Vontobel

Monthly commentary / 29.5.2026

Vontobel Fund – Non-Food Commodity

Marketing document for institutional investors in: AT, CH, DE, ES, FI, GB, IT, LI, LU, NL, NO, PT, SE.

Summary

- Oil prices suffered amid positive sentiment around a memorandum of understanding between the US and Iran.
- Gold trended lower on rising inflation concerns and hawkish Fed statements.
- Industrial metals delivered a strong performance amid supply concerns.

Market developments

The Middle East continued to dominate markets in May. Hopes of a deal between the US and Iran pushed Brent crude (Bloomberg Brent subindex) down 13%. Reduced stagflation fears and strong earnings growth supported risk assets, with the S&P 500 Index rising 5.3% to a record high. Sovereign bond yields briefly hit multi-year highs mid-month before falling back as inflation concerns eased. Counterintuitively, gold did not benefit from the improving inflation outlook and slipped -1.5%.

A one-page memorandum of understanding (MoU) between the US and Iran was accompanied by constant headline swings, which reportedly included a 60-day ceasefire extension and the reopening of the Strait of Hormuz. Oil prices reflected the changing news flow. Brent crude (July 2026 contract) peaked at nearly USD 115 per barrel during the first week of May. Reports that the US and Iran were nearing an agreement then pushed prices down toward USD 100 within days. Sentiment reversed again in mid-May after US President Donald Trump denounced Iran's proposal as "TOTALLY UNACCEPTABLE!" on social media. This reignited concerns about renewed military escalation and oil prices climbed back toward USD 112 per barrel. In the final two weeks of the month, headlines became increasingly positive, suggesting that a deal was imminent. As a result, the Brent July contract expired at USD 92 per barrel on the last day of May. Many market observers have tried to explain why oil prices remain relatively low despite what is arguably one of the largest oil shocks in history. The most likely explanation is a combination of high inventories going into the conflict and a stronger-than-expected demand response. This includes a shift toward alternative energy sources such as coal in China, lower petrochemical production, and reduced automobile travel across parts of Asia. Combined with low market liquidity as many investors stay on the sidelines until headline volatility subsides, these factors have weighed on prices. Oil products also came under pressure, with gasoline, heating oil, and gasoil declining between -10 and -12.7%.

Natural gas gained 8% in May after prices had fallen to relatively low levels. These lower price levels appear to be incentivizing Haynesville producers to reduce output. At the same time, inventories around liquefied natural gas (LNG) export terminals are increasing more slowly than is typical for this stage of the storage season. The combination of lower production and slower inventory builds have helped natural gas prices recover from their recent lows.

Precious metals faced headwinds following a stronger-than-expected US core CPI reading mid-May, which fanned concerns that inflation may stay elevated for longer. These fears were then amplified by longer-dated oil prices that remained relatively firm while the front of the future curve weakened. This suggested that investors were increasingly pricing in higher energy costs well into year-end. Bond yields rose across major markets as inflation and interest-rate expectations were revised upward. On May 19, the US 30-year Treasury yield closed at 5.18%, its highest level since 2007, while Germany's 10-year Bund yield reached 3.19%, the highest level since 2011. The broader dynamic still reflects a tug-of-war between residual safe-haven demand for gold (-1.5%) and pressure from firmer real yields and a stronger US dollar. Palladium (-11.4%) and platinum (-3.3%) performed even worse as part of the rally seen through February continued to unwind.

Industrial metals delivered a strong performance in May (+4.8%), led by copper (+6.8%) and aluminum (+6.1%) Prices were supported by a combination of supply concerns and resilient demand expectations. Ongoing mine disruptions continue to boost copper prices, while tariff-related fears have once again drawn metal inventories into the US and out of London Metal Exchange warehouses, tightening exchange stocks. Expectations for continued investment in electrification, power infrastructure, and AI-related data centers have also helped maintain preserve the bullish sentiment across the sector. Copper is now trading close to all-time highs and speculative positioning has reached record levels, which we believe leaves the market vulnerable to corrections. In our view, investors may also want to keep a close eye on developments at Cobre Panamá. The audit process has concluded, and negotiations between the Panamanian government and First Quantum will determine whether the mine can eventually resume operations. Aluminum remains well supported, with around 9% of global supply affected by disruptions in the Middle East. Combined with improving risk sentiment and a solid demand outlook, this has helped keep prices elevated.

Portfolio review

In May, the cross-sectional model slightly decreased the allocation to the energy sector again, ending the month with an overweight of +5.7% versus the benchmark. On the one hand, the model increased its active allocation to crude oil, due to extreme backwardation and positive carry outweighing both the value and momentum factor. On the other hand, the model decreased its overweight in oil products, driven by strong carry and weakening momentum. The fund kept its underweight in natural gas due to increasing carry returns, leading to a relative underweight of -9.7% by month end.

Regarding industrial metals, the model reduced its underweight to -4.1% vs the benchmark. This was mainly driven by the underweight in copper, ending the month with -8.1% and all three factors (carry, value, momentum) still showing negative contributions. The active position in aluminum stayed more or less constant at -1.7%. On the other hand, the fund increased its overweight in all other metals with lead (+2.6%), nickel (+1.1%) and zinc (+1.2%), mainly due to a diminishing negative momentum factor and a positive contribution from value.

In May, the model further decreased its allocation in precious metals ending the month with a small underweight of -1.4% vs the benchmark, which was mainly driven by weakening momentum and negative value. The model underweights gold (-14.6%), further reduced its overweight in silver (+0.6%) while trimming the positive allocations in the off-benchmark positions palladium (+5.8%) and platinum (+6.8%).

Performance analysis

In May, the Vontobel Fund – Non-Food Commodity (I share, USD) lost -0.34% and the Bloomberg Commodity ex-AL Capped TR Index lost -1.22%, leading to a relative outperformance of +0.88%. The biggest outperformance drivers were the underweight in crude oil (+2.2%), the overweight in oil products (gasoil +0.4%, heating oil +0.2%, gasoline +0.3%), and the underweight in gold (+0.2%). On the negative side, the underweight in natural gas (-1.2%), copper (-0.5%), and aluminum (-0.1%) as well as the off-benchmark positions in palladium (-0.7%) and platinum (-0.2%) reported the largest drags on performance.

Outlook

Markets are increasingly pricing in a US-Iran MoU that could lead to a gradual reopening of the Strait of Hormuz and ease concerns over energy supply disruptions, thereby likely reducing the geopolitical risk premium in oil prices. While this may point to a softer near-term outlook for crude, the agreement is likely to be only a first step rather than a lasting solution. Deep disagreements over sanctions relief and Iran's nuclear program remain unresolved, and negotiations could stretch beyond the initial 60-day framework. Improved supply expectations are poised to support energy markets, but periodic setbacks and renewed tensions are likely to keep geopolitical volatility elevated in the months ahead. We've found the market's reaction to headlines over the last few weeks interesting. Positive news around a potential agreement or ongoing negotiations has been met with immediate selling in crude, while reports of delays or new disagreements have generated only a limited price response to the upside. This suggests that many investors are waiting for headline risk to dissipate and for Trump to move on to other topics before re-entering long positions in oil.

US import tariffs on copper remain a key risk factor. The Secretary of Commerce Howard Lutnick is expected to submit a report on the copper market to the US administration by the end of June, with a policy decision likely in the second half of the year. If tariffs are introduced from 2027 onwards, as previously indicated, they would likely support copper prices by attracting significant volumes of copper into the US market and tightening supply in the rest of the world. If tariffs are not implemented, copper prices could come under pressure, potentially incentivizing increased exports of US copper. Overall, this creates a highly binary risk profile.

We have maintained a constructive view on gold for some time and continue to favor it over the medium term, as the underlying drivers behind central bank diversification into gold remain intact. In the near term, however, gold may struggle to gain traction amid persistent inflation concerns, elevated yields, increasingly hawkish rhetoric from FOMC members, a stronger US dollar, and the fact that several central banks (including Turkey, Russia, and potentially some Middle Eastern countries) are currently net sellers. That said, we believe that once the conflict in the Middle East reaches a (temporary) resolution, it could provide an attractive entry point for gold.

Fund characteristics

Fund name	Vontobel Fund – Non-Food Commodity
ISIN	LU1106544999
Share class	I USD
Benchmark	Bloomberg Commodity ex-Agriculture and Livestock Capped Index TR
Inception date	28.11.2014

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	-0.3%	-1.2%
YTD	24.8%	28.9%
1 year	51.0%	53.9%
3 yrs p.a.	17.2%	21.9%
5 yrs p.a.	8.2%	14.5%
10 yrs p.a.	7.2%	9.4%
ITD p.a.	3.7%	4.6%

Time period	Fund	Benchmark
2025	20.2%	23.9%
2024	1.7%	8.6%
2023	-9.5%	-12.3%
2022	6.8%	18.8%
2021	21.7%	28.6%
2020	1.7%	-10.5%
2019	16.2%	11.7%
2018	-19.5%	-11.4%
2017	5.7%	7.9%
2016	23.0%	18.6%

Past performance is not a reliable indicator of current or future performance.
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Investment risks

- Using derivatives creates significant leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- The sub-fund's investments may be subject to sustainability risks. Information on how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

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