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INSIGHTS

THE IMPACT OF HIGH OIL AND COPPER PRICES ON PORTFOLIOS

The important question for investors isn't where oil or copper trade next week, but what supply and demand tell us about the broader economy and how they interact with a well-constructed portfolio.

The 19th century geologist Charles Lyell popularized "uniformitarianism," the idea that the natural forces shaping the earth today are the same ones that have consistently shaped it across history. A similar principle applies to commodities like oil and copper. While wars, tariffs, and AI are impacting prices right now, it's ultimately supply and demand that drive these markets over the long run.

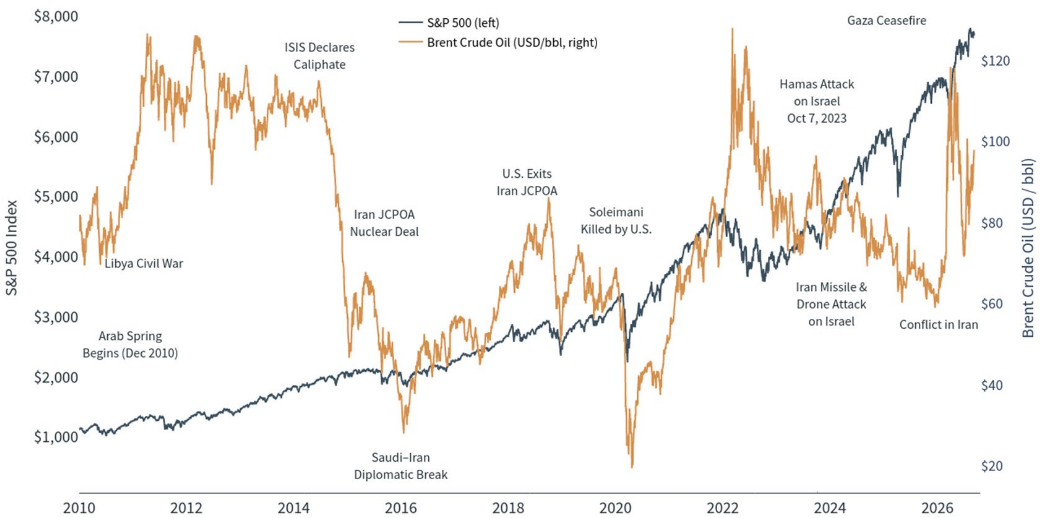
Commodities have not only outperformed this year, but have also supported other areas of the market such as U.S. stocks. Oil prices have swung from month to month, copper has climbed to record highs, and precious metals surged to all-time highs early in the year before pulling back. These short-term swings are not unusual, and the forces behind them, including geopolitics and tariffs, are difficult to predict.

Oil prices remain tied to geopolitical uncertainty

Oil markets have fluctuated dramatically this year, underscoring how sensitive they are to global events and how hard they are to forecast. Oil jumped to multi-year highs in March when the war in Iran began. Since then, Brent crude has oscillated from as low as $72 per barrel in early July back toward $100 today, touching a seven-week high.

Middle East Conflicts and Markets

Major Middle East events, oil prices, and the S&P 500 since 2010



Sources: Clearnomics, Standard & Poor's, LSEG. Latest data point is Sep 8, 2026.

The primary driver is the ongoing conflict in the Middle East, which has continued despite multiple ceasefire attempts and failed negotiations. Most recently, the Houthis conducted strikes on Saudi Arabian energy infrastructure, raising new concerns about supply disruptions and pushing Brent back toward $100 per barrel. While the Strait of Hormuz remains the main focus in energy markets, Houthi forces have also targeted the Bab al-Mandab Strait, a vital route for Saudi oil exports at the southern entrance to the Red Sea.

For consumers, these moves translate directly into prices at the pump. The national average for regular gasoline has hovered around $4.15 per gallon and over $5.00 for premium, keeping energy costs and headline inflation elevated. This kind of volatility isn't unusual historically — Brent surpassed $120 during the 2022 Russia-Ukraine conflict — and with U.S. production now above 13.8 million barrels per day, the country is somewhat more insulated from shocks than in the past.

Copper reflects both trade policy and long-term structural demand

While oil has been the biggest commodity story this year, copper has also reached record highs. Investors call it "Dr. Copper" since its wide industrial use, from construction and energy to electronics and transportation, makes it a forward-looking economic indicator. The latest jump is driven by tariff concerns paired with tight supply, and by long-term demand from AI data centers which use thousands of tons of copper for wiring, power delivery, and cooling infrastructure. On tariffs, there are concerns about new U.S. import duties on refined copper, aimed at reducing foreign reliance on sensitive goods and promoting domestic production for national security. These issues, along with tight supplies and slower production, have pushed copper prices higher.

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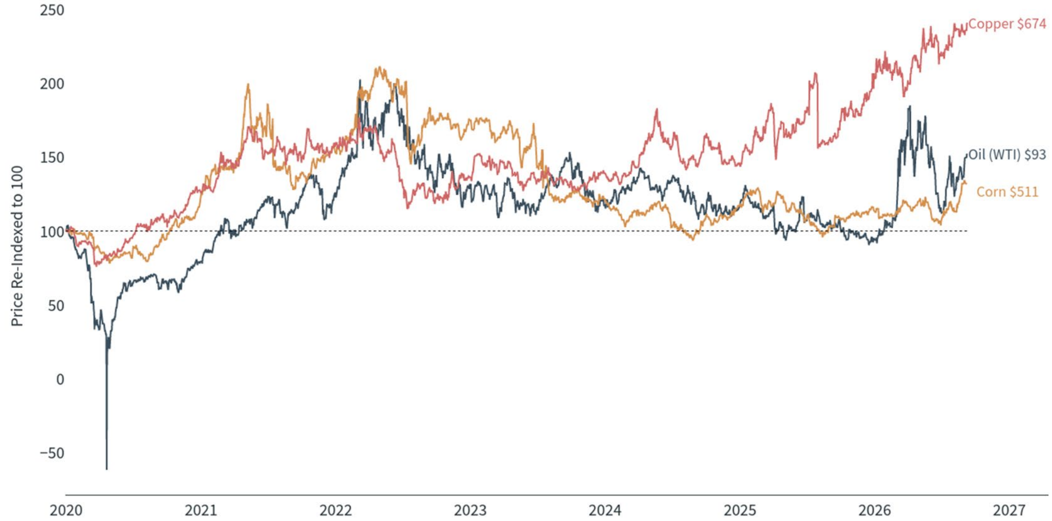
At the same time, demand has jumped as AI data centers scale up. Copper is critical both for power delivery, including electrical wiring, and for efficiently transferring heat away from large data centers and semiconductor chips. As hyperscalers keep building larger facilities, more copper is needed.

Economically Important Commodities

Futures contract prices of oil (WTI), corn, copper and lumber



Sources: Clearnomics, Bloomberg. Latest data point is Sep 8, 2026.

Like most commodities, prices and demand can shift quickly, but new production takes a long time to come online, naturally leading to large price swings. There are parallels here with the rallies and pullbacks in gold and silver earlier in the year. Across all these metals, the lesson is the same: maintain a longer-term perspective and don't overreact to near-term moves.

Commodities are best viewed in a portfolio context

What matters for long-term investors is what these commodities signal about the broader economic environment, and how they behave within a diversified portfolio. Year-to-date, the Bloomberg Commodity Index is the leading asset class, reflecting high oil prices and supply-demand dynamics across other metals and materials. Commodities have historically been volatile, outperforming in some years and underperforming in many others.

Importantly, many other asset classes have also performed well this year. Emerging market stocks, small caps, U.S. stocks, and other major asset classes have delivered solid returns too, partly because they also benefit from higher commodity prices — the energy sector, for instance, has been the best-performing S&P 500 sector this year.

All of this underscores the importance of maintaining a portfolio perspective rather than focusing on individual asset classes or investments. A well-constructed portfolio benefits from these trends while managing risk, all in service of long-term financial goals. The bottom line? Commodity prices are sensitive to geopolitics, trade policy, and economic cycles, and a balanced, diversified portfolio remains the best way to navigate these swings.

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