

## Commodities in flux: Finding opportunities

- We initiate a trade on silver with a target return of 20% and a stop loss of 10%.
- Remain buyers of gold on price dip; take profits on gold miners equities trade.
- Stay constructive on copper's structural outlook; retain our tactical trade position.
- Continue to see Brent crude prices in the USD65-80/bbl range over the next 12 months.

Aggregate commodity indices have performed in line with global equity markets so far this year – rising c7%. However, the correlation between the two asset classes moderated after remaining elevated through late 2024. Moreover, the performance of commodities has been mixed so far this year. Precious metals rose c25%, while oil prices fell 10%. Industrial metals also exhibited mixed performances with copper prices up c13% and aluminum prices down c3% so far in 2025. In this note we discuss the outlook for silver, gold, copper, and crude oil.

### Silver: we initiate a trade with a target return of 20% and stop loss of 10%

Silver's outlook for 2025 remains promising, with strong industrial demand and renewed investor interest likely to propel prices higher. The silver market has stabilized due to disciplined production and rising demand from key sectors such as solar energy, where increased spending is expected to drive silver prices structurally. Additionally, silver's role as a safe-haven asset will continue to attract buyers amid economic uncertainty. The industrial sector, particularly photovoltaic and electronics applications, remains a major source of demand. While global industrial production has softened, silver's specialized use in green energy keeps its outlook bright. Moreover, investors returning to the silver market, and rising imports from China and India should provide additional upside momentum. Consensus expects silver prices to average USD35/oz in 2025, USD40/oz in 2026 and USD45/oz in 2027.

Despite the bullish outlook, silver faces headwinds. ETF liquidation could dampen prices, and rising supply from mining and recycling may limit upside movements. Additionally, strong gold prices will play a crucial role in silver's trajectory (exhibit 1), exerting gravitational pull but potentially overshadowing silver's appeal in case the global economy enters a recession (not our base-case). A stronger USD and uncertainty surrounding Federal Reserve rate cuts may cap potential rallies too.

Overall, silver is set for robust performance, particularly in H2'25, as market participants regain confidence. While concerns over economic growth and industrial demand persist, silver's market deficit (exhibit 2), coupled with firm gold prices, should keep it well supported. We initiate a trade of long silver with a target return of 20% and stop loss of 10% (exhibit 9).

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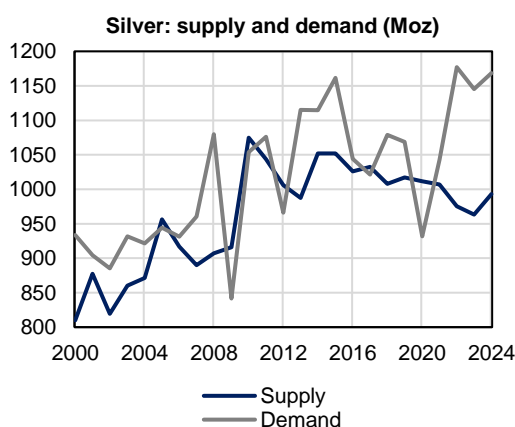
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**Exhibit 1: Silver-to-gold price ratio has just begun to rebound from exceptionally low levels**



Source: LSEG Workspace, and ADCB Asset Management

**Exhibit 2: Supply deficit of silver is likely to remain significant**



Source: World Bureau of Metal Statistics, LSEG Workspace, and ADCB Asset Management

## Gold: buy the commodity on price dips; take profits on gold miners equities trade

Gold remains a compelling long-term investment, driven by both institutional challenges and sustained demand from central banks. Amid rising US debt-to-GDP ratios and concerns over Federal Reserve independence, gold continues to serve as a neutral collateral in times of uncertainty. Historical precedent suggests that credibility shocks in US institutions could trigger a significant flight to gold, much like the 1970s, potentially pushing prices much higher.

Gold's market is insignificant compared to traditional asset classes, meaning even modest investor diversification out of US fixed income or equities could drive substantial price appreciation. Additionally, central banks, particularly in emerging markets, have rapidly accumulated gold reserves to hedge against geopolitical risks and USD dependency. With gold being the only reserve asset that cannot be frozen when held domestically, this trend is expected to continue for at least three more years.

A stronger USD, fewer than anticipated Fed rate cuts, and high CME long positions may cap rallies in gold prices. However, geopolitical tensions, trade risks, and tariff front-loading continue to buoy prices. While mine output and recycling are rising, overall investor demand remains robust.

Gold's role as a long-term safe-haven asset appears intact. With central banks reinforcing demand and institutional concerns mounting, gold prices should remain supported, making it an essential hedge for portfolios over the long term. With gold prices already up 25% YTD (exhibit 3), we adopt the strategy of accumulating on price weakness. Consensus expects gold prices to average USD3,000/oz during H2'25 and to average USD3,070/oz and USD3,250/oz over 2026 and 2027, respectively.

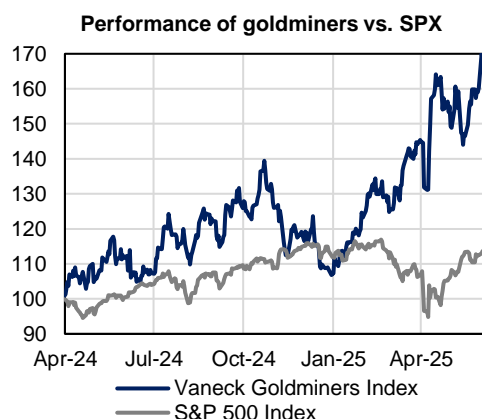
Our position in goldminers equities which we opened on March 17, 2025, hit its target of 20% on June 02, 2025 (exhibit 4). We take profits and close that position accordingly (exhibit 10).

**Exhibit 3: A range of tailwinds has helped gold prices so far this year**



Source: LSEG Workspace, and ADCB Asset Management

**Exhibit 4: Goldminers equities have outperformed significantly**



Source: Vaneck, S&P, LSEG Workspace, and ADCB Asset Management

## Copper: remain constructive on strong structural outlook; we retain our tactical trade position

Copper remains a promising investment, with structural drivers supporting long-term demand growth. While concerns over trade policy persist, the outlook for copper remains constructive due to strong industrial demand, particularly in China, and ongoing supply dynamics. Despite uncertainty surrounding a potential 25% US copper import tariff, market expectations for implementation have fallen, reflecting policy concessions and reduced near-term risks. Indeed, this uncertainty has resulted in a sideways movement in copper prices over the past year (exhibit 5). China's refined copper demand is expected to grow 3.5% in 2026 and 4.1% in 2027, driven by solar energy, electronics, and infrastructure projects. The supply growth is expected to lag the demand growth meaningfully.

Chinese copper stocks remain low following sharp destocking, suggesting limited immediate downside risk. In general copper inventories have fallen recently (exhibit 6). Additionally, the US has seen higher-than-average refined copper imports, which may ease once tariffs take effect, allowing greater supply to return to Asia and balancing inventories. The expected tightening of ex-US supply could provide upside momentum, particularly if trade restrictions impact US scrap exports.

Copper prices above USD9,500/t may face Chinese price sensitivity, which has historically tempered sharp rallies. However, supply constraints and robust industrial use continue to support long-term resilience. A slower-than-expected resolution to Section 232 tariffs or a restriction on US copper scrap exports could further tighten supply, creating bullish momentum.

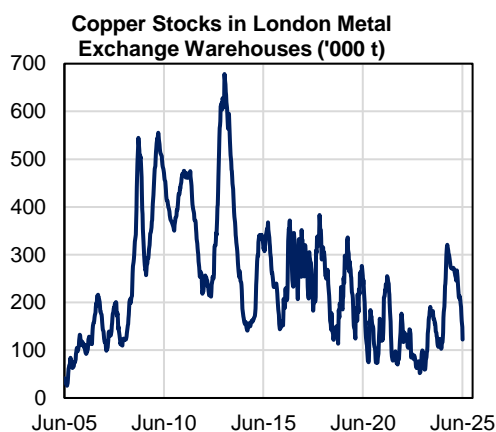
In short, copper's fundamentals remain strong, with short-term volatility but compelling long-term prospects, particularly amid evolving trade and clean energy trends. Consensus expects copper prices to average USD9,410/t over H2'25 and USD9,850/t over 2026 and USD10,200/t over 2027. We retain our tactical long copper position (exhibit 9).

**Exhibit 5: Copper prices have been range bound over the past year**



Source: LSEG Workspace, and ADCB Asset Management

**Exhibit 6: Copper inventories have moderated in recent months**



Source: LSEG Workspace, and ADCB Asset Management

## Oil: we continue to see Brent crude prices in the USD65-80/bbl range over the next 12 months

Oil prices face downward pressure in the near term as rising supply and OPEC+ production increases weigh on the market (exhibit 7). Despite resilient demand, structural shifts in production capacity suggest a cautious outlook for Brent and WTI prices over 2025-2026.

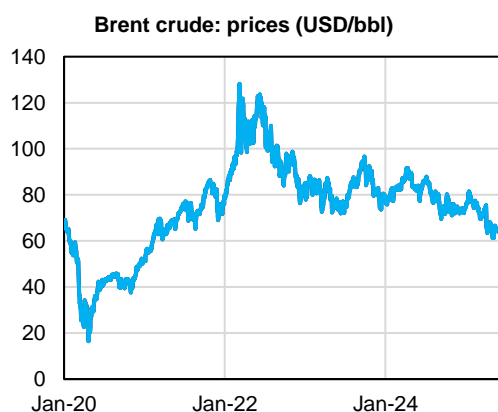
OPEC8+ has raised production by 411kb/d per month, reflecting tight fundamentals but a move toward normalization of spare capacity. While summer demand may temporarily support prices, strong non-OPEC supply growth—particularly from Brazil and US deepwater projects—is expected to create surpluses in 2026, keeping prices contained.

While prices may remain under pressure in the next two years, a declining reserve life, reduced oil capex (exhibit 8), and a potential US shale peak could lead to long-term supply shortages. Non-OPEC supply is projected to flatten by 2029-2030, potentially allowing OPEC to regain market share.

Despite the minimal risk of sustained shortages in 2025-2026, long-term oil inflation shocks remain possible. Investors may prefer cautious oil exposure in the short run, but maintaining some allocation as a hedge against potential market disruptions is still prudent in our view.

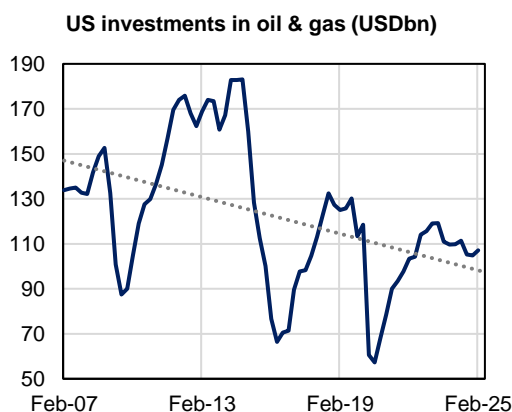
Overall, while near-term oil markets appear well-supplied, caution is warranted as future supply dynamics could shift unexpectedly. We see Brent crude prices in the USD65-80/bbl range over the next 12 months with risks tilted towards lower oil prices.

**Exhibit 7: Oil prices have recently hit a four-year low**



Source: LSEG Workspace, and ADCB Asset Management

**Exhibit 8: Investments in the oil & gas sector have been declining**



Source: BEA - Bureau of Economic Analysis, U.S. Department of Commerce, LSEG Workspace, and ADCB Asset Management

## Tactical trade ideas list

### Exhibit 9: Our high conviction tactical investment themes/trade ideas – open positions

New/Open positions	Asset class	RV?	Date opened	Current date	Performance	Target	Stop
UK gilts over other DM Sov.	Fixed income	Yes	14-Nov-24	9-Jun-25	-1.2%	5%	-5%
US Mortgage Backed Securities	Fixed Income		11-Apr-25	9-Jun-25	0.9%	5%	-5%
US Small Caps (Russel 2000)	Equities		6-Mar-24	9-Jun-25	3.7%	20%	-15%
High dividend yielders index	Equities		6-Mar-24	9-Jun-25	14.5%	15%	-10%
Copper	Commodities		15-Jun-23	9-Jun-25	16.5%		
Indian equities	Equities		11-Apr-25	9-Jun-25	12.0%	20%	-10%
Silver	Commodities		10-Jun-25			20%	-10%
<b>Average</b>					<b>7.7%</b>		

Source: Bloomberg, and ADCB Asset Management

### Exhibit 10: Our high conviction tactical investment themes/trade ideas – closed positions

Closed positions	Asset class	RV?	Date opened	Date closed	Performance	Target	Stop
Gold miner equities	Equities		17-Mar-25	2-Jun-25	20.8%	20%	-10%
SPW relative to SPX	Equities	Yes	6-Mar-24	10-Apr-25	-5.7%	15%	-10%
Gold miner equities	Equities		25-Nov-24	17-Mar-25	22.3%	20%	-10%
UST (7Y-10Y) over other DM Sov.	Fixed income	Yes	5-Jul-22	13-Nov-24	-1.1%		
EU IG Corp over US IG Corp	Fixed income	Yes	9-Jan-23	13-Nov-24	6.0%		
HK equities	Equities		14-Nov-22	13-Nov-24	13.3%		
Chinese hotels & leisure	Equities		14-Nov-22	13-Nov-24	-18.6%		
Chinese semiconductors	Equities		22-Mar-23	13-Nov-24	9.0%		
USDJPY	FX		6-Mar-24	26-Apr-24	-6.0%		
Dow Jones World Consumer Goods	Equities		25-Aug-23	6-Mar-24	1.5%		
Indian equities	Equities		22-May-23	6-Mar-24	31.3%		
Cybersecurity	Equities		22-Mar-23	6-Mar-24	26.9%		
GBPUSD higher	FX		15-Jun-23	20-Sep-23	-2.8%		
US Diversified banks over US Regional banks	Equities	Yes	13-Mar-23	13-Jun-23	24.8%		
Asia investment grade credit	Fixed income		9-Jan-23	14-Jun-23	1.8%		
USDJPY lower	FX		9-Jan-23	14-Jun-23	-5.5%		
GBPEUR lower	FX		9-Jan-23	14-Jun-23	-2.9%		
Gold	Commodities		14-Nov-22	14-Jun-23	10.4%		
Gold miner equities	Equities		14-Nov-22	14-Jun-23	13.1%		
<b>Average</b>					<b>7.3%</b>		

Source: Bloomberg, and ADCB Asset Management

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