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"Oil – The missing piece in the commodity bull market": Westminster Asset Management Investment Strategist Peter Lucas has another look at the commodity complex, this time focusing on oil. Peter discusses the fundamental picture around oil, and why he believes that should history be any guide oil and energy related investments could surprise investors in 2026 .

Most commodity bull markets follow a familiar script. Gold moves first. Then the junior precious metals. Then industrial metals (see table below). Eventually, oil – the lifeblood of the global economy – joins the party.

So far, this cycle has been no exception. Gold led the way, followed by silver and platinum in early 2025, and copper later in the year. Yet oil has conspicuously failed to participate, languishing near a five-year low both in absolute terms and relative to other commodities.

Excluding the COVID dislocation, oil is now trading at its cheapest level versus the broader commodity complex since the late 1990s. History suggests this is unlikely to remain the case indefinitely.

Consider the table below, which shows how oil has lagged turns in gold by an average of 33 weeks, and a maximum lag of 69. If history is any guide, the underperformance of oil is very long in the tooth.

Lags (in weeks) versus gold in the commodity cycles since the late 1990's

Gold turning point	**Platinum lag**	**Ind Metals lag**	**Oil lag**
Jul 1999 (trough)	15	33	69
Sep 2011 (peak)	6	23	32
Jan 2016 (trough)	5	53	4
Aug 2020 (peak)	27	39	47
Mar 2022 (peak)	6	13	13
Nov 2022 (trough)	6	18	60
Pre-Nov 22 average	11.8	32.2	33.0

Source: Bloomberg, Westminster Asset Management

The current oil price reflects a combination of:

- Modest global growth expectations
- Perceived oversupply
- Hopes of geopolitical resolution (Ukraine, Iran)

At the same time, investor positioning is extremely cautious. Futures positioning is the most bearish in roughly fifteen years, and fund managers are heavily underweight energy equities. To me, this is a combination that spells opportunity.

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Markets tend to struggle when prices, positioning and narrative all lean in the same direction. Oil now sits at precisely that intersection.

The consensus outlook for 2026 centres on a benign "soft landing". Yet there is a plausible alternative: a "no-landing" scenario**,** whereby economic activity turns out to be stronger than expected and inflation proves stubborn. Several forces point in that direction:

- Global interest-rate cuts
- The Federal Reserve's renewed balance-sheet expansion
- Large-scale fiscal easing in a range of countries, including Germany, Japan and China
- The ongoing AI-driven capex boom
- And yes, a low oil price

In that environment, rising commodity prices would be less a threat and more a signal that demand has been underestimated**.** Oil, as the most economically sensitive of commodities, would likely respond forcefully.

Despite stronger balance sheets, improved capital discipline and lower breakeven prices, energy equities remain under-owned and under-valued**.** That disconnect rarely persists once prices begin to move. A sustained rise in oil would not occur in isolation. It would likely:

- Push government bond yields higher
- Lead to value equities to outperform growth
- Support a modest recovery in the US dollar
- Trigger consolidation in fully valued assets such as gold

Indeed, the backdrop could come to resemble 2022, with at least one important difference – the emerging world is much better placed to do its own thing.

In summary, oil's prolonged underperformance has created a rare alignment:

- Cheap valuations
- Extremely cautious positioning
- A plausible growth surprise
- Latent geopolitical risk

For investors prepared to look through volatility and ignore prevailing narratives, energy-related investments could emerge as some of the most compelling opportunities of 2026.

Peter Lucas – January 2026