

LBBW Research

2027: Lots of shadow – and a little light

Editorial



Dear Reader,

"Choppy Waters Ahead" was the title of our outlook for 2026, published last year. LBBW Research had braced for a turbulent year. But it proved wilder still. Out of the blue, in late February, the U.S. president launched a war against Iran with little discernible strategy. As a result, oil prices rose by almost 50%. Diesel and gasoline prices climbed even more sharply. Resurgent inflation forced the European Central Bank and the Federal Reserve to begin raising interest rates. Further increases may follow.

Long-term interest rates also rose over the summer. Investors appear to be losing confidence in the long-term sustainability of public finances. This has been particularly evident of late in France, where a whopping fiscal imbalance coincides with deep social polarization and a parliament divided into three hostile blocs. Higher interest rates – not just on French government bonds – should dampen economic activity somewhat next year. The effect may be strongest in the real-estate market, which had been facing headwinds even before the interest rate spikes.

Whether the Democrats' "blue wave" in the U.S. midterm elections can bring meaningful change to policy in Washington remains to be seen. The president can veto legislation passed by Congress. Trump may retreat into vanity projects such as his triumphal arch. There could even be another showdown over the debt ceiling, with an uncertain outcome – potentially including a U.S. default.

Still, not everything has gone badly in 2026. A year ago, we expected growth of just 0.8% in Germany. Today, after a surprisingly strong first half and improving economic confidence survey results, we in Germany expect growth to be solidly in the >1% range. We have held up better than might have been expected. Let us hope we can say the same next year.

I wish you a rewarding read and, above all, a healthy and prosperous 2027.

Yours sincerely,

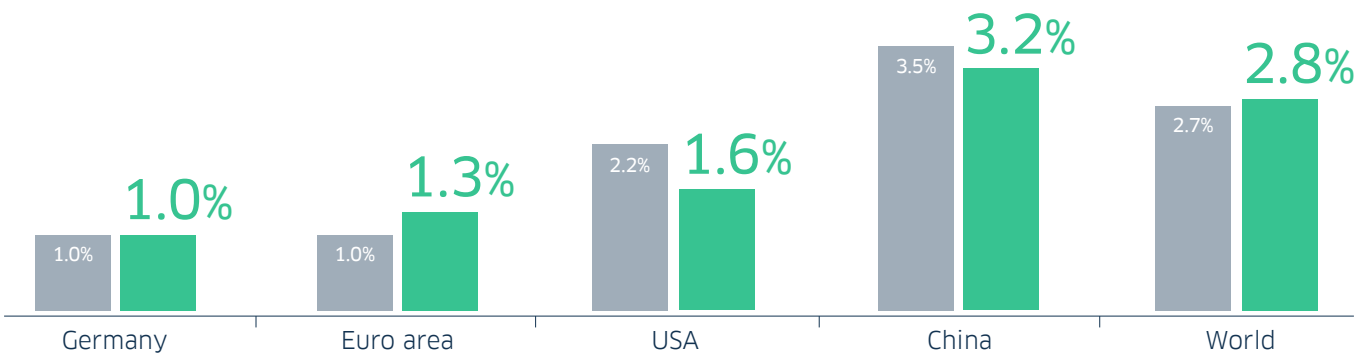


Dr. Moritz Kraemer
Chief Economist and Head of Research

Selected forecasts at a glance.

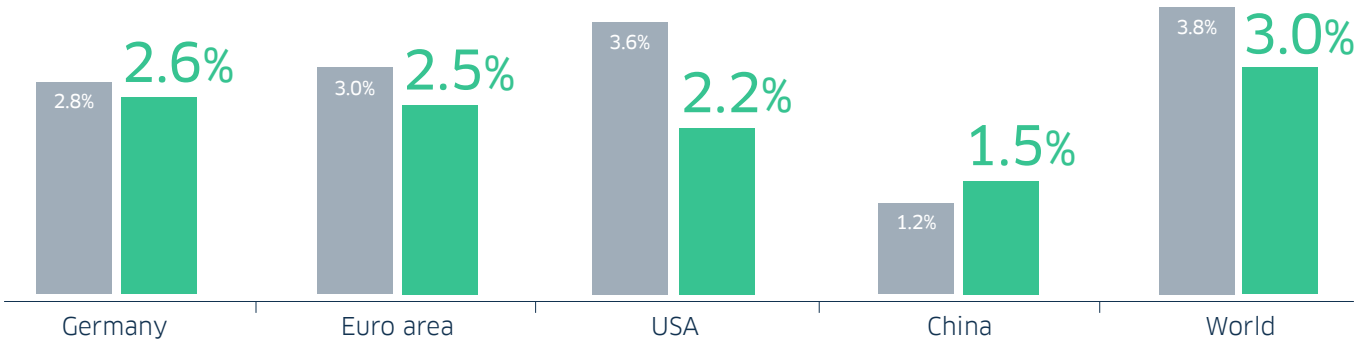
Economic growth

Real change in GDP compared to the previous year



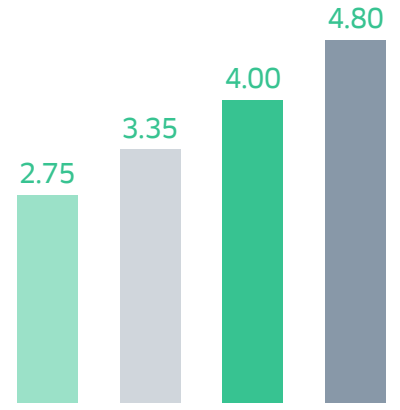
Inflation

Forecast for the full year



Interest rates

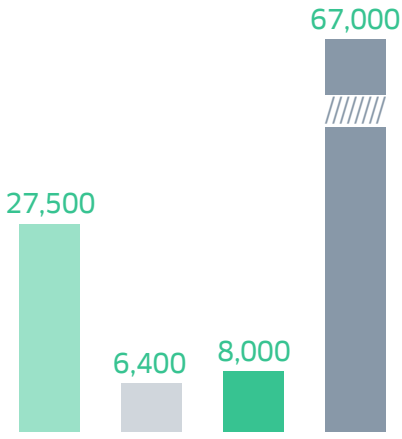
Expected levels as of 31.12.2027
(in %)



- ECB deposit rate
- German government bonds (10 years)
- Federal funds rate
- U.S. Treasuries (10 years)

Stock market

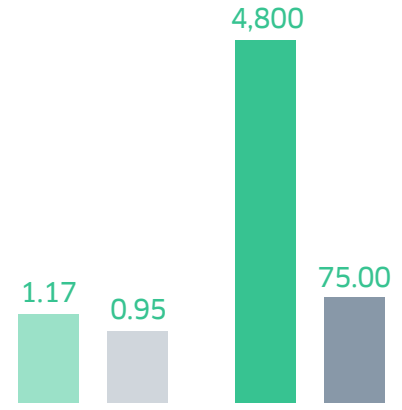
Expected levels as of 31.12.2027



- DAX (in points)
- EURO STOXX 50 (in points)
- S&P 500 (in points)
- Nikkei 225 (in points)

Commodities and currencies

Expected levels as of 31.12.2027



- U.S. dollar (per euro)
- Swiss franc (per euro)
- Gold (U.S. dollar per ounce)
- Crude oil (Brent barrel in U.S. dollar)



Our forecasts in detail.

Economy

		2025	2026e	2027e
Germany	GDP	0.4	1.0	1.0
	Inflation	2.2	2.8	2.6
Euro area	GDP	1.5	1.0	1.3
	Inflation	2.1	3.0	2.5
USA	GDP	2.1	2.2	1.6
	Inflation	2.7	3.6	2.2
China	GDP	3.7	3.5	3.2
	Inflation	0.0	1.2	1.5
World	GDP	3.3	2.7	2.8
	Inflation	3.4	3.8	3.0

Interest rates

	12.11.2026	30.06.2027e	31.12.2027e
ECB deposit rate	2.50	3.00	2.75
Ger. gov. bonds (10 years)	3.30	3.50	3.35
Federal funds rate	4.00	4.25	4.00
U.S. Treasuries (10 years)	5.12	4.95	4.80

Commodities

	12.11.2026	30.06.2027e	31.12.2027e
Gold (U.S. dollar per ounce)	3,877	4,500	4,800
Oil (Brent barrel in U.S. dollar)	93	85	75

Stock market

	12.11.2026	30.06.2027e	31.12.2027e
DAX	26,772	26,500	27,500
EURO STOXX 50	6,399	6,200	6,400
S&P 500	7,592	7,800	8,000
Nikkei 225	60,819	65,000	67,000

Currencies

	12.11.2026	30.06.2027e	31.12.2027e
U.S. dollar (per euro)	1.11	1.15	1.17
Swiss franc (per euro)	0.92	0.94	0.95
British pound (per euro)	0.84	0.85	0.85

Sources: LSEG, LBBW Research;
as of: 12.11.2025; Figures marked ‘e’ are forecasts.

The 2027 Annual Outlook – Focus on eight topics.

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Geopolitics

Crises and conflicts keep the global economy on edge.

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Crises and conflicts keep the global economy on edge.

01

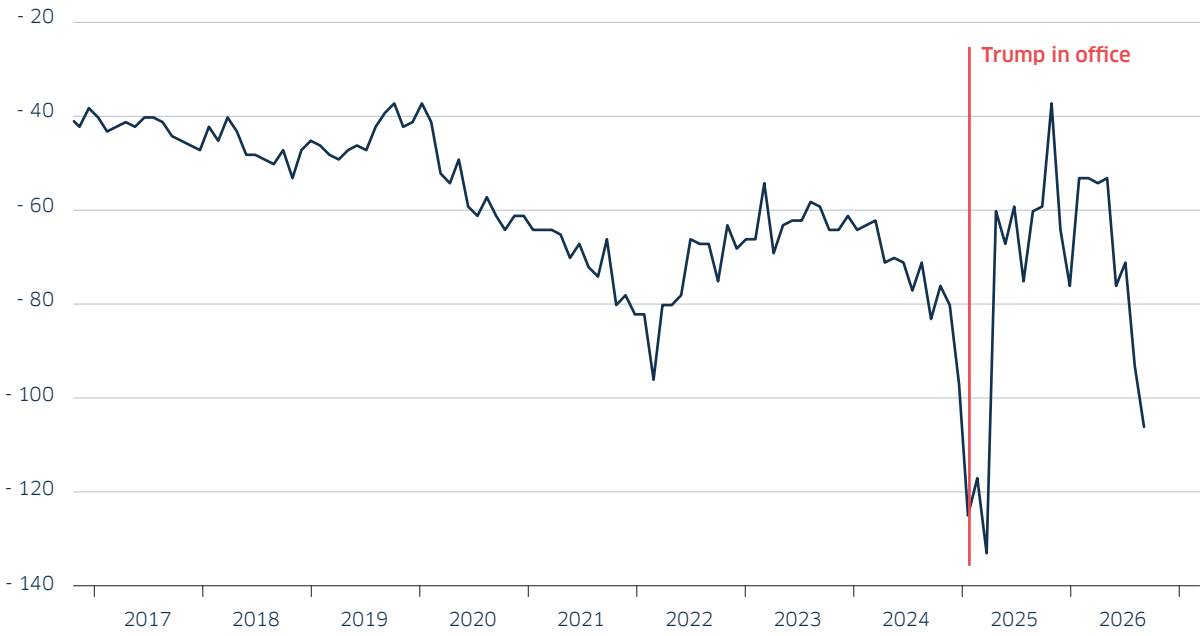
Matthias Krieger and Sandro Pannagl · Strategy / Macro Research

The IMF estimates that global GDP will grow by 3.4% in 2027. After a difficult 2026, growth could return to the rates seen in previous years – far from a boom, but a solid performance. Given upheavals as severe as Russia's invasion of Ukraine and the war in the Persian Gulf, that would at least offer some breathing room.

Yet there is no end to the conflicts in sight. All sides in the Ukraine war show clear signs of exhaustion, but Putin has so far shown no genuine willingness to negotiate. Whether and how long Ukraine can hold out will depend crucially on continued support from Europe and the U.S. Trump's behavior has repeatedly stoked fears on that front. The situation in the Persian Gulf and around the Red Sea also remains critical. Trump appears neither willing nor able to end the crisis he created with such little regard for the consequences. Any expectation that the outcome of the U.S. midterm elections could rein him in is unlikely to hold true for foreign policy, at least. That is where the president dominates. And negotiating compromises with Congress is not his style. Disruption will probably remain his preferred means of attracting attention.

Global trade, however, will probably not be derailed by this. U.S. tariffs do create friction. But industry and consumers remain dependent on foreign goods even in the U.S., and the U.S. trade deficit remains persistently high.

U.S. trade deficit remains large despite tariffs.



— U.S. trade balance (goods & services)
U.S. dollar billions per month

Sources: LSEG, LBBW Research;
as of: August 2026



Even so, geopolitics remains a "transformative force" (IMF): the supply shock from the Iran war is affecting the global economy through higher energy prices and, in turn, rising inflation. The private sector appears to have adapted well to recent crises and trade disputes. But if the conflicts persist or spread, they could impose lasting economic costs.

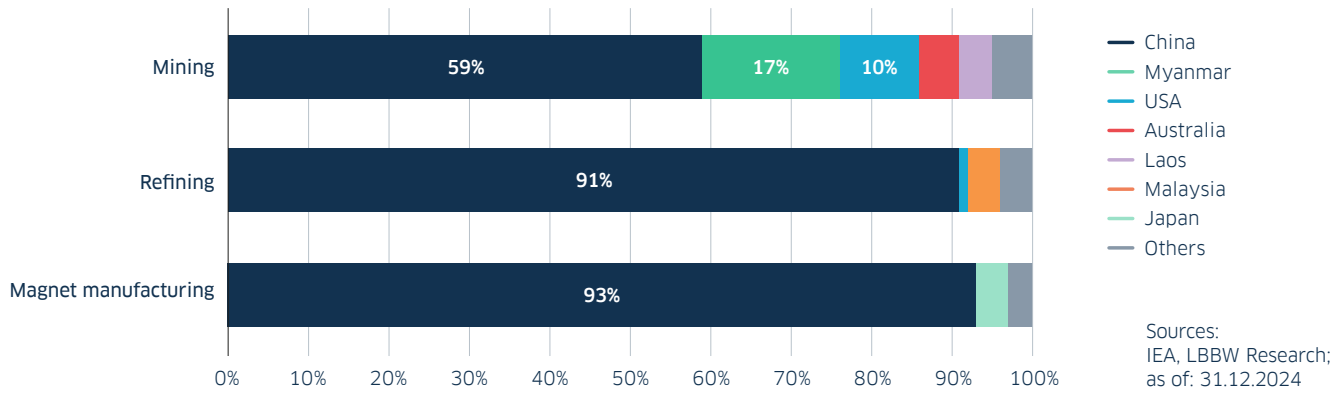
Apart from that, we cannot yet put a figure on the long-term economic costs of shifting power relations, declining stability and eroding trust. In an increasingly uncertain world, where the U.S. – once a guarantor of the international order – has become a source of risk itself, the need to diversify inevitably comes at the expense of efficiency. Risk premiums are rising too, and governments must devote far more resources to areas such as defense that do relatively little to raise welfare. The EU would do well to strengthen and expand ties with like-minded countries such as Canada, forge alliances and create new free-trade areas.

How much the global economy will benefit from productivity gains as AI is developed remains unclear. It also remains to be seen how those who created the technology – and may one day control it as an oligopoly – will use it. Amid growing rivalry, every technology is also a tool of power.

At least relations between the U.S. and China are unlikely to worsen further in the near term. Since Xi Jinping's state visit to Washington in late September, the two countries appear to be holding on to their newly agreed framing of "constructive strategic stability" and are, for now, seeking to avoid escalation. Even so, the latest agreement is more symbolism than substance. China has secured parity with the U.S. while avoiding any major concessions. For the U.S., the key priority remains keeping supplies of critical raw materials, above all rare earths, and related products flowing from China. The strategic conflicts over technology, Taiwan and industrial policy have been deferred, not resolved. Much the same applies to China and the EU. An initial rapprochement between Brussels and Beijing on trade disputes in October has eased tensions. However, the two sides remain far apart on how they envision their future economic relationship with one another.

China dominates the rare earth value chain.

Share of selected countries in rare earth mining and processing (in %)



Sources:
IEA, LBBW Research;
as of: 31.12.2024



Key questions from clients answered by our experts.

Will the trade dispute between the EU and China escalate?

Brussels and Beijing reached an initial agreement in October over China's large trade surplus with the EU: Brussels will limit imports of Chinese hybrid vehicles. Further talks are scheduled. We see this as a sign of easing tensions. But escalation is not off the table.

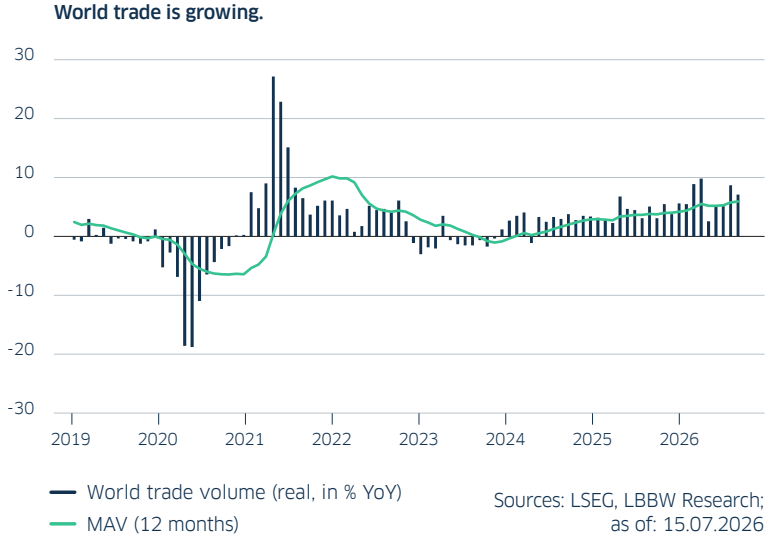
Which trade routes beyond the Strait of Hormuz are at risk?

Recently, there have been attacks on ships, ports and infrastructure in the Black Sea. Most international experts believe Russia is behind these attacks. This threatens energy exports, but above all grain exports from the world's breadbaskets, particularly as low water levels are also partly disrupting the alternative route via the Danube.

Will geopolitical tensions cause world trade to slump?

No. Geopolitics and tariffs have caused disruptions, but global trade continues to grow. Manufacturing has not been reshored – partly because of skilled workers shortages. Efforts to diversify supply chains are reshaping trade flows, not reducing them. Emerging markets, particularly in South and Southeast Asia, continue to grow. Since no country in today's specialised world can produce every component, economic growth increases demand for suppliers across borders and boosts global trade.

World trade is growing.



Sources: LSEG, LBBW Research; as of: 15.07.2026



Reform pressure under worsening conditions.

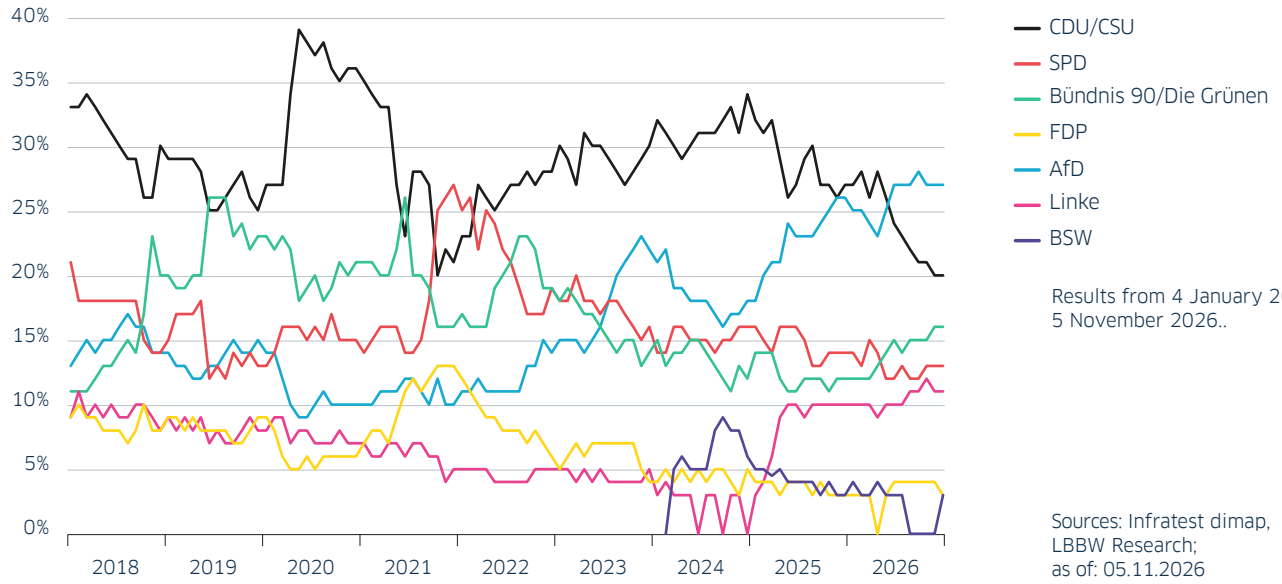
02

Dr. Moritz Kraemer · Chief Economist and Head of Research

As I wrote this, I was tempted to copy last year's chapter on German economic policy and paste it here unchanged. Once again, we face an "autumn of reforms" with an uncertain outcome. But the situation is more serious now: geopolitical tensions have intensified since then, inflation has risen, and the poll ratings of the parties that once dominated German politics have fallen to historic lows. Only about 16% of voters are satisfied with the federal government's performance. Chancellor Friedrich Merz has an even lower approval rating. At the same point in his chancellorship, his predecessor Olaf Scholz still had 42% approval, while Angela Merkel had 72%. Against this backdrop, it is extraordinarily difficult to instill a sense of fresh reform momentum.

We can only hope that Germany's governing coalition of conservatives and Social Democrats realizes its back is against the wall – all the more so after the latest state elections proved a complete fiasco for both coalition partners. Let us hope the government now finds the courage born of desperation to get its prepared reform package, once again at risk of being talked to death, across the finish line. An autumn of reforms a year late is better than none at all! So far, though, there is little reason for exaggerated optimism. The surprisingly strong economy in the first half of the year could serve as an excuse to argue that things are working well enough without asking anyone to make sacrifices. It is hardly encouraging that the only concrete measure, once again, is a partial cut in petrol and diesel taxes. It is socially inequitable in its distributional effects and a distortion of market forces. It also reinforces the public's expectation that the government will always provide a package that bails out the voters. That makes it harder to ask voters to accept difficult measures. And an effective push for reform cannot avoid affecting some people. Let's keep our fingers crossed that next year I can report here that the reforms have been implemented.

Results of the Sunday polls from 2018 to 2026.



Results from 4 January 2018 to 5 November 2026..

Sources: Infratest dimap, LBBW Research; as of: 05.11.2026



02

Key questions from clients answered by our experts.

How can Europe strengthen its energy resilience?

Germany spends €80 billion a year on imported fossil fuels – and more than €140 billion in crisis years such as 2022. The obvious solution would be to build renewable capacity faster, expand the grids and storage needed to support it, and electrify transport and heating. Instead, under the banner of "keeping all technological options open", we seem to be making a costly U-turn.

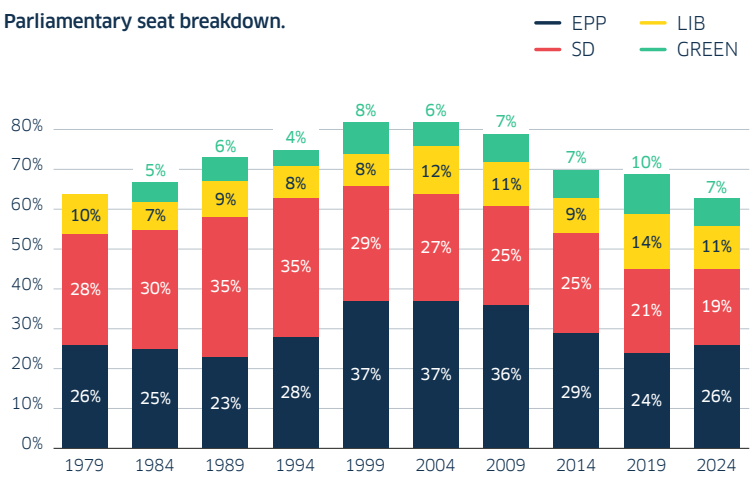
Will Germany's government survive its full term?

A snap election would probably be disastrous for the coalition partners right now. The conservative CDU/CSU bloc and the Social Democrats are therefore likely to stick with their marriage of convenience, hoping that the economy and public mood improve before the scheduled election in 2029 – and that reforms, if they materialize, begin to pay off.

Will global crises bring Europe together?

Europe is an economic superpower, but it does not act like one. That would take mutual trust and strong leadership, especially in Paris and Berlin. Yet the political center is eroding in almost every EU country (see chart), while polarizing parties gain ground. London's gradual rapprochement with the EU is encouraging, but rapid progress is unlikely.

Parliamentary seat breakdown.



Sources: European Parliament, LBBW Research; as of: 14.10.2026



An almost inevitable upturn.

03

Dr. Jens-Oliver Niklasch · Strategy / Macro Research

The signs point to an upturn in Germany. Companies' order books are fuller than they have been in a long time. Of course, an upturn is a relative term in Germany in 2027. We expect GDP growth of 1.0%. The calendar effect, which added 0.3 percentage points to growth in 2026, will be smaller at 0.1 percentage points, but positive again. By historical standards, that is not strong growth. Yet Germany is unlikely to achieve much more for the foreseeable future. Research institutes put potential growth – the average rate of GDP growth achievable over the long term – at just 0.3%.

Two factors are driving the economy. The first is fiscal policy – hardly surprising given the €500 billion debt package the Merz government secured from the Bundestag. The second is foreign trade, which provided support through mid-2026, benefiting partly from AI investment in the U.S. and partly from supply difficulties faced by competitors in the Far East. Germany urgently needs another driver of growth. For now, though, high inflation is weighing on private consumption, while investment is being held back by sharply higher interest rates driven by inflation.

Since spring, the impact of the Iran war on energy prices has fueled inflation. Most recently, inflation exceeded 3%. It would have climbed even higher had the federal government not temporarily cut energy taxes on fuel. The measure is contentious and costly for taxpayers, but at least it made the 2026 inflation figures look less severe. The sting comes in 2027, when the energy tax returns to its previous level, keeping inflation higher than it would have been without the fuel tax cut. We expect inflation to average 2.6% in 2027.

New orders offer grounds for hope.

Germany: New orders and GDP, year-over-year



Sources: LSEG, LBBW Research; as of: 15.09.2026



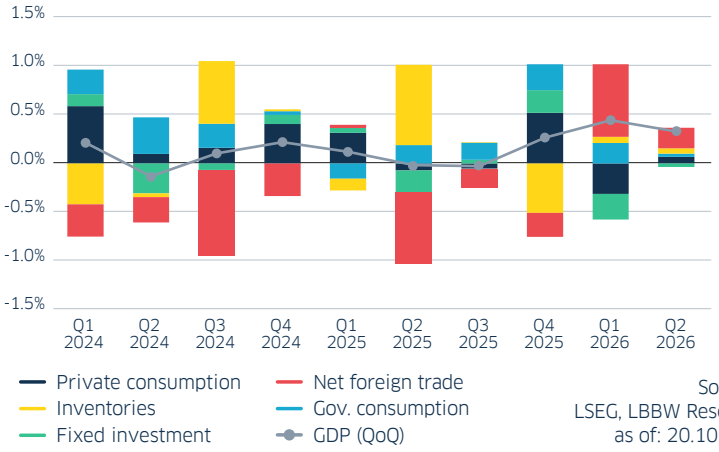
03

Key questions from clients answered by our experts.

What is driving the recovery in Germany?

Exports drove the recovery in the first half of the year. Their momentum slowed in the third quarter. We expect a stronger contribution from fixed investment, which had previously been weak. Inflation is likely to weigh on private consumption for now.

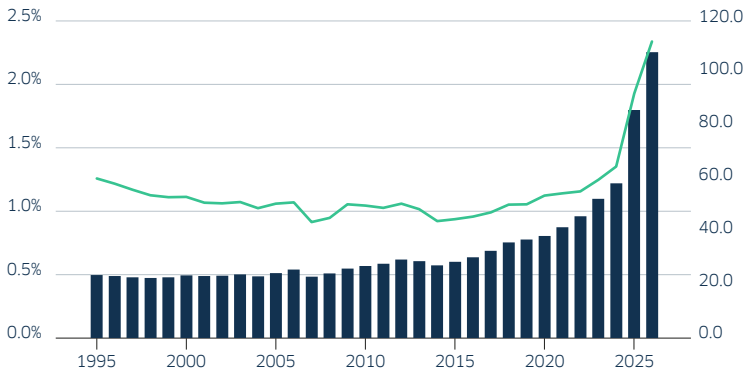
Germany: GDP and contributions by sector.



Sources: LSEG, LBBW Research; as of: 20.10.2026

What will defense spending do for the economy?

Germany: Defense spending.



Sources: LSEG, German Bundestag, LBBW Research; as of: 20.10.2026

Defense spending is classified as investment in official statistics, but its impact resembles that of consumption: beyond boosting demand, it does not raise growth. Defense spending on research and development could lift potential growth. Some military equipment is imported; the funds spent on it flow abroad and, in accounting terms, reduce GDP.



Bond market outlook brightens at the policy rate peak.

04

Elmar Völker · Strategy / Macro Research

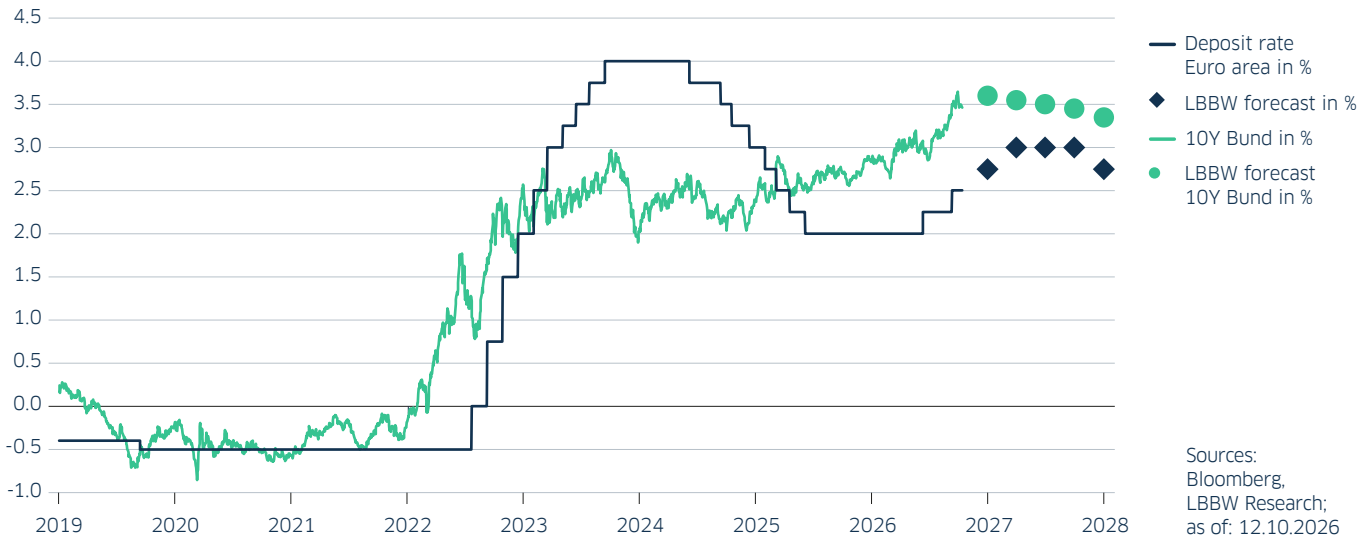
The price shock caused by the Iran war has prompted central banks in the U.S. and the euro area to change course abruptly this year. At the start of the year, policy rates had been expected to remain unchanged or fall slightly. Instead, the Fed has raised rates once so far, and the ECB twice. Almost all signs point to further increases. Inflation is likely to remain well above central banks' targets on both sides of the Atlantic for some time. Economic activity has also proved remarkably resilient despite the fallout from the war, leaving policymakers few obstacles to further tightening for now.

However, borrowing costs for firms and consumers have already risen considerably this year as long-term market rates have climbed sharply. This will probably weigh on the economy in addition to the effects of higher policy rates. We therefore expect the ECB to raise its deposit rate two more times over the next six months, bringing it to a projected peak of 3%. The Fed is likely to raise rates once more, taking its policy rate to a peak of 4.25%. We see room for an initial rate cut by each central bank toward the end of 2027.

Long-term government bond yields on both sides of the Atlantic will face competing forces in 2027. On the one hand, hopes that policy rates will start to fall later in the year could boost demand for bonds more broadly, especially as investors have had to wait around two decades for entry yields this high. On the other hand, concerns about mounting government debt still warrant caution on long-dated bonds. On balance, we expect yields to decline only gradually from the peaks reached in 2026.

Interest rates near their peak – German Bund yields to decline only slowly.

ECB deposit rate and 10-year German Bund yield, with LBBW forecasts



Sources: Bloomberg, LBBW Research; as of: 12.10.2026



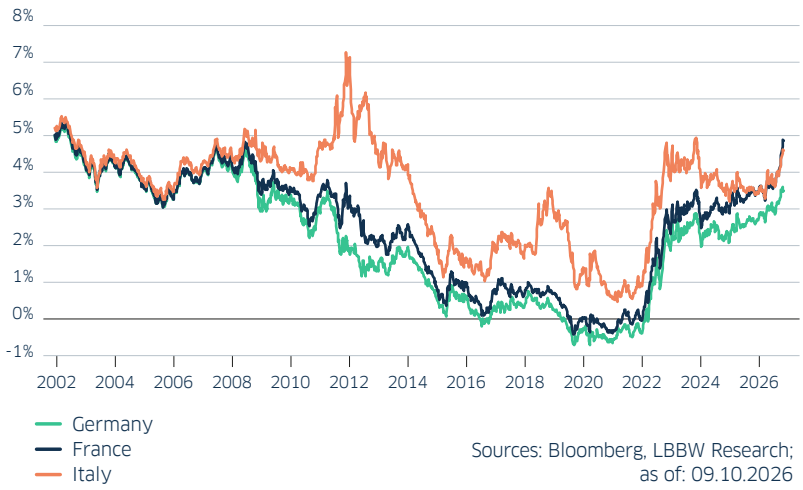
04

Key questions from clients answered by our experts.

Could France trigger a new eurozone debt crisis?

No. The risk premium investors demand to hold French government bonds rather than German Bunds is at its highest since 2012. That puts pressure on French policymakers to adopt a sounder fiscal policy at least after the presidential election. If necessary, the ECB would probably step in again.

Yields on 10-year euro-denominated government bonds.



Sources: Bloomberg, LBBW Research; as of: 09.10.2026

Will policy rates in the euro area and the U.S. return to their 2023 highs?

No. Today's situation differs in important ways from the inflation shock of 2022–23. In 2022, the energy price surge coincided with a demand boost from the post-pandemic reopening, fueling broad-based rises in prices and wages. The risk of a wage-price spiral is now much lower, so both the ECB and the Federal Reserve will likely need only modest rate hikes.

Are long-term U.S. Treasury bonds attractive at a 5% yield?

The U.S. bond market is more attractive relative to the U.S. equity market than at any time since 2002. The Achilles' heel of long-dated Treasuries remains historically high U.S. public debt. If fiscal consolidation fails to materialize even after the midterm elections, bonds could face sustained selling pressure.



Little movement before the next U.S. debt-ceiling fight.

05

Dirk Chlench · Strategy / Macro Research

The euro has lost considerable ground against the U.S. dollar in recent weeks. The main reason was probably the widening yield gap between short-term U.S. Treasuries and comparable German Bunds (the transatlantic spread). Recently, growing concern over France's mounting public debt has also weighed on the euro.

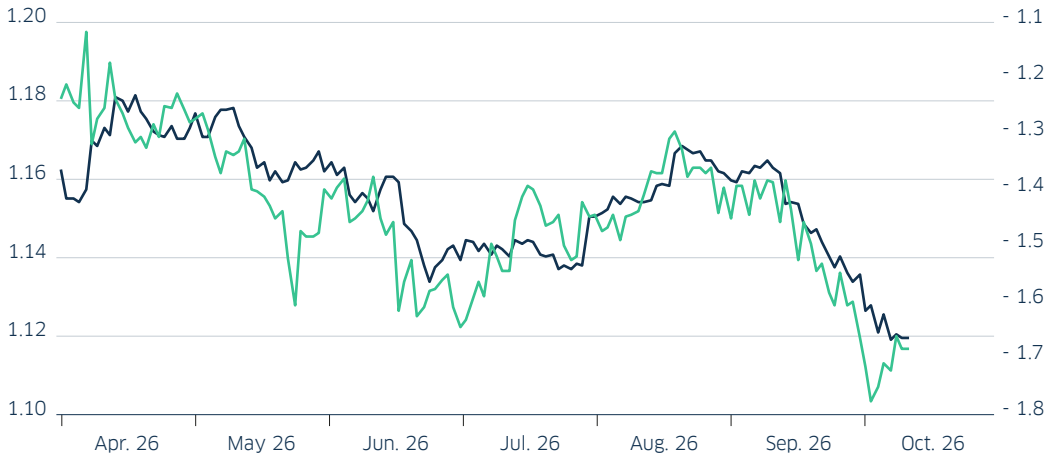
As conflicts in the Middle East have intensified, oil prices have risen again, fueling expectations of higher interest rates in both the U.S. and the euro area. In our view, however, those expectations have gone too far in both regions. We therefore expect the transatlantic spread to narrow slightly. This, in turn, suggests only a modest appreciation of the euro against the U.S. dollar. However, the U.S. government could reach the statutory debt ceiling again sometime between late winter and mid-2027.

The U.S. Treasury is expected to use its remaining leeway to delay a payment default. But the day when the U.S. government can no longer meet all its payment obligations could come in the second half of 2027. With animosity between Republicans and Democrats intensifying, the budget dispute between the U.S. president and both chambers of Congress, soon to be controlled by Democrats, could escalate. We expect this to weigh on the U.S. dollar and lift the euro to $1.17 by the end of 2027.

We also expect the Swiss franc to weaken against the euro by the end of 2027. The interest rate differential points to a weaker franc. Given global uncertainty, however, the franc's safe-haven status should prevent a sharp depreciation. We therefore do not expect a return to parity for now.

Widening U.S. yield advantage puts pressure on the euro.

Euro against the U.S. dollar and the transatlantic spread (daily data)



Sources: LSEG, LBBW Research; as of: 13.10.2026



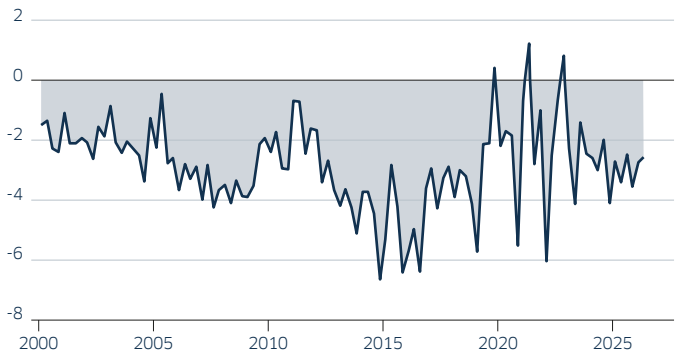
05

Key questions from clients answered by our experts.

Will the pound's structural weaknesses outweigh its potential to rise?

The UK economy faces many of the same problems as the euro area. Unlike the euro area, however, the UK has generally run current account deficits for decades and relies on foreign capital inflows. This weighs on the pound, especially when uncertainty rises. Yet purchasing power parity suggests the pound is undervalued against the euro. With these forces pulling in opposite directions, we expect little change in the pound's value against the euro through the end of 2027.

United Kingdom: Persistent current account deficits.



Sources: LSEG, LBBW Research; as of: 14.10.2026

Is China's currency artificially undervalued?

Beijing has kept the yuan weaker than fundamentals warrant. We estimate it is around 20% undervalued against the U.S. dollar. The yuan has already begun to appreciate, and we expect it to rise further in the coming quarters.

Are cryptocurrencies such as bitcoin worth adding to an investment portfolio?

Cryptocurrencies are now an established asset class and can help diversify an investment portfolio. However, their high price volatility and, at times, close correlation with other risky assets limit the diversification benefits.



The stock market boom amid AI and crises.

06

Dr. Berndt Fernow · Strategy Research

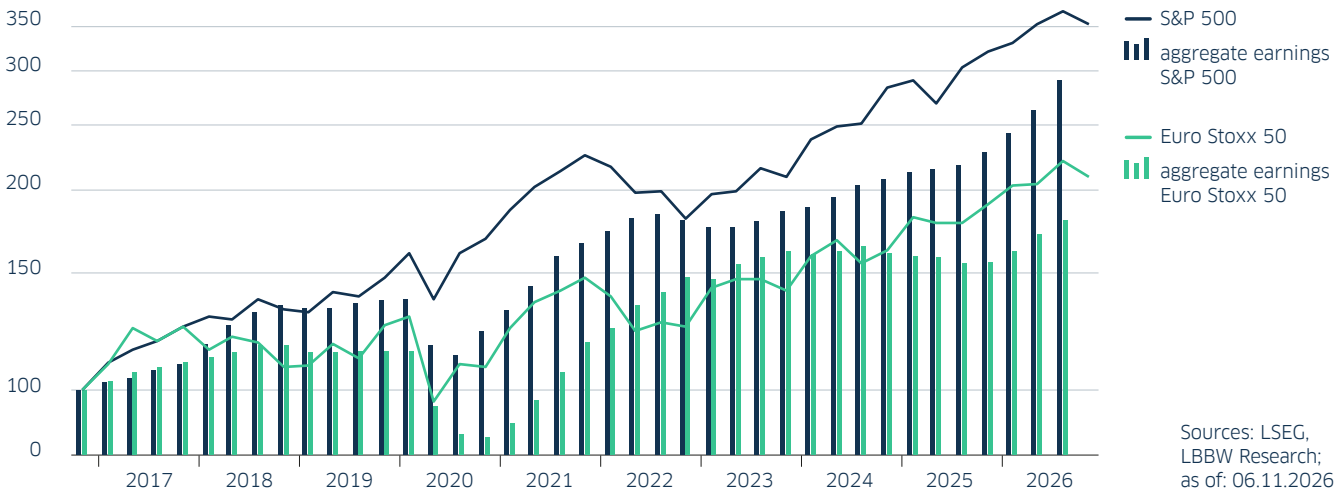
So far, stock markets have held up against a backdrop of repeated crises. A sharp rise of energy prices due to the war with Iran, significantly higher interest rates driven by inflationary pressure and government borrowing worldwide, and growing political conflicts in major industrialized countries have, at most, slowed stock price gains. The investment boom associated with the expansion of artificial intelligence has overshadowed everything else, especially as it has spread beyond the main players to the entire value chain in 2026 – from memory chips to power supply.

On paper, the tech giants are already posting substantial profits, making the indexes they dominate look cheaper again on a price-to-earnings basis. A significant share of those profits, however, stems from higher valuations of their own stakes in AI infrastructure ventures, rather than from real business. The moment of truth will come when the vast data centers begin operating from 2027 and AI model developers have to pay for the capacity they contracted. Higher interest payments are adding to the pressure, as much of the expansion is financed through complex debt structures. Governments and the AI industry are competing for increasingly scarce capital. The newly elected U.S. Congress is also expected to try to impose tighter regulatory limits on Silicon Valley.

The valuations and earnings trends of the major indexes could certainly support further moderate stock price gains next year, particularly if Europe's economy does indeed pick up. However, the bull market that has continued since late 2022 has already front-loaded returns for investors. Gains are therefore probably going to be more modest. Risks have not diminished, either. The situation in the Persian Gulf remains unstable, and Russia's aggression poses a growing threat to Europe. EU member states, in turn, are grappling with internal conflicts. And after the midterm elections, the U.S. faces two years of political confrontation.

The AI boom is driving corporate earnings.

Stock market indices and aggregate earnings, rebased to 100



Sources: LSEG, LBBW Research; as of: 06.11.2026



06

Key questions from clients answered by our experts.

Is an AI crash coming?

It would not be the first time a breakthrough technology attracted huge investment, creating excess capacity and ultimately a wave of bankruptcies. Many investors still have painful memories of the bursting dot.com bubble around 2000. Although AI is undoubtedly transforming our economy and society, investors should scrutinize the viability of AI-based business models and the soundness of their financing.

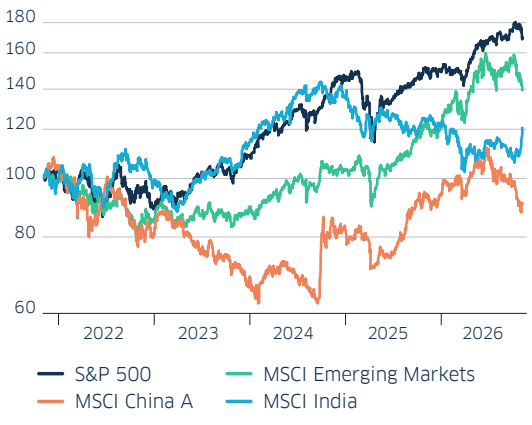
Are governments crowding out corporate investment?

Mounting public debt and the AI industry's financing needs have made capital scarcer. This is pushing up yields and weighing on stock market valuations. Yet the risks posed by rising debt have investors seeking diversification more than ever.

Will emerging markets remain attractive?

After years of relative weakness, emerging markets have rallied in 2026. Stronger economic growth and the narrowing technology gap remain good reasons to invest in EM stock markets. While Korea and Taiwan have become overheated amid the semiconductor boom, we would now favour lagging markets such as India. We would be cautious on China because of strong state control and underlying structural problems.

Emerging markets compared; rebased to 100



Sources: LSEG, LBBW Research; as of: 06.11.2026



Rising interest rates chill the housing recovery.

07

Benedikt Horwedel · Strategy / Macro Research

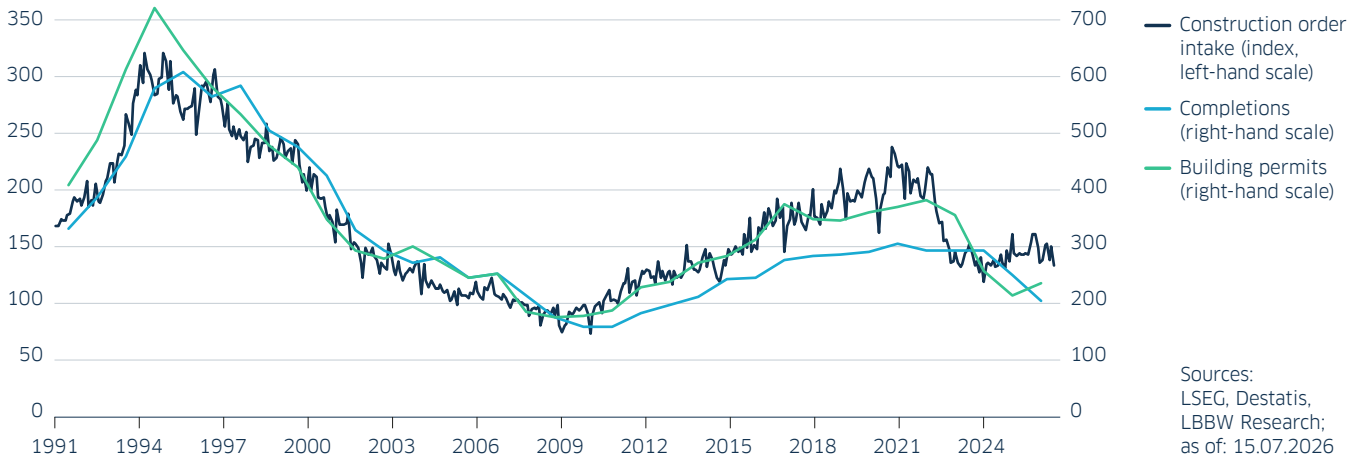
The recovery in Germany's residential property market is losing momentum. Supply remains tight, but higher interest rates and sharply rising construction costs are noticeably slowing the recovery. The rise in interest rates over the past twelve months has made homes less affordable and puts pressure on property valuations. Rents are expected to keep rising amid the housing shortage; most recently, they rose 3% year over year, according to data from the GREIX real estate price index. For next year, however, we now expect home purchase prices to remain flat. Regional differences in rents, prices and new construction are becoming increasingly pronounced.

The central problem remains the housing shortage. Around 320,000 additional homes are needed each year through 2030, yet only 207,000 were added in 2025. The number of building permits is rising, and construction of more than 760,000 homes has currently been approved. But not every plan is carried out: projects take longer, permits expire and construction prices rise. In the third quarter of 2026, construction prices for residential buildings were 5.5% higher than a year earlier. There is no quick easing in sight. How much the federal government's "Bauturbo" initiative to speed up construction can achieve will also depend on whether permits are granted faster and building regulations become more workable. Over the medium term, we expect only a modest recovery in new construction, not a strong upswing.

The commercial property market presents a mixed picture. At midyear, prices for multifamily properties were up 1.6% from a year earlier, while office property prices were down 1.2%. High vacancy rates are weighing on offices: most recently, more than 9% of available space in Germany's seven major metropolitan areas was unoccupied. Office rents are still rising, particularly for prime properties. But transaction volumes in the office investment market continue to move sideways at a low level. Overall, market conditions remain negative.

Residential construction struggles to gain momentum.

Orders, completions and permits; volume index for orders; completions and permits in thousands of units



Sources: LSEG, Destatis, LBBW Research; as of: 15.07.2026



Key questions from clients answered by our experts.

Why is affordable housing becoming scarcer despite increased subsidies?

Germany's social housing stock has halved over the past two decades. New homes have yet to make up for those losing their social housing status. Meanwhile, around 1.3 million households received Wohngeld, Germany's housing allowance, in 2025 – more than twice as many as before the 2022 reform.

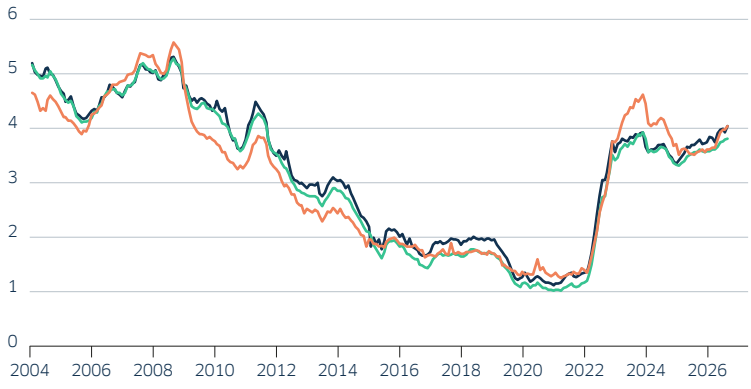
Are offices the only commercial properties facing rising vacancy rates?

No. The problem is also evident in logistics properties in less central locations. Even prime city-centre retail space is vacant. Some shopping centres are responding by repurposing units as exhibition spaces, flats, hotels or medical practices.

Should I wait for mortgage rates to fall before buying a home?

Mortgage rates are likely to fall over the next year or two, but not by much. House prices are also unlikely to change substantially for now. Buyers therefore need not rush because of prices or interest rates. But conditions are unlikely to be much better–or worse–in a year's time. Anyone who finds the right property on terms that make sense should consider buying rather than waiting for a better deal.

Effective interest rates on housing loans in Germany.
in %, volume-weighted average rate



Sources:
Deutsche Bundesbank, LSEG, LBBW Research;
as of: 31.08.2026



Fresh record highs give way to consolidation.

08

Dr. Frank Schallenberger · Strategy / Macro Research

Commodity markets have had a turbulent 2026. Gold, silver and copper all reached new all-time highs, while oil prices climbed to their highest level in four years against the backdrop of the war with Iran. As a result, the broad-based Bloomberg Commodity Index climbed to a new record high. In the first ten months of the year, the Bloomberg sector index for energy commodities rose by more than 60%, while base metals gained almost 10% on average. Precious metals, however, failed to hold on to their high prices at the start of the year and are now down around 5%.

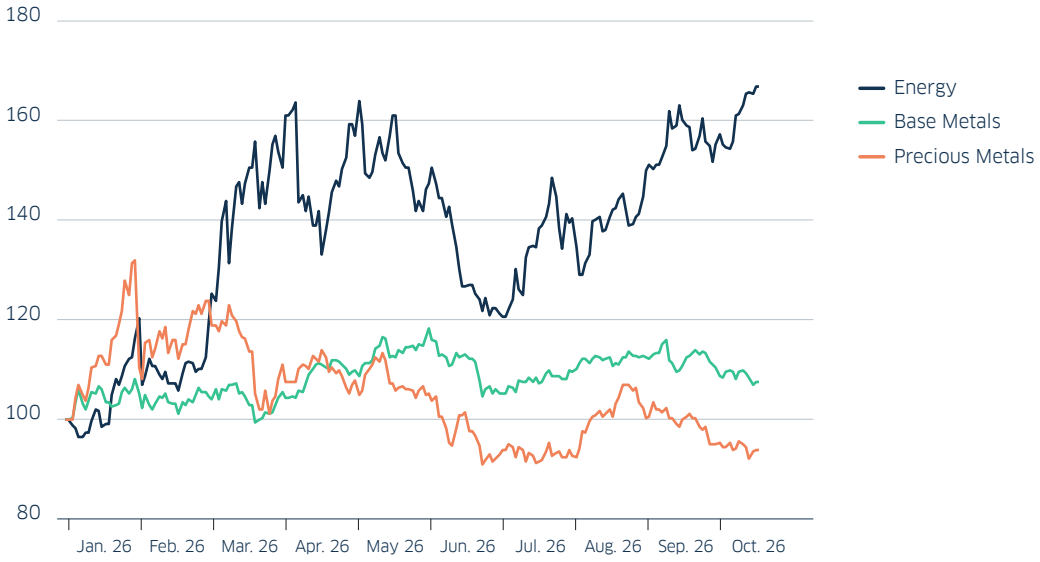
Although shipping through the Strait of Hormuz has been disrupted for several months, significantly constraining oil supply, oil prices should decline over the course of next year. High prices have substantially dampened oil demand. At the same time, Persian Gulf producers are increasingly turning to alternative transport routes. And major oil suppliers such as the UAE and the U.S. have recently reported record output. We expect the oil market to return to a supply surplus from mid-2027.

The upward trend in base metals should continue next year. The global AI boom, together with investment in grid expansion and energy storage, is underpinning steady demand. Supply shortages are also expected to continue supporting prices.

A normalization of oil trade and lower energy prices are prerequisites for gold to resume its upward trend. As energy prices fall and inflation eases, sentiment towards gold should improve. Central bank rate cuts should provide an additional tailwind, although these are unlikely before the second half of 2027.

Energy has significantly outperformed other commodity sectors in 2026.

Bloomberg Commodity Spot Subindices; indexed: 31.12.2025 = 100



Sources: LSEG, LBBW Research; as of: 22.10.2026



08

Key questions from clients answered by our experts.

Could gold prices rise if central banks keep raising interest rates in 2027?

Gold pays neither interest nor dividends, so rising rates weigh on it as money market investments and bonds become more attractive. But if inflation falls in the second half of 2027, the Fed and ECB could return to cutting rates. The prospect of rising gold prices should therefore improve markedly from mid-2027.

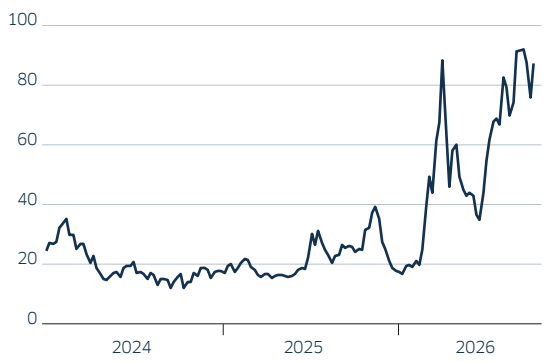
U.S. rate hike halts gold's summer rebound.



Sources: LSEG, LBBW Research; as of: 15.10.2026

When will fuel get cheaper again?

Price of processing crude oil hits a record high.



Sources: LSEG, LBBW Research; as of: 15.10.2026

Fuel prices depend mainly on oil prices and refining capacity. Oil is likely to remain expensive as long as the war in Iran continues. And as long as the wars in Ukraine and Iran keep refineries out of operation, turning crude oil into fuels such as gasoil will remain expensive. Hence, fuel prices are unlikely to fall in the near term.

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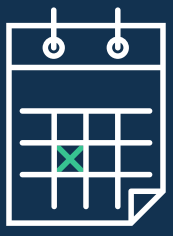
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