

## Energy cools as metals heat up

We are heading into 2026 with a fairly bearish view on energy markets, while we believe most metals will be better supported by tighter fundamentals. Grain prices have likely bottomed, but we could see more downward pressure on soft commodities



### A divergent path

We entered 2025 with a relatively bearish view of the commodities complex, while expecting gold to be the standout. And that was a pretty good call, especially when you look at oil and European natural gas. The oil market has been largely unfazed by geopolitical events and sanction uncertainty, which has seen it trade lower.

A number of agri commodities have also come under pressure, including cocoa, sugar, wheat and corn, on the back of more comfortable supply conditions. That said, wheat and corn have clawed their way back from the lows seen this year, with trade tensions easing between the US and China.

Base metal markets have performed well. While tariffs had been a downward concern, this uncertainty was more than offset by distortions seen in trade flows, with the market concerned about how trade policy will evolve. This has been particularly apparent in the copper market. The broad weakness in the US dollar would have provided further support to the metals complex.

Of course, precious metals have been the standout, with gold repeatedly hitting record highs throughout the year. Uncertainty over trade policy also led to distortions in the gold market. While heightened geopolitical risks, falling real yields, and a weaker USD all proved supportive of gold investment demand, central banks continue to make strong purchases, a trend that has been clear since the freezing of Russian assets following the Russia/Ukraine war.

For 2026, we remain bearish towards energy markets, with the global oil market set to be in large surplus, following OPEC+ rapidly ramping up output as it shifts policy, while demand growth remains modest. There is plenty of uncertainty about Russian oil supply following US sanctions, but as we move through 2026, markets will get a clearer picture of the full impact. For now, we believe the impact will be limited in the medium to long term. However, there is potential for greater volatility, given that OPEC's spare production capacity has shrunk as the group has increased output.

While there are some short-term upside risks for the European gas market, it's set to become better supplied, despite the region's plans to phase out Russian gas and LNG. The start-up of LNG export capacity, particularly from the US, will leave global LNG markets and the European gas market increasingly more comfortable. However, the ramp-up of US LNG exports risks leaving the US gas market tighter.

Developments related to Russia-Ukraine peace talks will also be important to watch in 2026, with any progress towards ending the war likely to put further pressure on energy markets.

Most base metals are likely to remain well supported next year. Uncertainty over US refined copper tariffs will likely continue to see strong refined copper flows to the US, tightening up the ex-US market. And this coincides with a persistently tight copper concentrate market. For aluminium, the market is focused on China approaching its production cap, along with several producers elsewhere considering closures due to high power prices. We believe the aluminium market will be tight in 2026. For nickel, we expect little change amid persistent surpluses, keeping prices under pressure. We expect iron ore to trade lower with Chinese demand still a concern and supply growing, helped by the start of the 120mtpa Simandou mine.

We expect gold prices to remain strong and reach yet new heights. With the Fed set to cut rates and the USD likely to remain under pressure, this should be constructive for investment demand, while central banks are likely to continue adding to their reserves.

While agri commodities have seen some downward pressure this year due to strong supply and trade tensions, we believe the corn, wheat, and soybean markets are set to tighten next season, suggesting the potential for some upside in prices. However, much will depend on US trade policy with China, while for soybeans, US biofuel policy is also important.

The sugar market is set for a large surplus, driven by another strong crop from CS Brazil, while India is poised for a large recovery in output. This should keep sugar prices under pressure. The cocoa market is set for another surplus in 2025/26, suggesting prices are likely to continue trending lower from elevated levels. Finally, we also expect some moderation in the coffee market, with Brazil set to see a strong 2026/27 crop, but there are risks to this view.

## ING Commodities Forecasts

Forecasts	4Q25	1Q26	2Q26	3Q26	4Q26	2026
ICE Brent (US\$/bbl)	62	58	56	58	54	57
TTF (EUR/MWh)	31	33	28	27	30	30
NYMEX Henry Hub (US\$/MMBtu)	4.1	4.3	3.9	3.9	4.5	4.2
EUA (EUR/t)	80	82	80	84	86	83
LME Copper (\$/t)	10,860	11,500	12,000	11,500	11,000	11,500
LME Aluminium (\$/t)	2,820	2,950	2,900	2,850	2,900	2,900
LME Nickel (\$/t)	15,000	15,500	15,000	15,000	15,500	15,250
Iron ore 62% (\$/t)	100	100	95	90	95	95
Gold (\$/oz)	4,080	4,250	4,300	4,350	4,400	4,325
Silver (\$/oz)	51	58	56	54	52	55
CBOT Soybeans (Usc/bu)	1090	1120	1180	1200	1180	1170
CBOT Corn (Usc/bu)	435	460	480	450	440	460
CBOT Wheat (Usc/bu)	530	560	540	510	550	540
Sugar No.11 (Usc/lb)	15.00	16.00	15.50	14.80	15.20	15.40
London Cocoa (GBP/t)	4,000	3,600	3,450	3,400	3,300	3,438
Arabica Coffee (Usc/lb)	400	380	360	330	330	350

Source: ING Research

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