

A Commodities Comeback

Hani Redha, CAIA, Global Multi-Asset Portfolio Manager

Commodity markets are reemerging as a central driver of the global macro outlook after more than a decade at the periphery of asset allocation. What appears at first glance to be a cyclical rebound increasingly looks structural. Demand is strengthening across energy, industrial metals, and precious metals alike while supply remains slow to respond, creating conditions more consistent with a sustained commodity upcycle than a typical late-cycle rally.

The key development is not simply stronger growth, but the changing composition of global investment. The world is entering a period of unusually high physical capital spending, driven by the buildout of AI infrastructure, electrification and the energy transition, rising defense investment, and the restructuring of global supply chains. Each of these forces requires large quantities of energy, metals, and other raw materials. As a result, commodities are increasingly responding to multi-year investment programs, with broad commodity indices moving higher alongside improving physical demand indicators.

At the center of this transition sits copper, exposed to major investment themes ranging from electrification and renewable energy to electric vehicles and datacenter expansion. Demand is therefore expected to grow well above historical trends, with AI infrastructure alone likely accounting for roughly 20% of incremental demand in the coming years. Supply, however, remains structurally constrained, as new mines typically take around a decade to develop, and exploration investment has lagged. While higher prices are galvanizing incremental supply, these measures are unlikely to fully offset longer-term imbalances between demand and supply. Other critical materials include uranium, used to generate nuclear power for datacenters, and rare earth metals, used in defense systems and electronics.

Energy markets reinforce the broader theme of constrained supply meeting resilient demand. Notwithstanding geopolitical developments, which are temporarily adding a risk premium to the oil price, our base case sees oil stabilizing near \$65 per barrel over the next few quarters, supported by OPEC's continued preference for price stability over market share gains. Spare capacity remains concentrated among a small number of producers, particularly Saudi Arabia, allowing the group to retain significant influence over marginal pricing. At the same time, global inventories remain low; US strategic reserves have yet to fully rebuild, while China continues to expand storage, adding an underappreciated source of demand. Yet with inventories tight, even modest disruptions can have outsized price effects, effectively placing a floor under oil prices.

From a macro perspective, commodities remain a key source of uncertainty in the disinflation process, as energy and raw materials can slow price normalization through higher electricity, food, and transportation costs. The implications for emerging markets are significant and will likely be a source of dispersion in performance. Commodity exporters, particularly in Latin America, stand to benefit from stronger terms of trade and improved fiscal dynamics, while import-dependent Asian economies face rising input costs.

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About This Report

PineBridge believes that not only do differences of opinion make markets, but they also foreshadow substantial moves ahead as these differences are resolved. Once a month, investment leaders from our global multi-asset, equities, and fixed income teams meet to share their diverse viewpoints. This report reflects those discussions and debates by providing insight on the topic of the month along with snapshots of our asset class views and convictions across the firm.

Gold, while often framed as an inflation hedge, is increasingly driven by geopolitics and reserve diversification. Central banks across emerging markets have accelerated gold purchases to reduce reliance on dollar-denominated reserves. In a more fragmented geopolitical landscape, gold's neutrality has regained strategic value. Its rising importance therefore reflects not only macroeconomic uncertainty but also evolving perceptions of financial security and sovereignty.

Taken together, these developments suggest commodities are reclaiming a central role in global macro investing. Increasingly viewed as strategic assets, commodities are becoming integral to technological leadership, energy security, and national defense, embedding a geopolitical premium into valuations.

Conviction Score (CS) and Investment Views

The Conviction Scores shown below reflect the investment team's views on how portfolios should be positioned for the next six to nine months. 1=bullish, 5=bearish, and the change from the prior month is indicated in parentheses.

Global Macro

Sam McDonald

Sovereign Analyst, Emerging Markets Fixed Income

CS 3.00 (unchanged)

Upholding a lower court ruling in late February, the US Supreme Court decided that the president lacks the authority to use the [International Emergency Economic Powers Act \(IEEPA\)](#) of 1977 to impose tariffs. While President Trump said he will impose a 15% global duty instead, the new taxes are unlikely to materially affect rates or Federal Reserve monetary policy decisions. Underlying data remain stable, despite some headline distortions. Minutes of the January Federal Open Market Committee (FOMC) meeting indicate a moderately hawkish tone compared to December, with the labor market again showing signs of stabilization.

President Trump's plan to impose a 15% global duty would lower the average effective tariff by two percentage points to about 14%. The Supreme Court decision did not mention refunds, which amount to approximately \$150 billion, or about 0.5% of GDP. However, even if lower courts approve refunds, the process is expected to be staggered and will likely benefit corporations more than consumers.

The labor market shows signs of further stabilization. The January jobs numbers show the unemployment rate ticking lower to 4.3%, headline payrolls increasing by 130,000, and private payrolls up by 172,000, driven predominantly by growth in health and education jobs. Initial unemployment claims again moved lower, to 206,000, from a peak of 232,000 due to weather disruptions. Additionally, continuing claims remain relatively low, pointing to a more positive outlook for the labor market this year.

The January Consumer Price Index (CPI) eased to 2.4% from 2.7% on a year-over-year (y/y) basis, driven by weaker energy prices. Core CPI fell to 2.5%, driven by softer shelter and used-vehicle prices. On a month-over-month basis, core CPI rose to 0.3%; January price resets and tariffs drove the upward pressure. Core CPI has diverged from core Personal Consumption Expenditures (PCE) inflation, which is tracking above 3% year over year. The divergence is seemingly driven by a combination of weightings differences and rents.

The January FOMC meeting minutes indicate a hawkish tilt, with the Fed commenting that the labor market is showing signs of stabilizing. On inflation, most FOMC members cautioned that progress toward the Fed's target might be slower or more uneven than expected and judged that inflation running consistently above target was a meaningful risk.

Fourth-quarter GDP data were weaker than expected, slowing to a seasonally adjusted rate of 1.4% quarter-over-quarter due to impacts of the US government shutdown. The US Bureau of Economic Analysis (BEA) has said that the shutdown reduced growth by at least 1%; first-quarter GDP data should see some takeback. Business investment remains strong, supported by the ongoing investment in computing related to AI.

Rates

Gunter Seeger

Portfolio Manager, Developed
Markets Investment Grade

CS 4.00 (unchanged)

The US bond market finds itself in a difficult spot, with improving economic numbers, non-farm payrolls coming in at double the estimate, and the unemployment rate falling to 4.3% from 4.4%. At the same time, the Federal Reserve's most-watched indicator, core PCE, rose to 3.0% – a full percentage point higher than the Fed's stated target of 2.0%.

After cutting rates three times in 2025, Chair Jerome Powell stated that he was concerned about the full-employment portion of his dual mandate and seemed less concerned about price stability. The current chair has two more FOMC meetings left in his term. The market is pricing in zero cuts until his departure. Looking at the first six months of Fed Chair nominee Kevin Warsh's term, the market has priced in at least two cuts. This outlook has been confirmed by Bloomberg's World Interest Rate Probability (WIRP) function, betting markets, and the T-bill market – a unanimity that almost never happens, making it the base case for most market participants. However, we believe that the market continues to underprice the vibrancy of the US growth backdrop, being driven by deficit and capex spending, particularly in AI. Improving economic data so far in 2026 provide a nonpartisan Fed with fewer reasons to cut rates, despite the market believing the Fed will bend toward the president's will. The impact of war in Iran could upend oil prices and send the CPI soaring in the second half of 2026.

Credit

Steven Oh, CFA

Co-Head of Leveraged Finance

CS 3.25 (unchanged)

An element of volatility has finally crept into credit markets as concerns relating to AI displacement have resulted in pullbacks in industries perceived as being vulnerable to future business model disruptions. The retreat began in software but has broadened to insurance, financial services, and other targeted sectors. Asset classes such as leveraged loans, which are more concentrated in affected industries, have correspondingly been impacted to a greater degree than asset classes with more limited exposure. Given the much higher levels of exposure in the private credit market, the potential for future losses from AI disruption and subsequent impact on capital markets will need to be monitored.

Despite the pullback in AI-affected credits, valuations remain tight, particularly for more resilient industries. Given that spread widening has been concentrated in credits now deemed to have greater change risk, valuations have not necessarily cheapened on a risk-adjusted basis. Therefore, we are maintaining our credit score, with its marginally defensive bias. Additional widening, however, would tilt us toward a neutral stance.

Currency (USD Perspective)

Anders Faergemann

Senior Sovereign Portfolio
Manager, Emerging Markets
Fixed Income

CS 3.00 (+0.25)

Our earlier constructive view of the US dollar – predicated on a boost in US first-quarter growth from the OBBBA's fiscal impetus, easier financial conditions, and strong (albeit decelerating) AI-driven investment – has softened. A broadening global upswing, led by Germany, is now outpacing US growth and reducing the likelihood of a sustained USD rebound.

The Trump Administration's "benign neglect" policy regarding the US dollar suggests tolerance for weakness rather than active depreciation efforts. Confusion around the pre-election US dollar/Japanese yen (JPY) rate check, followed by conflicting messages, briefly undermined credibility. Joint intervention is rare, and while there was no actual intervention, the episode effectively signaled a desire to avoid further instability in Japanese government bonds and the yen. Verbal intervention together with the landslide Takaichi victory, which implies less fiscal expansion, have curtailed expectations of a sharply weaker Japanese yen. With prospects of Bank of Japan hikes and domestic inflation now consistently running above 1%, we are gaining confidence in our out-of-consensus view of further yen appreciation over the next 12 months.

Markets have operated in a low-volatility carry regime across rates, equities, and foreign exchange (FX) since summer. While our base case is one of stabilization, headline risk is likely to persist, especially as Kevin Warsh's nomination to head the Federal Reserve has lifted market volatility. A combination of Warsh atop the Fed, a cooling economy in the second half, and anchored inflation expectations could pave the way for more Fed cuts in the back half of the year, limiting US dollar upside.

The most significant drag on US dollar momentum in early 2026 is the reassessment of US exceptionalism amid renewed concerns in the US tech and software sectors. A rotation away from US tech into global assets is underway, supporting a softer US profile over the coming year.

Emerging Markets Fixed Income

Joseph Cuthbertson
Sovereign Analyst, Global
Emerging Markets Fixed Income

USD EM (Sovereign and Corp.)
CS 2.75 (unchanged)

Local Markets (Sovereign)
CS 2.75 (unchanged)

Despite an uptick in volatility, emerging market (EM) spreads have continued their resilience in early 2026 following last year's 75 basis points (bps) of tightening. Nominal growth levels continued to improve, while EM current accounts remained in surplus and overall balances — still elevated owing to higher borrowing costs and debt levels from post-Covid/Ukraine — are trending in the right direction. Despite high core rates, spread compression across most EM sovereigns has been sufficient to reopen market access down the rating spectrum. In 2026, we expect market access to extend to several issuers that defaulted in the previous cycle, which we view as supportive of sentiment.

We expect improved sovereign credit metrics to continue this year. Robust data and growing external buffers support policy easing among local-currency high yielders. Many of these countries have room to cut further, with front-end real rates rising as inflation comes off faster than expected. We also see scope for improved fiscal policy from these names. Even with the recent pullback in gold and silver prices and the uptick in oil prices, the absolute level of commodities remains supportive of EM credit metrics.

Our analysts suggest we can expect a large number of sovereign-rating upgrades and few downgrades over the forecast period, with several rising stars moving to investment grade (including Serbia and Morocco) and several ratings being lifted out of the CCC category (including those of Pakistan, Ghana, and Argentina). Given the many net upgrades in 2025, fewer are likely in 2026, even as fundamentals remain positive; rating outlooks have shifted toward neutral. Nonetheless, longer-term reform stories remain in play, with scope for idiosyncratic spread compression across select sovereigns. Many of these names, including Argentina, look to capitalize on bilateral/multilateral anchors.

As EM corporates start to report their fourth-quarter 2025 earnings, we expect another quarter of broadly neutral results with a tilt toward positive surprises, consistent with the patterns seen in earlier quarters. Looking ahead, we expect the fundamental picture to remain robust. Leverage metrics are expected to remain stable or modestly lower. Our Credit Trend matrix is 15% positive versus 12% negative across the names we cover. Primary market activity started the year strong, with January issuance reaching \$89 billion, surpassing the previous monthly high of \$81 billion set in January 2020. The robust supply was well absorbed by elevated cash flows. Looking ahead, we expect technicals to remain supportive, underpinned by net-negative issuance expectations and the ongoing inflow story into emerging markets. Valuations may look fair to tight, but higher carry keeps corporates attractive.

Geopolitics are becoming a stronger market driver given the conflict in Iran, which could prolong higher oil prices. This could have second-order effects on inflation and market volatility.

Multi-Asset

Deanne Nezas, CFA
Portfolio Manager,
Global Multi-Asset

CS 2.25 (unchanged)

Our Conviction Score remains unchanged at a constructive 2.25, supported by reacceleration, peaking inflation, and a long-tenured, productivity-driven investment cycle. Most previous periods of rapid technological development also came with a fair share of disruption. In retrospect, it paid to keep one's eye on the intermediate-term ball.

While uncertainty over future tariff rates remains, Treasury Secretary Bessent recently signaled that 2026 tariff revenue will be near 2025 levels. The timing of peak pass-through for tariff revenue is unclear, but we still expect inflation to peak slightly above the current rate of 3% for US core PCE. Labor costs dominate the inflation outlook in a 70% service economy, and the growing impact of AI should help temper service inflation.

Global developments reinforce our views. Japan's new leadership marks a pivotal policy shift toward reattracting global investment and reinforcing the nation's hawkish stance toward China — yet with less incremental fiscal stimulus. In Europe, we continue to see incremental improvement, particularly with Germany's defense and infrastructure fiscal thrust, although structural headwinds persist in the form of China's export prowess and US tariffs. China's continuing focus on high-tech manufacturing means other priorities must wait, widening the gap between China's export competitiveness and its sluggish domestic recovery.

Geopolitical risks, particularly related to the Iran conflict, remain elevated. Despite near-term uncertainty, we maintain our intermediate-term discipline.

Global Equity

Rob Hinchliffe

Portfolio Manager,
Head of Global Sector Cluster
Research, Global Equities

CS 3.00 (unchanged)

Strong fourth-quarter results are powering markets. While questions about an AI bubble and concerns over the cloud remain, solid purchasing managers' indices (PMIs) and other macro data have served as an offset. The result is a wider market with a growing US economy lagging somewhat behind others.

Various factors, including a weak US dollar, have sparked higher commodity prices, with energy and materials leading the markets year-to-date. The rotation has also driven solid moves in defensive stocks, including consumer staples and big pharma, perhaps ahead of fundamentals. High-growth cyclical stocks are leading the MSCI All Country World Index (ACWI) year-to-date, while high-growth stable stocks are lagging. In contrast, software has been under severe pressure as investors question their moat in an AI world.

Global Emerging Markets Equity

Taras Shumelda

Portfolio Manager,
Global Equities

CS 3.00 (unchanged)

All eyes are on the recent Supreme Court ruling on tariffs and the conflict with Iran. A new less-restrictive US trade regime would be positive for global emerging markets, especially for companies in China, India, Korea and Taiwan. Non-US manufacturing companies, especially in the high-tech, consumer goods, and automotive sectors, are the most likely winners if trade conditions ease.

The market is once again disproportionately dominated by top-down news and geopolitical risks. The most pressing near-term risks involve the Iran conflict, Ukraine peace talks, and preparations for the Trump-Ji Jinping summit – all of which are too complex to be reflected directly in company-specific estimates, at least at present. The earnings reporting season so far has produced mixed results, with particular strength seen in semiconductor stocks. Other sectors, including financials, consumer staples, telecoms, and mining, have reported mixed results, although they skew positive. March will see the release of the most reports for the quarter, which will provide a much clearer view of how the 2026 earnings outlook is shaping up.

Quantitative Research

Yang Qian

Fixed Income
Quantitative Strategist

Our US Conviction Score moved further in the optimistic direction last month, with contributions coming from a 7-bp tightening of credit spreads and a 3-bp steepening of the yield curve.

Global credit forecasts remain negative and favor emerging markets over developed markets. Among the latter, our model favors banking, energy, and industrials and dislikes finance companies, utilities, and communications. Among EM industries, our model likes metals and mining, as well as financials; it dislikes real estate, industrials, consumer goods, and transport.

Our global rates model forecasts higher yields for Switzerland and Japan and lower yields for Oceania, the US, and most European countries. The model forecasts a steeper curve in Switzerland, Norway, the UK, and the US and a flatter curve in Oceania and most European countries.

The rates view expressed in our G10 Model portfolio is overweight global duration by +0.69 year. It is also overweight France, Spain, New Zealand, Belgium, and Canada. It is underweight the US, Germany, and Japan. Along the curve, it is overweight six-month, 10-year, and 20-year durations while underweight two-year, five-year, seven-year Japanese government bonds, and 30-year durations.

Disclosure

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