Bloomberg Indices

REPORT

Global Index 2026 Outlook

NVDA	ASML	ENR	XEL	PCG	DTE	7013	PNW
GEV	6501	D	PEG	ENGI	IBE	ELET6	BHP
ENEL	VST	VST	NEE	ETR	CCO	9503	PNW

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Introduction

With geopolitical realignment shaping the macro backdrop for 2026, investors are navigating markets influenced by evolving trade patterns, capital flows, and regional performance across asset classes. This report, authored by members of the Bloomberg Indices team, reflects the depth of perspective available to investors engaging with the Bloomberg Indices universe, spanning over 30,000 equities and covering more than 99% of investable free–float market cap across 47+ countries.

Across Equities, Commodities, and Fixed Income, the report outlines key themes including defense and energy security, infrastructure investment, weather and supply disruptions, and continued innovation in index methodology and coverage.

We hope this report inspires investors to explore Bloomberg Indices and see how our solutions can bring a dynamic, data driven view of the market to their investment strategies.

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KEY TAKEAWAYS

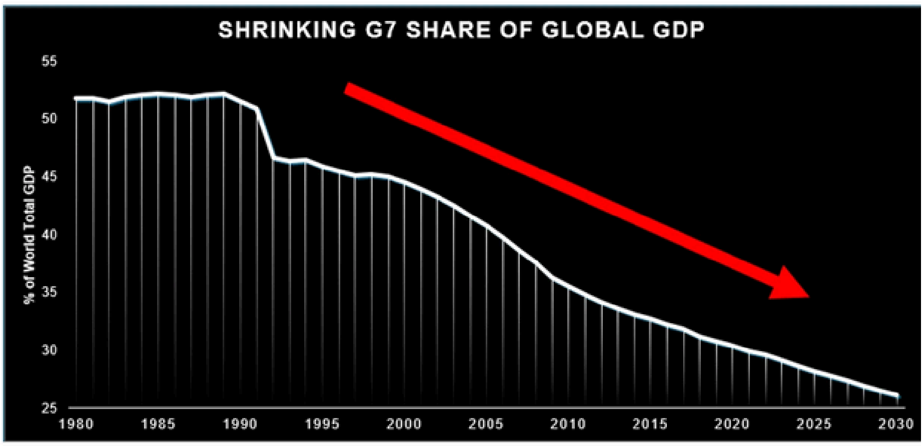
- Geopolitical realignment is emerging as the dominant macro driver for equity markets in 2026, reshaping trade, capital flows, and regional equity performance across developed and emerging markets.
- U.S.–aligned economies, defense, energy security, and infrastructure themes may benefit from sustained capital expenditure as supply chains and security priorities are restructured.
- Concentration risks from the magnificent seven are prompting investors to reassess diversification.

The year geopolitics becomes the macro

With markets entering 2026 near record highs, investors may be asking a different set of questions than expected just a few weeks ago. The defining issue for the year ahead may not be whether we are in a stock market bubble, how company earnings are trending, or where we are in the business cycle, but rather how a rapidly evolving geopolitical order may reshape the structure of equity markets.

For decades, the United States has played an expansive role in the global economy by anchoring trade, underwriting security, and sustaining the post-war system. That model is now changing as the underlying arithmetic has shifted. The G7 share of global GDP no longer supports the same breadth of commitments, and domestic political constraints are steadily pushing policy toward a more selective and strategic form of engagement. The result is not a retreat from influence, but a reconfiguration of how that influence is exercised.

Figure 1: Shrinking G7 Share of Global GDP



Source: International Monetary Fund

At the same time, broader market sentiment remains cautiously optimistic. The prevailing view is that the macro environment remains broadly supportive of risk assets, with growth proving resilient, inflation pressures moderating, and financial conditions easing. Meanwhile, ongoing investment in AI infrastructure and signs of broader market leadership support a constructive outlook, even as elevated U.S. stock market valuations argue for strategic and disciplined allocations.

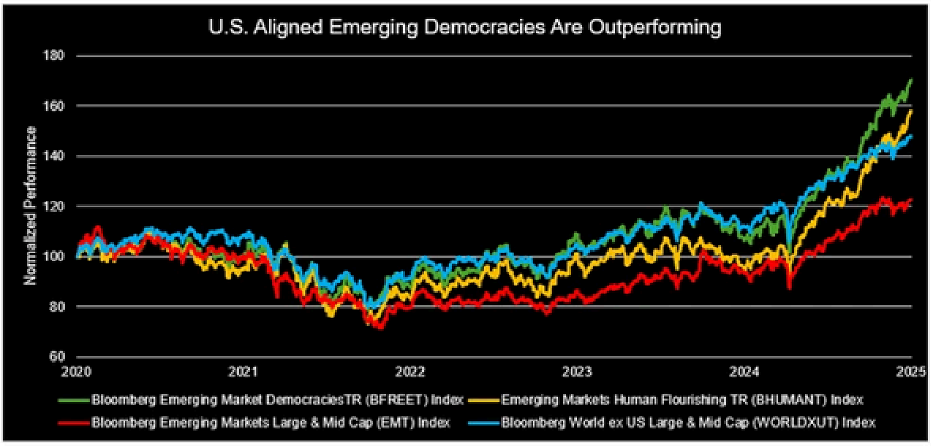
Against this backdrop, U.S. economic policy is increasingly shifting away from a universal global system toward a sharper "camp" model of preferential supply chains, trusted investment corridors, and security commitments that are more selective and regional. In this new direction, the most important questions for investors may become: who is inside the preferred "camp" system, who is outside, and what equity markets are levered to that redesign?

New "camp" system winners are U.S.-aligned

Inside this preferred system are countries that align with U.S. strategic objectives and industries deemed critical to national resilience. This includes the United States itself, its developed–market allies such as Japan, South Korea, and much of Europe, as well as a growing group of emerging market democracies. These economies share key attributes: civil liberties, relatively stable governance, and transparent regulatory environments. Together, they form the productive perimeter of the U.S.–aligned "camp".

Outside this system sit countries where political risk, state control of capital, proximity, or geopolitical misalignment prevent new–wave integration. China and India are notable countries that increasingly fall into this category. While these markets may still offer tactical opportunities, they face structural headwinds as capital, technology transfer, and supply–chain investment are gradually redirected elsewhere. For global investors, this shift matters because exclusion from the preferred system limits long–term access to the U.S. economy which has proven to be the most dynamic sources of demand, innovation, and financing.

Figure 2: Demographics and Geopolitics Reinforcing Returns



Source: Bloomberg L.P.

Demographics amplify this divide. In particular, the emerging U.S.–aligned economies may be ripe for future gains with faster growing populations and relatively young labor forces. These countries are also positioned to absorb the manufacturing, infrastructure, and service–sector investment now being reallocated as supply chains are redesigned.

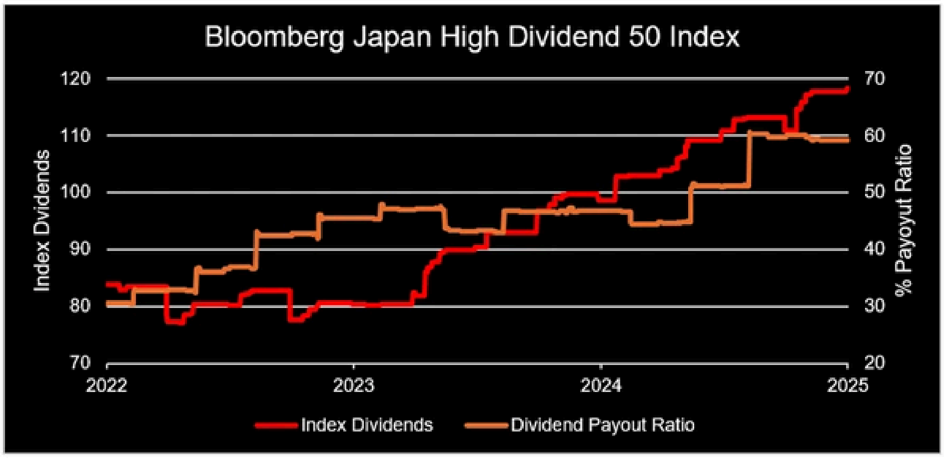
That advantage is already evident as illustrated in Figure 2, which shows the Bloomberg Market Democracies TR (BFREET) Index and Emerging Markets Human Flourishing TR (BHUMANT) Index both outperforming the emerging markets and world ex U.S. equity benchmarks over the last five years.

From a developed markets perspective, Japan enters 2026 as one of the more quietly compelling stories. After decades of stagnation, the economy is showing signs of renewed momentum as nominal GDP growth accelerates, fiscal policy remains supportive, and Japanese companies deepen their role in global supply chains tied to automation, semiconductors, and advanced manufacturing.

A weaker yen continues to support export demand, while government incentives aimed at productivity and technological upgrades are reinforcing domestic investment. Together, these forces position Japan as a developed market with improving cyclical and structural fundamentals.

Just as important, the corporate landscape is undergoing a meaningful transformation. Long criticized for balance-sheet conservatism and limited shareholder focus, Japanese companies are responding to governance reforms and stock exchange pressure to improve capital efficiency. The result is a tangible shift toward shareholder returns, particularly through dividends. The Bloomberg Japan High Dividend 50 (BJHD50) Index highlights this change, with the index's payout ratio rising a remarkable 94% over the past three years.

Figure 3: Japan's Rising Shareholder Returns



Source: Bloomberg L.P.

Policy shifts trigger bullish repricing in Latin America

A renewed U.S. geopolitical focus on the Latin America region with the recent developments in Venezuela might offer a compelling macro-strategic rationale for stronger regional equity performance. The recently articulated U.S. policy corollary to the Monroe Doctrine embedded in the 2025 U.S. National Security Strategy signals a reorientation of U.S. foreign policy toward hemispheric engagement, a shift that may translate into greater political and economic cooperation with Latin American governments.

For Latin America equities, improved investor sentiment, policy alignment with a major global power, and competitive valuations versus global markets could drive multiple expansion, particularly in the Financials, Materials, and Energy sectors. Collectively, these dynamics bear watching and may support a constructive case for inclusion in diversified 2026 portfolios.

Figure 4: Latin America Equities May Offer Compelling Valuations

Index Region	Dividend Yield	Price to Book	Price to Cash Flow	Price to Earnings	Price to Sales
APAC	2.18	1.90	10.09	17.49	1.61
DM	1.76	3.94	18.56	25.28	2.74
EM	2.25	1.96	8.63	16.57	1.63
EUROPE	2.87	2.33	11.23	20.33	1.75
LATAM	2.98	1.77	5.99	12.56	1.31
WORLD	1.83	3.51	16.37	23.78	2.53
WORLDXU	2.56	2.11	10.75	18.47	1.72

Source: Bloomberg L.P.

Defensive realignment and the security investment cycle

What is unfolding in Latin America is an expression of a broader security realignment now taking shape across the United States and being reinvented in Europe. As geopolitical competition intensifies, defense policy is being recalibrated toward resilience, regional stability, and control over critical inputs. This shift extends beyond traditional military spending and increasingly encompasses energy security, critical materials, the grid, and supply-chain infrastructure.

For investors, the implication is clear. Defense and security-related capital expenditure is becoming a structural feature of the global economy rather than a cyclical response to isolated risks. These trends are reinforced by parallel policy shifts in Europe, where governments are modernizing defense capabilities and expanding industrial capacity.

This transition elevates defense and resource security from niche allocations to a secular investment theme worth closer attention to for the remainder of the decade. To track these evolving dynamics, Bloomberg Indices has developed a targeted suite of benchmarks spanning defense, critical materials, energy security, and strategic infrastructure. Together, these indices provide investors with transparent, rules-based gauges to monitor thematic performance.

Figure 5: Bloomberg Defense, Resource and Security Indices

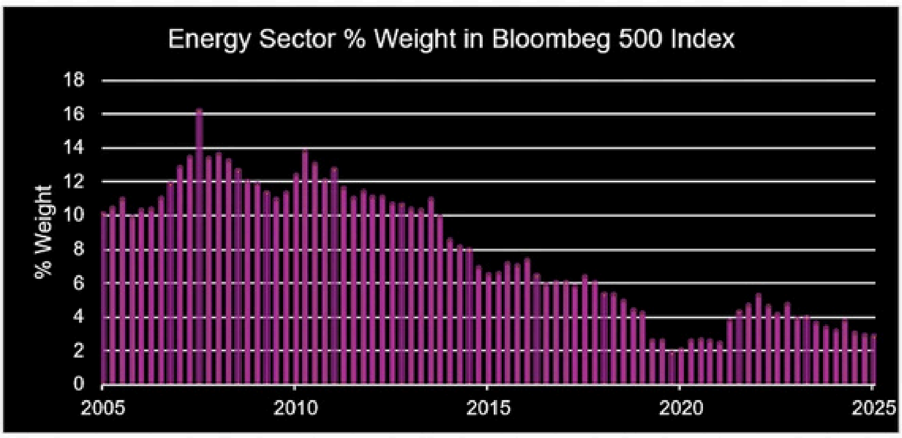
	Index Name	Index Ticker (Total Return)	1 Year Total Return	3 Year Total Return	5 Year Total Return
Defense & Security Themes	*Bloomberg Europe Defense Select Index*	BSHIELDT	74.92%	245.46%	420.80%
	Bloomberg Grid Tech Aggregate Index	BGTAT	29.75%	114.68%	128.44%
	Bloomberg Modern Global Defense Aggregate Index	BMDAT	56.87%	160.99%	201.01%
	Bloomberg Natural Resources and Security Index	BFAANGST	43.05%	73.34%	153.82%
	Bloomberg Scarce Resources Index	BFANGXCT	35.69%	25.42%	53.00%
Benchmarks	*Bloomberg 500 Index*	B500T	18.03%	88.50%	92.54%
	Bloomberg World Lafge & Mid Cap Index	BWORLDT	22.57%	76.46%	71.22%

Source: Bloomberg L.P.

Growing energy demand supports the energy sector

As supply chains are redesigned across the U.S., Europe, and allied economies, they are colliding with a hard physical constraint: energy and grid capacity. Years of underinvestment have left developed-world power systems ill-equipped to support growing energy demand. This reality makes energy security a defining investment theme for 2026, especially as the energy sector's index weight in the Bloomberg 500 (B500) Index sits near multi-decade lows representing just 2.87% of the overall market.

Figure 6: Importance of Energy Sector Has Shrunk Over Last 20 Years



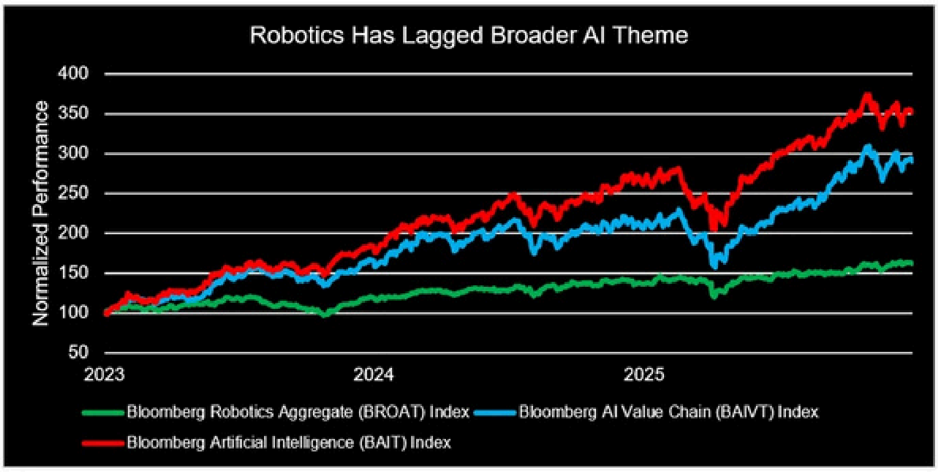
Source: Bloomberg L.P.

For investors, the focus is broadening beyond oil and gas production to encompass a wider energy ecosystem. This includes companies that are set to increase energy efficiency, scale power generation and support renewed interest in nuclear. Solar is also getting in on the action. Once viewed as facing government policy headwinds, the industry has been bolstered by rising demand for electrification and emerging power needs from data centers. Power equipment manufacturers, grid and transmission providers, storage solutions, logistics networks, and suppliers of critical materials all stand to benefit in a world where energy capacity increasingly constrains economic growth.

Battleground of U.S. and China rivalry centers on AI

Artificial intelligence is the defining technology of our time and the primary battleground in the intensifying rivalry between the United States and China. Both governments increasingly treat leadership in AI, including the journey toward superintelligence, as critical to economic strength and national security. For investors, effective exposure requires looking beyond the most visible technology leaders and deeper into the AI value chain, particularly as both the U.S. and China pursue state-directed strategies that are increasingly bifurcated, duplicative, and capital-intensive.

Figure 7: Robotics Primed To Play Catch Up



Source: Bloomberg L.P.

With expectations rising rapidly, Bloomberg Intelligence estimates that generative AI alone could generate more than $1.8 trillion in annual revenue by 2032, highlighting the scale of this transformation.

In 2026, the acceleration of humanoid robots could also mark a breakout year for robotics. While attention has remained concentrated on software–centric AI, the robotics ecosystem is advancing more rapidly than many expect, driven by companies across sectors turning to automation to offset structural labor shortages and aging demographics. To date, the Bloomberg Robotics Aggregate (BROAT) Index has materially lagged comparable AI–focused indices setting the stage for potential catch–up as capital allocation broadens.

Rethinking U.S. exposure and the Mag 7

The Magnificent Seven stocks are heavily owned by both domestic and international investors. Even with resilient U.S. fundamentals, such concentrated positioning raises the bar for further outperformance and increases vulnerability to any disappointment. As geopolitics becomes the macro driver, investors may increasingly focus on the earlier themes mentioned including international equities, defense, infrastructure, energy systems and robotics.

While this is not a call to abandon U.S. technology leadership, it is a word of caution that diversifying away from over–owned momentum and allocating toward the companies enabling the geopolitical reshaping may be beneficial.

Conclusion: A single catalyst with many expressions

The coherence of the 2026 outlook lies in a single underlying force: geopolitical realignment that is reshaping trade, security, energy systems, and technological competition. The relevant framework is no longer debates over growth versus value or incremental shifts in inflation, but a world reorganizing into strategic camps. This reconfiguration is driving supply chain redesign, forcing sustained capital expenditure, and redefining winners and losers across regions and sectors.

These dynamics appear more structural than cyclical and may remain the dominant driver of markets heading into 2026.

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KEY TAKEAWAYS

- Momentum in 2026 is supported by index methodology enhancements, expanded asset class coverage, and continued investment in scalable fixed income index infrastructure.

- Growth in passive ETFs, evolving issuance patterns, and changing rate expectations are increasing demand for transparent, rules-based benchmarks across duration, geography, and alternative beta strategies.

With themes such as private credit and artificial intelligence dominating headlines, and factors such as tariffs and monetary policy swinging markets, global bond markets churned out positive returns across asset classes and regions last year. Emerging Markets led the way with a return over 12% in the EM Hard Currency Aggregate index. See our previous post for a deep dive on 2025 performance.

We expect 2026 to be another ground-breaking year for Bloomberg fixed income indices. The strategic investments we've recently made coupled with potential regulatory tailwinds make us optimistic for the year ahead. For this outlook, we will leave the market forecasting to the experts in Bloomberg Intelligence (see below) and focus on industry trends and business updates. Note, Bloomberg Terminal subscribers can access a number of Bloomberg Intelligence outlook reports, including US Treasury Index Outlook, US IG Corporate Index Outlook, US MBS Index Outlook.

Enhancements and expansion

Following the full release of our Index Factory production system in 2024, Bloomberg has been focused on both enhancing capabilities and expanding coverage. In terms of methodology enhancements, the recent rollout of the month-end lockout has provided more stability in index membership and certainty as to which bonds qualify for the next rebalance. Additionally, we are making progress on the implementation of alternative pricing snaps and will then turn our attention to turnover analysis.

From an asset class perspective, our ongoing aim is to provide comprehensive coverage of the fixed income landscape. In July, we expanded our offering into a key asset class with the introduction of the Global Leveraged Loan indices. From there, we launched the US Total Fixed Income Market Index (ticker: TOTALFI) to capture the full breadth of taxable fixed income and reflect the evolved investment universe.

This new benchmark is an excellent example of the scalable solutions we can bring to market. Bloomberg is well positioned with both the building blocks and infrastructure to publish the broadest fixed income indices. We have invested heavily in modernizing index production over recent years, and indices such as TOTALFI are the result as we now can seamlessly combine asset classes and marry analytics.

Cutting off the flow – supply disruptions of raw materials

Commodity prices reflect the spot supply/demand balance for the individual raw materials at any point in time. This contrasts with other asset classes like equities which tend to be priced based on the outlook 12 months or a year into the future.

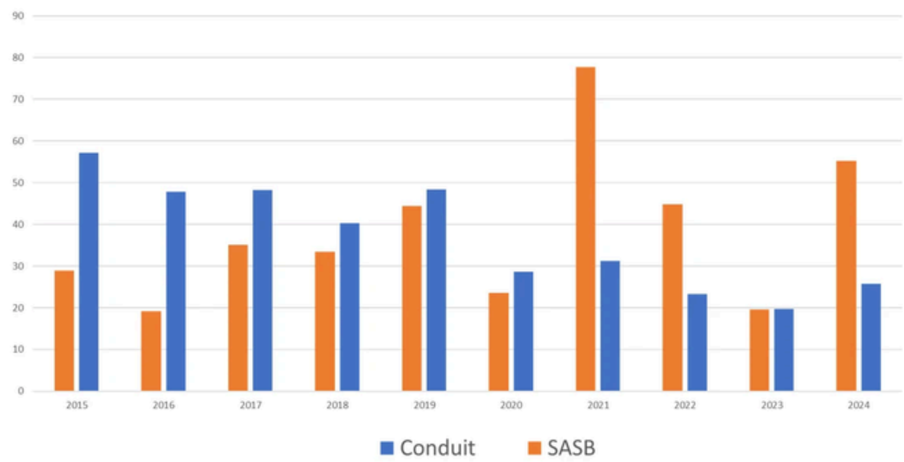
In addition to adding asset classes, we need to ensure that our indices keep up with issuance trends and reflect the current market. This is especially true for Securitized Products such as ABS and CMBS. For example, there has been a significant increase in Single Asset Single Borrower (SASB) CMBS issuance. As a result, we are planning to expand coverage with a new US CMBS SASB Index later this year that would be part of a broader CMBS Index and potentially be considered for inclusion in some broad-based indices.

Figure 1: Bloomberg Index Browser on the Bloomberg Terminal

Index Name	Ticker	Last Update	1D Rtn	MTD Rtn	YTD Rtn	Index Level	Members
▾ US Total Fixed Income Market	TOTALFI	12/26/2025	0.02%	-0.06%	7.43%	301.40	22,694
▾ Sector							
▾ Treasury	I40300US	12/26/2025	0.02%	-0.34%	6.32%	261.79	347
US Treasury Fixed	LUATTRUU	12/26/2025	0.03%	-0.34%	6.31%	2,434.71	295
US TIPS	LBUTTRUU	12/26/2025	-0.05%	-0.51%	6.89%	372.15	48
US Treasury FRN	I37110US	12/26/2025	0.02%	0.33%	4.37%	127.43	4
Gov-Related	I40301US	12/26/2025	0.02%	0.18%	9.53%	336.33	2,786
▾ Corporate	I40428US	12/26/2025	0.02%	0.04%	7.62%	386.42	14,828
Corporate IG	I40302US	12/26/2025	0.02%	-0.10%	7.86%	350.03	11,342
Corporate HY	I40427US	12/26/2025	0.01%	0.47%	6.89%	524.09	3,486
Securitized	I40297US	12/26/2025	0.01%	0.23%	8.49%	264.16	4,733
▾ Rating							
Investment Grade	I40299US	12/26/2025	0.02%	-0.13%	7.33%	283.31	18,723
▾ High Yield	I40298US	12/26/2025	0.01%	0.61%	8.45%	607.14	3,971
US Corp High Yield	LF98TRUU	12/26/2025	-0.02%	0.36%	8.40%	2,908.63	1,969
EM USD High Yield	BEBGTRUU	12/26/2025	0.00%	1.20%	13.82%	1,822.85	736
US High Yield FRN	I13477US	12/26/2025	0.02%	0.75%	7.51%	377.29	3
US Leveraged Loan	LOAN	12/26/2025	0.05%	0.51%	5.40%	150.96	1,263
▸ Components							

Source: Bloomberg L.P.

Figure 2: Annual Non-Agency CMBS Issuance in $Bn (Conduit vs SASB)



Source: Bloomberg L.P.

Lastly, we are exploring options for benchmarks in private credit. In some ways, a private credit index seems like an oxymoron as the private market is generally more opaque whereas indices are inherently transparent. But as the public and private markets converge, there is likely to be more transparency into private credit and ultimately better price discovery.

High quality data and accurate pricing are prerequisites for any robust benchmark, and we will continue to monitor the developments in this space. In the meantime, we recently created a US BDC index that provides a view into private credit issuers as a proxy.

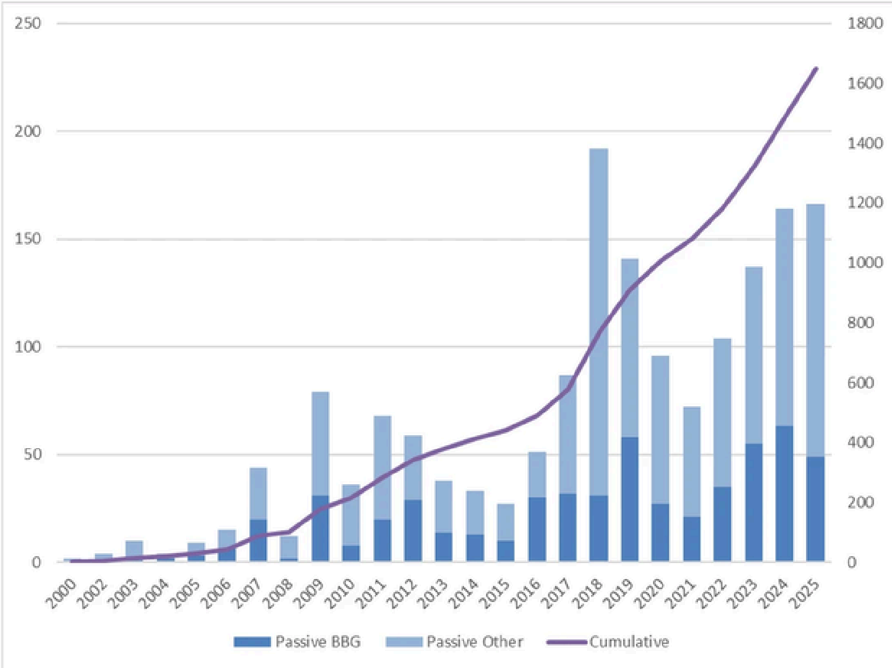
ETF frenzy to continue

In recent years, one could argue the success of index providers has been closely linked to the ETF market. Exchange traded funds are now a strong preference for new strategies with a record year in launches, flows and volume. Although it may seem difficult to repeat such a strong year, the recent SEC approval for issuers to add share classes may potentially result in another wave of ETFs going live.

Some issuers may take a pause to focus on gathering assets instead of being in constant launch mode.

We anticipate active launches to continue to outpace passive but flows likely to continue to be dominated by cheap beta. Indeed, there are now 1650 passive fixed income ETFs with a third of them tracking a Bloomberg index (see chart below).

Figure 3: Passive Fixed Income ETFs Over Time



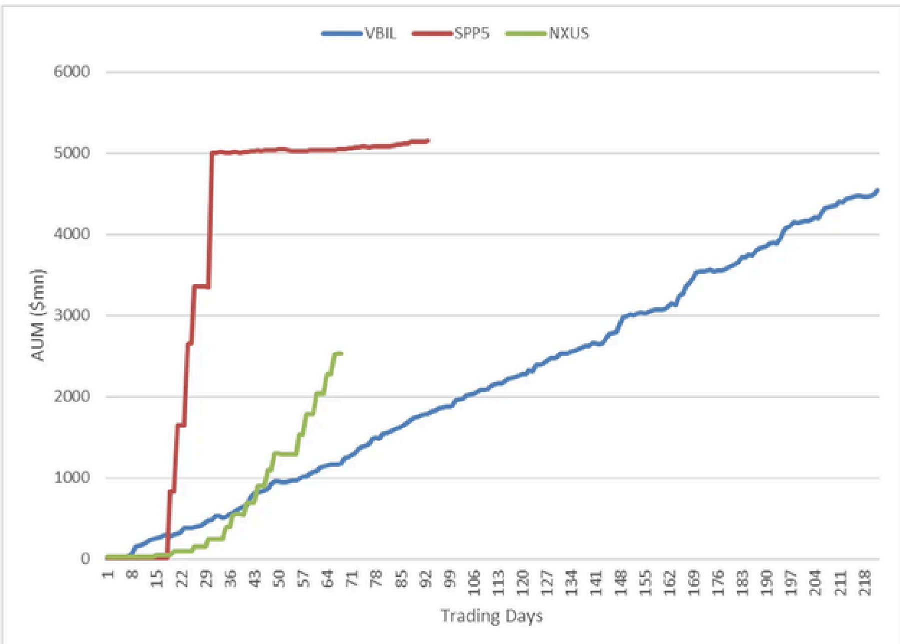
Source: Bloomberg L.P. Past performance is not indicative of future performance.

Active launches but passive flows

With over 50 years of history, Bloomberg is a leading index provider with 55% of total passive AUM tracking a Bloomberg fixed income index. Although active launches have picked up recently, passive makes up 83% of total fixed income ETF assets and the majority of flows in 2025 went into passive by a 2:1 ratio. In fact, the six funds with the highest flows in 2025 are all passive and four of them track a Bloomberg index.

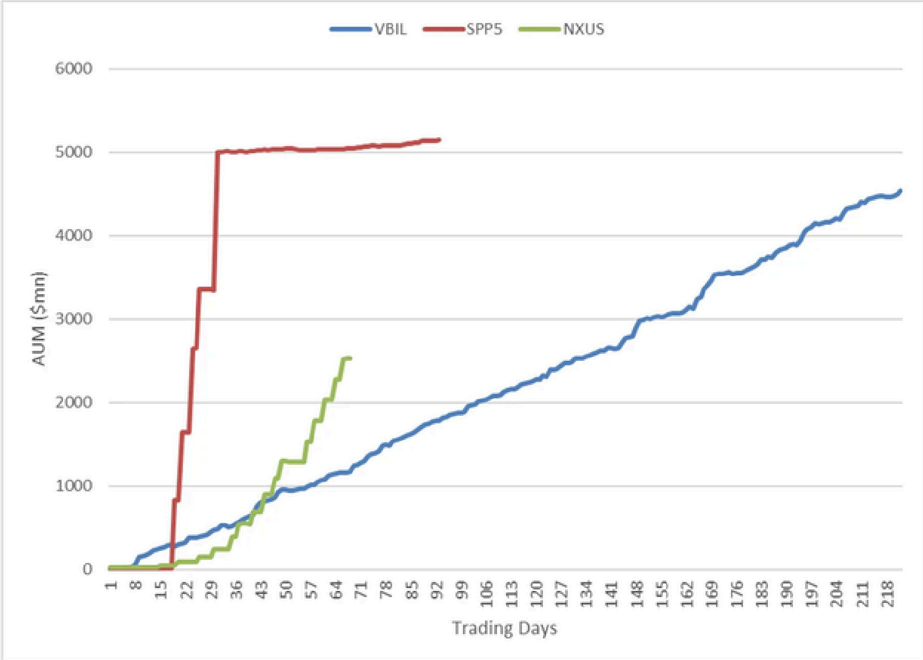
Similarly, the top two fixed income ETFs launched in 2025 (SPP5, VBIL) are passively tracking a Bloomberg index and the top three new passive fixed income ETFs are benchmarked to a Bloomberg index (see chart below).

Figure 4: Largest Passive ETFs Launched in 2025



Source: Bloomberg L.P. Past performance is not indicative of future performance.

Figure 4: Largest Passive ETFs Launched in 2025



Source: Bloomberg L.P. Past performance is not indicative of future performance.

Although bond indices appear easier for active managers to outperform, once compared to an appropriate "technical" index, our research shows that only 22% of funds have performed better than their benchmarks over the past 10 years.

Monetary policy implications

One of the biggest themes of the past couple years has been the surge in assets invested in money market funds. With risk-free rates at recent highs, investors were happy to collect their 4-5% returns as the macroeconomic landscape seemed uncertain. However, with three rate cuts in four months, the Fed funds rate now sits at 3.75% and may result in flows out of money market funds as investors extend duration into the belly of the curve or intermediate maturities.

There was an uptick in US Treasury launches this year both domestically and internationally, so ETF providers seem well positioned to offer investors solutions for moving out on the curve. On the other hand, we've also noticed an increase in global ETF strategies that exclude the United States suggesting a preference for different geographic exposures.

Standing out in the crowd

In an increasingly crowded ETF market with almost 40 new ETF providers in 2025, some issuers have sought to stand out by targeting specific exposures or alternative beta. The former can take many forms from narrowing the investment universe to building a basket of similar issuers with a common theme. We haven't yet seen thematics take off in fixed income, but this could change as more and more products flood the market. A recent example is the RBIL fund that only holds ultrashort TIPS to achieve a better hedge for inflation. Another way for ETF providers to differentiate is via alternative sources of beta. This can be as simple as changing the weighting scheme or goal-based strategies or even optimization.

But choosing the right index partner is paramount. Bloomberg is well-positioned to collaborate with clients to transform their investment ideas into rules-based indices via our flexible architecture. For example, we can access thousands of data fields on the terminal and onboard for inclusion in index queries. We create dozens of new custom indices every month, and we look forward to continued partnership to bring new index strategies to life.

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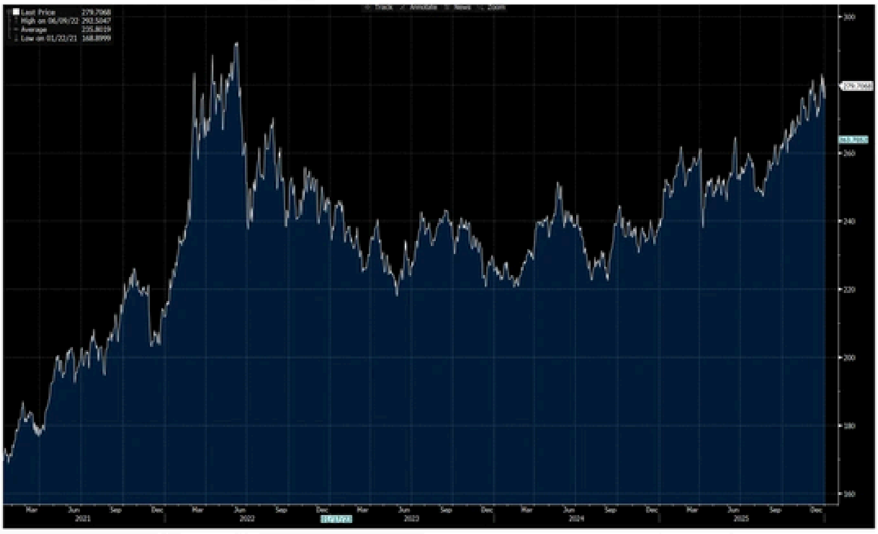
KEY TAKEAWAYS

- Themes that supported strong commodity performance in 2025 may continue into 2026, with six emerging dynamics shaping supply–demand balances, pricing trends, and cross–asset correlations.
- Industrial metals may outperform precious metals in 2026 as supply deficits, infrastructure investment, and post–tariff growth support copper, aluminum, and nickel prices.
- Geopolitical conflict, weather–driven disruptions, and rising power demand from AI and data centers reinforce commodities' role in portfolios amid volatility and stagflation risk.

Commodities are proving to be worth their weight in gold over the last five years. The Bloomberg Commodity Index (BCOM) total return has risen 11% annualized so far in the 2020s, as shown in Exhibit 1.

Themes which have driven the asset class higher in 2025 may continue to provide support through 2026. In this article, we present six new themes to consider over the coming year.

Exhibit 1: Bloomberg Commodity Index (BCOM) - 11% Annualized Growth Between 2021 and 2025



Source: Bloomberg L.P., Jan. 2, 2021, to Dec. 31, 2025. Past performance is not indicative of future results.

Theme 1: Blue collar vs blue blood – wealth gap shrinks as industrial outshines precious metals

After a historically strong two–year run for gold and other precious metals, the value of precious metals continued to increase compared to the less scarce and less valuable industrial metals – BCOMPRT was up 80% while BCOMINT gained 21% over 2025. However, 2026 may be the year precious metals take a back seat to the BCOM industrial metals of copper, aluminum, nickel, zinc, and lead.

Tight supply balances for industrial metals and a pickup in economic growth after tariffs have been digested could be the forces behind the value of blue collar industrial metals increasing versus blue blood precious metals in 2026.

Theme 2: Cutting off the flow – supply disruptions of raw materials
Geopolitical conflicts tend to cause shortages of commodities particularly in or near commodity producing regions around the world. Other force majeure events could have an effect after there has been a relatively calm three–year period for the broader commodity markets.

Theme 3: Temperature is rising – drought and weather issues
A world of rapidly rising temperatures has led to increased instances of drought and severe weather particularly in commodity growing regions. 2026 could be a difficult year for commodity production as the annual global surface air temperature is near +1.5°C above pre–industrial levels.

Theme 4: Sector and portfolio allocation rotation – trends may hit inflection points
Certain commodity sectors have had multi–year downtrends but seem to be stabilizing. Positioning by market participants could be an indicator showing potential for trend inflection.
Separately, the average allocation to commodities is still low compared to historical averages in asset owners' alternatives exposure while private markets exposure has increased to levels above target allocations leading to a potential rotation to commodities exposure.

Theme 5: The future of energy is here – thirst for power will be unquenchable
Power prices surged in 2025 and the cost for the US consumer has risen as the power demand needs of AI and data centers are causing utility bills to skyrocket. With the world seemingly on the path to embrace AI, this new source of demand will be a factor for energy.

Theme 6: No stagflation party for markets in 2026 – stagflation risks rising
Inflation has remained tepid although at higher levels relative to the past 15 years. Underlying catalysts may boil to the surface this year to collectively raise the level of prices for raw materials which are the inputs to the global economy. If growth falters, this could create a stagflationary environment similar to what occurred in the 1970s.

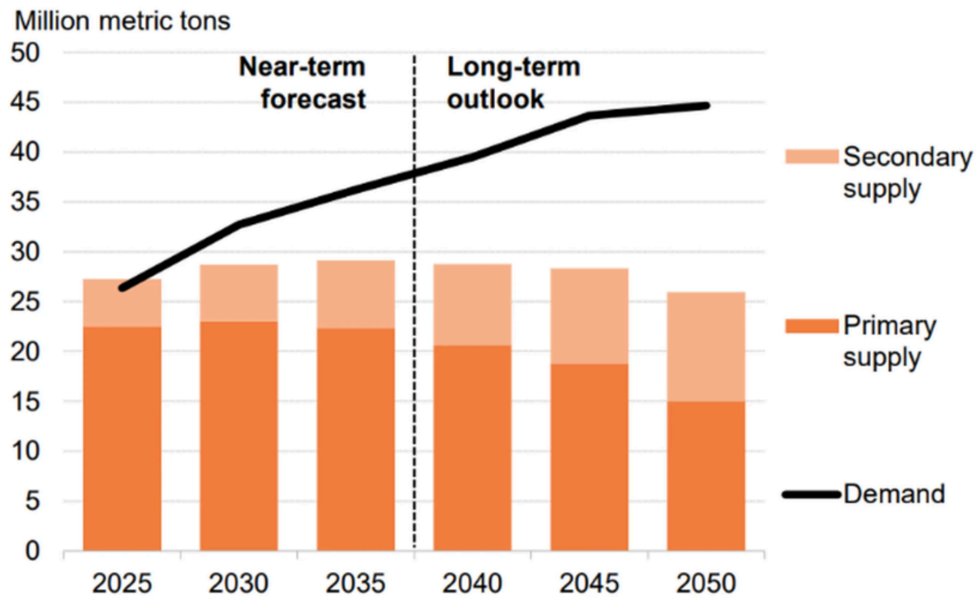
Commodities outperformed other asset classes in prior periods and could be a positive diversifying contributor to portfolio performance in 2026.

Blue collar vs blue blood – wealth gap shrinks as industrial outshines precious

Banks are projecting copper in 2026 will have its biggest supply deficit in 22 years. Exhibit 2 shows BloombergNEF forecasts supply deficits for the major industrial metal through the next few decades.

Copper is the key industrial metal which is closely correlated to global economic data, which reached an all time high of $12,558 at the tail end of 2025. Fundamentally, the supply is expected to miss the mark to satisfy the expected demand on a going forward basis. After a historic rise in precious metals prices over the last two years, the industrial metals complex could take the baton and rise higher in 2026, as an alternative store of value that could appreciate further.

Exhibit 2: Copper Supply and Demand Outlook - Deficit Looms



Source: BloombergNEF. 2025 to 2050. Figures are based on forecasted estimates of the global supply/demand balance for copper. Past performance is not indicative of future results.

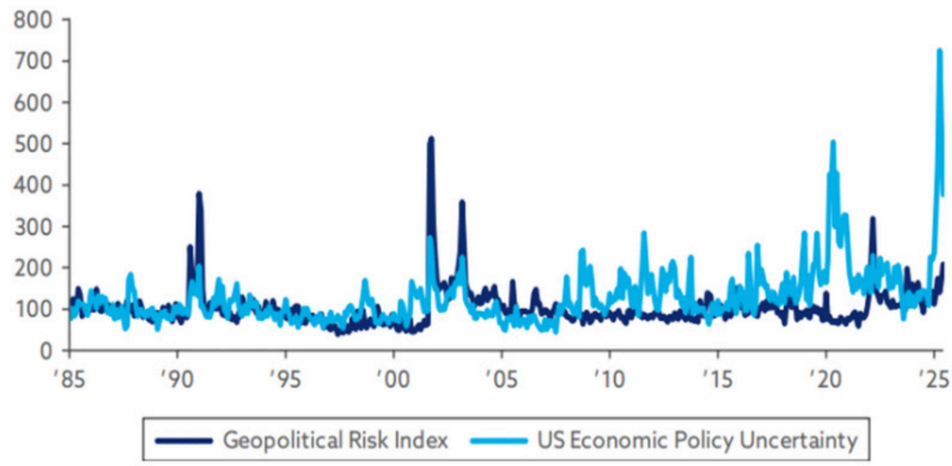
Cutting off the flow – supply disruptions of raw materials

Commodity prices reflect the spot supply/demand balance for the individual raw materials at any point in time. This contrasts with other asset classes like equities which tend to be priced based on the outlook 12 months or a year into the future.

With this being the case, commodity prices tend to move with volatility when breaking news on supply disruptions affects the picture.

Geopolitical conflict has risen in the 2020s and is one of the main reasons commodities prices have had higher returns this decade. Exhibit 3 shows geopolitical risks have increased, creating more opportunities for supply disruptions which cause increases in commodity prices. This has coincided with the most uncertain US economic policy after tariffs were introduced when looking back to 1985.

Exhibit 3: Geopolitical Risks - increased Risks After a Calm 2010s Decade



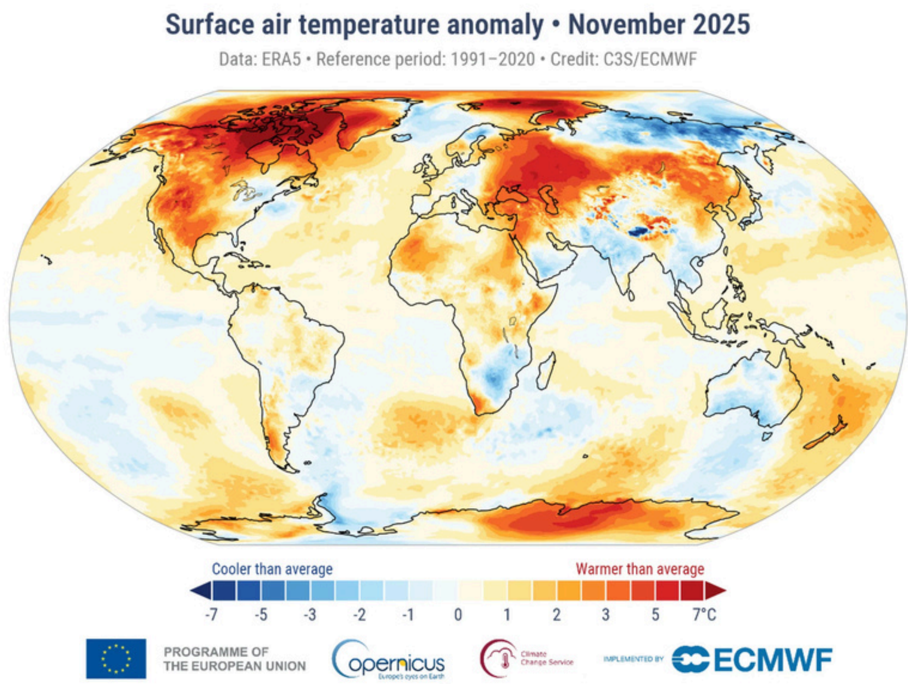
Source: CFA Institute Research Foundation. "The Geoeconomic Decade" 1985 to 2025. Past performance is not indicative of future results.

Temperature is rising – drought and weather issues

Weather is always a factor contributing to gyrations in commodity prices. The most sophisticated commodity traders use advanced weather forecasting models to project demand and potential supply issues for most of the major commodities traded today. 2025 was one of the three hottest years on record. Drought in commodity crop growing regions was prevalent and could continue into 2026 leading to lower crop yields and potentially higher prices for grains and softs. Livestock is also affected but to a lesser extent.

Modern irrigation techniques can only do so much in a world of rising temperatures. When rains do come, they can lead to extreme weather and severe flooding which occurred in coffee growing regions in central Vietnam last year. Furthermore, extreme weather has impacted supply chains for copper with heavy flooding in Indonesia.

Exhibit 4: Annual Surface Air Temperature Trending Higher



Source: Copernicus Climate Service. Surface air temperature anomaly for November 2025 relative to the November average for the period 1991-2020.

Sector and portfolio allocation rotation – trends may hit inflection points

Trends in commodity prices can be very short term but typically tend to be multi–year affairs similar to what is seen in other asset classes. Within sectors, we have seen some perform strongly like precious metals while grains have had three consecutive years of lower trending prices. 2026 could be when market participants consider rotating exposure from the winning sectors to the ones that seem to show the downward moves may be near trend exhaustion levels. Commodity trading advisors (CTAs) typically look at trend exhaustion as a consideration on how to size exposure and could shift long only exposure to certain sectors after trends in current exposure seem overdone. Exhibit 5 shows precious metals, livestock, and softs had strong performances over the last three years while energy and grains performance lagged. Industrial metals finally started to pick up in 2025 after three straight years of underperformance.

Exhibit 5: BCOM Sector Performance Over the Last Three Years (% Total Returns)

	Precious Metals	Livestock	Softs	Industrial Metals	Energy	Grains
2025	80	23	3	21	-10	-7
2024	25	20	32	4	1	-16
2023	10	-2	18	-9	-22	-13
2022	0	7	-3	-2	36	18

Source: Bloomberg, L.P. Jan. 2, 2021 to Dec. 31, 2025. Yearly total returns based on BCOM sector indices. Past performance is not indicative of future results.

Another broader portfolio allocation theme related to the sector rotation possibility involves exposure to alternatives from the asset owner community. In portfolios particularly in North America, asset owners like pension plans have seen some of their exposure to alternatives like private equity and private credit balloon to percentage weights higher than their target allocations. If looking to maintain their alternatives' exposure but considerate of potential overvaluation of private markets exposure, these asset owners could look to reduce and initiate or add commodity exposure.

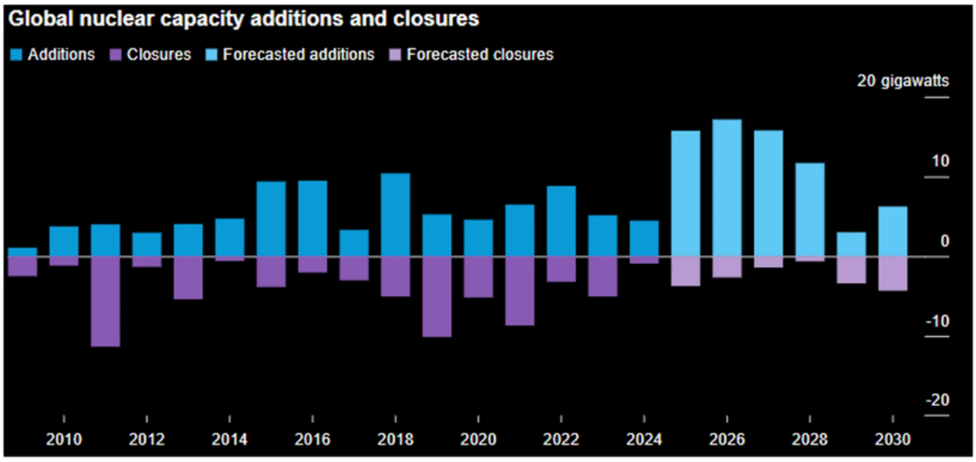
There have been several instances in the news over the last year where large endowments highlighted they are concerned about their private markets exposure and commodities could be the asset class to continue to benefit from allocation rotation in the alternative sector or derisking from over–valued equities.

The future of energy is here – thirst for power will be unquenchable

It is not possible to have an outlook piece for 2026 without discussing Artificial Intelligence and how it may continue to transform the economy. As AI relates to commodities, it is important to consider which commodities will be in higher demand due to higher power use as well as demand from a projected pick up in overall global economic activity.

While traditional sources of energy from the commodity world continue to play an important role, nuclear energy could be the decisive contributor to satisfy the aggregate demand. Exhibit 6 shows actual and forecasted nuclear capacity with a clear pick up as the world becomes more aware of the needs of future energy.

Exhibit 6: Nuclear Energy Could be the Key to Satisfying AI Demand



Source: International Atomic Energy Agency, BloombergNEF. Past performance is not indicative of future results.

No stagflation party for markets in 2026 – stagflation risks rising

Inflation is always a key theme to consider for commodities. 2025 proved inflation did not matter to the asset class as inflation continued to edge lower while commodities prices moved higher for other reasons. In 2026, there is a risk for inflation to pick up while growth potentially edges lower in a stagflationary environment. Commodities shine during these macroeconomic regimes and 2026 could be the year where history doesn't repeat but could at least rhyme.

In this 2026 commodities outlook, we explored potential themes which could blossom throughout the year. Commodities have shown to contribute to portfolio performance and exposure through a broad commodities index like BCOM is becoming one of the most popular ways to track how raw materials react to a changing world.

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