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Key Takeaways

- After a decade-plus bear market, 2025 marked a decisive turning point for commodity prices.
- A powerful new cycle is taking shape — driven by resilient global growth, structural underinvestment, and a rising "debasement mindset."
- Global allocators should be overweight commodity-oriented equities, with particular emphasis on industrial metals such as copper.

Ask Forstrong: What do you make of last year's robust action in commodity markets? Can it continue in 2026?

Welcome back to the pages of Ask Forstrong, dear readers. It has taken 14 years, substantial capital outlays, repeated setbacks, and more than a few wildly optimistic forecasts — but over the holidays, a genuine productivity breakthrough finally arrived: my teenage son made his own dinner. I missed the action, but the post-mortem was favourable: a structurally coherent quesadilla, the kitchen still standing, and no frantic call to the fire department.

Another breakthrough — this one with far broader consequences — also appeared in 2025: commodities came back to life. Nearly everything across the periodic table rallied. Precious metals surged. Copper posted its strongest annual gain since 2009, driven by stubborn supply bottlenecks and insatiable demand from electrification to AI-driven data centre build-outs. Crude oil was the lone laggard, held back by an OPEC-led supply flood.

What to make of all this? It has been a long and grinding bear market for a wide swath of resource prices — the broad complex last peaked in 2011 (incidentally the same year my firstborn arrived). But 2025 marked a clear regime shift. Surging commodity prices are signalling something important.

Here's what they're saying:

1. Resilient Global Growth

The first message is the simplest: the global economy continues to outperform the widespread and persistent prophecies of doom. 2025 delivered no shortage of alarming headlines — including America's highest tariff rates since the 1930s, with the average rate now seven times higher than a year earlier. Yet rather than derailing global growth, Trump's tariffs triggered reactionary waves of domestic stimulus abroad, igniting equity rallies and propping up local demand. We called this the Protectionist Paradox, and as recent media coverage noted, it remains very much alive.

But the pattern should now be obvious: governments everywhere are spending their way out of political predicaments. In America, having damaged business confidence with his tariff barrage, Trump has pivoted to tax cuts. Many households will soon receive tax rebates, delivering a front-loaded fiscal boost that more than offsets last year's policy shocks. The most reliable macro forecasting rule still holds: when American consumers receive money, they spend it. And if these rebates don't lift Trump's approval, expect fresh stimulus ahead of the 2026 midterms.

Elsewhere, fiscal taps are equally open. Even Germany has joined the spending party, rolling out a €500bn package — roughly 12% of GDP — an extraordinary pivot for a country once synonymous with austerity. Across the developed world, governments are now running deficits normally reserved for fighting deep recessions.

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Fiscal easing is also being met with monetary accommodation. The US Federal Reserve now faces pressure to act as a "national champion" and bring rates down. Markets have correctly priced an asymmetry in Fed behaviour: there are very few scenarios where the Fed hikes in 2026, but it will move quickly and aggressively to cut if downside risks appear. That bias forces other central banks to follow — lest yield-hunters drive up their currencies and crush exporters.

OECD leading indicators are now turning higher. Often lost in the headlines is that the world's two largest engines of growth outside America — China and Europe — are only now emerging from their post-Covid slumps. Europe is now in a solid cyclical recovery. Importantly, China, the planet's biggest commodity customer, has turned a major corner after years of regulatory crackdowns and a deflating property sector.

This overall backdrop is constructive for pro-growth assets such as commodities. As 2026 progresses, investors will soon hear more words beginning with "R": ***reflation, reacceleration, and regime shift.***

2. Structural Underinvestment: Revenge of the Real Economy

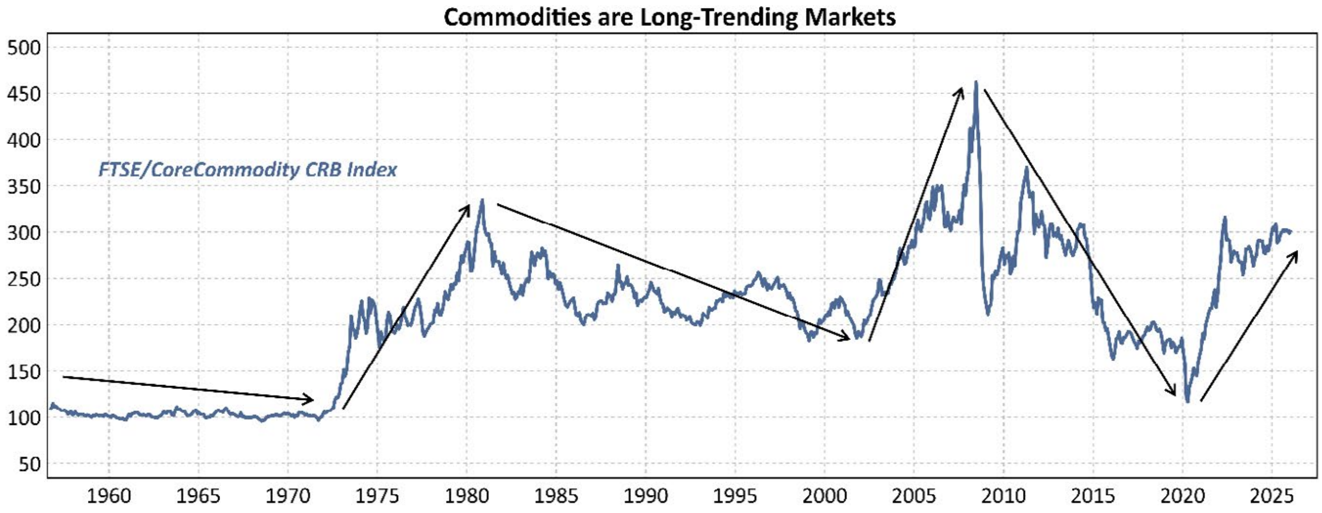
Years of chronic underinvestment — especially in mining and energy — have left the world short of nearly everything that matters. Electrification, grid upgrades, data-centre build-outs, AI infrastructure, defence spending: all of it requires metals, materials and energy. Even modest demand now runs head-first into supply chains that simply cannot ramp up quickly.

This is a new world: the marginal unit of global growth is once again resource-intensive. We call this the ***Revenge of the Real Economy*** — a key Super Trend in our 2026 Investment Outlook. One of the least appreciated shifts underway is that the world's largest companies — US Big Tech — are quietly abandoning their capital-light business models. Future growth now depends on data centres, transmission lines, power generation and physical infrastructure. ***Silicon Valley is rediscovering physics.***

More broadly, the world is in a global race to reindustrialize. Structural forces — decarbonization, supply-chain reshoring, national industrial strategies and rising geopolitical tension — are pulling capital away from purely digital projects and toward physical economic rebuilding. Governments are directing staggering sums toward energy systems, transport networks, grid reinforcement, manufacturing capacity and engineering capabilities. The pandemic killed the austerity reflex and expanded political appetite for large-scale fiscal programs that favour domestic resilience over cost minimization.

This renewed focus on the real economy is reversing many of the deflationary impulses that defined the 2010s. As fiscal firepower collides with rising industrial demand, capacity constraints are emerging in everything from metals (it takes 10–15 years to bring a new copper mine online) to specialized labour (over the last decade, how many of our best and brightest youth went into the resource extraction business instead of trying to get an algorithmic stablecoin to work?). These bottlenecks are not temporary; they are the predictable result of a world reinvesting in itself after a long period of neglect.

Commodity cycles themselves are long. The last supercycle ran from 2001 to 2011. The one before that, from 1968 to 1980. These cycles typically last about a decade and unfold in three phases. First, rising prices restore confidence. Second, resource companies start spending again, driving cost inflation and pushing prices higher. Third, the system is de-bottlenecked as new supply finally arrives — eventually cooling prices. We are still firmly in phase one.



Sources: FTSE/CoreCommodity, Gavekal Research, Forstrong Global Asset Management

3. Vibe Shift: A "Debasement Mindset" Has Taken Hold

The final signal from commodities is more subtle — but no less powerful.

After the 2008 Global Financial Crisis, investors spent a decade in a defensive crouch. Risk-taking collapsed. Interest rates fell. The US dollar stayed chronically strong. Commodity prices sagged. The prime directive was simple: protect principal.

That world is gone. Investors have now absorbed an unavoidable truth: massive government spending is not a temporary aberration — it is the playbook (and they may also have noticed that a meaningful share of the political class appears to be operating with a prefrontal cortex still in early development). Most importantly, they understand inflation will run structurally hotter than the sub-2% regime of the 2010s.

The result: ***a debasement mindset*** is taking hold. Investors no longer want to sit on high cash balances. They recognize the need for tangible assets in portfolios — assets tied to real economic value rather than political promises.

Markets are doing the talking. In 2025, numerous industrial metals posted double-digit gains. Copper surged more than 35%. Gold delivered its strongest performance since 1979. Meanwhile, the US dollar index suffered its worst six-month decline in more than 50 years and ended the year down roughly 11% for the year, making it the weakest performer among 17 major global currencies.

History is unambiguous here: sustained dollar weakness is rocket fuel for resource prices. The last dollar downcycle in the early 2000s (those who were there remember it well) powered a multi-year commodity boom. The same conditions are now lining up again.

Investment Implications:

Markets remain fixated on America's mega-cap AI champions — and appear convinced that the US lead in AI is both permanent and unassailable. Growth expectations embedded in US equity valuations are now approaching century highs, rivalled only by the late-1990s dot-com era. That narrow focus has left an enormous opportunity set hiding in plain sight.

A broader regime change is underway. Real assets, commodities, infrastructure and income-producing resource sectors are reclaiming a central role in diversified portfolios. These are slow-moving, supply-intensive, globally coordinated investment cycles — the exact opposite of the intangible-driven tech surges that defined the last decade.

For investors, the implications are straightforward:

- **Own Atoms:** Increase exposure to commodities, infrastructure and real-asset equities benefitting from capex cycles. They lagged last cycle but will lead this one.
- **Play the Bottlenecks:** Focus on supply-constrained metals essential to electrification — especially copper. Expect more large mergers (e.g., Anglo American + Teck) to unlock shareholder value, along with opportunities in major national exporters in Latin America and Southeast Asia.
- **Hedge with Real Assets:** Use precious metals to protect portfolios from sticky inflation and geopolitical volatility. Expect high volatility but remain strategically invested.

Forstrong client portfolios are already positioned for this shift — and have benefited meaningfully over the past year. Looking for the right word to capture what's unfolding in commodities, I sought counsel from my in-house expert: my 14-year-old son.

His assessment? "It's cooking, Dad."

He's not wrong. This cycle is only warming up. Don't miss it.

Tyler Mordy, January 2026

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