PIMCO



PM CHARTBOOK

Charting Commodity Markets With Greg Sharenow

JULY 2025

Greg Sharenow, managing director and portfolio manager, charts the continued resilience of commodities and their low correlation with stocks and bonds amid recent geopolitical shocks, underscoring their strength as portfolio diversifiers.

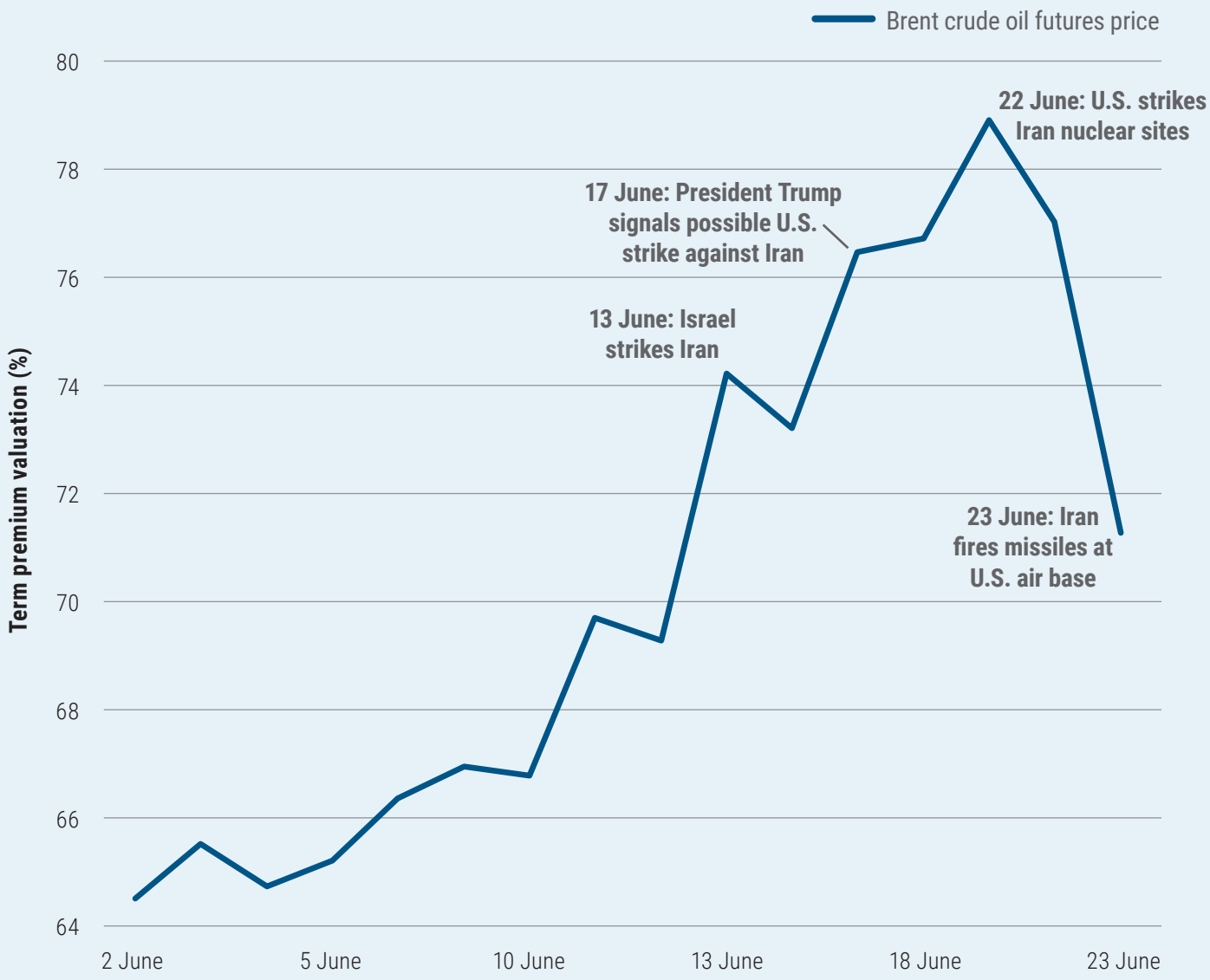
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Risk premia in oil – transitory for now

In the weeks leading up to last month's Israeli and U.S. strikes on Iran, oil prices climbed – not due to actual supply disruptions, but in response to a geopolitical risk premium. Fears of a potential closure of the Strait of Hormuz drove market anxiety, though those concerns ultimately didn't materialize. Iran's muted response helped ease tensions, and the risk premium quickly unwound.

That said, the situation remains fluid. Ongoing concerns about Iran's uranium stockpiles – and the possibility of further Israeli action – mean the geopolitical backdrop remains a source of potential volatility.

Oil prices experienced significant volatility



Source: PIMCO and Bloomberg as of 23 June 2025. **Past performance is not a guarantee or a reliable indicator of future results.** Refer to appendix for additional investment strategy, outlook, and risk information.

OPEC spare capacity – A stabilizing force

If tensions in the Middle East re-escalate and Iranian oil supply is disrupted, we could see another spike in oil prices.

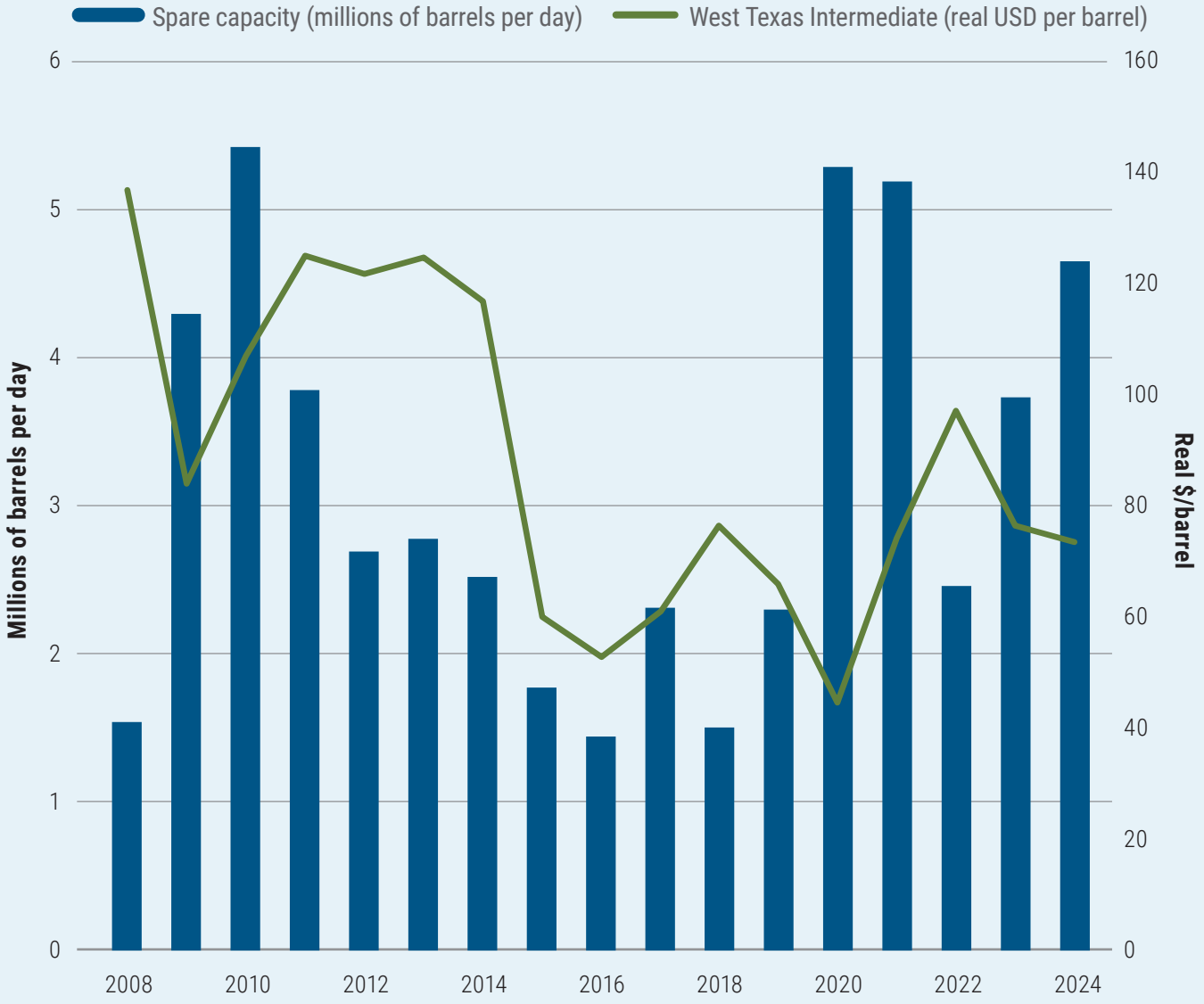
But there are key stabilizers in place: U.S. shale producers can ramp up output given enough time, and OPEC currently holds significant spare production capacity. While that spare capacity remains largely tied up in regions recently impacted by conflict – limiting its near-term ability to reassure markets – it could serve as a longer-term stabilizer for supply dynamics.

These structural buffers may limit both the duration and the magnitude of any price rally.

So while short-term volatility is likely, we continue to expect oil prices to revert to the $60s range after any temporary spikes.

Source: PIMCO, EIA, and IEA as of 27 June 2025. **Past performance is not a guarantee or a reliable indicator of future results.** Refer to appendix for additional investment strategy, outlook, and risk information.

OPEC spare capacity



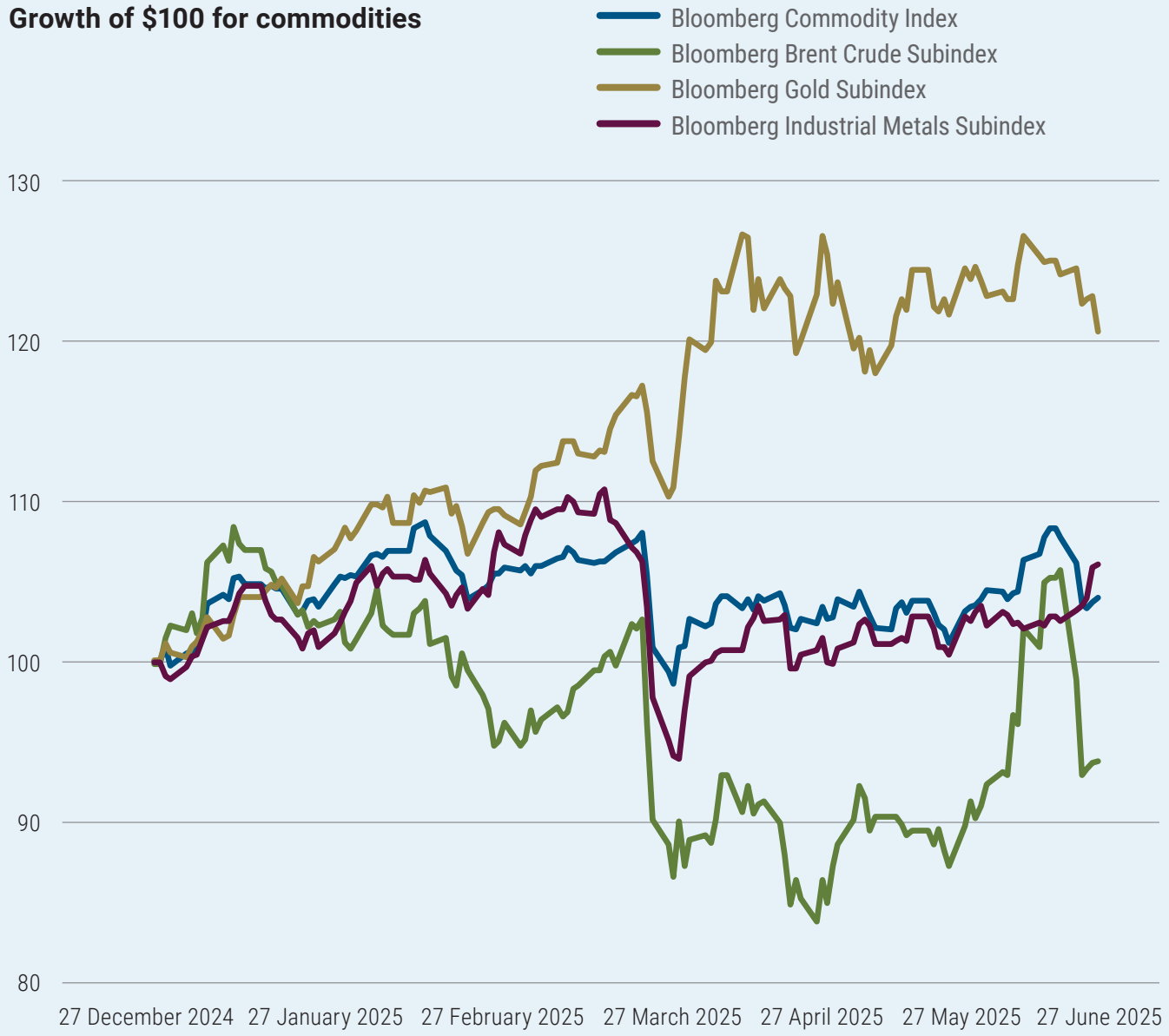
Broader commodities show resilience as investors seek inflation hedges

While oil has experienced notable volatility, the broader commodity complex has remained remarkably steady this year. Gold prices continue to climb, supported by sustained central bank buying and ongoing de-dollarization efforts. Base metals have also held firm, showing resilience even in the face of tariff-related growth concerns. Investors, recognizing their portfolios were underexposed to real assets and more vulnerable to inflation than expected, have renewed interest in gold and broader commodities.

Overall, the Bloomberg Commodity Index has delivered strong returns – demonstrating that a diversified commodity basket has the potential to help weather sector-specific shocks and contribute to portfolio stability.

Source: Source: Bloomberg and PIMCO as of 27 June 2025. Growth of $100 based on daily returns of the Bloomberg Commodity Index, and the Bloomberg Brent Crude, Gold, and Industrial Metals Subindexes. **Past performance is not a guarantee or a reliable indicator of future results.** Refer to appendix for additional investment strategy, outlook, and risk information.

Growth of $100 for commodities



Commodities as strong portfolio diversifiers

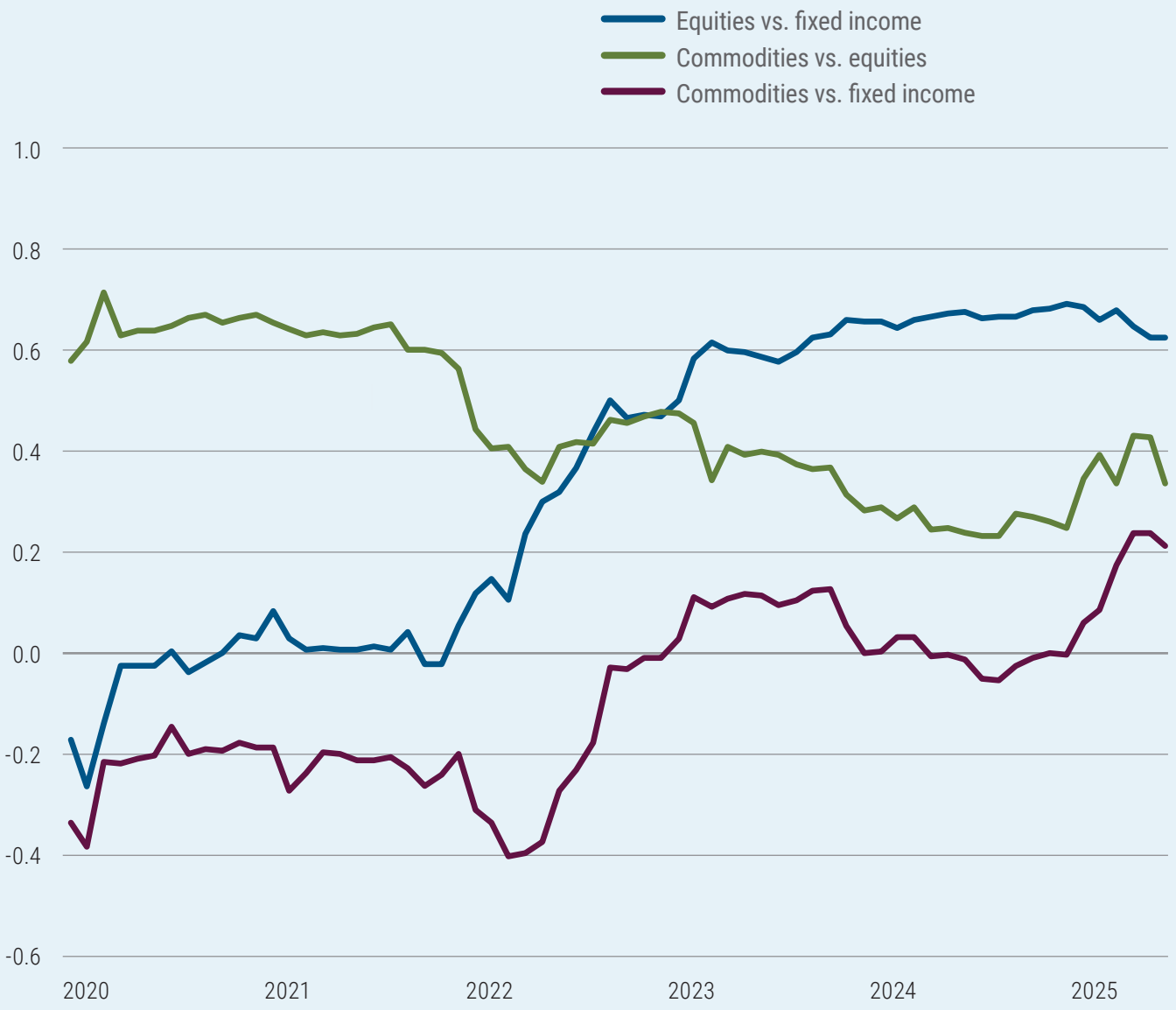
This diversification potential was also seen during the inflation spike in 2021–2022, when both stock and bond markets were challenged.

Commodities, however, maintained low correlations to both asset classes.

They have not only helped diversify portfolio risk but also enhanced inflation sensitivity – which we believe could make them a valuable option for strategic allocation in today's environment of persistent inflation uncertainty.

Source: Bloomberg as of 27 June 2025. Based on monthly returns of Bloomberg Commodity Total Return Index, S&P 500 Index Total Return (Equities), Bloomberg U.S. Aggregate Index Total Return (Fixed Income). **Past performance is not a guarantee or a reliable indicator of future results.** Refer to appendix for additional investment strategy, outlook, and risk information.

Rolling 3-year correlations



Appendix

PERFORMANCE
Past performance is not a guarantee or a reliable indicator of future results

CHARTS
Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product

The **Bloomberg Commodity Index** is a diversified benchmark tracking futures prices of energy, metals, agriculture, and livestock commodities. The **Bloomberg Brent Crude Subindex** tracks futures prices of Brent crude oil within the Bloomberg Commodity Index. The **Bloomberg Gold Subindex** tracks futures prices of gold as part of the Bloomberg Commodity Index. The **Bloomberg Industrial Metals Subindex** tracks futures prices of key industrial metals like copper, aluminum, and zinc.

INDEX
It is not possible to invest directly in an unmanaged index

OUTLOOK
Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

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Appendix

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