EMCO

2026

The Great Reallocation

Emerging Markets and Commodities Outlook

Contents

Executive summary

As a new calendar year draws near, market participants remain divided over the future outlook for 2026 and beyond. While many asset classes have outperformed through 2025, the future impact of ongoing geopolitical events, monetary and fiscal policy implementation, and the adoption of AI remain widely unrecognised. That said, markets have built a profound level of immunity and resilience to shocks. This is no surprise given the ongoing spillover effects of events over the past 5 years alone. To name a few – the Pandemic shock (2020-22), the Russia-Ukraine conflict induced inflation shock (2021-23), "Liberation Day" tariffs plan (April 2025) and the "DeepSeek moment" (January 2025) – are still lingering in investors' and policymakers' minds.

At this critical juncture of asset reallocation, we are pleased to share with you ICBC Standard's inaugural EMCO report. This is a compilation of our Emerging Markets and Commodities Outlook for 2026.
As an emerging markets (EM) and commodities focused bank, we delve deeper into the market in which we have expertise.

EMs, as defined by the World Bank, refer to economies that are progressing toward becoming advanced, as evidenced by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body. These markets are characterised by rapid growth and industrialisation, and they often present unique investment opportunities and challenges. In the context of asset outperformance, investors continue to seek diversification and a more balanced portfolio. We believe that 2026 will be defined by wider market recognition of the relative value in EMs. In particular, we look in greater depth at local markets in Africa (Egypt, Ghana, Nigeria, Uganda and Zambia) and Central Asia (Kazakhstan and Uzbekistan).

In the context of fundamentals driving growth in more volatile global markets, commodity markets will likely reflect supply- and demand-side dynamics sooner than many economic indicators, which typically lag. This dynamic nature of commodity markets makes them a crucial aspect to monitor as we navigate the complexities of the global economic landscape. While the outperformance in precious metals may re-emerge in 2026, we are constructive on copper markets. Future progress of global energy transition and AI technology adoption largely rely on copper.

Accommodative monetary conditions and risk-on investor sentiment would likely continue to favour both Ems and commodities through 2026.

Ten emerging market highlights

1 **Growing demand for local currency assets**
We anticipate heightened investor interest in local currency investments, accompanied by an increase in local currency issuance across emerging and frontier markets.

2 **Capital inflows into emerging and frontier markets**
Stronger global appetite for yield is expected to drive higher capital inflows into these markets, supporting liquidity and growth prospects.

3 **Improving credit profiles**
Several frontier markets are projected to experience credit rating upgrades, reflecting improving macroeconomic fundamentals.

4 **Stable sovereign risk outlook**
No sovereign debt restructurings or defaults are anticipated, underscoring a broadly stable risk environment.

5 **Positive performance in EM, vulnerable to global risk-off episodes**
EMs are expected to deliver positive returns; however, performance remains vulnerable to global risk-off episodes, particularly those originating from U.S. equity market volatility.

6 **Extended duration strategies**
Investors are likely to lengthen duration in select frontier markets such as Egypt, Uzbekistan, and Nigeria, seeking to capture higher yields and potential spread compression.

7 **Egypt: Stability meets opportunity**
Egypt offers high yields supported by strong external financing and ongoing reforms, with disinflation and improving fiscal metrics creating an attractive investment environment.

8 **Nigeria: Reform story with high yields**
High yields supported by FX liberalisation, oil sector restructuring, and fiscal reforms, while disinflation is underway amid strong external reserves.

9 **Uzbekistan: Gold and market transition**
Strong market liberalisation, undervalued currency appeal, and rising FX reserves driven by gold exports, creating a high-yield environment with solid external buffers.

10 **Ghana: Bond issuance creates opportunities**
Foreign participation remains constrained by IMF/WB debt sustainability limits, but bond issuance is expected to resume in early 2026, creating opportunities for gradual market re-entry.

Ten commodity market highlights

1 **Gold hits historic highs**
Gold surged in 2025, fuelled by relentless central bank buying, aggressive U.S. trade policies, and geopolitical turmoil. Safe-haven flows and ETF inflows amplified the rally, making gold one of the year's top-performing assets.

2 **Gold's physical investment up, jewellery down**
Physical investment demand soared. The divergence between bars and coins versus jewellery consumption underscores gold's evolving role as a strategic hedge rather than a consumer luxury.

3 **2026 Gold outlook: Bullish momentum persists**
Gold faces headwinds next year as Fed easing slows, trade tensions ease, and risk appetite improves. However, the overall trend remains positive, and with institutional allocations likely to rise, gold still has scope to test new highs—albeit at a slower and more measured pace than in 2025.

4 **Platinum surges on stockpiling and supply tightness**
Platinum soared to decade highs, driven by jewellery manufacturers' stockpiling and temporary supply constraints. Despite weak consumer demand, technical breakouts and bullish sentiment amplified the rally, underscoring the market's vulnerability to momentum-driven flows.

5 **Platinum auto demand declines, ETF volatility rises**
Structural headwinds persist as electric vehicles (EVs) adoption accelerates and reverse substitution reduces platinum use in catalysts. Meanwhile, volatile ETF flows highlight fragile investor confidence, suggesting price gains are more sentiment-driven than fundamentally supported.

6 **2026 Platinum outlook: Fundamentals disappoint**
Platinum's rally hinges on temporary supply tightness, but structural weakness in auto demand and limits in jewellery consumption raise doubts about its sustainability.

7 **Copper outlook brightens on energy transition**
Copper remains a strategic metal as green technologies and AI infrastructure drive incremental demand. These structural tailwinds offset short-term volatility, positioning copper as a critical enabler of electrification and digital growth.

8 **Global copper market tightens as supply shocks reshape flows**
Grasberg's shutdown and persistent mine disruptions deepen concentrate shortages, while China's strong output and diversified sourcing stabilise supply. Structural tightness and energy-transition demand keep prices supported and volatility high.

9 **2026 Copper outlook: Rally supported by energy transition and supply**
Historic 2025 peaks reflect supply disruptions and liquidity-driven flows, while long-term demand from renewables and emerging tech positions copper to remain firm near elevated levels in 2026.

10 **Crude oil: 2025 range-bound, 2026 oversupply risk**
Oil traded in a tight range in 2025, pressured by OPEC+ supply growth and geopolitical swings. In 2026, a record surplus will weigh on prices early, though demand recovery and shale declines may stabilise the market later in the year.

Global Macro Overview

Global macro outlook: Protectionism, inflation and a structural shift towards emerging markets

A prevailing global theme in 2025 is that capital is undergoing a period of profound reallocation. Capital is gradually shifting from traditional developed economies to more resilient and growth-oriented EMs. This transition reflects not only a recalibration of fundamental valuations, but also a proactive response to evolving geopolitical and demographic dynamics, inflationary pressures, and the emergence of new global supply chains.

As growth in the US and Europe moderates and policy constraints become increasingly evident, developed markets are experiencing diminishing marginal returns on capital. In contrast, emerging economies—with demographic advantages, adaptive fiscal frameworks, and still undervalued assets—are gaining traction as alternative investment destinations. Meanwhile, the rise of geopolitical protectionism is accelerating strategic diversification: investors are seeking to reduce exposure to concentrated assets in favour of reallocating towards markets that better reflect both fundamental and structural growth potential in longer term.

One defining characteristic of this period of reallocation is uncertainty over the dominance of the US dollar. Currency volatility and persistent inflation prompted investors to explore broader asset classes, including local-currency bonds, equities, and commodity-linked investments across EMs. In this context, the definition of “safe-haven assets” is increasingly shifting from geography-based to risk-adjusted and policy-driven.

The current phase of global asset reconfiguration not merely represents capital migration—it represents a structural transformation shaped by geopolitical protectionism, inflation dynamics, and the new global order in the international monetary system. The sustainability of this shift will ultimately depend on institutional resilience and governance, debt management, policy adaptation and accountability of the EMs that stand to benefit.

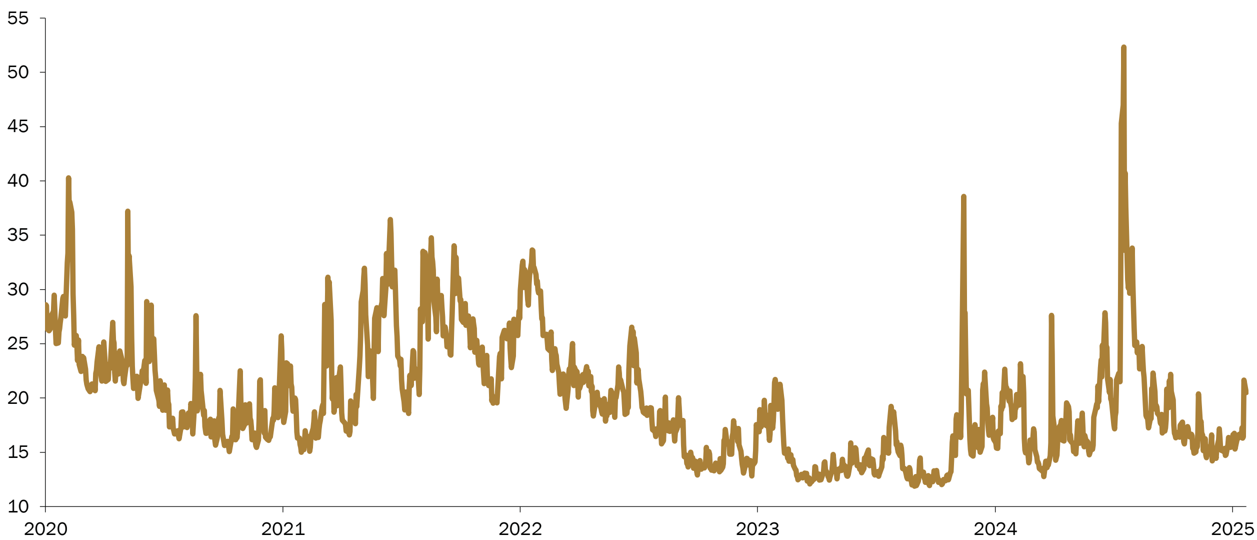
Geopolitical protectionism: A new trade paradigm

The backdrop to this economic divergence is a world marked by rising protectionism and geopolitical fragmentation. The US has undertaken the most significant shift in trade policy in nearly a century, moving away from decades of liberalisation toward aggressive tariff regimes. The average US tariff rate now hovers around 20–22%, compared to 1–6% during the second half of the 20th century under WTO-led liberalisation. While some tariffs have been scaled back through bilateral deals, the threat of new levies remains a potent negotiating tool, creating persistent uncertainty for global supply chains.

Protectionism is not confined to the US. The EU has tightened its Carbon Border Adjustment Mechanism. These measures reflect a broader trend toward “strategic autonomy,” as nations prioritise security and resilience over efficiency. The result is a fragmented trade landscape characterised by regional blocs, near-shoring, and friend-shoring strategies. For example, Mexico and Vietnam are benefiting from supply-chain diversification, while African economies are attracting investment in critical minerals essential for the green transition.

From an asset allocation perspective, this fragmentation introduces both risks and opportunities. On one hand, tariff shocks and policy unpredictability can depress global productivity and corporate margins, particularly in trade-dependent sectors. On the other hand, they create openings for EM countries that can position themselves as alternative manufacturing hubs or resource suppliers. Investors are increasingly favouring sectors aligned with resilience—such as logistics, energy security, and digital infrastructure—while reducing exposure to industries vulnerable to tariff escalation.

CBOE (VIX) volatility index shows more market turbulence to come



Source: Bloomberg, ICBCS

Inflation dynamics: Disinflation with divergent paths

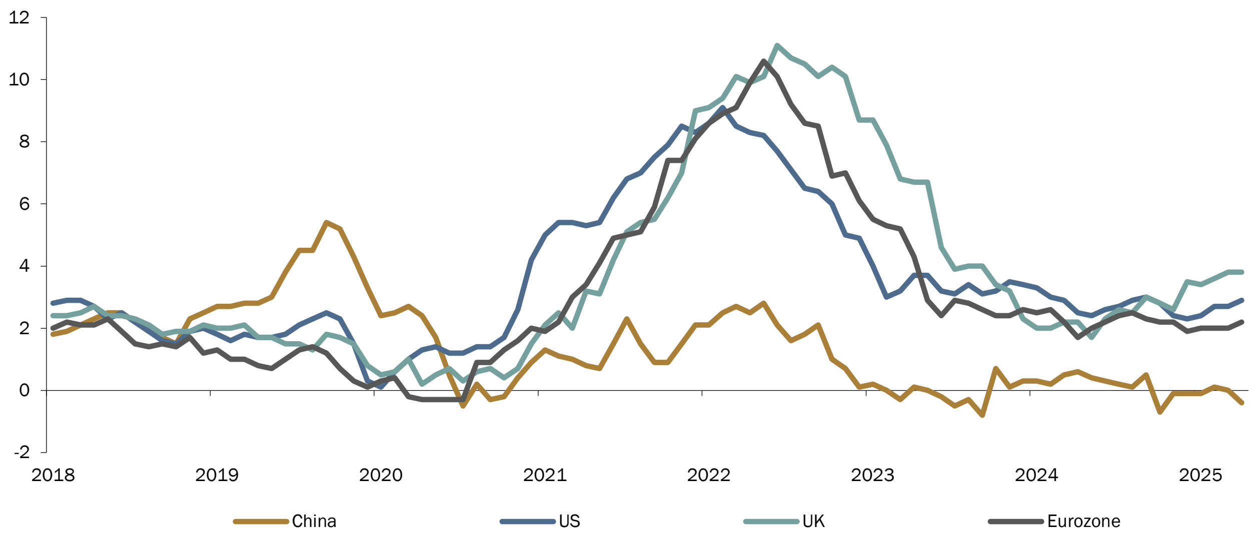
Global inflation, after peaking near 9% in 2022, has moderated significantly. The IMF projects headline inflation to decline to 4.2% in 2025 and 3.5% in 2026, though the trajectory varies across regions. Inflation indicators have performed well across most large economic areas, aided by tighter monetary policy and easing energy prices. The US, however, remains an outlier, with inflation risks tilted to the upside due to tariff-induced cost pressures and strong domestic demand. The UK also faces stubborn price pressures, with inflation around 3.4%—the highest among G7 economies.

EMs present a more nuanced picture. Many EM countries are experiencing the trend towards lower inflation, driven by currency stabilisation, large base effects, and food-price relief. For instance:

- In Sub-Saharan Africa, Nigeria, Ghana, and Zambia have recorded sharp declines in inflation, supported by currency appreciation and lower food and energy prices. Egypt has experienced an unprecedented disinflation, with inflation falling by 30 percentage points from its 2023 peak, while India's is now at a historic low. In countries that faced exceptionally high inflation, such as Turkey and Argentina, coordinated efforts by central banks and fiscal authorities have helped bring inflation down and re-anchor expectations.

Lower inflation in EM economies enhances real returns on local-currency assets and supports monetary easing, creating a favourable environment for fixed-income investors. However, pockets of vulnerability persist—particularly in frontier markets with weak policy frameworks or high external debt exposure.

Inflation is falling but above target in major economies (% y/y)



Source: Bloomberg, ICBCS

Structural drivers of EM resilience

Several structural factors underpin the resilience of EMs:

- Demographics: Expanding working-age populations in Africa and South Asia provide a long-term boost to labour supply and consumption.
- Digitalisation: Mobile-first economies are driving financial inclusion and productivity gains, with digital infrastructure emerging as a key investment theme.
- Energy Transition: Resource-rich EM countries are pivotal in supplying critical minerals for green technologies, attracting strategic investments from advanced economies.
- Policy Credibility: Many EM central banks acted early to tighten monetary policy during the inflation surge of 2021–2023, anchoring expectations and preserving macro stability.

These factors position EM assets as attractive in a world of slowing growth and rising geopolitical risk. Equity valuations remain compelling, with forward P/E ratios for EMs well below those of developed peers. Local-currency debt offers high real yields, supported by disinflation and currency stability. Infrastructure and renewable energy projects provide long-duration cash flows aligned with global sustainability goals.

Implications for global asset reallocation

The interplay between protectionism, inflation dynamics, and growth divergence is accelerating a structural shift in global asset allocation:

- Reserve Management: Central banks are likely to diversify away from G7 sovereign bonds toward EM debt, particularly in Asia and Africa, to enhance returns and hedge against dollar volatility.
- Institutional Portfolios: Sovereign wealth funds and pension managers are increasing allocations to EM equities and private markets, focusing on sectors tied to domestic demand, technology, and energy transition.
- Risk Management: Heightened geopolitical uncertainty necessitates robust hedging strategies. Investors are deploying currency overlays, commodity-linked instruments, and geopolitical risk insurance to mitigate shocks.
- Thematic Investing: Themes such as supply-chain resilience, digital transformation, and climate adaptation are gaining prominence, with EMs offering fertile ground for these strategies.

Looking ahead, the global macroeconomic landscape is being reshaped by two powerful forces: the rise of protectionism and the persistence of growth differentials between advanced and emerging economies. While tariff wars and geopolitical fragmentation introduce volatility, they also catalyse a reallocation of capital toward regions and sectors positioned for structural growth. EMs—buoyed by favourable demographics, policy credibility, and integration into new trade corridors—are set to capture a growing share of global investment flows. For investors, the challenge lies in navigating short-term uncertainty while positioning portfolios to benefit from this epochal shift in global economic geography.

Uncertainty of monetary policy and fiscal policy among developed economies

Developed economies see slow growth amid mounting debt pressures

The IMF's October outlook presents an upward revision to global growth, reaffirming the resilience of China and EMs. Global growth is now projected at 3.2% for 2025 and 3.1% for 2026, reflecting improved financial conditions, front-loaded activity ahead of tariff changes, lower effective tariff rates, and fiscal expansion in several major economies. While global inflation is expected to ease, US inflation is likely to remain above target, and downside risks persist due to potential tariff increases, ongoing uncertainty, and geopolitical tensions.

- In the US, growth is supported by AI investment, fiscal stimulus, and easier financial conditions, but questions over the sustainability of AI-driven investment persist. Growth remains slower than earlier forecasts due to heightened policy uncertainty, increased trade barriers, and weaker labour market dynamics.
- In the Eurozone, the market expects policy rates to remain steady at 2%, with increased defence spending gradually impacting growth as commitments rise toward 2035.
- For EMs, capital inflows have resumed since April, as investors anticipate room for monetary easing by some central banks.

The debt burden in developed economies has reached unprecedented levels and continues to worsen. According to IMF, developed countries account for about USD70 trillion of the USD102 trillion in global public debt, with the US alone holding USD35.3 trillion. Many advanced economies – including the US, UK, Canada, and France – now have government debt-to-GDP ratios well above 100%. Overall, global debt remains elevated at over 235% of world GDP, driven by government borrowing rising to nearly 93% of GDP, while private debt has declined to its lowest share since 2015. The ongoing surge in sovereign debt across developed economies is intensifying concerns over fiscal sustainability and increasingly limits the flexibility of future economic policy.

Annual Forecast	US			Eurozone			EM		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Real GDP (YoY%)	2	2.1	2.1	1.2	1.1	1.4	4.2	4	4.2
CPI (YoY%)	2.7	2.4	2.2	2.1	1.9	2.1	5.3	4.7	4.2

Source: IMF

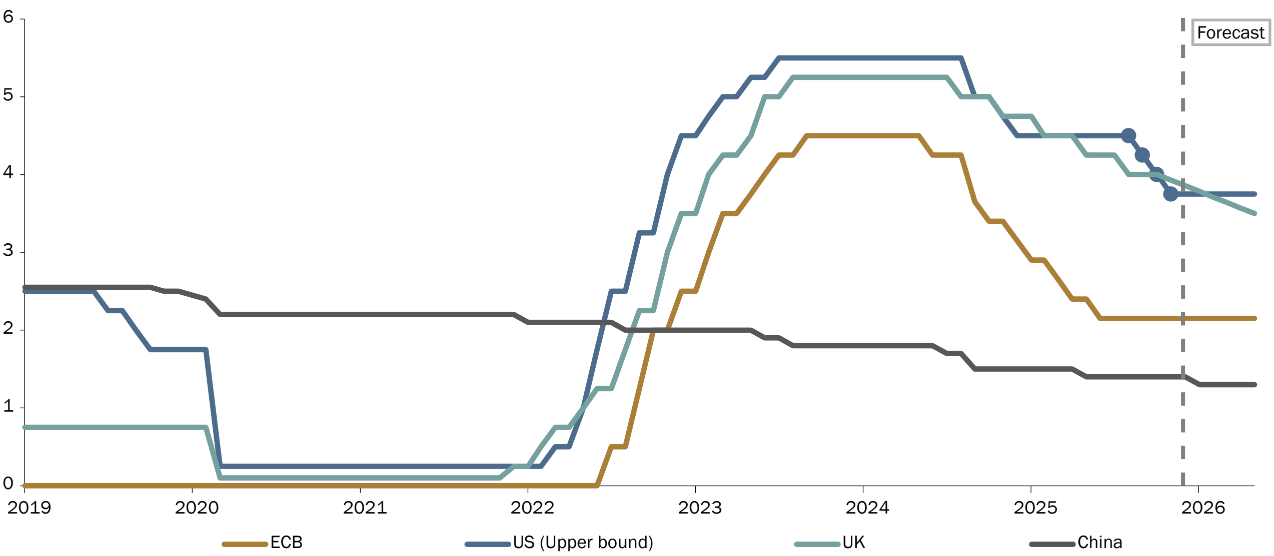
Monetary policy divergence widens across major developed economies

There is a growing divergence in monetary policy between the US Federal Reserve and the European Central Bank, reflected in an increasingly wide gap between their policy rates. While the Fed had three 25bps cuts in 2025, the ECB was also shifting toward a more neutral stance. The ECB has begun lowering rates but continues with quantitative tightening, further shrinking the size of its balance sheet.

Monetary policy trajectories in major advanced economies are now expected to be less steep than previously anticipated following “Liberation Day”, with notable divergence across countries as they move through different stages of the economic cycle and disinflation progresses at varying speeds.

Meanwhile, the People’s Bank of China has paused its policy rate easing cycle, opting instead to fine-tune interbank liquidity conditions. This approach reflects China’s focus on targeted liquidity management rather than broad-based monetary easing, further underscoring the divergence in global monetary policy strategies.

Policy rates change across major economies overtime (2019 – 2026)



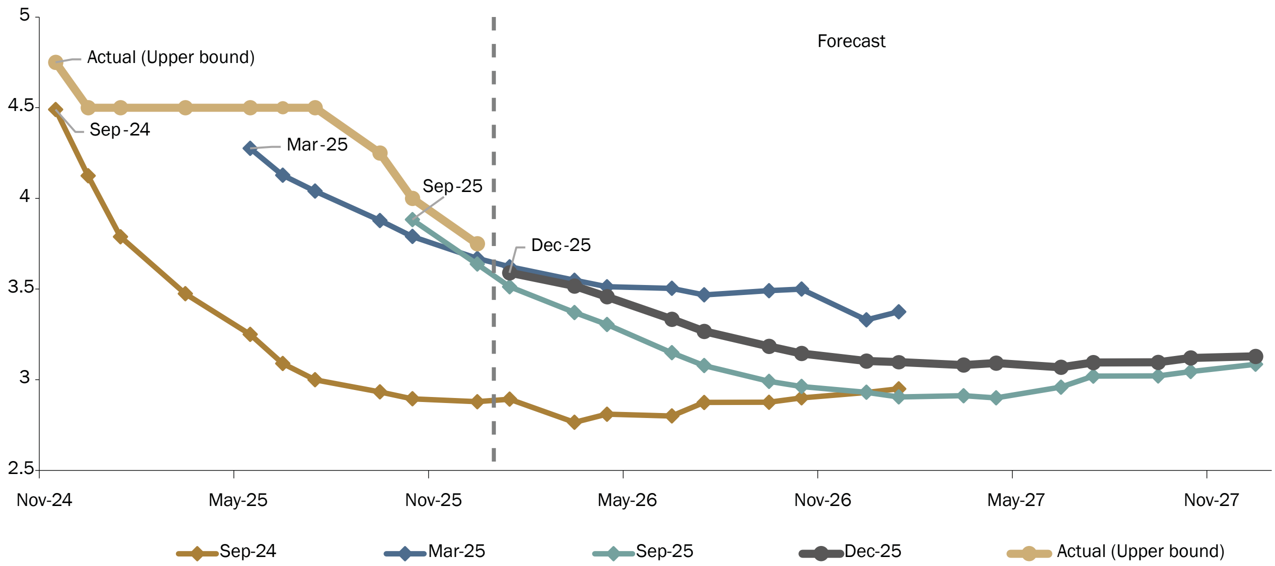
Source: Bloomberg, ICBCS

Limited rate-cut scope ahead as Fed stays focused on inflation

The Federal Reserve has kept a cautiously dovish tone, emphasising that policy remains data dependent. Fed has lowered the rate on 10 December, reflecting expectations of easing amid slowing growth. However, the recent US government shutdown – lasting 43 days and only resolved with temporary funding through January – has added uncertainty by delaying key economic data.

Despite market optimism, room for further cuts in 2026 is limited. Tariffs have contributed to sticky inflation, while wage growth remains firm, keeping core inflation above the Fed's 2% target. Chair Powell has reiterated that decisions will be guided by incoming data, warning that aggressive easing could undermine progress on inflation. Against this backdrop, the Fed faces a delicate trade-off: supporting growth without reigniting price pressures.

Market expected Fed Funds Target Rate vs. actual



Source: Bloomberg, ICBCS

Emerging market GDP growth and fiscal strength drive global asset reallocation

EM-driven growth to accelerate reserve reallocation

The medium-term outlook shows that roughly two-thirds of the global economy faces weakening growth prospects, with the slowdown more pronounced in advanced economies. In contrast, emerging markets – particularly in Asia and Africa – are expected to sustain robust growth. According to IMF projections, EM real GDP growth is forecast at 4.0% on average in the period between 2026 to 2030, compared to just 1.6% for advanced economies.

This persistent growth differential suggests that emerging markets will account for an increasing share of global output, trade, and financial flows – a trend historically associated with shifts in global reserve allocation as central banks and sovereign investors seek greater exposure to faster-growing regions. As this structural shift unfolds, international investors and reserve managers are likely to rebalance portfolios toward EM assets to capture higher returns and diversification benefits.

World GDP growth will be driven by EM to 2030

	Contributions		Share in World GDP		Difference
	2000-2025	2025-2030 (i)	2000	In 2025 (ii)	(i)-(ii)
World GDP growth	245%	27%			
Advanced	50%	46%	80%	59%	-12%
EM Total*	**50%**	**54%**	**20%**	**41%**	**12%**
EM Asia	32%	35%	7%	24%	11%
China	22%	21%	3%	17%	5%
India	5%	8%	1%	4%	5%
LATAM	6%	6%	6%	6%	0%
EM Europe	6%	4%	2%	5%	-1%
MECA	5%	6%	3%	4%	1%
SSA	2%	3%	1%	2%	1%

Source: IMF, ICBCS

*We use the IMF's regional definitions, under which EM Asia includes China and India.

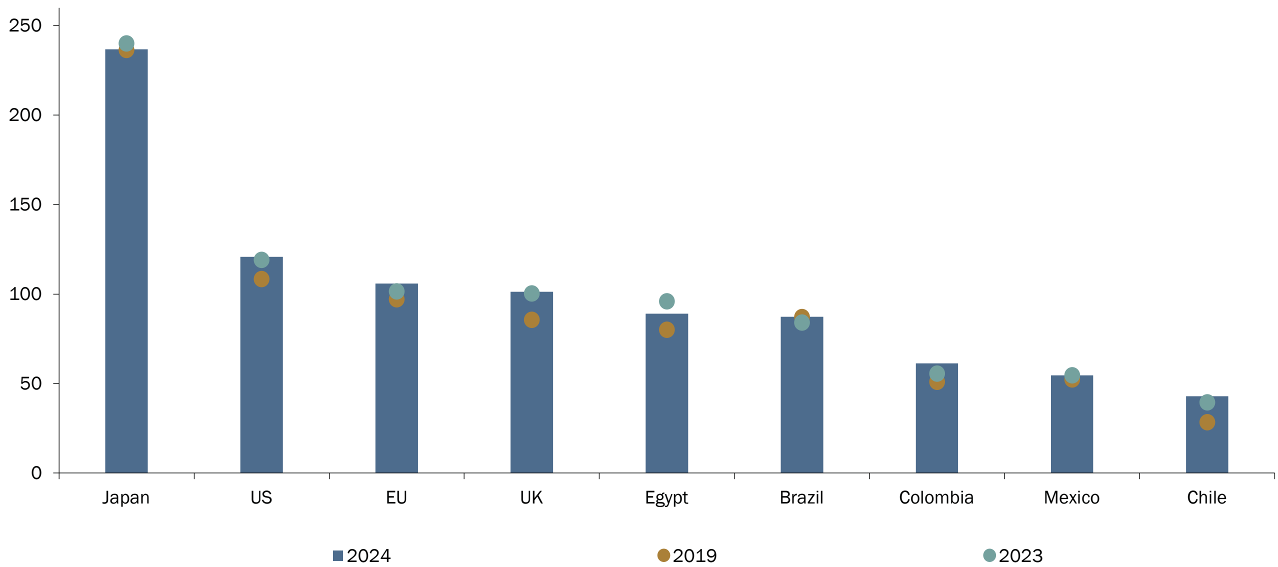
Emerging markets' prudent debt profiles set the stage for global capital attraction

EMs are showing greater resilience and signs of stabilisation in debt dynamics despite a challenging global backdrop. In 2024, global public debt reached USD102 trillion, with emerging markets accounting for USD31 trillion, 31% of the total. Frontier markets, particularly in Africa and Latin America, maintain slightly higher ratios of around 60%, yet remain well below levels seen in advanced economies.

The relatively low debt burden observed in many emerging markets reflects a combination of structural limitations – such as restricted access to global capital markets and heightened fiscal caution in volatile environments – and deliberate policy choices. While this conservative stance may constrain short-term growth potential, it provides a strategic buffer against external shocks and financial instability. By maintaining lower leverage compared to advanced economies, these countries preserve fiscal space, enabling more agile responses to future challenges and creating capacity for targeted investment in sustainable growth when conditions permit.

Looking forward, the combination of fiscal stability and lower leverage in emerging markets is likely to enhance their appeal for global asset allocation. Investors seeking diversification and risk-adjusted returns may increasingly favour these economies, as their prudent debt profiles offer a buffer against volatility and create space for policy-driven growth initiatives. This environment positions emerging markets as attractive destinations for capital, especially as global investors look for resilient opportunities amid ongoing uncertainty in advanced economies.

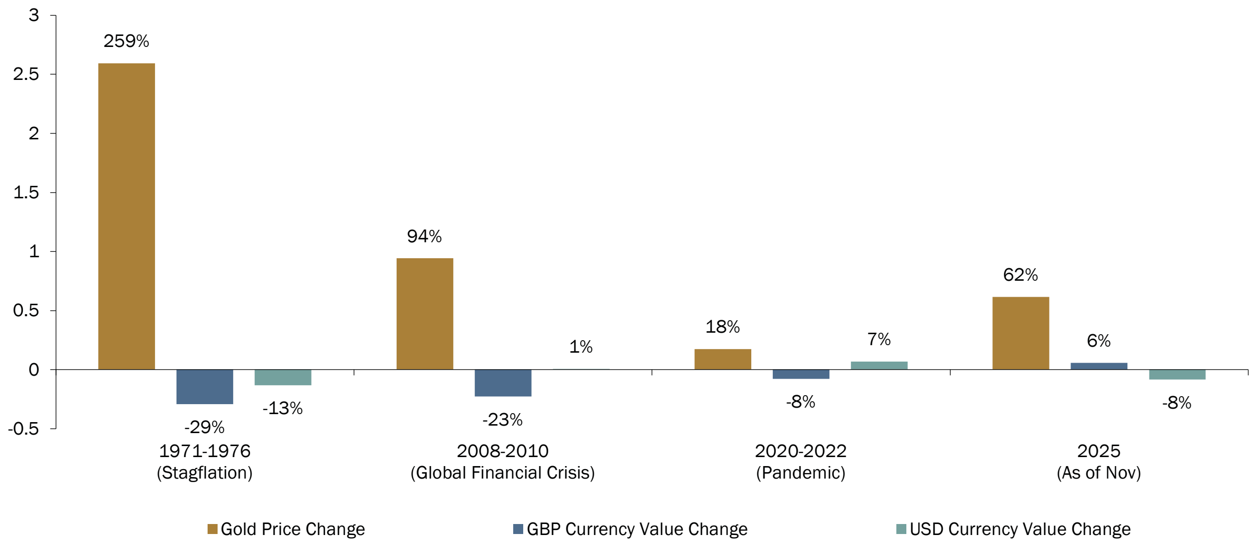
General government debt as a percentage of GDP, 2019, 2023 and 2024



Source: IMF

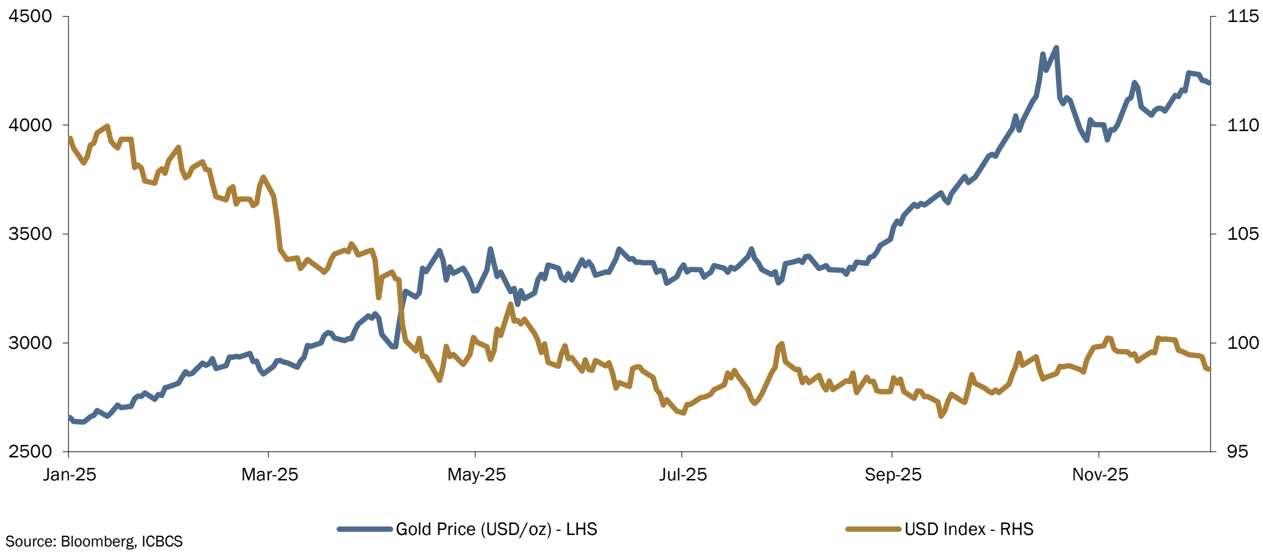
USD liquidity anchors the global financial system, but debate over debasement continues

USD de-throned GBP by 1950s, but is now increasingly under threat



Source: Bloomberg, ICBCS

Gold price, inflation and deficits add to USD debasement theory



Source: Bloomberg, ICBCS

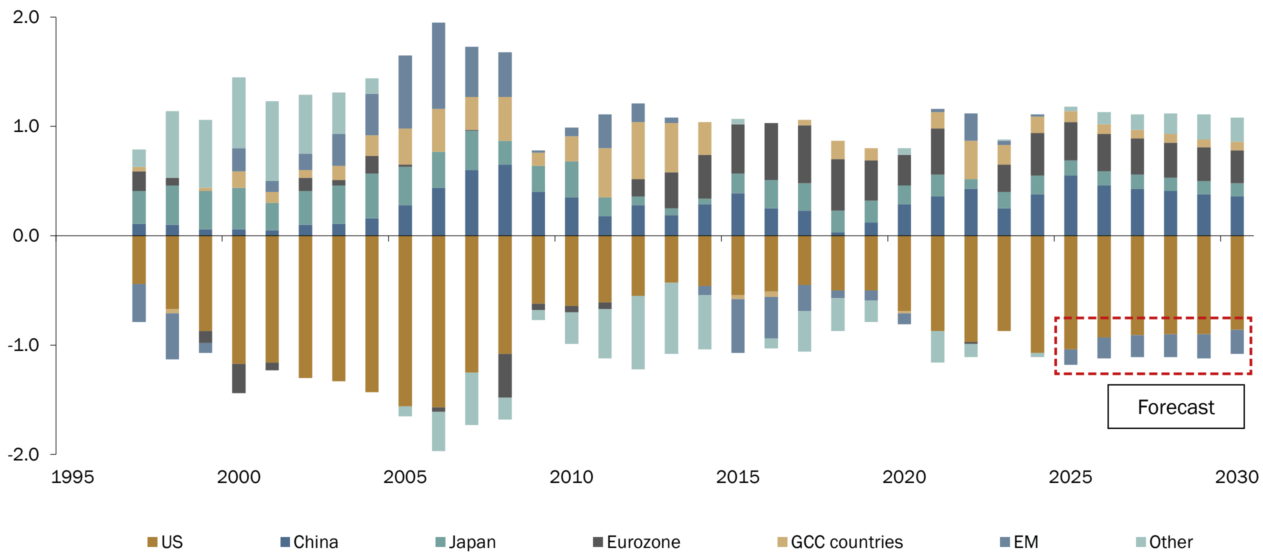
Emerging Markets

Global imbalances persist, with the US and emerging markets the largest external borrowers

Since the early 2000s, global imbalances across regions have displayed distinct patterns. Persistent surpluses in China, Japan, and GCC countries have largely offset deficits in the United States. Following China's accession to the WTO, EMs surpluses expanded until the 2008 financial crisis, after which disparities narrowed. During this period, the Eurozone shifted to a surplus position, in the aftermath of the government debt crises in its periphery.

EM economies oscillated between surpluses—supported by the early-2000s commodity boom—and aggregate deficits over the past decade which are expected to persist. Despite the home bias rhetoric, the United States will remain the economic area with largest funding needs, followed by EMs excluding China. While multilateral institutions such as the IMF and World Bank, along with bilateral arrangements, will continue to provide financing, EM issuers are expected to return actively to international capital markets. After several years of limited activity, issuance surged to record highs in 2025, with further growth anticipated in 2026 and beyond.

Global current account balances (% of world GDP)



Source: IMF WEO and ICBCS

Global investors' allocation to emerging markets is significantly lower than their relative size in the world economy

Global benchmarked investors remain significantly under-allocated to EM assets. EMs account for roughly 41% of global GDP (including China), yet benchmark weights for both equities and bonds are only about 12%. Excluding China, EM still represents approximately 29% of global GDP, while benchmark allocations drop to just 8%.

This stark divergence highlights substantial overdue catch-up and upside potential as markets mature, participation broadens, and liquidity deepens. It is our expectation that over time, structural improvements and greater integration into global financial systems should drive a rebalancing toward EM assets.

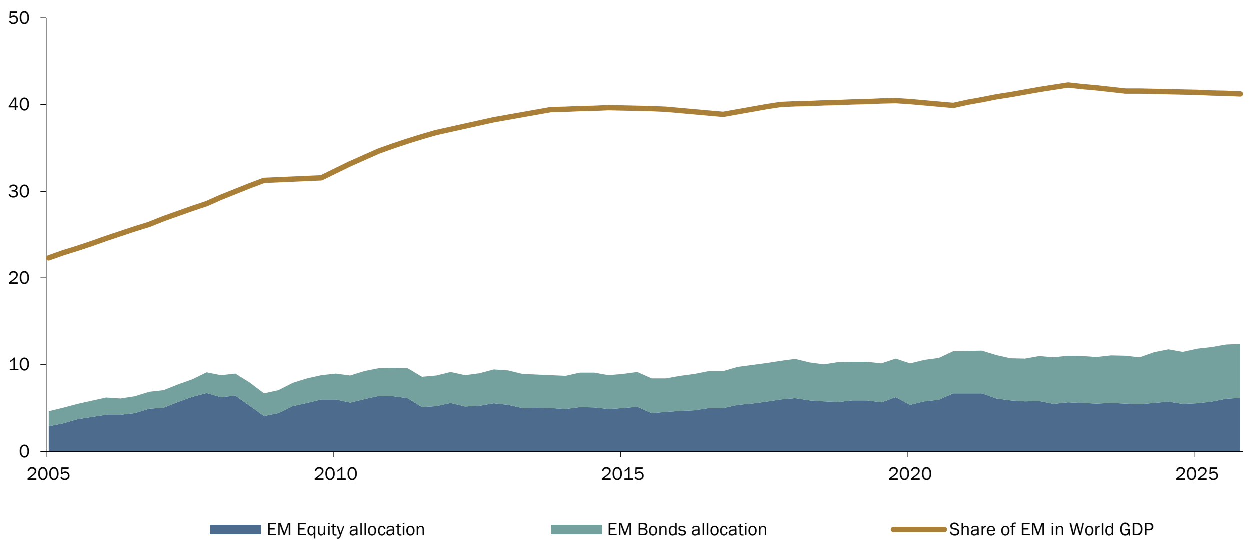
GDP shares and index allocations

GDP and EM share of market Capitalisation in major benchmark indices

	GDP in USD		Equity + Bonds	
USD tn	**2025**	**2010**	**2025**	**2010**
World	113.8	66.8	161.1	55.0
EM	46.9	23.1	20.0	4.8
EM ex-China	27.7	17.0	13.0	3.8
China	19.2	6.1	6.9	1.0
DM	66.9	43.7	141.1	50.1
EM in %	41%	35%	12%	9%
EM ex-China in %	**29%**	**28%**	**8%**	**7%**

* Based on market capitalisation and composition of MSCI EM equity indices and JPM GABI Global Bond Index (Bonds)

Index allocations to EM assets and EM GDP (in %)



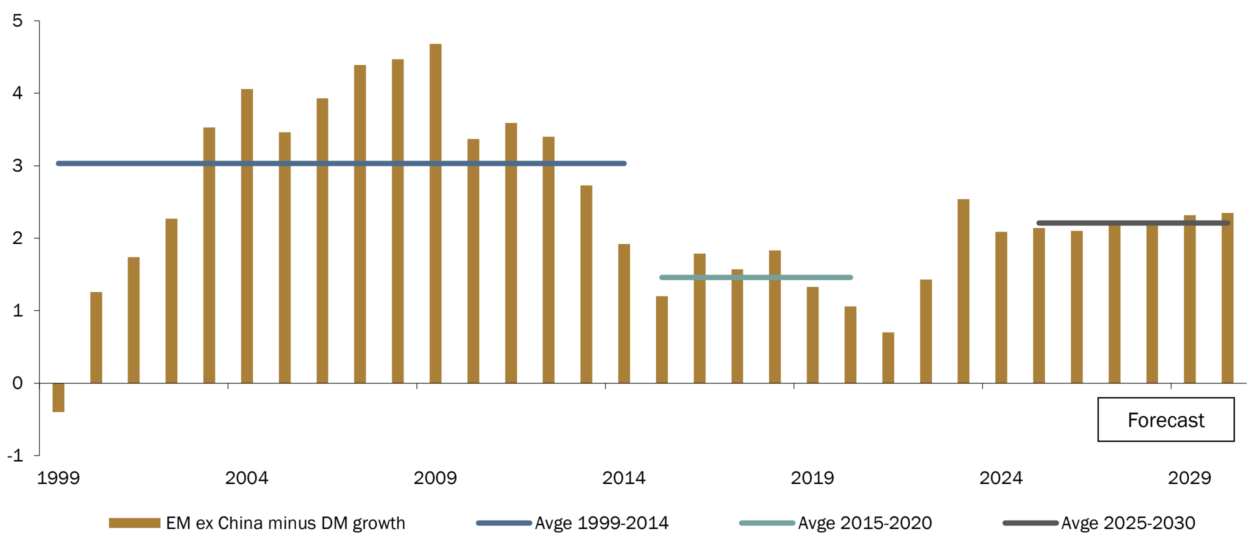
Source: Bloomberg, ICBCS

... and growth in EM is expected to significantly outpace that of DM

In recent years, the growth differential between emerging and advanced economies has widened to levels not seen in over a decade. This growth premium reflects a familiar pattern: following China's accession to the WTO and its increased openness, EM growth accelerated. The premium then declined through 2022, impacted by the COVID-19 pandemic and the Russian-Ukraine conflict, but has since rebounded. Looking ahead, the IMF projects an EM growth advantage of approximately 2.2% for 2025–2030—the highest differential since 2013—reinforcing the fundamental case for investing in the asset class.

Several frontier markets are growing well above emerging and developed peers and are poised for further acceleration over the next five years. Uganda is expected to expand at 7% annually from 2025–2030, driven by oil production coming onstream. Kyrgyzstan should grow nearly 6% per year, supported by the China–Kyrgyz–Uzbek railway, a construction boom, and rising manufacturing and mining output. Zambia is projected to exceed 5.5% annual growth, underpinned by copper reserves meeting global demand for energy transition minerals. Other frontier economies—such as Uzbekistan, Côte d'Ivoire, and Georgia, all with tradable local instruments—are also expected to rank in the upper quartile of global growth.

EM ex China minus DM growth differentials (% of GDP)

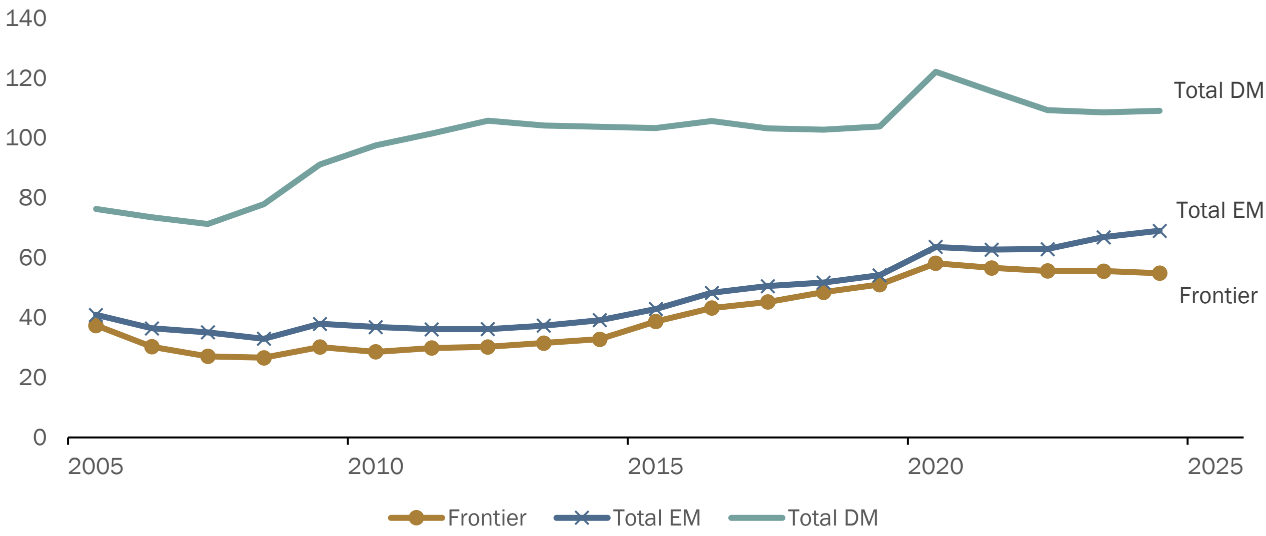


Source: IMF WEO and ICBCS

... with emerging and frontier markets fundamentals relatively sounder and attractive currency valuations

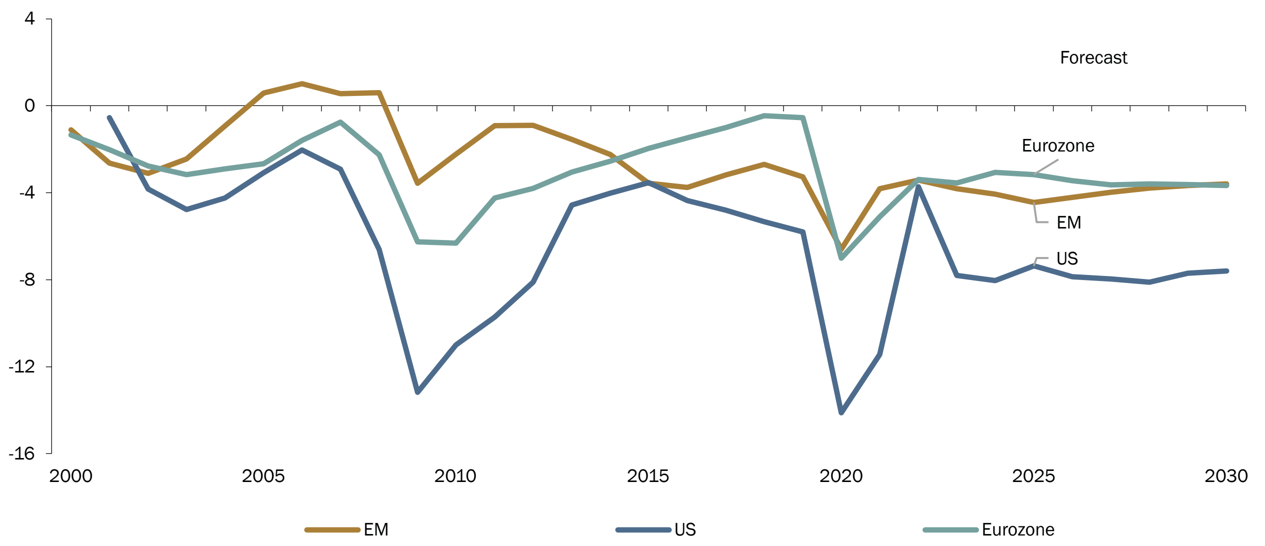
Policy making in EMs has improved in recent years with a larger number of countries following sound economic policy prescriptions in the areas of monetary policy (central bank independence, no monetary financing, inflation targeting, information transparency and responsible FX reserve management), fiscal policy (fiscal rules and debt sustainability prescriptions) and exchange rate policy (managed and free floating regimes, minimisation of FX interventions).

EM and DM government debt (% GDP)



Source: IIF, IMF, and ICBCS

Fiscal deficits (in % of GDP)



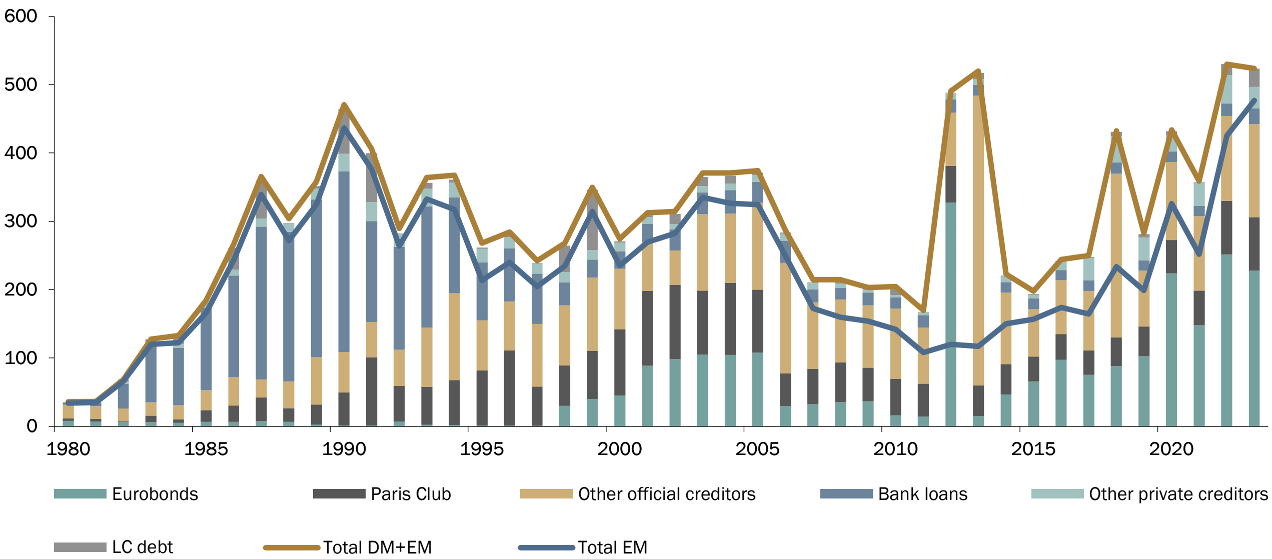
Source: IMF WEO, ICBCS

... and the adjustment carried out in recent years is starting to pay off

The slowdown in economic activity following the COVID-19 pandemic and Russian - Ukraine conflict led to several domestic and external debt defaults across EM countries, including Argentina, Ghana, Ecuador, Sri Lanka, and Zambia. Most post-COVID sovereign defaults have now been restructured, and it is expected that there is a low likelihood of further external debt restructurings in major EM and frontier markets. Similarly, there is a low likelihood of domestic restructurings in the near term.

Several frontier markets emerging from recent defaults have strengthened their macroeconomic management, improving fiscal balances to levels that ensure debt sustainability, allowing currencies to float, building FX reserves, and achieving disinflation. Ghana and Zambia stand out in frontier Africa: despite lengthy restructurings (including Ghana's rare domestic debt restructuring), both now boast record-high reserves, currency appreciation, and easing inflation, attracting investor inflows.

Total sovereign debt in default (USD bn)



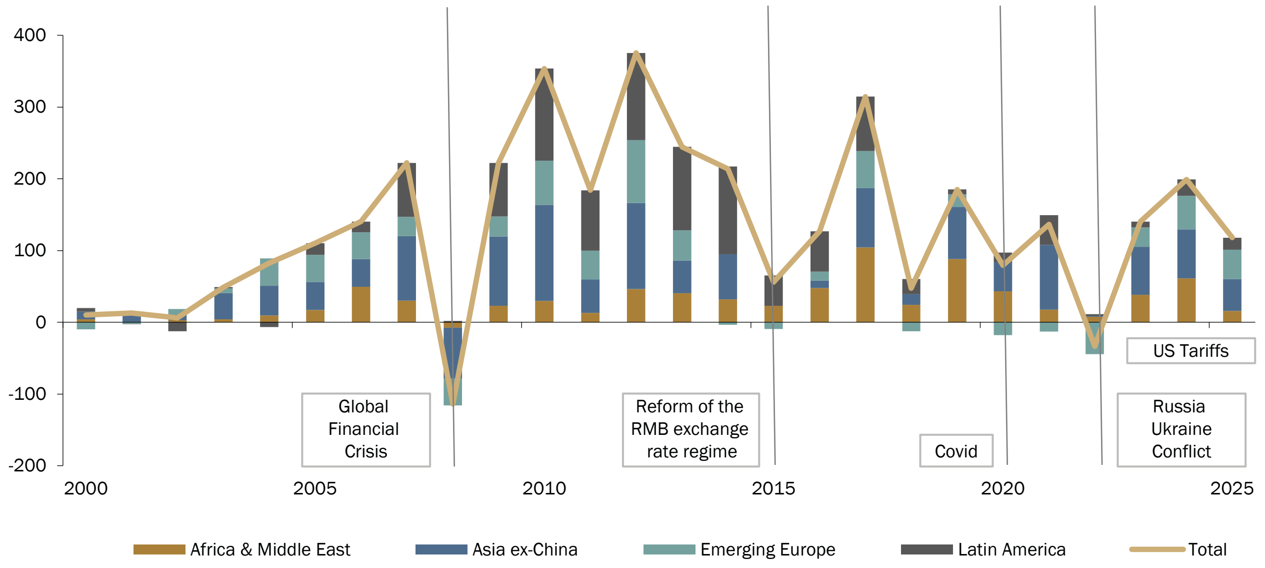
Source: BOE and ICBCS

We thus expect the rebound in inflows to continue through 2026...

Over the past 25 years, capital flows into EMs have broadly mirrored their economic growth cycles. Following China's accession to the WTO, inflows surged on the back of abundant global liquidity, strong commodity demand, and the search for yield. The Global Financial Crisis in 2008 triggered a sudden stop and sharp reversal, but the subsequent low interest-rate environment reignited investor appetite, leading to renewed inflows and a wave of new EM issuers tapping the international capital markets.

Between 2014 and 2016, commodity price deflation dampened flows, with only brief rebounds before global shocks—the COVID-19 pandemic and Russia's invasion of Ukraine—disrupted momentum again. Investor interest surged in 2023–2024, but the "Liberation Day" announcement in April 2025 caused sharp outflows, followed by a strong recovery as tariff policies were reversed. Since mid-2025, EM inflows have accelerated to multi-year highs, a trend we expect to continue through 2026.

Annual portfolio investment (debt + equity) by EM region (USD bn)

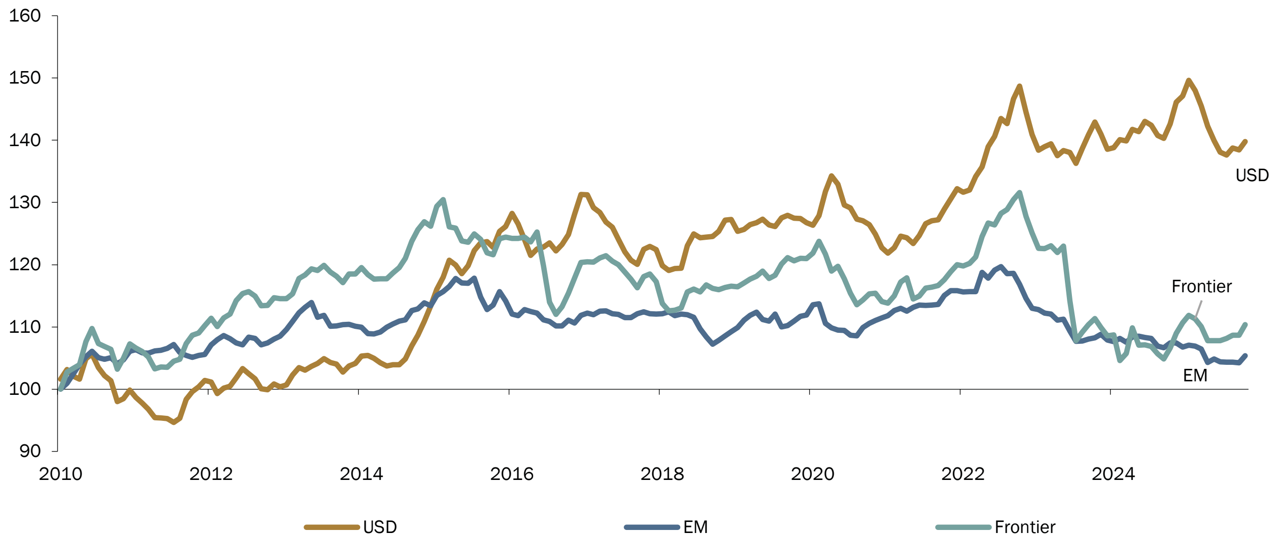


Source: IIF and ICBCS

... thanks to a further correction in the US dollar but as EM currencies remain attractive and liquidity conditions easier

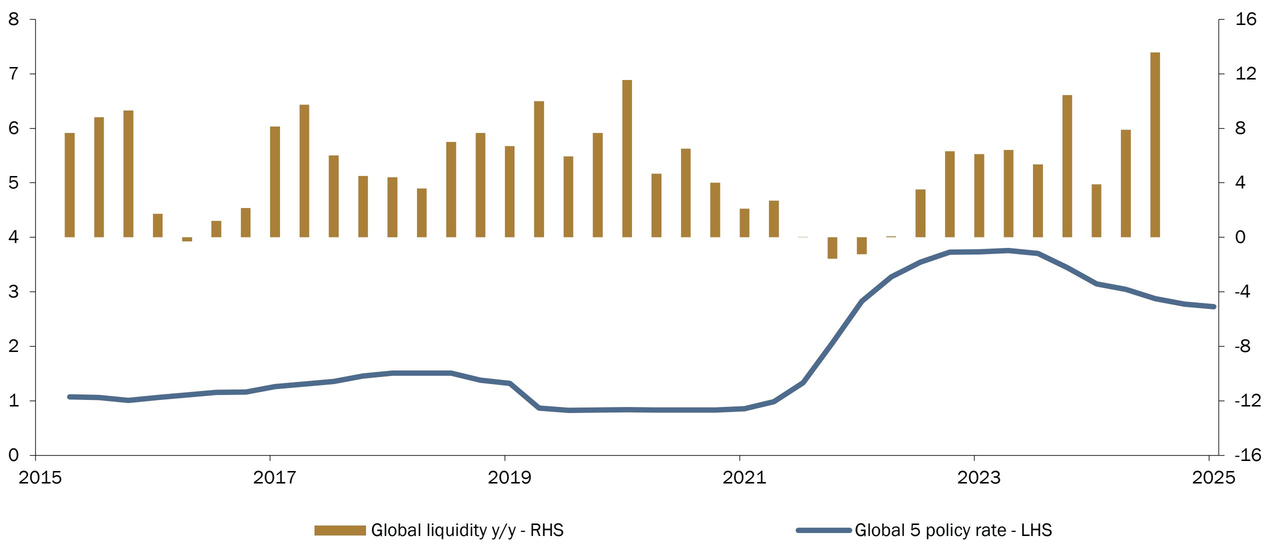
Frontier market currencies remain historically attractive, especially when compared to the relentless appreciation of the U.S. dollar against its trading partners since 2010. The USD weakness theme has supported EM assets throughout 2024 and 2025, and as monetary conditions ease—with higher liquidity and lower policy rates—the outlook for EM fixed-income assets remains strong.

REER for the US dollar and emerging markets (2010=100)



Source: Bruegel and ICBCS

Global liquidity growth (y/y in %)



Source: BIS and ICBCS

The investment universe of frontier and emerging markets has become larger, more attractive and more diversified...

Over the past two decades, the universe of investable emerging and frontier markets has expanded significantly, alongside a steady rise in foreign investor participation and capital inflows—driven by both push or demand factors and pull or supply factors.

Push factors include global liquidity expansion and the search for higher yield, stronger growth prospects at both country and company levels, potential appreciation of local currencies, and the diversification benefits of adding assets with uncorrelated currency and macro risks to portfolios heavily concentrated in developed markets.

Pull factors for issuers centre on the ability to access a large pool of global savings to complement scarce domestic resources, deepen local financial markets, and benefit from greater bond and FX market liquidity, market-based price formation, and the policy discipline that comes with foreign investor scrutiny.

Emerging markets

Has tradable local+external debt			Frontier Markets		
Included in EM local currency index	**Has local debt but it's not included in EM local indices**	**Tradable external only**	**Has tradable local debt but it's not included in EM local indices**		**Has no tradable local debt**
Brazil	Chile	Bahrain	Angola	Morocco	Benin
China	Colombia	Barbados	Argentina	Mozambique	Bolivia
Czech Republic	Costa Rica	Bulgaria	Armenia	Nigeria	Cameroon
Dominical Republic	India	Latvia	Azerbaijan	Pakistan	Ecuador
Hungary	Indonesia	Oman	Cote D'Ivoire	Rwanda	El Salvador
Malaysia	Philippines	Panama	Egypt	Senegal	Gabon
Mexico		Saudi Arabia	Ethiopia	Sri Lank	Guatemala
Peru		Trinidad and Tobago	Georgia	Tajikistan	Honduras
Poland		UAE	Ghana	Ukraine	Iraq
Romania			Kazakhstan	Uzbekistan	Jamaica
Serbia			Kenya	Zambia	Jordan
South Africa			Kyrgyzstan		Lebanon
Turkey			Mongolia		Montenegro
Uruguay					Papua New Guinea
					Paraguay
					Suriname
					Venezuela

Source: ICBCS

... with EM local currencies and bond markets a more attractive investment proposal for investment managers seeking to diversify from their USD exposures

In recent years, emerging market issuers have increasingly shifted toward funding in local currencies and issuing longer-maturity debt, reducing reliance on foreign-currency borrowing, overcoming the so-called "Original Sin[1]" that plagued EMs in the 1980s and 1990s. This has helped distribute currency risk and balance sheet mismatches between issuers and a broader more diversified investor base, making both domestic and global financial systems more resilient compared to past decades when heavy foreign-currency exposure led to sovereign defaults.

Multilateral institutions such as the IMF have shown ambivalence toward foreign investor participation, citing risks that sudden outflows during risk-off episodes could disrupt FX markets, pressure currencies, and strain reserves. In Zambia and Ghana, limits are more explicit: IMF/World Bank debt sustainability thresholds cap non-resident participation and, in Ghana's case, restrict long-term issuance. Experiences vary widely, depending on FX reserve levels, investor composition (long-term "real money" vs. short-term "fast money"), and policy credibility.

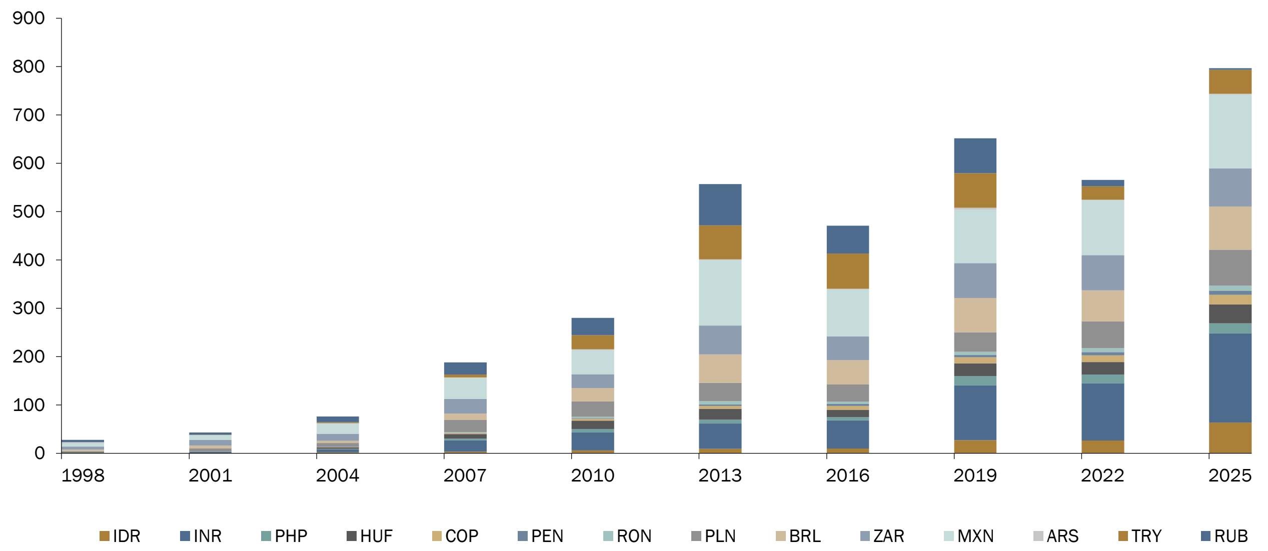
For some countries, local market development is driven by idiosyncratic factors. Uzbekistan, Kazakhstan, and Azerbaijan aim to deepen domestic markets to reduce dependence on sovereign fund transfers for budget financing. As confidence is regained, foreign fixed-income investors are extending the duration of their exposures. This is the current trend in Egypt and Nigeria where investors are shifting their short-term exposures via bills towards bonds, encouraged by economic reforms and disinflation. In other markets such as Uganda and Kazakhstan, which have typically longer investable instruments, foreign participation has also increased, driven by similar factors. Overall, foreign participation in local bond markets remains modest but is expected to rise in 2026, notably in Uzbekistan, Armenia, Georgia, and Ghana, where bond issuance is set to resume early next year.

1 "Original Sin: The Pain, the Mystery and the Road to Redemption", Barry Eichengreen, Ricardo Hausmann and Ugo Panizza (November 2002)

... as EM and frontier currencies have become more liquid

Trading turnover in EM currencies has surged in recent years, with notable growth in FX derivatives such as forwards, cross-currency swaps, FX swaps, and options. Among EM currencies (excluding CNY), the Mexican peso and Brazilian real are the most liquid, with reported daily turnover of approximately USD 150 billion and USD 90 billion, respectively, across spot and derivatives markets. Liquidity in frontier currencies—including the Egyptian pound, Nigerian naira, and Kenyan and Ugandan shilling—has also increased significantly, reflecting deeper market development and rising investor participation.

Major EM FX turnover between 1998-2025 (in USD bn, daily)



Source: BIS Triennial FX survey and ICBCS

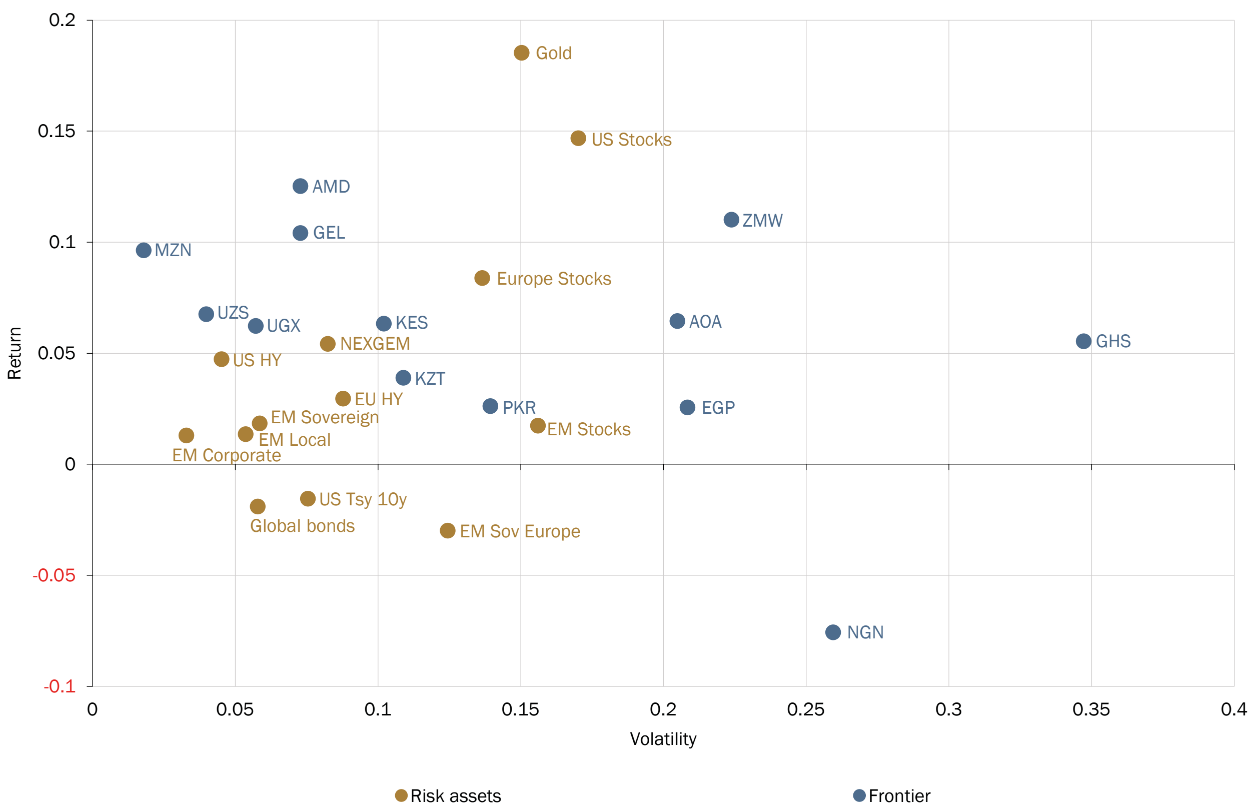
The performance of frontier market currencies is attractive compared to other risk assets and highlights the importance of an active management approach

Unlike for larger EM FX and bonds—where widely available indices track performance—comparable benchmarks for frontier markets local bonds do not exist. However, when assessed currency by currency, total returns for frontier FX (including carry) over the past five years have been impressive relative to global, DM, and EM bond indices, while exhibiting volatility similar to other risk assets. This underscores the diversification benefits frontier currencies can bring to portfolios.

Commodity-linked currencies such as the Zambian kwacha (copper) and Uzbek sum (gold) were buoyed by favourable commodity price trends, while the Georgian lari and Armenian dram benefited from capital inflows.

Conversely, currencies like the Egyptian pound and Nigerian naira underperformed due to significant overvaluation and subsequent step devaluations, in contrast to currencies such as the kwacha or Ugandan shilling, where adjustments were more gradual. These episodes of mispricing reinforce the value of an active management strategy to currency selection in frontier FX markets.

Risk assets volatility and return 2021-2025



Source: Bloomberg, ICBCS

Currency/commodity links and 2025 investment themes

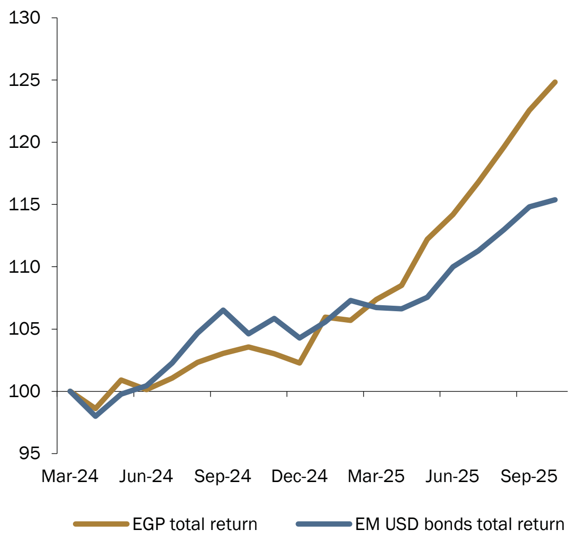
Currency	Commodity link	Investment themes
AMD	Importer	Windfall of capital following Russian capital exodus from 2022
AOA	Oil	High oil dependence, strategy of debt reduction and stable spot rate with high yields
EGP	Importer	High yielding currency following devaluation in 2024. Main themes: disinflation, external support and geopolitics
GEL	Importer	Windfall of capital following Russian capital exodus from 2022
GHS	Gold	Big increase in FX reserves thanks to domestic gold. High yielder and disinflationary process
KES	Importer	Increase in FX reserves thanks to portfolio flows, external support particularly from GCC
KZT	Gold and oil	High yielding currency with hawkish central bank; Russia diversification
MZN	Gas	Medium-term prospect of an inflow of gas-related export earnings. Currency slightly overvalued
NGN	Oil	Following devaluation and political reset in 2023 and 2024, one of the market favourite reform stories
UGX	Gold and oil	Orthodox central bank and liquid FX and bond markets. Oil exporting from 2027 onwards; Better external position than peers
UZS	Gold	Reform story from transition into market economy with large gold deposits
XOF	Gold and cocoa	Historical peg to the EUR with external sector supported by gold and oil exports
ZMW	Copper	Post-restructuring boost from copper projects and disinflation in the context of high yields

Country profile: Egypt

Egypt is undertaking a major economic transformation to boost private sector participation, level the playing field, and attract investment through an ambitious privatisation program. At the same time, fiscal consolidation is underway via subsidy reform, revenue enhancement, and spending rationalisation. External support from GCC countries and multilateral institutions, including the IMF, has strengthened FX reserves at the central bank, and this backing is expected to continue following the recent Israel-Hamas peace agreement.

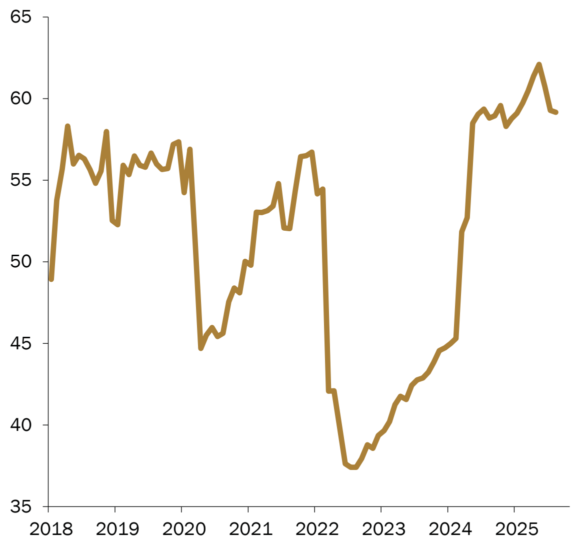
High inflation and elevated domestic bond yields, combined with a currency supported by substantial external assets, have drawn strong interest from foreign investors.

Total return from selling 6m USD/EGP NDF vs. EM USD bonds index (Mar-24 = 100)



Source: Bloomberg, ICBCS

Central Bank of Egypt FX reserves (USD bn)



Source: CBE, ICBCS

Main Macroeconomic indicators

	2022	2023	2024	2025f	2026f
GDP y/y	6.7	3.8	2.4	4.3	4.5
GDP in USD bn	475.2	393.8	383.1	349.3	399.5
CPI inflation y/y	8.5	24.4	33.3	20.4	11.8
C/A balance (% GDP)	(3.5)	(1.2)	(5.4)	(5.1)	(0.3)
Government debt (% GDP)	88.5	95.9	90.9	87.0	85.0
Budget balance (% GDP)	(5.7)	(5.8)	(7.1)	(12.4)	(10.7)
Govt Revenues (% GDP)	19.2	17.0	15.8	16.6	17.7

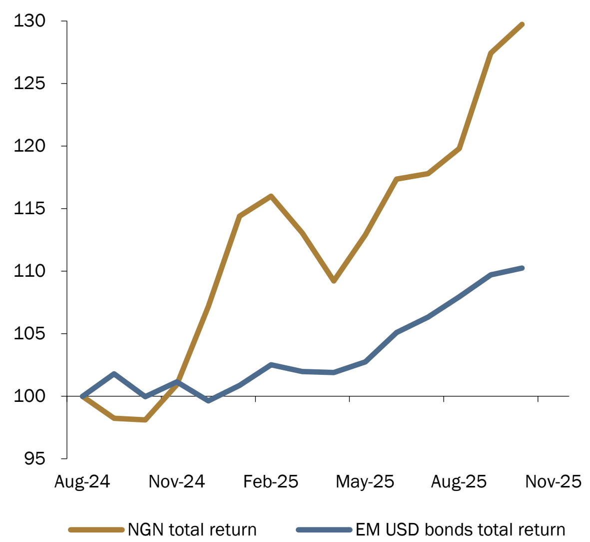
Source: IMF WEO, ICBCS

Country profile: Nigeria

After years of weak monetary, fiscal, and exchange rate policies, President Tinubu's administration—elected in February 2023 with a strong reform mandate—has launched sweeping economic changes, including in the oil sector. Key measures include a freely tradable FX regime, restructuring of the oil industry with plans to IPO the national oil company, removal of fuel subsidies, and an ambitious tax reform set for January 2026. The central bank has sharpened its policy focus, the naira has appreciated, and disinflation is underway.

Yields remain elevated but have started to decline in the process attracting foreign investor interest.

Total return from selling 6m USD/NGN NDF vs. EM USD bonds index (Aug-24 = 100)



Source: Bloomberg, ICBCS

Central Bank of Nigeria FX reserves (USD bn)

Source: CBN ICBCS

Main Macroeconomic indicators

	2022	2023	2024	2025f	2026f
GDP y/y	4.3	3.3	4.1	3.9	4.2
GDP in USD bn	645.7	487.3	252.1	285.0	334.3
CPI inflation y/y	18.8	24.7	31.4	23.0	22.0
C/A balance (% GDP)	0.2	1.3	6.8	5.7	3.6
Government debt (% GDP)	29.8	36.3	39.3	36.4	35.0
Budget balance (% GDP)	(4.0)	(3.1)	(1.6)	(2.9)	(3.7)
Govt Revenues (% GDP)	6.6	7.3	10.8	9.6	9.1

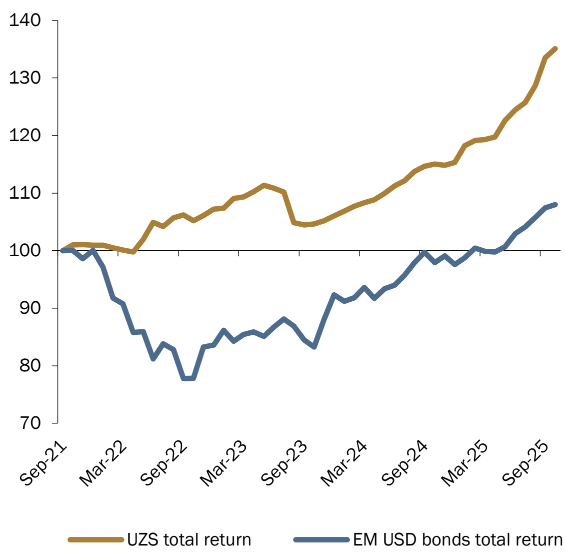
Source: IMF WEO, ICBCS

Country profile: Uzbekistan

Uzbekistan became independent in the early 1990s and began a gradual process of market liberalisation which was accelerated in the mid-2010s. The current impetus for reform and market development makes it one of the most exciting frontier market countries.

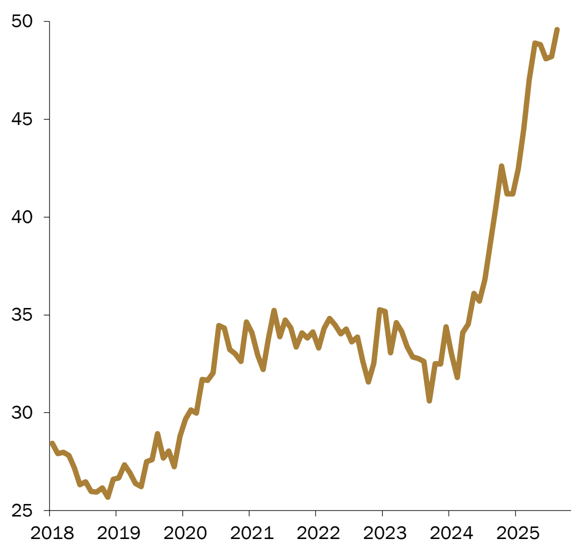
Central bank reserves and the government accounts have benefited from gold price increases as Uzbekistan is among the top 10 producers in the world. The country is also a large recipient of remittances from the large Uzbek's diaspora, and this provides a stable source of foreign exchange earnings, supporting the currency value.

Total return from selling 6m USD/UZS NDF vs. EM USD bonds index (Sep-21 = 100)



Source: Bloomberg, ICBCS

Central Bank of Uzbekistan FX reserves (USD bn)



Source: CBU, ICBCS

Main Macroeconomic indicators

	2022	2023	2024	2025f	2026f
GDP y/y	6.0	6.3	6.5	6.8	6.0
GDP in USD bn	90.1	102.6	115.0	137.5	159.2
CPI inflation y/y	11.4	10.0	9.6	9.1	7.3
C/A balance (% GDP)	(3.2)	(7.6)	(5.0)	(2.4)	(4.6)
Government debt (% GDP)	30.5	32.2	32.7	31.1	31.0
Budget balance (% GDP)	(3.7)	(4.0)	(2.4)	(2.4)	(2.3)
Govt Revenues (% GDP)	27.7	25.9	25.2	25.5	25.5

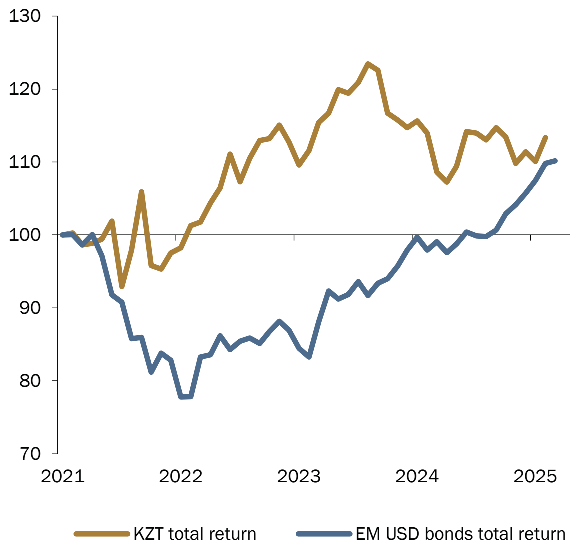
Source: IMF WEO, ICBCS

Country profile: Kazakhstan

Kazakhstan has adeptly navigated relationships between Russia, its largest neighbour, the EU and the US, avoiding the risk of sanctions from both sides, while developing increasing ties to China and the GCC countries.

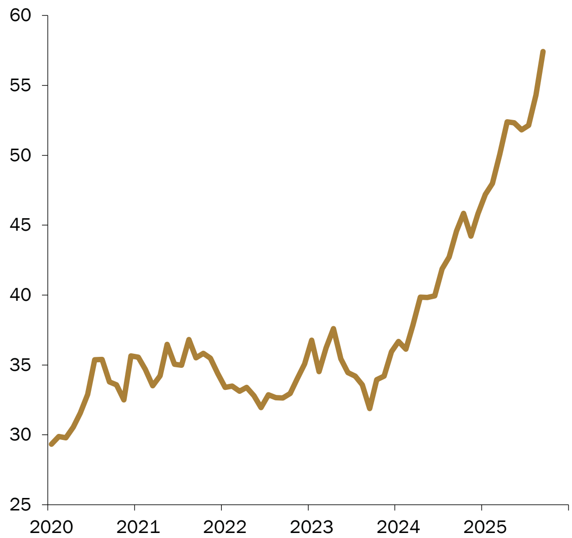
The country is pursuing an ambitious modernisation agenda aimed at reducing its reliance on oil by diversifying the economy. This strategy entails significant infrastructure investment, which has temporarily driven up inflation and bond yields, attracting foreign portfolio inflows. To support this transition, the government is working to deepen liquidity in the domestic government bond market as a viable alternative to sovereign wealth fund transfers.

Total return from selling 6m USD/KZT NDF vs. EM USD bonds index (Sep-21 = 100)



Source: Bloomberg, ICBCS

Central Bank of Kazakhstan FX reserves (USD bn)



Source: CBK, ICBCS

Main Macroeconomic indicators

	2022	2023	2024	2025f	2026f
GDP y/y	3.2	5.1	4.8	5.9	4.8
GDP in USD bn	225.5	261.8	291.5	300.1	319.8
CPI inflation y/y	15.0	14.5	8.7	11.4	11.2
C/A balance (% GDP)	2.9	(3.6)	(1.7)	(3.8)	(4.0)
Government debt (% GDP)	23.5	23.0	24.4	24.8	26.4
Budget balance (% GDP)	0.1	(1.5)	(1.6)	(2.5)	(2.3)
Govt Revenues (% GDP)	21.8	21.9	19.1	17.8	17.7

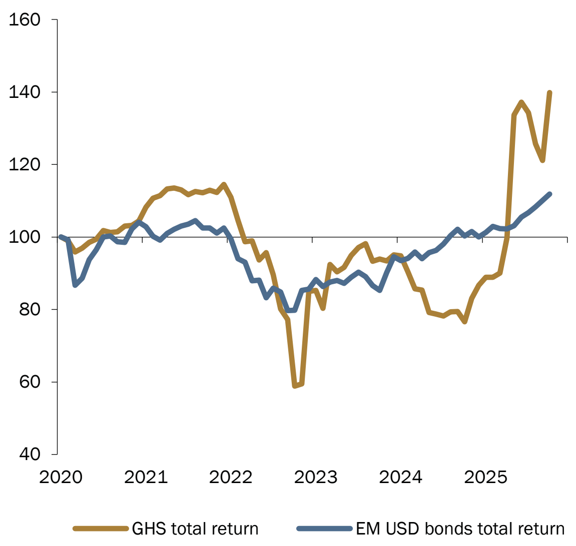
Source: IMF WEO, ICBCS

Country profile: Ghana

Ghanaian domestic assets delivered exceptional performance in 2025, driven by a series of positive developments. A new administration elected in 2024 took office with a mandate to restore stability following the 2022 sovereign default, high inflation, and prolonged FX depreciation. The central bank's gold purchase program from small domestic producers boosted FX reserves, strengthened the currency, and triggered a sharp decline in inflation and bond yields.

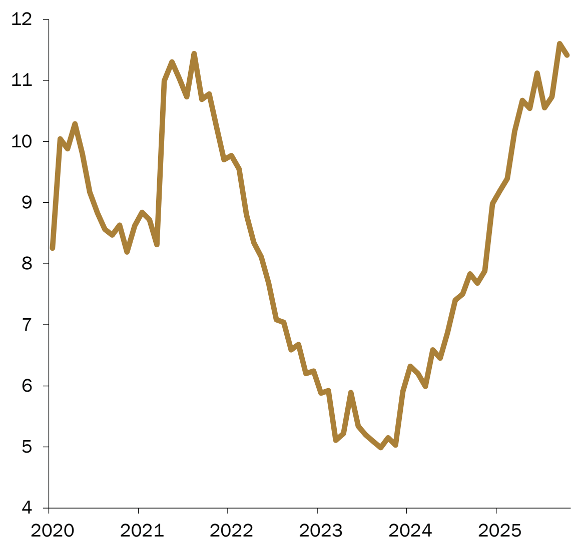
Meanwhile, the government is cautiously planning a return to the domestic bond markets and this, together with improved macro fundamentals, has spurred strong foreign investor interest.

Total return from selling 6m USD/GHS NDF vs. EM USD bonds index (Jan-20 = 100)



Source: Bloomberg, ICBCS

Central Bank of Ghana FX reserves (USD bn)



Source: BoG, ICBCS

Main Macroeconomic indicators

	2022	2023	2024	2025f	2026f
GDP y/y	3.8	3.1	5.7	4.0	4.8
GDP in USD bn	73.9	80.5	82.8	112.0	113.5
CPI inflation y/y	31.9	39.2	22.9	16.6	9.9
C/A balance (% GDP)	(2.3)	(1.6)	1.1	1.8	1.7
Government debt (% GDP)	92.7	79.1	70.3	59.1	56.1
Budget balance (% GDP)	(11.8)	(3.4)	(7.3)	(2.7)	(1.9)
Govt Revenues (% GDP)	15.7	15.2	15.9	16.1	17.0

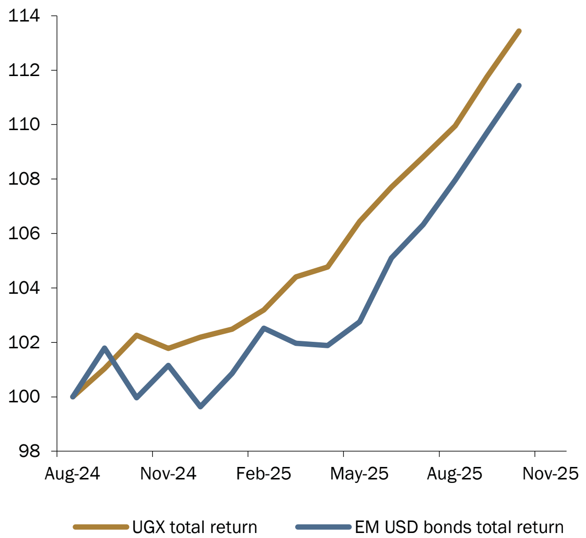
Source: IMF WEO, ICBCS

Country profile: Uganda

Uganda stands out among frontier markets for several reasons: sustained high growth has brought it close to middle-income status; it is one of the few assessed at "moderate risk of debt distress"; and it has a long record of monetary orthodoxy, with stable currency movements and relatively liquid bond and FX markets. Oil production is expected to begin by mid-2026, providing a boost to growth and fiscal accounts.

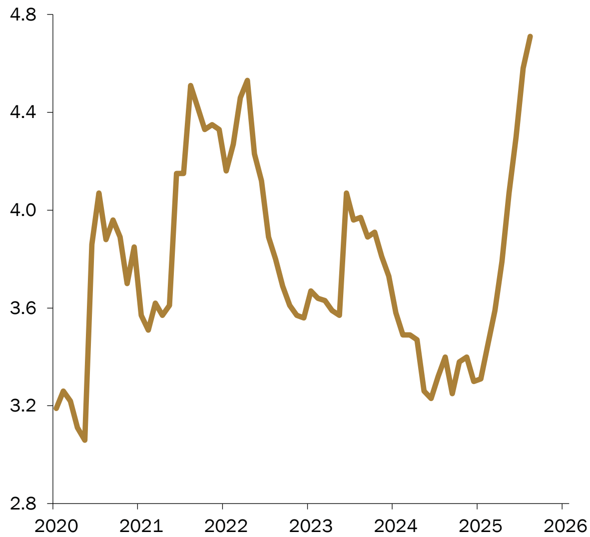
Bond yields remain high due to persistent fiscal and external deficits, though these are largely financed through long-term concessional loans and FDI. Foreign investor interest has risen significantly over the past year attracted by high real and nominal rates and the stability of the currency.

Total return from selling 6m USD/UGX NDF vs. EM USD bonds index (Aug-24 = 100)



Source: Bloomberg, ICBCS

Central Bank of Uganda FX reserves (USD bn)



Source: BoU, ICBCS

Main Macroeconomic indicators

	2022	2023	2024	2025f	2026f
GDP y/y	6.2	4.9	6.3	6.4	7.6
GDP in USD bn	47.3	52.0	56.2	65.0	72.5
CPI inflation y/y	7.2	5.4	3.3	3.8	4.3
C/A balance (% GDP)	(8.6)	(7.6)	(7.5)	(5.0)	(3.7)
Government debt (% GDP)	50.2	50.5	51.5	52.4	53.0
Budget balance (% GDP)	(5.4)	(4.9)	(4.0)	(6.7)	(5.3)
Govt Revenues (% GDP)	14.0	14.4	14.7	15.1	15.8

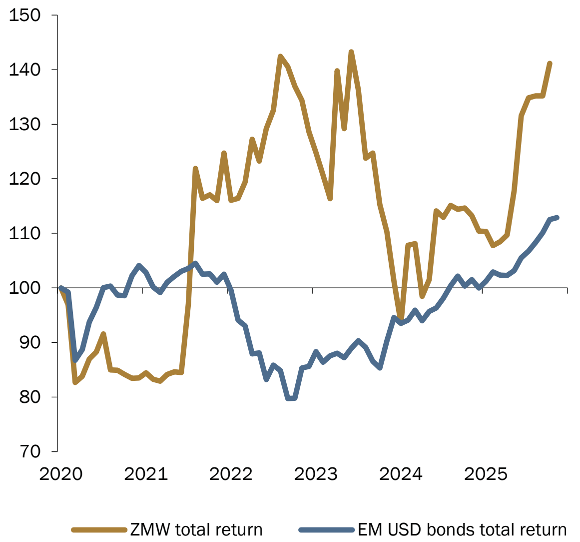
Source: IMF WEO, ICBCS

Country profile: Zambia

Zambia is one of the world's top 10 copper producers and the second largest in Africa. The current administration inherited severe fiscal mismanagement that led to a sovereign debt default in 2020. With its mandate nearly complete, the government authorities have delivered fiscal primary surpluses since late 2023, boosted FX reserves to record highs, stabilised the kwacha, and completed a protracted debt restructuring, leading to a recent external rating agency upgrade.

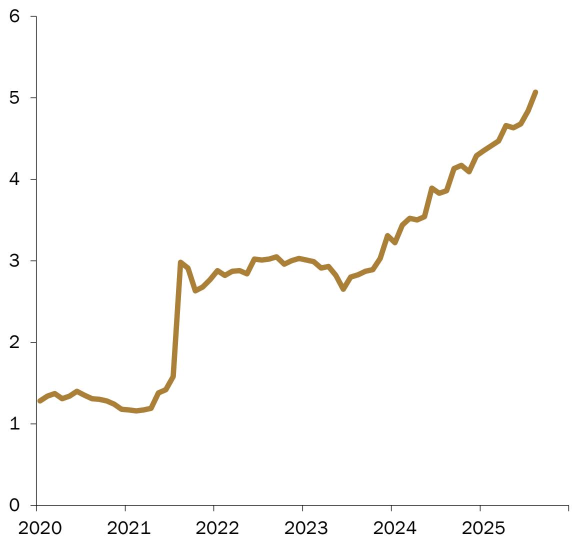
Mining investment has accelerated in recent years, and as inflation and yields declined, foreign investors have increased exposure to local government bonds.

Total return from selling 6m USD/ZMW NDF vs. EM USD bonds index (Jan-20 = 100)



Source: Bloomberg, ICBCS

Central Bank of Zambia FX reserves (USD bn)



Source: BoZ, ICBCS

Main Macroeconomic indicators

	2022	2023	2024	2025f	2026f
GDP y/y	5.2	5.4	4.0	5.8	6.4
GDP in USD bn	29.2	27.6	26.3	29.4	33.9
CPI inflation y/y	11.0	10.9	15.0	14.2	9.2
C/A balance (% GDP)	3.7	(3.0)	(2.6)	1.3	2.7
Government debt (% GDP)	99.5	129.1	114.9	-	-
Budget balance (% GDP)	(7.8)	(5.5)	(3.3)	(5.3)	(3.7)
Govt Revenues (% GDP)	20.4	21.9	22.2	22.8	23.0

Source: IMF WEO, ICBCS

Commodities

Gold

Gold hit record highs in 2025

Gold rallied dramatically above USD4,000/oz in 2025, driven by heightened global uncertainty and aggressive U.S. trade policies. Here are the major events and factors impacting bullion prices since April 2025.

Tensions between Trump and Fed

- 24 July
  The Fed's costly renovation project has sparked controversy. Trump publicly pressured Powell to cut interest rates.
- 20 August
  Trump attempted to dismiss Fed Governor Cook.

US reciprocal tariff development

- 07 July
  Trump announced new tariff rates on 14 countries.
- 10 July
  Trump added new tariff rates on 8 countries.
- 07 August
  The US reciprocal tariff policy has now officially taken effect.
- 10 October
  Trump threatened to impose additional tariffs of 100% on China.

Big and Beautiful Act

- 03 July
  The US House of Representatives narrowly passed the "Big and Beautiful Act".
- The act could add approximately USD3 trillion to the US national debt over the next decade.

Geopolitical tensions escalate

- 06-19 May
  Military conflict between India and Pakistan.
- 13-25 June
  Military conflict between Israel and Iran.
- 24-28 July
  Military conflict between Thailand and Cambodia.
- 15 August
  Trump-Putin meeting fails to produce a Russia-Ukraine ceasefire agreement.

Fed interest rate decision

- 08 May
  No rate change; dovish stance.
- 19 June
  No rate change; hawkish stance; Fed signals rate cuts require clear evidence of falling
- 31 July
  No rate change; internal divisions emerge.
- 17 September
  Fed cut interest rates by 25 bp as widely expected.

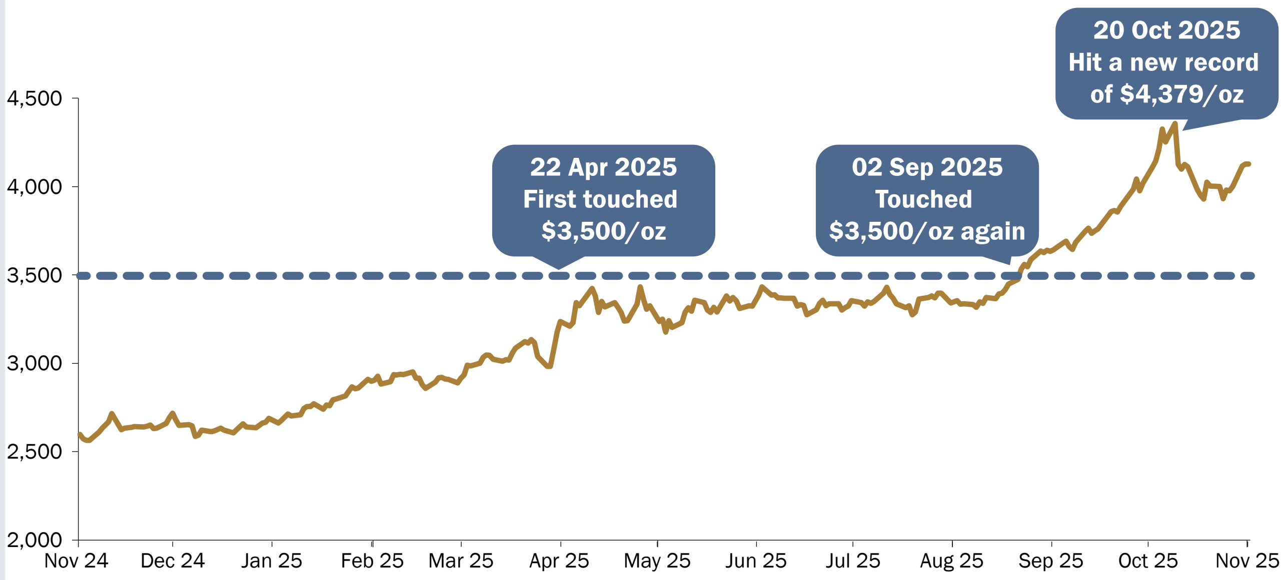
US credit stress

- 10 September
  Tricolor subprime auto finance group files for bankruptcy protection.
- 29 September
  First Brands Group files for bankruptcy protection with debts of ~USD12 billion
- 16 October
  Regional US banks announce unexpected write-offs of bad loans.

Following President Trump's threats of steep tariffs early in the year, safe-haven demand surged, pushing gold prices sharply higher. When reciprocal tariffs officially took effect on April 2, prices spiked to around USD3,500 per ounce, marking a key point. Between April and August, as the US entered negotiations with major trading partners and reached partial agreements, gold consolidated within a relatively tight range of USD3,200–USD3,450.

However, persistent geopolitical tensions and Trump's attempt to dismiss Fed Chair Powell kept risk sentiment elevated, providing a strong floor for prices. From September onward, the market saw renewed momentum as the Federal Reserve launched a fresh rate-cutting cycle and the US government shut-down deepened economic uncertainty. Gold broke out of its previous range, soaring to an all-time high of USD4,356 per ounce on October 20. Although prices eased slightly on signs of easing China-US trade tension and optimism over the US government reopening, gold remains firmly above the USD4,000 key level, underscoring its resilience as a hedge against systemic risk.

Gold spot price, USD/oz



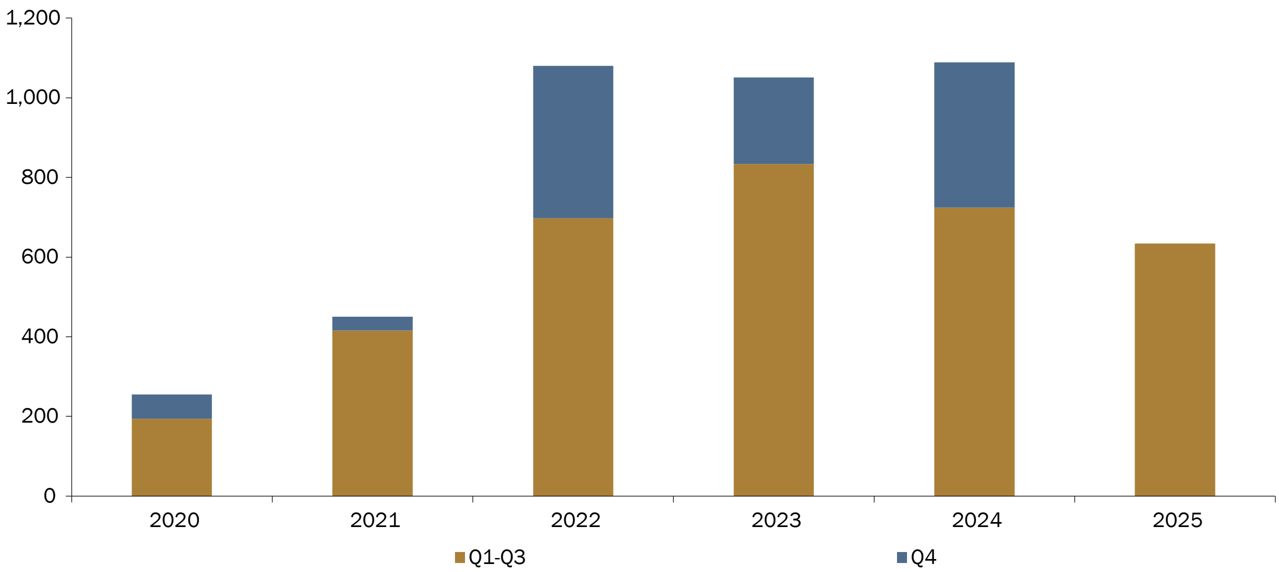
Source: Bloomberg, ICBCS

Central Bank gold demand remains robust in 2025 despite elevated prices

Global central banks remained active buyers of gold in 2025. By September, net purchases totalled 634 tonnes, below the same period in the previous three years but still well above the pre-2022 annual average of 400–500 tonnes, signalling robust underlying demand.

The National Bank of Poland (NBP) leads 2025 purchases year-to-date, despite pausing acquisitions since May, reinforcing its commitment by raising its target gold share in reserves from 20% to 30%. Other notable buyers include Kazakhstan, Azerbaijan, and Türkiye. This sustained appetite reflects a structural shift that began post-pandemic: after sharp increases in 2021–2022, central banks have consistently been net buyers since 2023. Drivers include a multi-polar geopolitical landscape, persistent trade tensions, and ballooning sovereign debt, all fuelling diversification away from the U.S. dollar. Gold's share of total reserves has climbed to 22%, and with significant room for further growth, we expect continued strong demand from central banks and sovereign wealth funds in the year ahead.

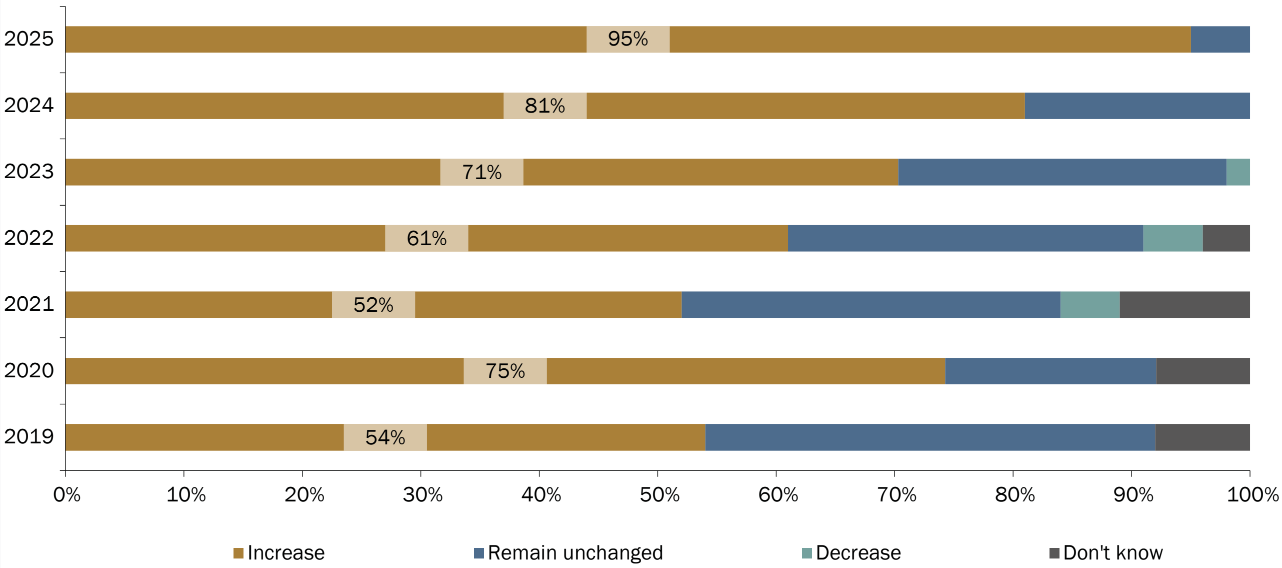
Central bank gold demand, tonnes



Source: World Gold Council

This trend aligns with the World Gold Council's survey earlier this year, which revealed that 95% of respondents expect global central bank gold reserves to rise over the next 12 months, with a record 43% planning to increase their own holdings—and none anticipating a reduction. Furthermore, 73% foresee moderate or significant cuts in U.S. dollar allocations within global reserves over the next five years, while expecting higher shares of the Euro, Renminbi, and gold.

How do you expect global central bank gold reserves to change over the next 12 months

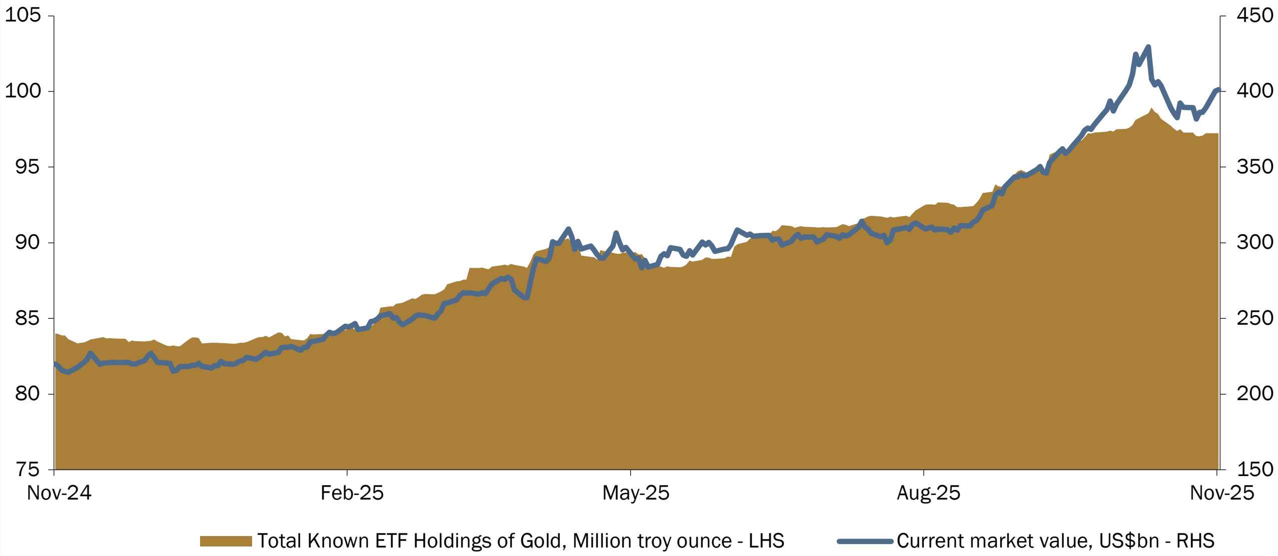


Source: World Gold Council

Geopolitical tensions are amplifying investors' risk-aversion, fuelling strong demand for gold-backed ETFs

Persistent geopolitical tensions, mixed macroeconomic signals, and the Trump administration's fiscal and tariff policies have amplified global uncertainty, fuelling strong investor appetite for gold-backed ETFs and private holdings. Global physically backed gold ETFs recorded five consecutive months of inflows, adding USD8.2 billion in October. Although October inflows moderated compared to September, they remained well above the year-to-date average of USD7.1 billion, positioning 2025 on track to become the strongest year on record for ETF demand. By quantity, total known ETF holdings stood at 97.284 million troy ounces at the end of October—slightly below the 98.942 million ounces peak on October 21, yet still at the highest level in more than three years. North American-listed funds absorbed the lion's share of these flows (392.9 tonnes), while Asia (162.7 tonnes) and Europe (111 tonnes) also saw robust demand, underscoring the global breadth of investor interest in gold as a strategic hedge. Demand for gold ETFs has been a key contributor to gold's price performance so far in 2025.

ETF gold holdings and market value



Source: Bloomberg, ICBCS

Investment demand for physical gold surges

Investment demand for physical gold remained exceptionally strong in 2025. According to World Gold Council data, total gold bar and coin demand reached 947.4 tonnes in the first three quarters, marking an increase of nearly 10% year-on-year. Notably, Q3 was the fourth consecutive quarter with global investment exceeding 300 tonnes, a milestone not seen since 2013. This surge reflects robust safe-haven flows amid persistent geopolitical uncertainty, complemented by some jewellery consumers shifting toward lower-margin pure investment products. Full-year projections indicate that the global investment market will deliver solid year-on-year gains.

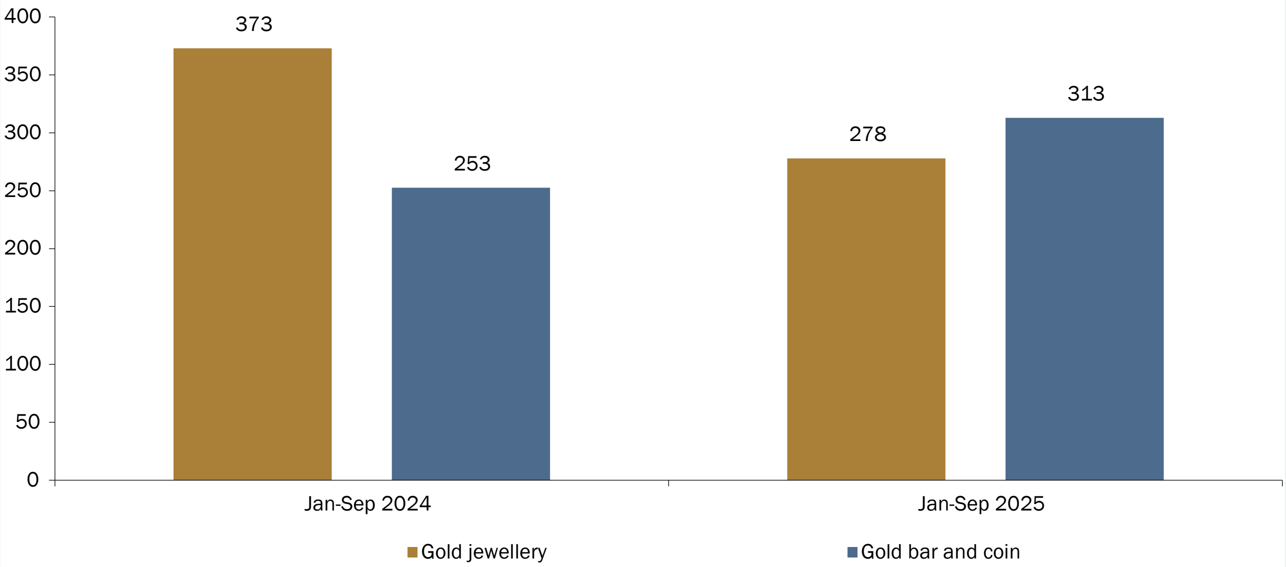
China and India continued to dominate bar and coin demand. China's demand surged 24% year-on-year to 313 tonnes, while India posted 184.4 tonnes, up roughly 13% over the same period. In contrast, the U.S. market saw one of the few declines globally, with demand falling 45.9% year-on-year to 31.9 tonnes in the first three quarters. This sharp drop largely reflects profit-taking by U.S. investors following gold's strong price performance. Overall, the resilience of physical investment demand underscores gold's enduring role as a strategic asset in times of uncertainty.

Global jewellery demand drops sharply as high gold prices squeeze consumption

Surging gold prices in 2025 triggered a sharp contraction in global jewellery consumption, which fell 18% year-on-year. The two largest markets—China and India—each recorded declines of more than 25%. In China, persistent headwinds from elevated prices pushed jewellery demand down to 277.9 tonnes in the first three quarters, compared to 373 tonnes a year earlier. Although Q3 saw a modest quarter-on-quarter improvement due to seasonal factors, volumes remain well below long-term averages, and Q4 is expected to follow the same trend as prices stay extremely high. The downturn has severely impacted downstream retailers, leading to a significant declines in both revenue and profit.

India mirrored the trend seen in China, with gold jewellery demand falling to 277.9 tonnes in the first three quarters, compared to 373.6 tonnes during the same period last year. Although Q3 showed some improvement, it was still the weakest third quarter for jewellery consumption since 2020. Indian consumers increasingly opted to exchange old jewellery rather than purchase new items outright, and there is growing evidence of a shift toward lower-margin investment products. Overall, jewellery demand in 2025 underscores the structural challenges posed by elevated gold prices and changing consumer behaviour.

China gold demand by sector in January to September 2025, tonnes



Source: World Gold Council

Gold price outlook 2026

Gold price outlook remains bullish as institutional allocation will emerges as a new driver of gains

Gold has surged by two-thirds this year, making it one of the best-performing commodities in 2025. Weak U.S. labour market data and moderate, well-contained inflation have strengthened expectations that the Fed will continue cutting rates next year—a move that could weigh further on the dollar index and, in turn, lift dollar-priced bullion prices higher.

Since the pandemic, global central banks have gradually increased their gold reserves to diversify assets and reduce reliance on the US dollar. This trend only began to visibly impact prices from 2023 onward, providing a modest lift to gold. Meanwhile, gold-backed ETF holdings rebounded in mid-2024 and accelerated sharply throughout 2025, combined with surging investor demand for gold, driving this year's significant price rally.

Looking ahead to 2026, gold is expected to remain elevated, hovering near record highs. Beyond these drivers, gold's sharp rise and safe-haven appeal have captured global investor attention. If major institutional buyers—such as pension funds, sovereign wealth funds, and hedge funds—continue to increase gold allocations within their portfolios in the future, prices could gain further momentum and potentially set new all-time highs. Institutional inflows are set to become a key driver behind gold's price gains in the coming year.

While gold's outlook for 2026 remains broadly bullish, replicating the extraordinary rally seen in 2025 will be difficult. The broader macro backdrop suggests less monetary policy stimulus than in 2025, as the Fed may slow the pace of rate cuts. This could stabilize the dollar and temper some of the tailwinds for dollar-denominated assets like gold.

Moreover, elevated gold prices have already weakened jewellery and physical investment demand, with some investors turning to lower-entry-cost alternatives such as platinum and silver. At current historic highs, much of the risk premium tied to geopolitical tensions, inflation expectations, and US monetary easing appears fully priced in. This means upside potential is increasingly constrained, and the risk/reward profile has deteriorated, making further large gains harder to sustain without significant new catalysts. That said, the overall trend remains positive, and with institutional allocations likely to rise, gold still has scope to test new highs—albeit at a slower and more measured pace than in 2025.

Platinum

Platinum soars to the highest level since 2013 on speculative buying

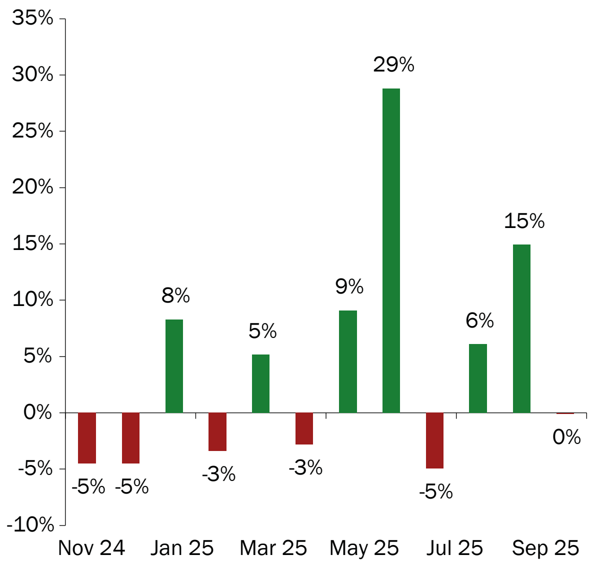
Platinum has delivered an exceptional performance in 2025, surging 76% year-to-date to its highest level since 2013.

Prices traded in a narrow range from January through April before embarking on a strong upward trajectory in May. The most explosive move came in June, when platinum soared 27%, fuelled by tight supplies, a sharp rebound in jewellery manufacturing demand, and heavy speculative buying. Technical breakouts amplified the rally, attracting momentum-driven investors. After cooling in July and posting modest gains in August, the market saw another powerful upswing in September, with prices climbing 12%. This second surge was supported by the Federal Reserve's rate cut and bullish sentiment following the Guangzhou Futures Exchange's announcement of platinum and palladium futures and options, which reignited investor enthusiasm. Platinum peaked at USD1,718 in October and remains firmly elevated, underscoring strong investment appetite despite mixed fundamentals.

Platinum spot price, USD/oz

Source: Bloomberg, ICBCS

Monthly change of platinum prices



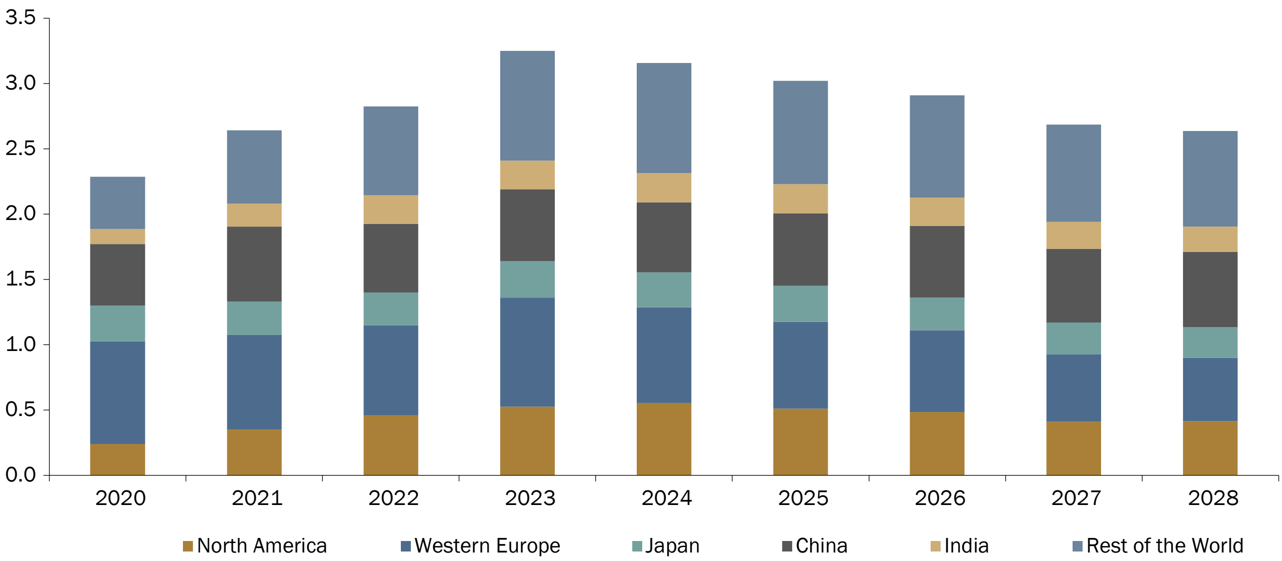
Source: Bloomberg, ICBCS

Platinum auto demand drops: Hydrogen offers little relief

Platinum demand in the automotive industry peaked in 2023 at 2.35 million ounces but has since entered a structural decline. A key driver is the reverse substitution trend, where automakers—particularly in the USA and Western Europe—are reverting to catalysts with lower platinum and higher palladium content. This shift is gradually reducing platinum loadings in internal combustion engine vehicles.

In addition, the rapid expansion of battery electric vehicles (BEVs), which do not require platinum-based catalysts, is further constraining demand. According to SFA Oxford, global BEV production growth has slowed significantly since 2023, yet output still rose 26% this year. For 2026, BEV production is forecast to reach 17.3 million units, up 18.7% year-on-year. Meanwhile, China's BEV growth is expected to moderate in the medium term, while hybrid vehicles remain popular, offering some offset to platinum's decline but not enough to reverse the downward trend.

Platinum demand from autocatalyst, '000 ounces

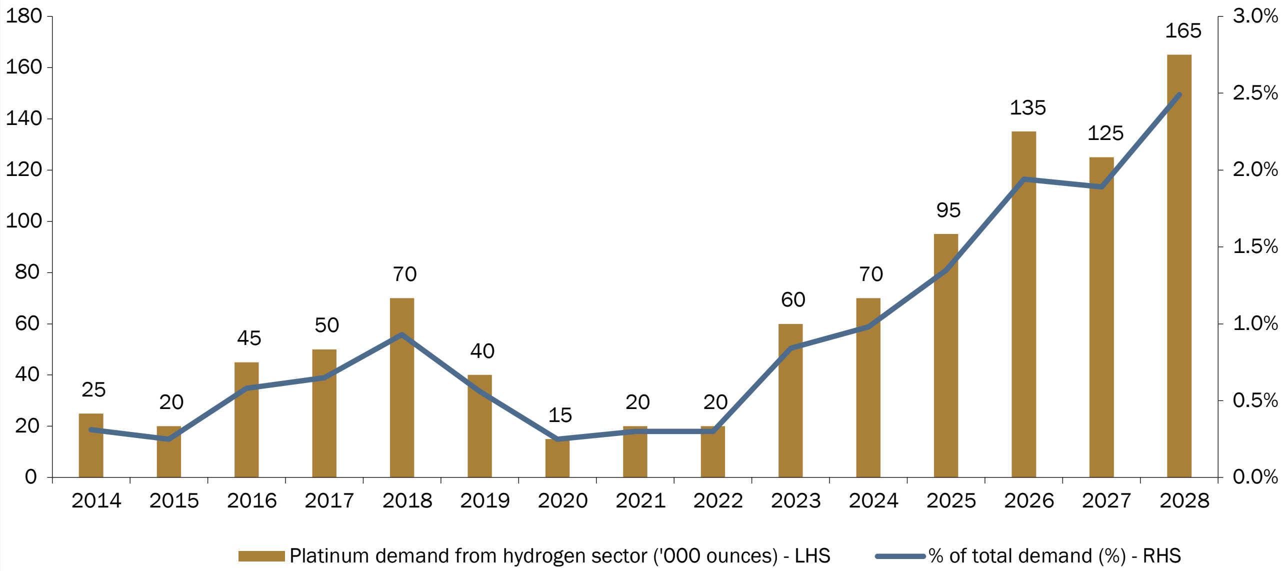


Source: SFA Oxford

Hydrogen-related platinum demand is expected to see significant growth in the coming years, with 2028 demand projected to be 74% higher than in 2024. Shanghai Platinum Week 2025 highlighted major advances in China's hydrogen strategy. The country shipped 1.2 GW of electrolyser capacity in 2024. By 2030, shipments are forecast to reach 25 GW.

However, despite this optimistic demand outlook, the hydrogen sector currently accounts for less than 2% of global total platinum demand, and this share is only expected to rise to 2.5% by 2028. While the growth potential is strong, hydrogen's overall contribution to platinum demand remains relatively small. Therefore, its support for platinum prices is minimal.

Platinum demand from hydrogen sector, '000 ounces



Source: SFA Oxford

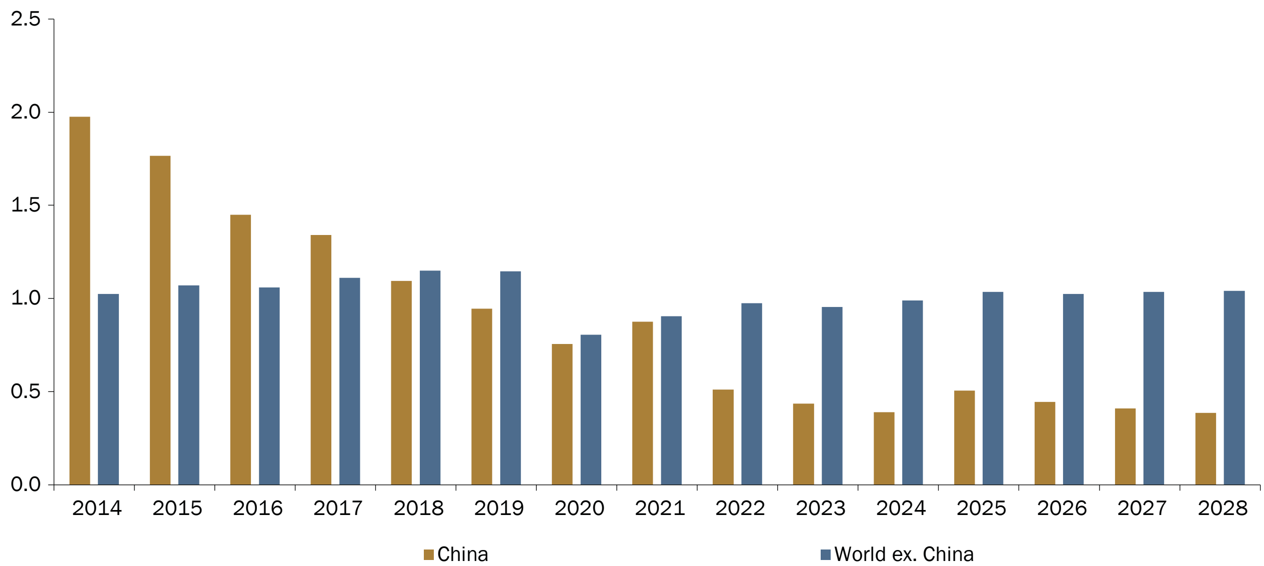
Jewellery stockpiling lifts platinum prices despite weak demand

Platinum jewellery fabrication demand surged 29% year-on- year in 2025, as medium-sized gold jewellery companies pivoted to platinum products amid weaker gold jewellery sales and elevated gold prices. Strong Chinese demand in 2025, especially in April and May, contributed to a 12% year-on-year increase in global platinum jewellery demand, reaching 1,540 koz.

However, platinum jewellery faces structural limitations: it lacks the deep cultural significance of gold in China as its colour does not symbolise happiness or good fortune. Moreover, the substantial loss in resale value further constrains its ability to challenge gold's dominance in the jewellery market.

Economic headwinds and shifting consumer preferences add to these challenges. The younger generation, increasingly focused on affordability, shows little interest in platinum and tends to opt for alternatives such as gold-plated silver or inexpensive silver pieces that mimic platinum's appearance, making a return to the 2014 peak highly unlikely.

Platinum demand from jewellery sector, '000 ounces



Source: SFA Oxford

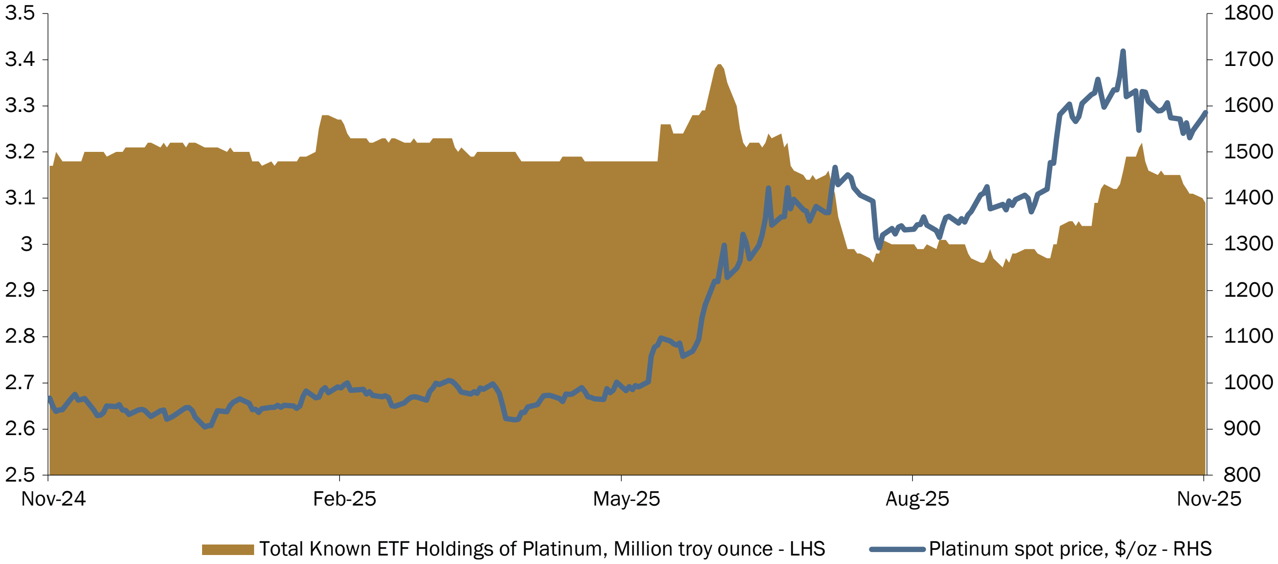
Attribute	Gold (Pure Gold)	K Gold (18K Gold)	Platinum (PT950/900)	Silver (Pure Silver)	Gold-Plated Silver
Colour	Pure yellow, does not discolour	Adjustable: commonly yellow, white, rose; varied	Naturally silvery-white, pure, does not discolour	Natural silver-white, soft luster, prone to tarnish	Gold-plated surface, golden appearance, may fade over time
Hardness	Low, soft texture, easily deformed	High, contains 25% other metals, hard and durable	Medium to low, softer than K gold, prone to marks	Medium to low, soft, easily scratched	Depends on silver base, slightly lower than K gold, plating does not add hardness
Wear Resistance	Easily worn, difficult for complex designs	Good wear resistance, suitable for intricate settings and daily wear	Extremely wear-resistant, does not deform or wear easily	Easily worn, surface scratches appear quickly	Plating wears off over time, silver base exposed
Colour Stability	Does not discolour or fade	18K white gold needs plating, requires maintenance when worn off; yellow/ rose gold is stable	Does not discolour or fade, highly stable chemically	Tarnishes easily, requires regular cleaning	Plating fades, requires re-plating for maintenance
Comfort	Soft, easily deformed, suits traditional styles	Sturdy, suitable for daily wear, rarely causes allergies	Heavier, very pure, extremely hypoallergenic	Lightweight, comfortable, some may have silver allergies	Similar to silver, comfortable, plating usually does not cause allergies
Craftsmanship	Suitable for simple designs, complex designs are difficult	Easy to work with, fits various modern or intricate styles	High melting point, difficult for fine work, often simple bands	Easy to process, suitable for complex designs	Requires plating process, ideal for designs mimicking gold look
Value Retention	Very high, globally recognised investment	Some value retention, good liquidity	Lower market demand, resale price below K gold	Low market value, resale price far below gold	Very low, plating has minimal value
Jewellery Use	Traditional gold jewellery, investment bars, traditional crafts	Modern fashion jewellery, wedding rings, gemstone settings	High-end wedding bands, plain bands, eternal symbolism	Fashion accessories, ethnic-style jewellery, silver crafts	Budget-friendly gold-look jewellery, wedding gifts, decorative pieces

Platinum rally drove volatile ETF flows

Platinum's sharp price rally in June 2025 fuelled strong investor interest, driving significant inflows into exchange-traded funds (ETFs) during the second quarter. Platinum ETF holdings rose by 97,000 ounces to 3.3 million ounces in Q2, with early-quarter enthusiasm pushing holdings to a mid-June peak of 3.4 million ounces, the highest level since June 2024. However, profit-taking above USD1,250/oz, primarily by European funds, triggered outflows later in the quarter. This released physical metal back into the market and helped ease record-high lease rates, which at one point approached 40%.

By the end of July, total ETF holdings had fallen below 3 million ounces, but the trend reversed in late September as renewed upward momentum in platinum prices prompted fresh inflows. On October 22, ETF platinum holdings climbed back to 3.22 million ounces before retreating again, reflecting the volatility and opportunistic nature of investor positioning in this market.

ETF platinum holdings and platinum spot price



Source: Bloomberg, ICBCS

Platinum price outlook 2026:

Platinum Faces Downside Risk in 2026 as Speculative Support Unwinds and Structural Weakness Deepens

Platinum prices are expected to remain supported through year-end as the Federal Reserve's anticipated rate cut weakens the U.S. dollar, providing a tailwind for precious metals. Elevated gold prices have prompted some investors to rotate into platinum, while China has seen robust growth in bar and coin demand this year. As a result, prices are likely to trade at elevated levels near USD1,600 through the end of 2025.

Looking ahead to 2026, supply dynamics will ease slightly, with SFA Oxford projecting the global platinum deficit narrowing from 545 koz in 2025 to 330 koz. However, jewellery demand remains structurally weak—platinum lacks gold's cultural significance and resale value, and declining marriage rates further dampen prospects, making a return to 2014 highs unlikely. This year's rally has been driven largely by speculative and ETF inflows rather than fundamental improvements, suggesting a correction once speculative interest fades. Moreover, the continued expansion of electric vehicles clouds platinum's long-term demand outlook, eroding investor confidence. Consequently, platinum faces downside risk in 2026, with prices potentially retreating to as low as USD1,250 as investors unwind positions.

Copper

Supply disruptions and energy transition bolster copper's long-term prospects

Price performance in 2025

Copper prices have been highly volatile this year, driven by both macroeconomic factors and supply shocks.

Early 2025:

LME 3-month copper rose from USD8,800/ton in January to around USD10,100/ton in March, fuelled by optimism over energy transition, electric vehicles, and AI data centres.

Tariff shock:

Prices plunged to USD8,500/ton after President Trump announced **reciprocal tariffs**, raising concerns about industrial activity and global manufacturing slowdown.

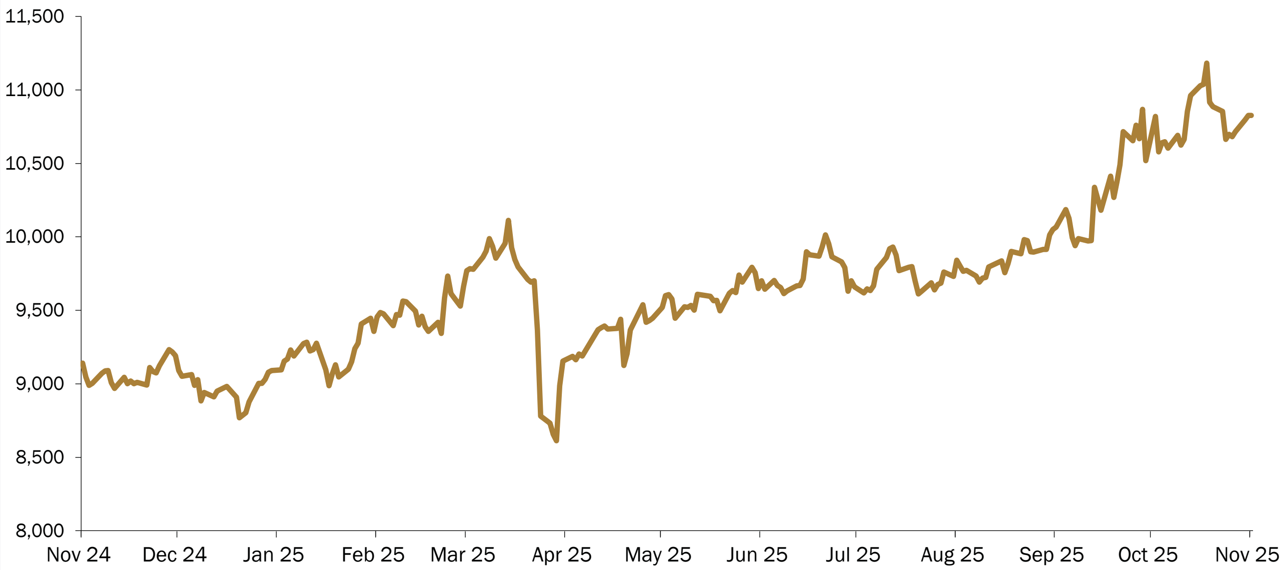
Recovery and structural drivers:

As trade negotiations progressed, optimism returned. Structural demand drivers—energy transition, EV adoption, and AI—helped copper prices stabilise between USD9,500 and USD10,000/ton from May to August.

Supply shock:

In September, concerns over copper concentrate supply intensified after **a landslide at Indonesia's Grasberg mine**. Freeport declared **force majeure**, and the Fed's rate cut plus a weaker dollar pushed copper to a record high of USD11,183/ton at the end of October. Prices have since corrected slightly but remain above USD10,600/ton, reflecting strong market confidence.

LME 3-month copper prices, USD/t



Source: Bloomberg, ICBCS

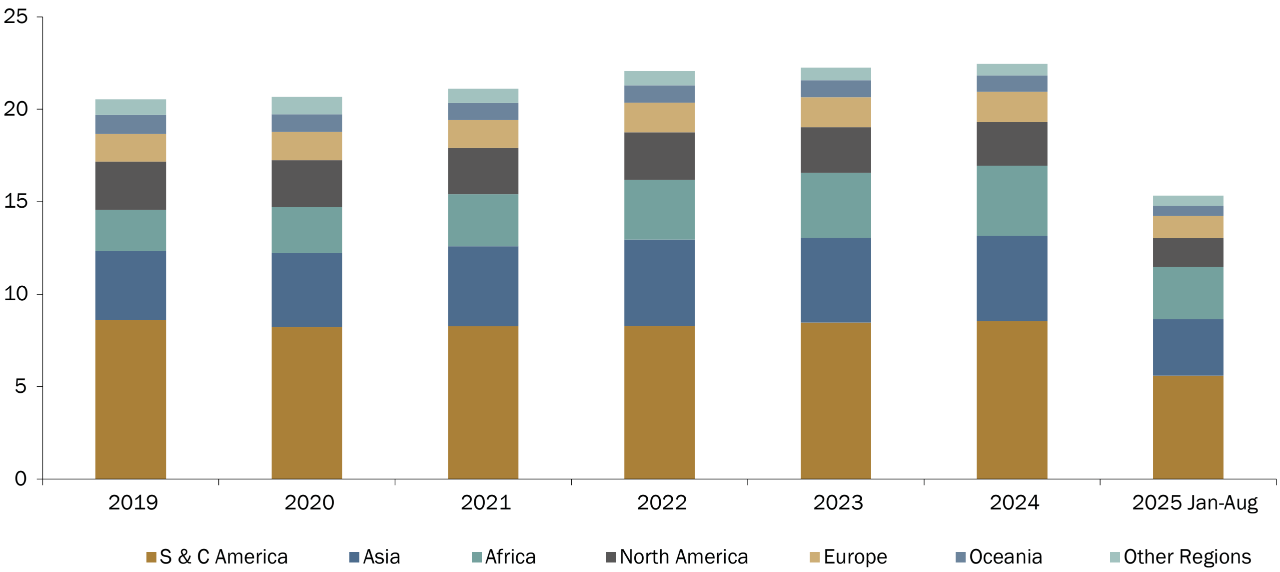
Copper mine accident intensifies global copper concentrate supply tightness

Since the beginning of this year, global copper concentrate supply has remained extremely tight, providing strong support for copper prices. Multiple factors have constrained global mine output, including natural disasters, stricter environmental regulations, and labour strikes, with the most severe disruption caused by the complete shut-down of Indonesia's Grasberg mine following a landslide.

- According to Bloomberg Intelligence, global copper mine production reached only 15.35 million tons between January and August 2025, compared to 22.45 million tons for the whole of 2024, significantly below historical levels.

Given that the development cycle for new mines typically spans 10 to 15 years, this supply gap cannot be closed in the short term. The global copper concentrate deficit is expected to widen further in 2026, ensuring continued structural tightness and sustained price support.

Global mined copper production, million tonnes



Source: Bloomberg, ICBCS

Freeport declares force majeure at Grasberg, slashes copper output forecast

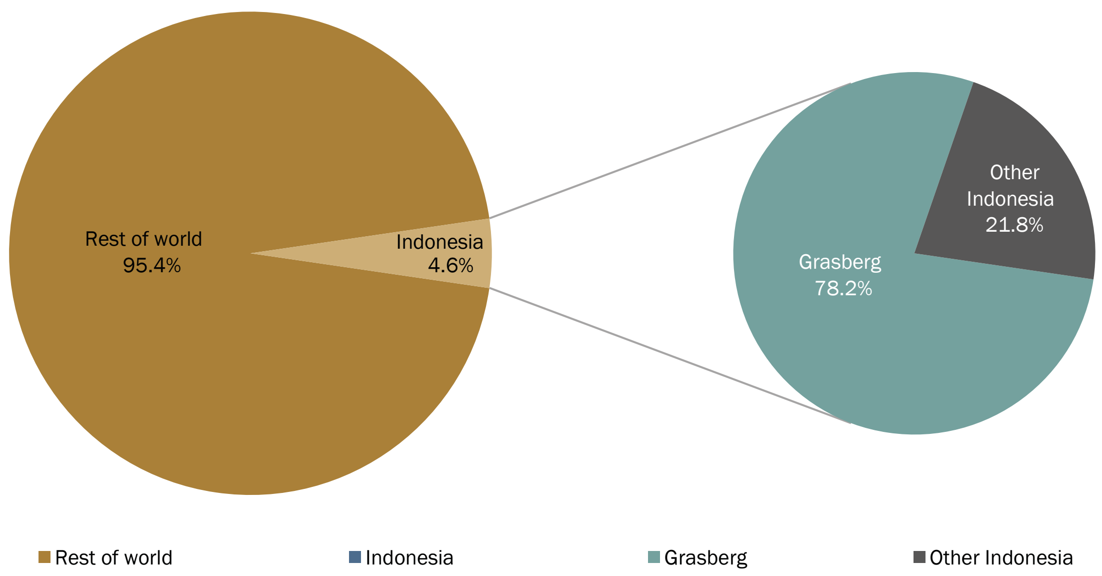
Against this backdrop, the Grasberg shut-down stands out as a pivotal event. Grasberg holds a critical position globally, producing approximately 816,000 tons of copper last year, making it the world's second-largest copper mine after Chile's Escondida and accounting for about 3.6% of global output.

The recent landslide resulted in missing workers and forced the mine to halt operations. Freeport subsequently declared force majeure on its contractual supply and revised its 2026 copper and gold production forecast downward by 35%.

This incident intensified market concerns over global concentrate shortages, driving LME three-month copper prices above USD10,000 per ton in September and sustaining strong upward momentum through October.

Freeport's latest statement indicates plans to gradually restore Grasberg's underground capacity starting in the second quarter of 2026. For a mine of this scale, the process of resuming production and reaching full capacity typically takes six to twelve months or longer, depending on infrastructure repairs—including clearing landslide debris—redeployment of personnel and equipment, and completion of ventilation and safety checks. Output is expected to begin recovering in the second quarter and steadily increase throughout the year, with production in the fourth quarter potentially approaching pre-incident levels.

Indonesia copper mine production as a % of global total



Source: Various sources

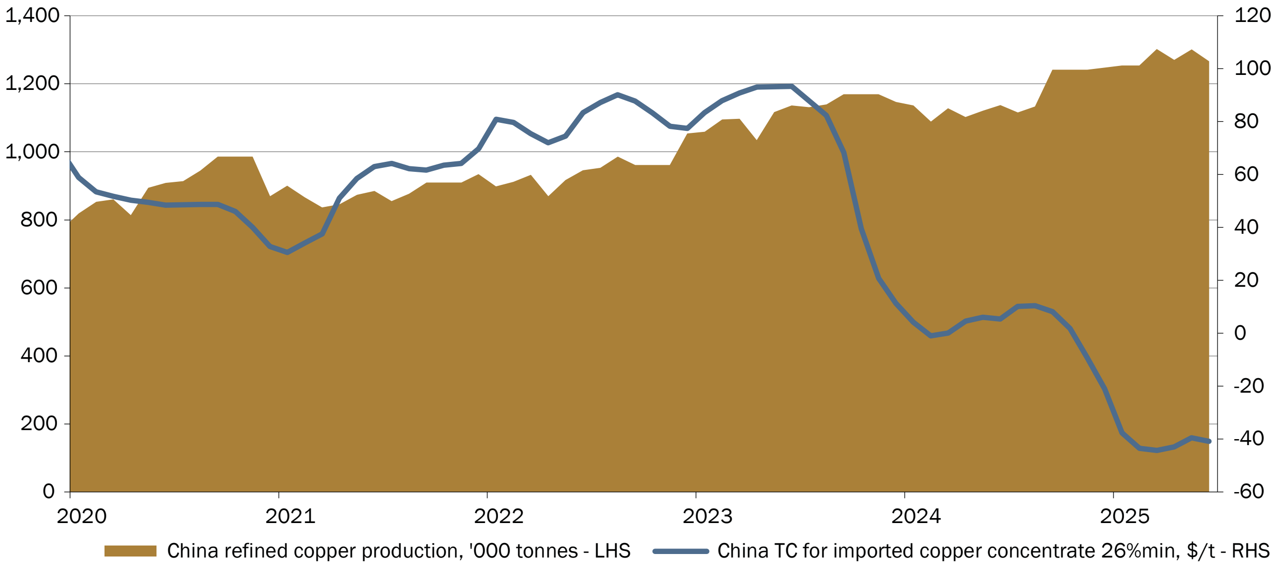
China's copper smelting hits record high, sparks cap calls

Following the discussion on global copper concentrate shortages, which primarily affect smelters' raw material supply, attention turns to refined copper production.

In June, China's refined copper output reached a record high of 1.302 million tons and approached this level again in August. However, production has since moderated, falling to 1.204 million tons in October. Cumulative output for the first ten months of the year totalled 12.6 million tons, representing an 11.2% year-on-year increase. This rapid expansion, combined with tight concentrate supply, has driven processing fees to historic lows, placing significant pressure on industry margins.

In response, the China Non-ferrous Metals Industry Association has urged restrictions on new capacity, similar to the 45-million-ton cap previously imposed on the aluminium sector, and submitted proposals to the central government in September to strictly control new copper projects.

China refined copper production and TC



Source: National Bureau of Statistics of China; SMM International

China's strong domestic output and price dynamics shape copper's flow trends

China's copper market remains resilient despite recent price volatility. Another critical market indicator, the Yangshan copper premium, has declined from approximately USD67 per ton in July to around USD40 per ton in November, marking its lowest level since December 2024. This drop occurred during the traditional peak season in September and October, largely due to the Grasberg mine disruption, which pushed LME three-month copper prices above USD10,000 per ton in September and briefly beyond USD11,000 per ton in late October. Elevated prices dampened purchasing interest among smaller processing firms, yet overall demand fundamentals remain intact.

Meanwhile, China's refined copper output remains at historically high levels, ensuring ample domestic supply and limiting import demand. Most transactions continue to be executed through long-term contracts, leaving spot market activity subdued. Furthermore, although U.S. tariff measures redirected South American and African copper toward the American market, China's robust refined copper production has largely offset the impact on domestic availability, preserving market stability. Furthermore, if China imposes a cap on smelting capacity for refined copper, this will prevent new smelters from coming online, reduce oversupply, and even raise concerns about future tightness. In that scenario, imported copper could regain strategic value, leading to an increase in China's demand for imported copper, which would push premiums higher.

China Yangshan copper cathode premium, USD/t

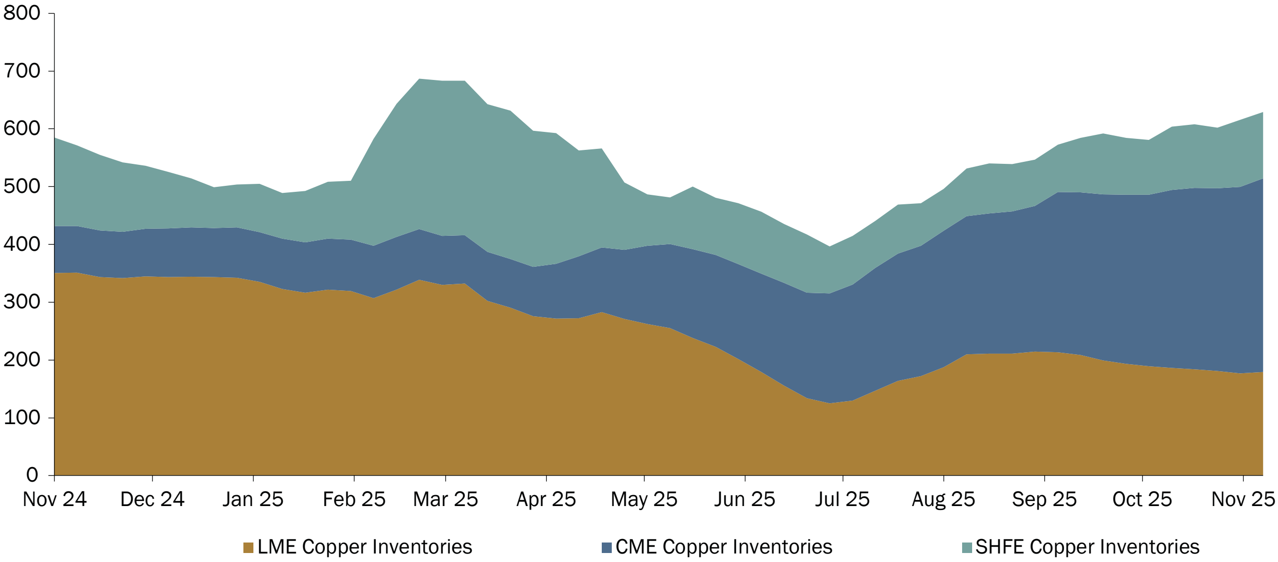
Source: Shanghai Metals Market

US copper duty threat reshapes global flows and inventory dynamics

Although the United States ultimately exempted refined copper imports from the proposed tariffs, the initial threat of duties significantly altered global copper inventories and trade flows. On July 30, President Trump announced that refined and scrap copper imports would be excluded from the 50% tariff, closing the arbitrage window; however, large volumes of copper had already been shipped to U.S. warehouses in anticipation of the measure. As a result, COMEX inventories have surged beyond 300,000 tons, surpassing those of the London Metal Exchange.

Market sources indicate that the U.S. may revisit copper tariffs by the end of 2026, prompting major trading firms to secure annual supply agreements with Chilean producers. Notably, COMEX contracts for 2026 are trading at a premium of nearly USD1,000 over LME prices, creating an attractive arbitrage opportunity that is expected to drive additional copper flows into the United States and further increase COMEX stockpiles.

Copper inventories at three exchanges, '000 tonnes



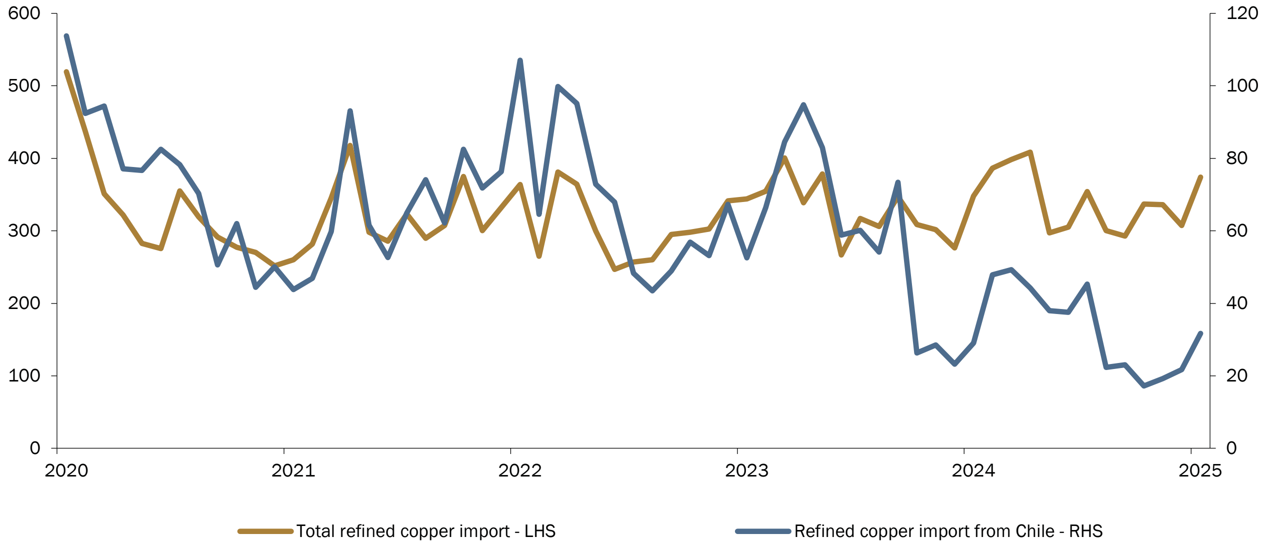
Source: Bloomberg, ICBCS

China offsets tariff-driven shifts through diversified imports

Turning to changes in China's import sources, the U.S. tariff threat earlier this year drove CME copper premiums higher, prompting traders to ship metal to the United States in advance. CME deliverable brands are primarily sourced from the U.S. domestic market and South America, particularly Chile. This shift resulted in a 41% year-on-year decline in China's refined copper imports from Chile.

To compensate for the shortfall, China has diversified its supply base, increasing imports from countries such as the Democratic Republic of Congo. The DRC has now become China's largest supplier of refined copper. Zambia's shipments have also surged, doubling in the first nine months of the year to reach 131,272 tons.

China's refined copper import, 000 tonnes



Source: China General Administration of China Customs

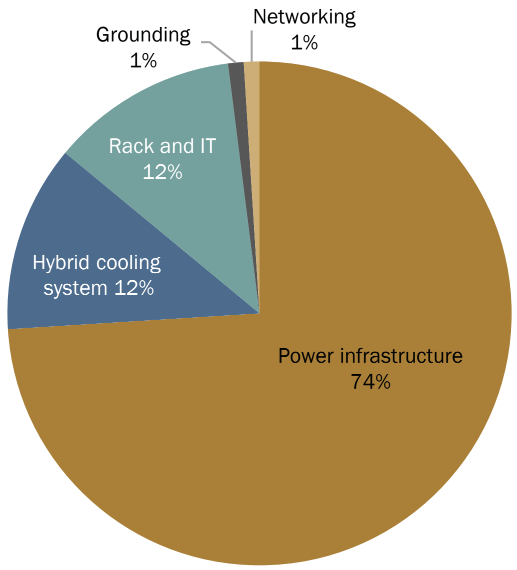
Traditional copper demand peaks as green tech and AI power the next wave

On the demand side, Traditional sectors will see limited growth potential for copper demand in the coming years, while renewable energy industries—solar PV, wind power, and new energy vehicles (NEVs)—are set to drive incremental demand. Currently, these three sectors account for roughly 15% of global copper consumption in 2025, and this share is projected to rise in the future as energy transition projects accelerate.

Copper is also playing a critical role in AI data centres, an emerging demand driver. Within these facilities, 74% of copper is used in power infrastructure, primarily in thick low-voltage cables delivering high-current loads from switchboards to server racks. Another 12% is deployed in cooling systems, including liquid cooling manifolds at rack level and pumps and compressor motors for building-wide chillers. While North America remains the leading region, China, the UK, Germany, and France are accelerating their build-outs.

Copper will play a critical role in the global energy transition and the rise of AI infrastructure over the next five years. To assess the potential impact, we developed three scenarios reflecting different growth trajectories for new energy and technology-driven demand.

Copper used by data centre subsystems



Source: Various sources

Conservative scenario: "Gradual transition"

In this scenario, global electrification and renewable energy adoption continue but at a slower pace, constrained by policy uncertainty and infrastructure bottlenecks. Electric vehicle penetration grows steadily, yet remains below aggressive targets, with charging infrastructure expansion progressing moderately. AI-driven data centre demand for copper increases, but it remains a niche segment through 2030. Traditional construction and industrial sectors maintain strong demand, particularly in EMs, keeping copper consumption largely anchored in conventional applications.

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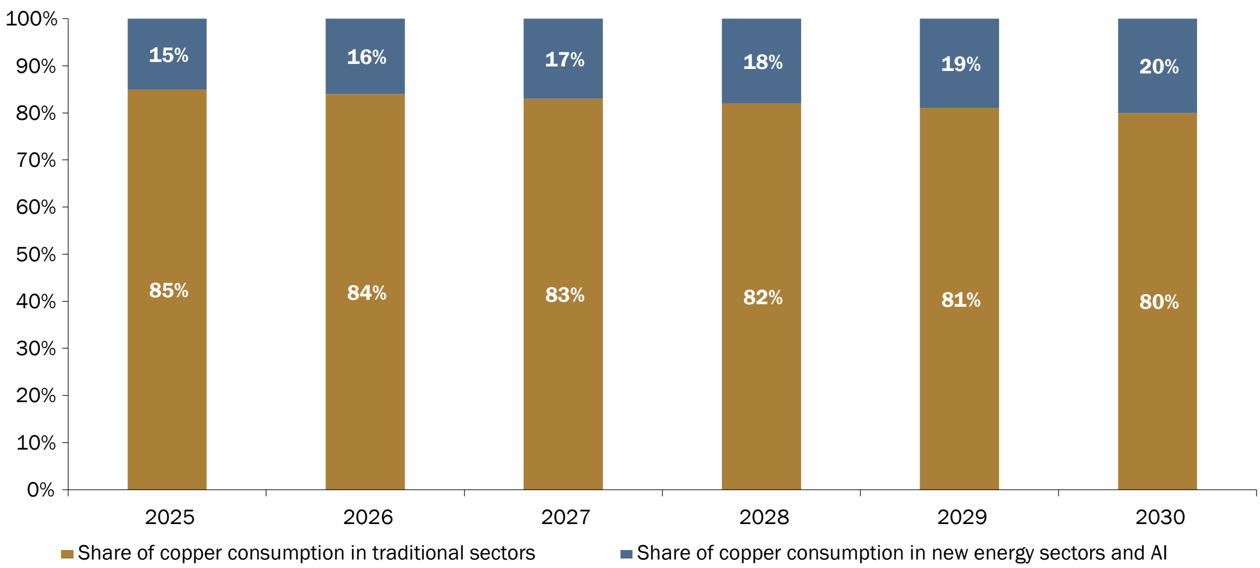
Conservative scenario: "Gradual transition"

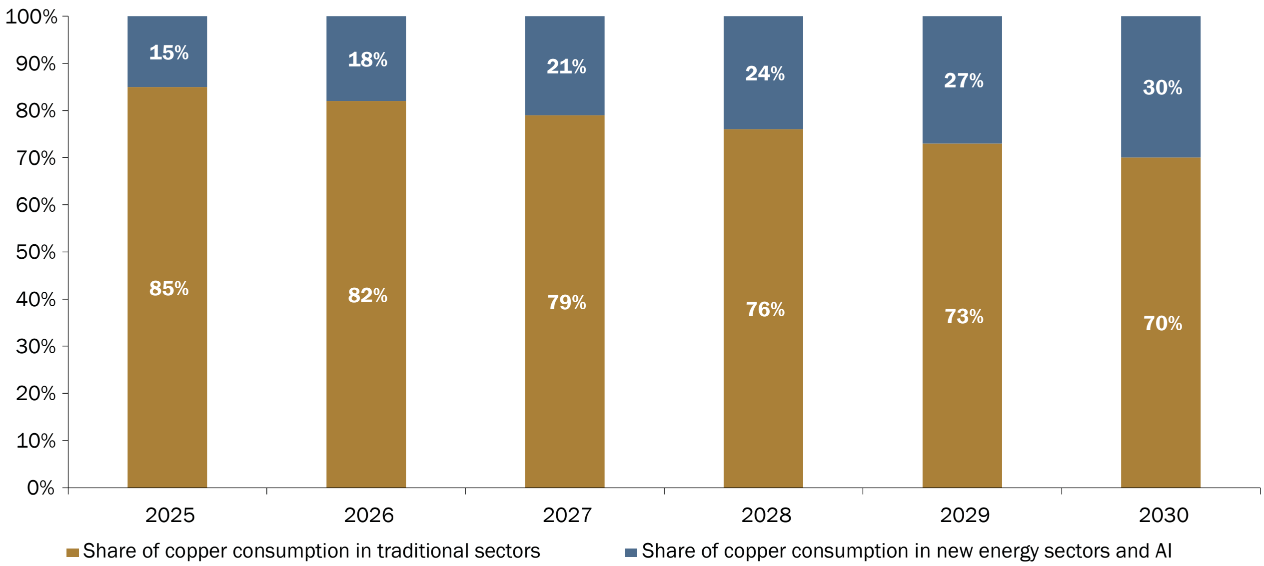


Source: ICBCS

Base scenario: "Balanced shift"

Here, the energy transition accelerates in line with current policy commitments and investment trends. EV adoption meets mainstream forecasts, supported by significant scaling of battery production and charging infrastructure. Renewable energy projects, including solar and wind, expand globally, driven by grid modernisation efforts. AI and high-performance computing infrastructure gain traction, adding incremental copper demand to the mix. This scenario reflects a balanced evolution where traditional sectors remain relevant but steadily lose share to new energy and technology-driven applications.

Base scenario: "Balanced shift"

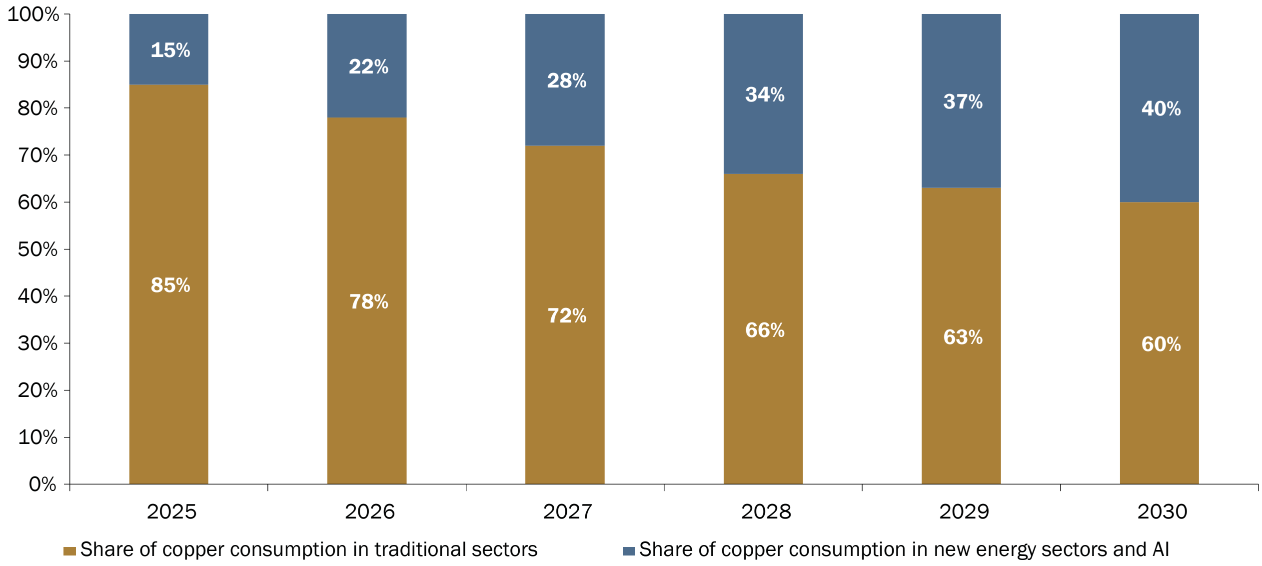


Source: ICBCS

Optimistic scenario: "Rapid electrification, tech boom"

In the most aggressive case, decarbonisation policies and subsidies trigger a surge in renewable installations and electric vehicle adoption worldwide. Global grid upgrades accelerate to support widespread electrification and distributed energy systems. AI-driven data centres and high-performance computing experience explosive growth, creating a new copper-intensive segment that reshapes demand dynamics. Traditional sectors decline faster as green technologies dominate investment flows, positioning copper as a critical component of both the energy transition and the digital economy.

Optimistic scenario: "Rapid electrification and tech boom"



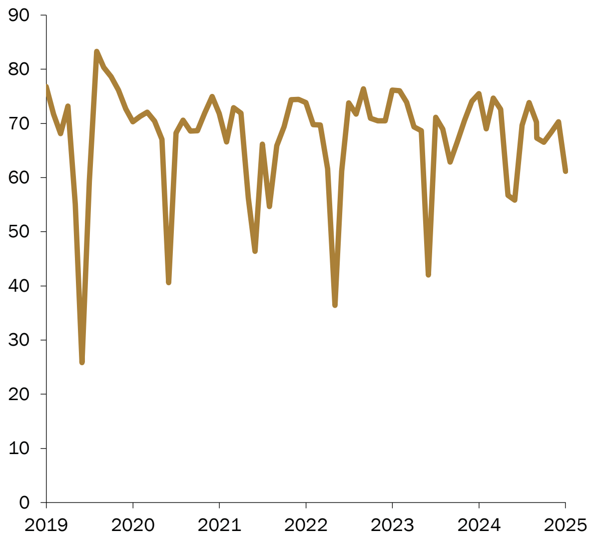
Source: ICBCS

Mixed performance in China's copper sector amid high-demand season

To assess copper consumption trends, it is essential to examine indicators from downstream processing industries. October is typically a peak season for industrial production in China, and while some segments faced softer operating rates this year, the overall picture reflects resilience in key growth areas. Producers of electrolytic copper rods, copper wires and cables, and copper tubes reported lower capacity utilisation compared to expectations. In contrast, copper foil manufacturers have been a bright spot, with operating rates have been rising steadily since May and exceeded 84% in October. This reflects strong demand from electronics and energy storage sectors, signalling structural support for copper consumption despite short-term headwinds in other segments.

China copper cathode rod producers

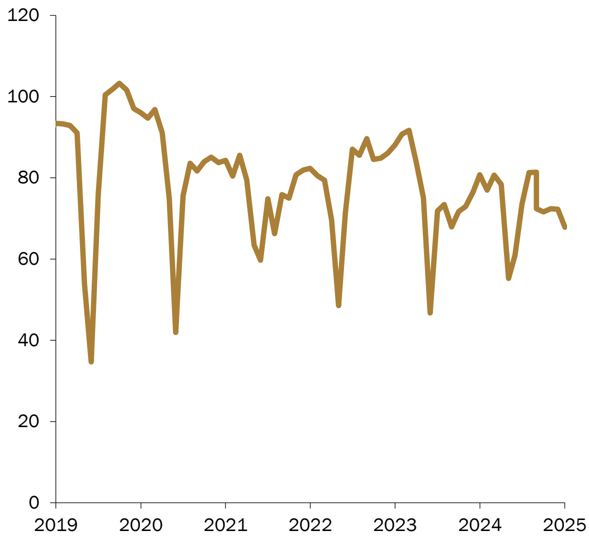
total operating rates, %



Source: SMM International

China copper wire and cable producers

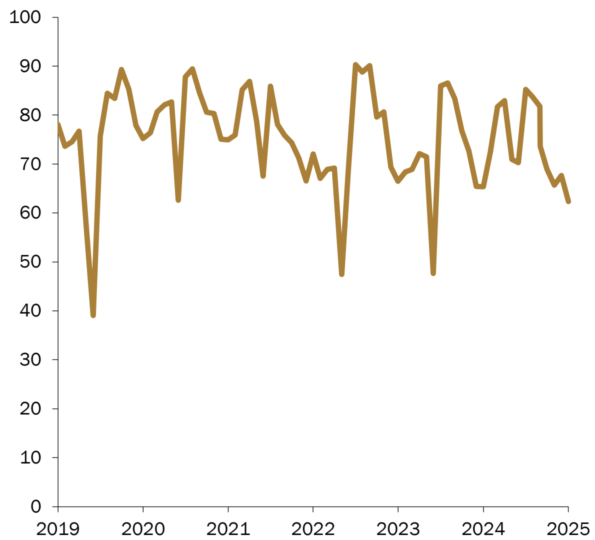
total operating rates, %



Source: SMM International

China copper tube producers

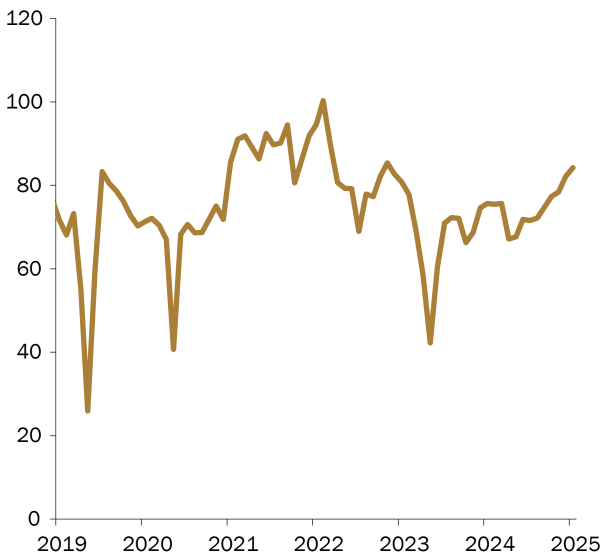
total operating rates, %



Source: SMM International

China copper foil producers

total operating rates, %



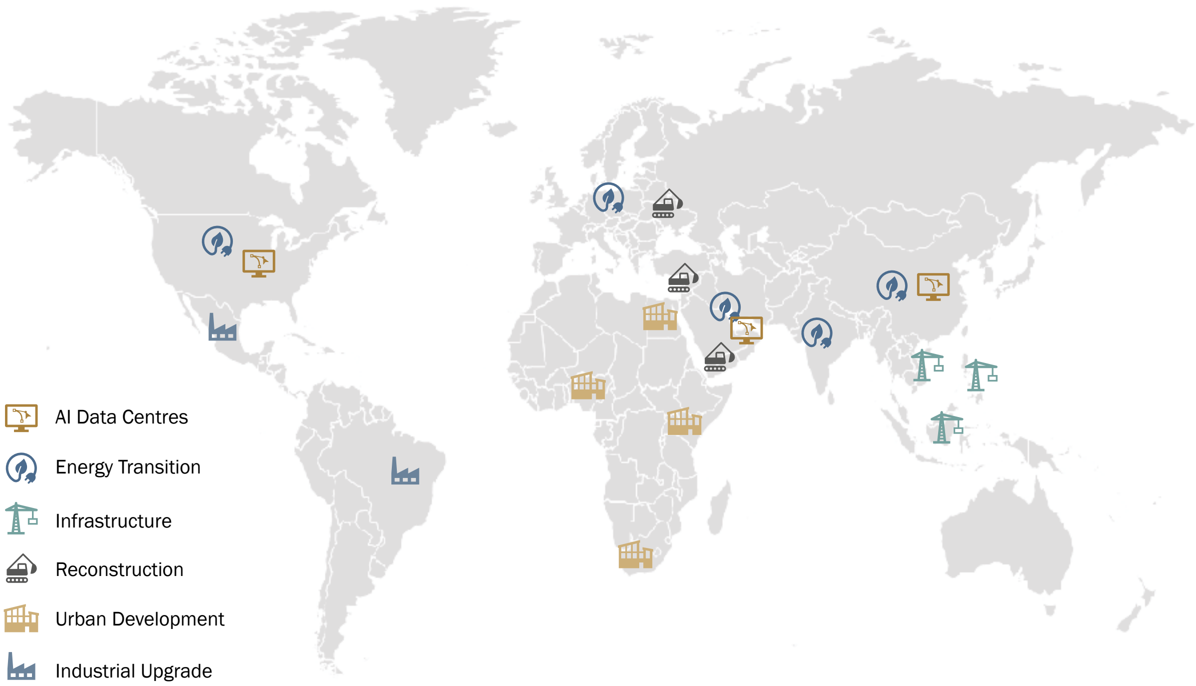
Source: SMM International

Copper price outlook 2026

Copper to hold near record highs through 2026 amid energy trasition and AI demand

Despite China's property sector recovering slowly, influenced by manufacturing activity under the weight of U.S. tariffs, and oversupply in refined copper, prices have performed strongly in 2025, surging to an all-time high in October. This strength is not solely a reflection of underlying physical demand. Copper, often dubbed the "barometer of global economic health," carries significant investment appeal. A series of catalysts amplified this attribute: Trump's tariff threats earlier in the year triggered a surge of copper into COMEX warehouses, creating regional tightness outside the US; the Grasberg mine shut-down in September deepened concentrate shortages; and the Federal Reserve's rate cuts improved liquidity and risk appetite. These factors, combined with speculative positioning around supply disruptions and the long-term energy transition narrative, propelled copper well beyond fundamentals.

Three forces driving global copper demand growth through 2030



Post-war Reconstruction

- The main driving countries include Ukraine, Gaza, Syria, and Yemen
- Post-war reconstruction requires power systems, building wiring, and traffic signalling, making copper indispensable, though the overall scale is limited by the size of these countries

Intensity ● ●

Energy Transition and AI Data Centre

- The main driving countries and regions include the United States, the European Union, China, the Middle East, and India
- The energy transition involves power grids, wind and solar generation, and energy storage systems, while AI data centres require large amounts of copper for cabling and cooling systems, resulting in massive demand

Intensity ● ● ● ●

Development of Africa and Emerging Markets

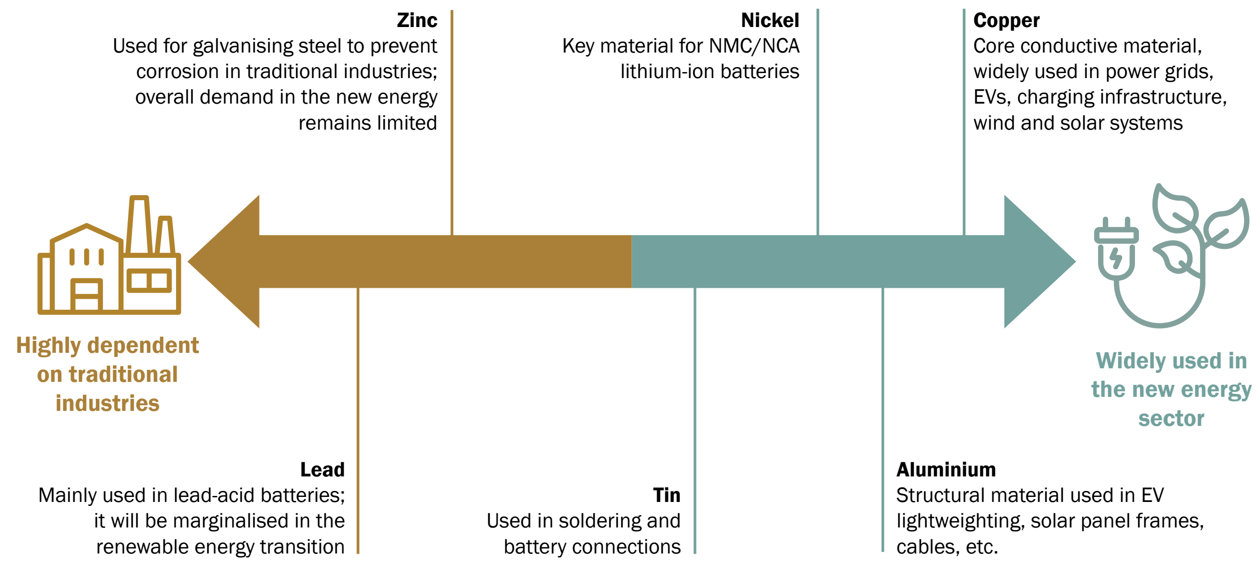
- The main driving regions include Africa, Southeast Asia, and Latin America
- These areas are accelerating power grid development, transportation infrastructure, and urbanisation, leading to significant growth in copper demand, though the pace depends on funding and policy support

Intensity ● ● ●

Source: ICBCS

Looking ahead, while structural demand from traditional sectors remains soft, the outlook is underpinned by optimism surrounding renewables and emerging technologies. Energy transition industries—solar PV, wind power, and NEVs—will continue to expand their share of global copper consumption, while AI-driven data centre build-outs add a new layer of demand. With the Fed expected to maintain an accommodative stance in 2026 and trade tensions likely to ease, investor sentiment should remain constructive. Regional low copper inventories and concentrate deficits will sustain volatility, offering greater trading opportunities. Against this backdrop, copper is poised to trade firmly near historic highs in 2026, with upside potential should macro conditions stabilise and the green-energy narrative gain further traction.

Copper's critical role in energy transition supports a strong long-term outlook



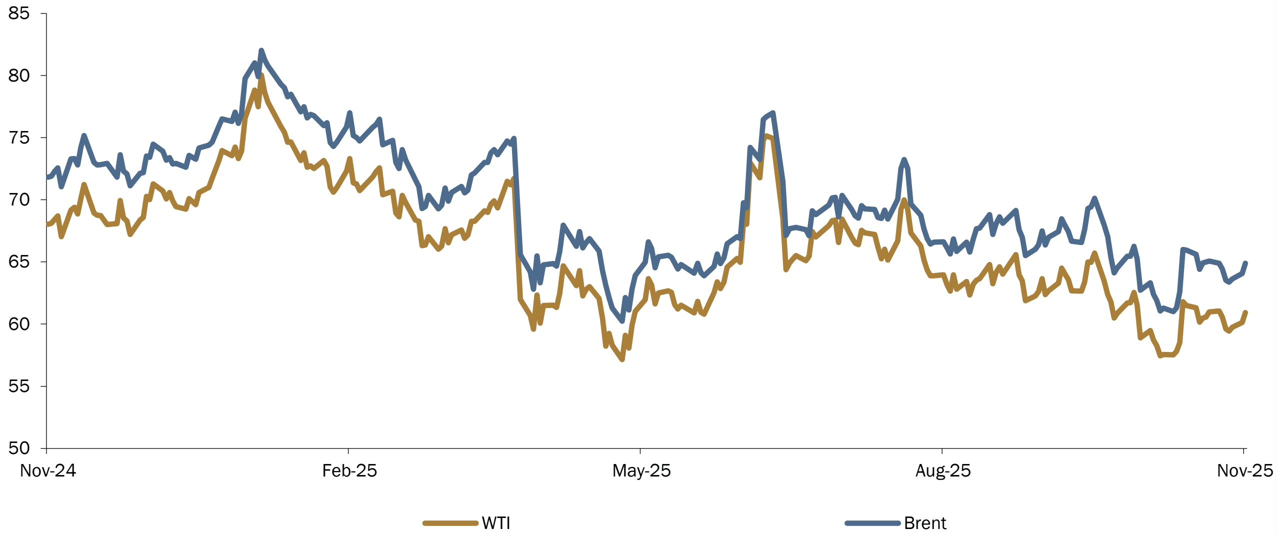
Source: ICBCS

Crude oil

Oil stays range-bound in 2025 amid global turmoil

Since the beginning of 2025, crude oil prices have exhibited a narrow trading range, fluctuating within a tight USD14 range, with greater volatility in the first half than the second. Early in the year, global economic confidence weakened following US President Trump's announcement of reciprocal tariffs, which intensified trade frictions and dampened oil demand expectations. This shift in sentiment led to a deterioration in investor confidence. In mid-June, geopolitical tensions spiked when Israel launched strikes on Iranian nuclear facilities, killing several senior commanders. Fears that Iran might block the Strait of Hormuz triggered a sharp surge in oil prices. However, by the end of the month, the U.S. President announced a comprehensive ceasefire agreement between Israel and Iran, easing global risk aversion and causing oil prices to retreat significantly. During the second half of the year, crude prices remained confined within a narrow range amid multiple headwinds: tariff uncertainties, Federal Reserve rate cuts, concerns over excess oil supply, and intensified Western sanctions on Russia. These factors collectively limited the market's ability to break out of the established price band.

WTI and Brent prices over the past 12 months (USD/bbls)



Source: Bloomberg, ICBCS

IEA warns oil glut worsens despite OPEC+ pause

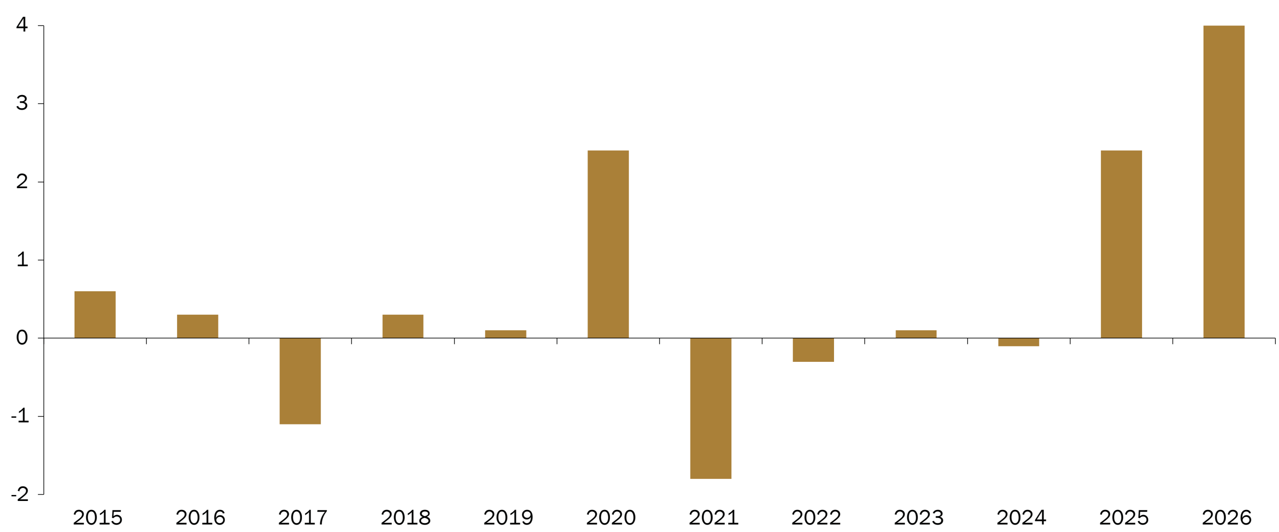
Global oil markets face another year of oversupply in 2026, underscored by the International Energy Agency (IEA). The agency has raised its surplus forecast for the sixth straight month, projecting supply to exceed demand by over 4 million barrels per day (bpd) – around 4% of global demand – as output from both OPEC+ and non-OPEC producers climbs while demand growth remains modest at 770,000 bpd. Inventories are surging, with oil-on-water at multi-year highs, signalling a deepening glut and continued pressure on prices.

In response, OPEC+ has paused planned Q1 2026 production hikes after restoring nearly 3 million bpd since April. The group now expects a balanced or slightly surplus market, reversing earlier deficit projections, even as it forecasts demand rising by 1.38 million bpd to 106.5 mbpd next year.

Despite bearish fundamentals, prices remain supported by U.S. sanctions on Russian producers Rosneft and Lukoil, which export about 3.1 million bpd. Disrupted flows to India and other importers and reliance on shadow fleets add supply uncertainty, with analysts warning sanctions could tighten further in 2026—posing upside risk amid persistent oversupply.

World oil supply demand balance

Mil barrels per day

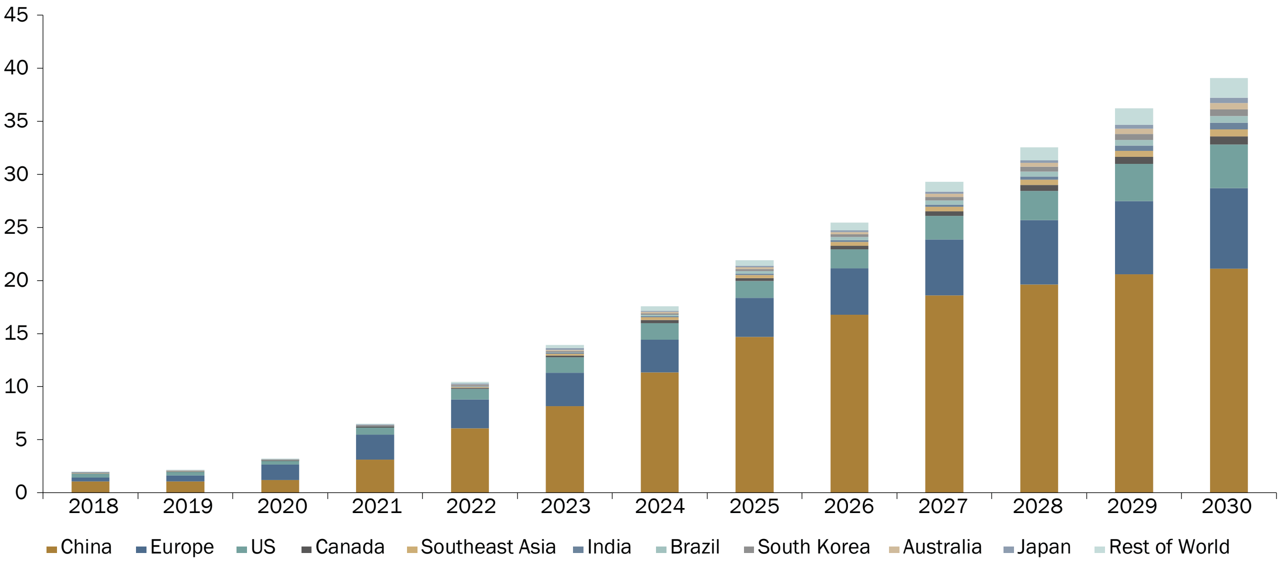


Source: IEA

EV adoption accelerates, pressuring oil demand

Global passenger EV sales are forecast to continue their rapid climb, reshaping long-term oil demand trends. According to BloombergNEF's latest outlook, annual sales of battery-electric and plug-in hybrid passenger vehicles are expected to reach around 27 million units by 2026, up from roughly 22 million in 2025. This surge will push EVs to account for nearly 30% of global new car sales, with China leading the market at over half of global volumes, followed by Europe and the US The global EV fleet is projected to exceed 100 million vehicles on the road by 2026, highlighting the accelerating pace of electrification and its implications for oil consumption.

Global passenger EV sales forecast, Million units



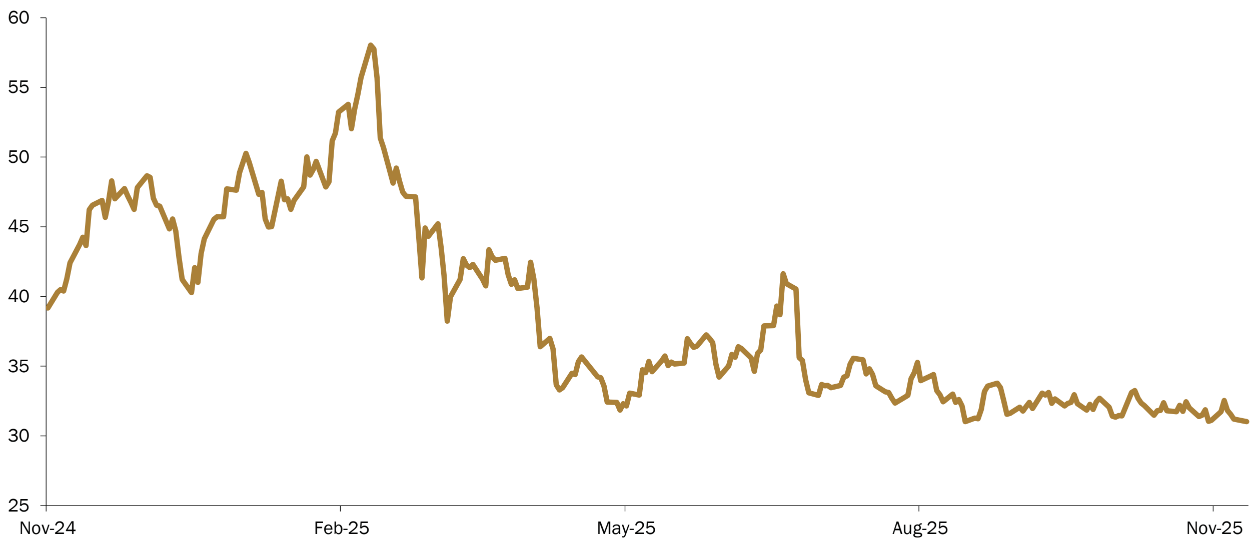
Source: Bloomberg, ICBCS

Europe's gas market stabilises as LNG expansion redefines energy security

At the start of 2025, European natural gas prices spiked as Russia's transit deal through Ukraine expired amid peak winter demand, heightening market anxiety. Since the Russia-Ukraine war began in 2022, Europe has sharply reduced its reliance on Russian gas by boosting LNG imports from Qatar and the U.S. and securing Norwegian pipeline supplies, significantly cutting Russia's share of imports. Prices quickly retreated as market tensions eased and fell below pre-spike levels by April, then traded within a tight range for the rest of the year—even the heating season's high demand failed to lift them.
Most EU states plan to ban Russian gas by the end of 2027 to curb Moscow's funding.

The IEA's World Energy Outlook 2025 highlights natural gas and LNG as vital for energy security and rising demand. Under the Current Policies Scenario, gas demand is projected to grow steadily through mid-century, supported by nearly 300 bcm/year of new LNG export capacity—mainly from Qatar and US—enhancing supply flexibility.
Gas remains a key complement to renewables amid electrification, reflecting governments' pragmatic focus on affordability and reliability over ambitious climate targets.

TTF prices over the past 12 months (€/MWh)



Source: Bloomberg, ICBCS

Crude oil, natural gas price outlook 2026

Oil outlook clouded by oversupply, but geopolitical uncertainties keep market on edge

Looking ahead, crude prices remain under pressure as the market faces a significant oversupply heading into 2026. The IEA projects a record global oil surplus next year, a scenario that appears highly probable and is likely to exert downward pressure on prices through the first half of the year. However, one point to consider is that this substantial oversupply in the oil market may already be fully priced in by investors, meaning the downside potential for crude prices in the first half of next year could be limited. In the second half, however, rising demand combined with a decline in US shale output could help restore balance by year-end. In this scenario, crude prices tend to maintain a narrow range of fluctuations in the second half of next year.

However, uncertainty persists. Geopolitical risks such as the ongoing Russia–Ukraine conflict, US sanctions on Russian crude, and potential shifts in OPEC's production strategy could all alter the trajectory. Meanwhile, the IEA's latest World Energy Outlook suggests oil demand could reach 113 million barrels per day by mid-century, up about 13% from 2024 levels, with global energy demand expected to rise by 90 exajoules by 2035—a 15% increase from today. Market participants will keep watching.

Natural gas prices are expected to maintain the narrow range of fluctuations seen in the second half of this year. This stability reflects a market that remains broadly balanced, but several factors could shift the outlook as the year progresses. One key consideration is the severity of Europe's winter temperatures. A colder-than-expected winter would accelerate the draw-down of natural gas inventories, creating a need for replenishment in the spring. This restocking activity could provide upward support for prices during the early part of the year. Another important factor is the progress of global LNG projects. Construction in Canada, the United States, and Qatar is currently on track, with completion anticipated by the third quarter of 2026. The additional supply expected from these projects could exert downward pressure on prices in the second half of the year. However, if delays occur, the timing could coincide with the arrival of the next winter heating season, when inventory depletion would support prices.

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