

Weekly Market Snapshot

Have you got commodities?

Weekly Recap

- **Interest Rates focus:** As expected, the FED has cut its benchmark rates by 25 bps reaching 4,25% signalling possible additional cuts during the remaining period of 2025 and in 2026 while the ECB kept its deposit rate steady at 2%.
- **Stock markets continue their rise:** Wall Street recorded historic highs last week with tech companies leading the increase.
- **US/China relations:** Following a call between the 2 presidents Trump and Xi Jinping, Trump declared that a possible agreement was discussed between the two parties for an American version of Tik Tok owned by American shareholders.
- **Italy** was upgraded for the first time since 2021 by Fitch Rating to BBB+ with a stable outlook.

Commodities

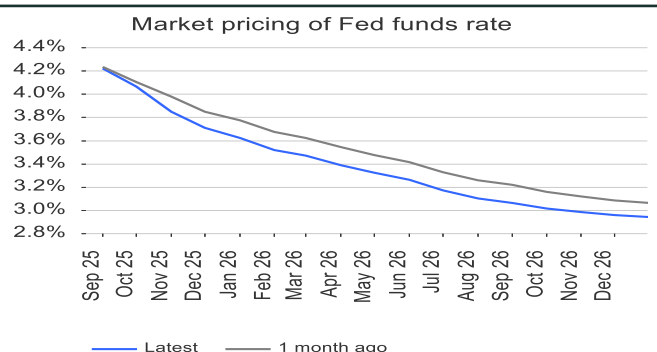
Despite strong performance this year, the portfolio allocation for commodities remains very small compared to other asset classes.

It has been always advised "not to put all your eggs in the same basket", promoting diversification in the portfolios. However, in the last few years diversification was harder to achieve. Indeed, one would invest in bonds as a cushion facing the stocks allocation held in the portfolio but lately, we have globally seen a positive correlation between those two assets classes (except in China) in opposition with commodities which represent an asset class itself very diversified by nature as it gathers precious metals, energy, industrial metals...

ETFs and Funds can provide exposure to this asset class either through a single commodity or a basket of commodities.

23 September		% Chg	Return Trend	
Market	Level	1 Wk	1 Month	1 Year
Stocks				
S&P 500	6657	+0,8%	↗	↗
Euro STOXX 50	5472	+1,9%	↘	↗
FTSE 100	9223	+0,2%	↘	↗
Nikkei 225	45630	+1,6%	↗	↗
MSCI EM	1347	-0,1%	↗	↗
Bonds				
	Yield			
US 10Y	4,1	+0,4%	↗	↗
Gm 10Y	2,7	+2,7%	→	↘
UK 10Y	4,7	+0,8%	↗	↘
Jp 10Y	1,6	+3,0%	↘	↘
IG Credit				
	Yield			
US	4,9	+1,4%	↗	↗
EU	3,1	+0,6%	↗	↗
UK	5,3	-	↗	↗
Alternatives				
Gold	3775	+3,1%	↗	↗
Copper	4,6	+0,2%	↗	↗
S&P Global Infra	3473	+0,2%	↘	↗
EU REITs	1592	-0,5%	↘	↘
BBG Hedge Fds	1730	-0,0%	↗	↗

MARKETS NOW EXPECT EVEN LOWER FED FUND RATES



Hiba Mouallem
Investment
Strategist
BNP Paribas Wealth
Management



Edmund Shing, PhD
Global CIO
BNP Paribas Wealth
Management



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Everyone is underweight commodities!

According to the latest Goldman Sachs survey of global family offices, these family offices only hold a 1% total allocation to commodities in their portfolios. This compares to an average allocation of 12% in cash and near-cash, and another 11% in listed bonds and corporate credit.

Despite strong 2025 performance

This is somewhat surprising for two reasons: commodities as an asset class have performed strongly over 2025, and indeed over the last 5 years. The S&P GSCI equal-weight commodities index has risen 14% in US dollars this year and has doubled in value over the last 5 years (15% annual average return).

Precious metals (gold, silver, platinum) have been the star performers at 39%-58% returns this year, but strategic industrial metals such as copper (+15%) and tin (+23%) have also benefited from a combination of solid technology-related demand growth and restricted supply. Other commodities such as cattle and coffee have also risen sharply this year.

Commodities can play an important role in a well-diversified portfolio

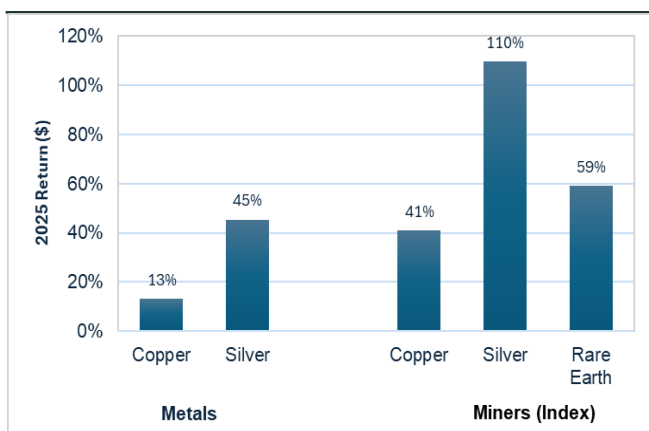
Achieving true diversification in investment portfolios today has become a lot harder.

Global stock indices are more concentrated than ever following the long-term outperformance of US mega-cap technology stocks such as Nvidia. Any reversal in fortunes of these technology stocks would have a heavy impact on overall performance of the 1350-stock MSCI World index, given the 22%+ weighting of the Magnificent 7 in this index.

What makes portfolio diversification even more difficult today is the positive correlation between stock and bond markets. According to Amundi, the 5-year correlation (2020-2024) between stock and bond markets varied from +0.44 for the UK to +0.62 for the US, with only China offering a negative correlation over this time span between local stocks and bonds. This is very important to know when constructing multi-asset portfolios, as it suggests that stocks and bonds now tend to go up and down together. Most importantly, it suggests that bonds will no longer act as a cushion to portfolio performance when stock markets correct or enter a bear market, as was generally the case from 2000 to 2019.

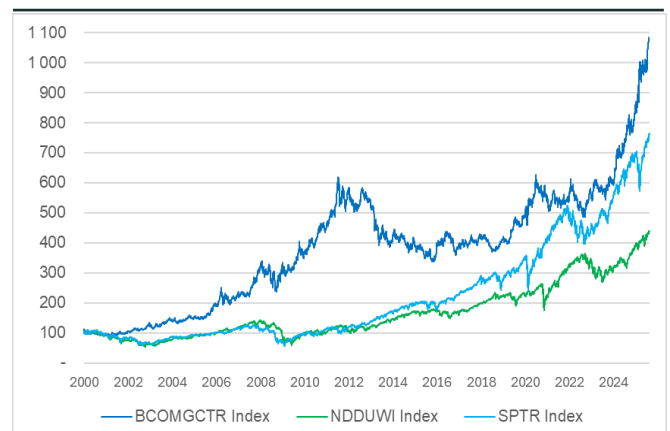
Take the relatively recent example of 2022, notable for the Russian invasion of Ukraine. Over calendar 2022, global bonds returned -16% in US dollars, while global stocks returned -18%. Not much diversification of performance evident here. In contrast, the Bloomberg commodity index offered +16% over this same period.

CHART 1 – STRONG PERFORMANCE FOR CRITICAL METALS AND MINERS



Source: BNP Paribas, Bloomberg

CHART 2 – GOLD HAS BEATEN US, GLOBAL STOCKS SINCE 2000



Source: BNP Paribas, Bloomberg



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Commodities have diverse drivers

The commodities asset class is by its nature well diversified among the various subclasses such as precious metals, energy, industrial metals and soft commodities (foodstuffs, cotton).

Soft commodities are often affected by climate and crop yield, while energy and industrial metals are by nature closely tied to the ups and downs of the global economic cycle. Precious metals are seen to a large extent as a store of value (gold in particular) and so tend to perform well in times of crisis and geopolitical stress.

Commodities suffered post the last 1999-2008 supercycle

Commodities as an asset class have historically enjoyed long bull and bear markets. The last commodity supercycle was driven by the boom in Chinese manufacturing capacity over 1999-2008, when the S&P GSCI commodities index rose 580% from trough to peak (22.8% annualised). Following the 2008 Global Financial Crisis, commodities suffered a prolonged bear market, falling 72% to March 2020.

Since early 2020, the combination of a post-COVID reopening economic boom and the 2022 invasion of Ukraine has resulted in a 144% gain in the S&P GSCI equal-weight commodities index (+18.1% annualised to date).

Preferred ways to introduce commodities into a diversified portfolio

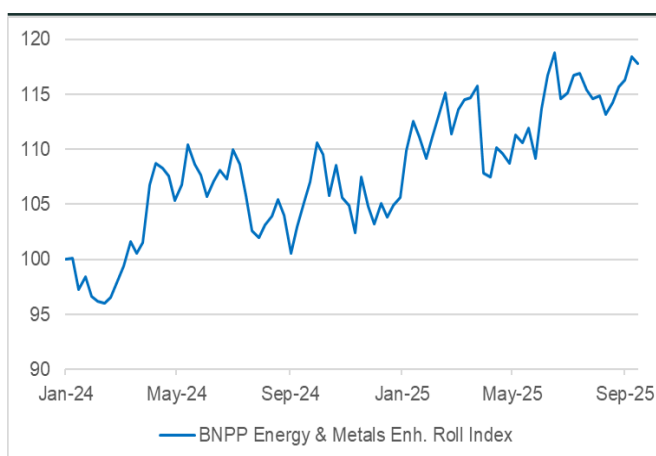
Today, there are a number of “intelligent” ways to add commodity exposure easily to a diversified multi-asset portfolio. We particularly like commodity strategies and indices that capture the roll yield in commodity futures that are in backwardation (where the far-dated future price is lower than the spot price, potentially capturing extra return over time as the lower futures prices slowly converges in the higher spot price).

One such strategy is the BNP Paribas Energy & Metals Enhanced Roll index, which has delivered a 15% return in euros and 18% in US dollars over the last year. This index only holds exposure to commodities in backwardation, and is currently exposed to gold, silver, natural gas, crude oil and copper.

A second simpler diversified commodities strategy to follow is embodied in the Bloomberg equal-weight commodity ex-Agriculture index, which holds a basket of 12 different commodities split between energy, industrial metals and precious metals. This has returned 9% over the last year in euros and 15% in USD.

Finally, there are a number of funds and ETFs that give exposure to single commodities such as gold, silver, platinum, copper, aluminium, nickel, tin and crude oil.

CHART 3 – COMMODITIES REPRESENT A GOOD US HEDGE



Source: BNP Paribas, Bloomberg

CHART 4 – COMMODITIES CLOSE TO THEIR HIGHEST IN 15 YEARS



Source: BNP Paribas, Bloomberg



BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

CONNECT WITH US



wealthmanagement.bnpparibas

DISCLAIMER

This marketing document is communicated by the Wealth Management Métier of BNP Paribas, a French Société Anonyme, Head Office 16 boulevard des Italiens, 75009 Paris, France, registered under number 662 042 449 RCS Paris, registered in France as a bank with the French Autorité de Contrôle Prudentiel et de résolution (ACPR) and regulated by the French Autorité des Marchés Financiers (AMF). As marketing material, it has not been prepared in accordance with legal and regulatory requirements aimed at ensuring the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It has not been submitted to the AMF or any other market authority.

This document is confidential and intended solely for the use of BNP Paribas SA, BNP Paribas Wealth Management SA or their affiliates ("BNP Paribas") and the persons to whom this document has been delivered. It may not be distributed, published, reproduced or disclosed by any recipient to any other person, nor may it be quoted or referred to in any document, without the prior consent of BNP Paribas.

This document is provided solely for information and shall not constitute an offer or solicitation in any state or jurisdiction in which such an offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer, solicitation or sale. It is not, and under no circumstances is it to be construed as, a prospectus.

Although the information provided herein may have been obtained from published or unpublished sources considered to be reliable and while all reasonable care has been taken in the preparation of this document, BNP Paribas does not make any representation or warranty, express or implied, as to its accuracy or completeness and does not accept responsibility for any inaccuracy, error or omission. BNP Paribas gives no warranty, guarantee or representation as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of any product or transaction. Investors should not place undue reliance on any theoretical historical information regarding such theoretical historical performance. This document may contain or refer to past performance; past performance is no guarantee for future performance.

The information contained in this document has been drafted without prior knowledge of your personal circumstances, including your financial position, risk profile and investment objectives.

Prior to entering into a transaction each investor should fully understand the financial risks, including any market risk associated with the issuer, the merits and the suitability of investing in any product and consult with his or her own legal, tax, financial and accounting advisors before making his or her investment. Investors should be in a position to fully understand the features of the transaction and, in the absence of any provision to the contrary, be financially able to bear a loss of their investment and willing to accept such risk. Investors should always keep in mind that the value of investments and any income from them may go down as well as up and that past performance should not be seen as an indication of future performance. Any investment in a product described herein is subject to the prior reading and understanding of the legal documentation concerning the product, and in particular the one which describes in details the rights and obligations of investors as well as the risks inherent to an investment in the product. Save as otherwise expressly agreed in writing, BNP Paribas is not acting as financial adviser or fiduciary of the investor in any transaction. The information, opinions and projections expressed herein reflect the opinion of their author at the time of writing; they are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by anyone, and are subject to change without notice. Neither BNP Paribas nor any BNP Paribas Group entity accepts any liability whatsoever for any consequences that may arise from the use of information, opinions or projections contained herein.

As distributor of the products described herein, BNP Paribas may receive distribution fees on which you can obtain more information upon specific request. BNP Paribas, their employees or administrators may hold positions in these products or have dealings with their issuers.

By accepting this document, you agree to be bound by the foregoing limitations.

© BNP Paribas (2025). All rights reserved.

Pictures from Getty Images.



BNP PARIBAS
WEALTH MANAGEMENT

**The bank
for a changing
world**