

Index Research and Design | Equities

More than a commodity bet: How producer equities combine commodity and market risk

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Overview

Getting direct commodity exposure is less straightforward than buying listed equities, but investors still look to commodities to add portfolio diversification particularly during periods of higher inflation and strong nominal economic growth. We recently studied the commodity-sensitivity of a selection of producer-equity baskets drawn from the FTSE Global All Cap Index and uncovered the use-cases they complement.

Equity benchmarks that offer exposure to commodity producers present a practical way to increase commodity sensitivity within an equity allocation. Across all five comparisons in our research sample, the producer baskets had a higher beta to commodity returns than the FTSE Global All Cap Index, and their commodity betas remained positive after broad market returns were included in the model.

For investors, this suggests that a dedicated producer-equity sleeve can add commodity-linked exposure without leaving the listed equity universe. The exposure still carries broad equity market risk, so its return path can differ materially from a futures-based commodity benchmark. It may complement a broad equity allocation or a separate commodity allocation, depending on whether the objective is participation in commodity themes through equities or closer tracking of commodity returns.

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What we measured

We compared five market capitalisation-weighted producer-equity baskets drawn from the FTSE Global All Cap Index using relevant Industry Classification Benchmark (ICB) subsectors. These were: Gold Mining (55103025); a precious-metals basket combining Gold Mining (55103025) and Platinum and Precious Metals (55103030); Copper (55102040); Oil: Crude Producers (60101010); and a broad commodity-producer basket spanning selected energy, metals and agriculture subsectors.

To measure commodity returns, we used the corresponding FTSE/Core Commodity CRB futures-based total return[1] index for the broad producer basket and its relevant single-commodity components for gold, copper and crude oil. For the precious metal basket, we used an equal weighted combination of gold and silver indices. The precious metals and broad resource mappings were approximate because the equity and commodity benchmarks use slightly different classifications and weighting methods.

First, we estimated the raw weekly commodity beta and R-squared of each producer equity basket. Then, we added the FTSE Global All Cap Index returns to estimate commodity sensitivity after accounting for broad equity-market movements. We used adjusted R-squared when comparing the one-factor and two-factor models because the second model includes an additional variable (the broad equity market). All series are total return indices, measured in US dollars, covering the period from 19 September 2003 to 30 June 2026.

Table 1. Raw commodity sensitivity by producer basket.

Commodity	Beta	Corr	R^2
Gold	1.550	0.792	0.628
Gold + Silver (EW)	1.099	0.789	0.622
Copper	1.112	0.748	0.559
Crude Oil	0.559	0.684	0.468
Broad CRB	0.878	0.684	0.468

Source: FTSE Russell. July 2026. The data includes back test, hypothetical performance. Please see the end for important legal disclosures

Producer sensitivity is visible, but it differs by commodity

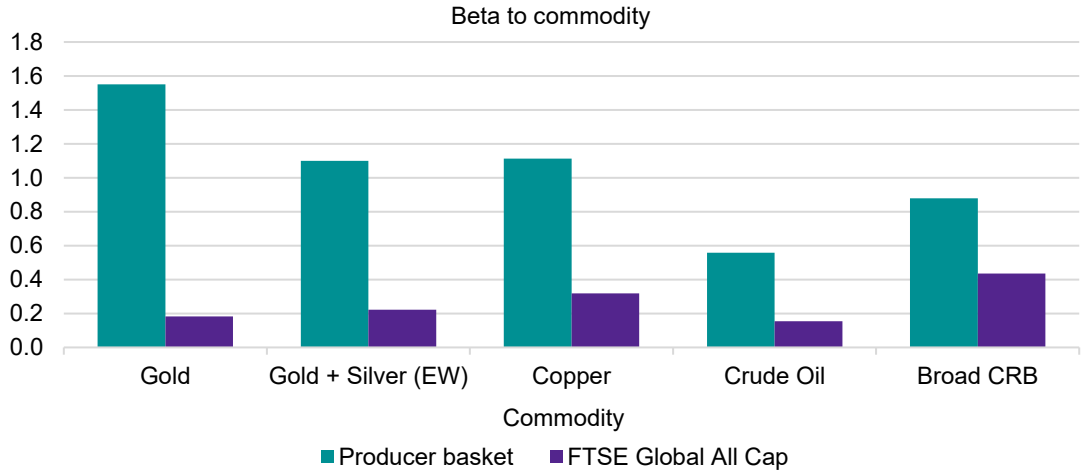
Table 1 shows that the gold and the precious metals commodity producer equity baskets had the closest weekly relationships to the underlying commodities: gold miners had a correlation of 0.79 with the gold benchmark, an R^2 of 0.63 and a beta of 1.55; and the precious metals producer basket, when compared with the equal-weight gold and silver benchmark, had a similar correlation and R^2, with a beta of 1.10.

[1] FTSE/CoreCommodity CRB indices are futures-based commodity benchmarks. They should not be interpreted as spot-price series. Futures-based commodity returns may differ from spot-price changes because they reflect the selected futures contracts, the roll process, curve shape and collateral return where applicable.

Copper producers also showed a material relationship with their commodity benchmark, with a correlation of 0.75, an R^2 of 0.56 and a beta of 1.11. The relationship was weaker for crude oil producers, where the beta was 0.56 and the R^2 was 0.47. The broad producer equity basket also had an R^2 of 0.47 against the broad CRB benchmark. This lower fit may partly reflect differences in composition and weighting between a market cap-weighted equity basket and a diversified futures benchmark.

Figure 1 extends the analysis to include a comparison with a broad equity benchmark. For each commodity, it compares two separate regressions: producer basket returns on the relevant commodity benchmark, and FTSE Global All Cap Index returns on the same benchmark. Unsurprisingly, the beta of the producer equity basket was higher in every comparison. Over this sample period, the producer baskets therefore showed much greater sensitivity to raw commodity returns than the broad equity benchmark.

Figure 1. Raw commodity beta of producer baskets and the FTSE Global All Cap



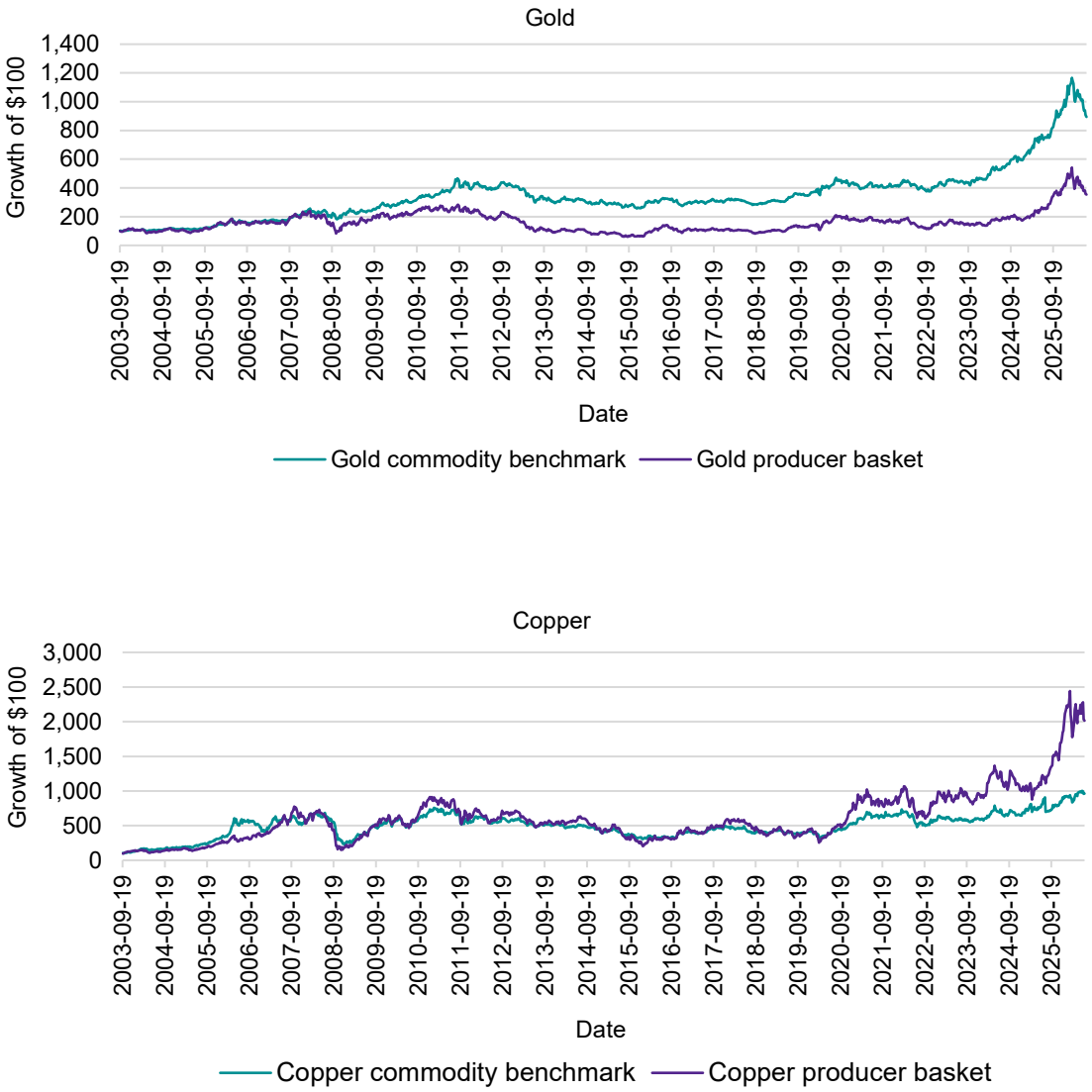
Source: FTSE Russell. July 2026. The data includes back test, hypothetical performance. Please see the end for important legal disclosures

Beta and performance

A beta above 1 indicates amplified sensitivity of weekly returns to commodity returns, but does not determine the long-run return outcome. For example, gold miners had a beta of 1.55 to gold, yet the gold benchmark had a higher annualised return, lower volatility and a smaller maximum drawdown over the sample period (see Figure 2 and Table 2). While we did not investigate the causes of the gap, the different return paths may reflect both producer-specific factors and the mechanics of futures-based commodity benchmarks.

In copper, however, we found a different outcome. With a lower beta to the underlying commodity return (1.11), copper producers had a higher annualised return than the copper benchmark, together with more volatility and a deeper maximum drawdown. The two examples illustrate how investing in commodities via equities can alter both return and risk.

Figure 2. Growth of $100: commodity benchmark versus producer basket, gold and copper.



Source: FTSE Russell. July 2026. The data includes back test, hypothetical performance. Please see the end for important legal disclosures

Table 2. Summary statistics of paired producer equity baskets and future-based commodity benchmarks.

Pair	Side	Average Ret	Volatility (ann.)	Max Drawdown
Gold	producers	5.7%	34.5%	-78.8%
Gold	commodity	10.0%	17.6%	-44.9%
Gold + Silver (EW)	producers	6.4%	33.6%	-77.8%
Gold + Silver	commodity	10.8%	24.1%	-58.2%
Copper	producers	14.0%	39.9%	-80.5%
Copper	commodity	10.4%	26.8%	-66.7%
Crude Oil	producers	8.4%	30.3%	-79.2%
Crude Oil	commodity	0.8%	37.1%	-96.6%
Broad CRB	producers	7.4%	23.1%	-61.7%
Broad CRB	commodity	4.0%	18.0%	-74.5%

Source: FTSE Russell. July 2026. The data includes back test, hypothetical performance. Please see the end for important legal disclosures

The market control matters

Producer equities are exposed both to the underlying commodity and to the equity market. In our investigation, adding the broad market benchmark to the analysis improved the adjusted R-squared for each pair, by comparison with the single factor model results shown in Table 1. The gain was modest for gold and precious metals, and larger for copper, crude oil and the broad CRB basket.

By comparison with the results shown in Table 1, the controlled commodity beta component remained close to the raw estimate for gold and the precious metals basket. It fell further for copper, crude oil and broad CRB, suggesting that part of the raw commodity relationship overlaps with broad market movements. Controlled commodity beta remained positive for all five baskets in the sample.

The broad-market variable added less to model fit for gold and precious-metals producers than it did for copper, crude oil and the broad producer basket. This pattern was consistent with the familiar view that gold-related exposures may be less tied than industrial commodities to the economic cycle, although our analysis did not directly test performance during recessions or equity market declines.

Table 3. Market-controlled regression.

Commodity	Commodity beta	Market beta	Adjusted R^2	Δ adj. R^2: market added
Gold	1.446	0.573	0.704	0.076
Gold + Silver (EW)	0.980	0.533	0.687	0.065
Copper	0.749	1.138	0.734	0.175
Crude Oil	0.420	0.905	0.696	0.229
Broad CRB	0.495	0.878	0.797	0.329

Source: FTSE Russell. July 2026. The data includes back test, hypothetical performance. Please see the end for important legal disclosures

Conclusion

Producer equity benchmarks can serve as a commodity-sensitive sleeve within an equity allocation. In all five of our comparisons, the raw commodity betas of the producer equity baskets were higher than those of the FTSE Global All Cap Index. The commodity betas also remained positive after accounting for broad-market returns. This suggests that tilting towards the listed equities of commodity producers can add commodity sensitivity beyond what is available from a broad equity portfolio.

The resulting exposures remain linked to those of the equity market, and their long-run returns and drawdowns can differ materially from their corresponding commodity benchmarks. Producer equities may therefore complement broad equity portfolios or direct commodity allocations. Their strongest use case may be for investors seeking commodity-linked exposure within an equity framework. Investors seeking closer tracking of commodity returns, or a return stream with less equity-market influence, may prefer a more direct commodity instrument.

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