fund – A	16.6%	16.6%	183.2%	306.5%	289.3%	291.0%	250.4%	
Scoring to Peers	74%	74%	77%	72%	82%	84%	88%	
Crucial Minerals AMC	17.9%	17.9%	120.0%	101.1%	70.5%	94.7%		

Notes: Performance figures in USD per 30.01.2026 and based on Energy Champions Fund – Class I2, Industrial Metals Champions Fund – Class C & A (5 years), Precious Metals Champions Fund – Class A, All Commodity Tracker Plus Fund – Class P. Scoring to Peers: Percentile scoring relative to peers reflects the Investment Strategy's performance in comparison to its sector peers. A higher percentile indicates better Investment Strategy's relative performance to its sector peers. Full list of peers available upon request.

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Upcoming Events

Financial Event

26

February, 2026

Book a Meeting →

1.00 pm / Language: German

Kongresshaus Zurich, Claridenstrasse 5, 8002 Zurich / Lake Room 4

The New Commodities Supercycle: Strategies for Investors

Discover how geopolitical shifts, innovation, and sustainability megatrends are redefining opportunities in commodities. Energy remains the foundation of modern economies, but global electrification is driving demand for metals, critical minerals, and energy. At the same time, supply remains constrained by underinvestment, regulation, and bottlenecks. This combination marks the early stages of a new commodities supercycle.

We will highlight key trends, risks, and how to position your portfolio strategically to benefit from this structural shift. Since 2003, Picard Angst has supported investors with 360° expertise: research, advisory, and tailored solutions – from direct investments to commodity equities across energy, industrial/precious metals, and agriculture. mining company focused on silver production in Morocco. They will share exclusive insights from the perspective of two exciting mining ventures shaping the future of precious metals.

Pablo Gonzalez
Senior Portfolio £Manager Commodities

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