

# The S&P GSCI: Built for the Cycle

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## Production Weighting, Inflation Beta, and 10 Years of the S&P GSCI

Over the 10-year period from May 29, 2016, to May 29, 2026, the **S&P GSCI** TR had a gain of 126.3%, outperforming the 100.6% gain for the Bloomberg Commodity Index (BCOM) TR. The 26-percentage-point spread translates to roughly 130 bps of annualized outperformance. More important than the outperformance itself is the underlying reason: how each index responds to inflation.

Regressing year-over-year total return on year-over-year headline CPI yields an inflation beta of 9.09 for the S&P GSCI and 5.50 for BCOM ( $R^2$  of 51.8% and 42.2%, respectively, on 109 monthly observations). The S&P GSCI's slope is roughly 1.7× steeper. In the upper tercile of the inflation distribution, where headline CPI averaged 5.8% year-over-year, the S&P GSCI gained an average of 33.4% on a trailing 12-month basis versus 21.1% for BCOM. The 12.3-percentage-point gap appears precisely when an inflation hedge could be considered most relevant.

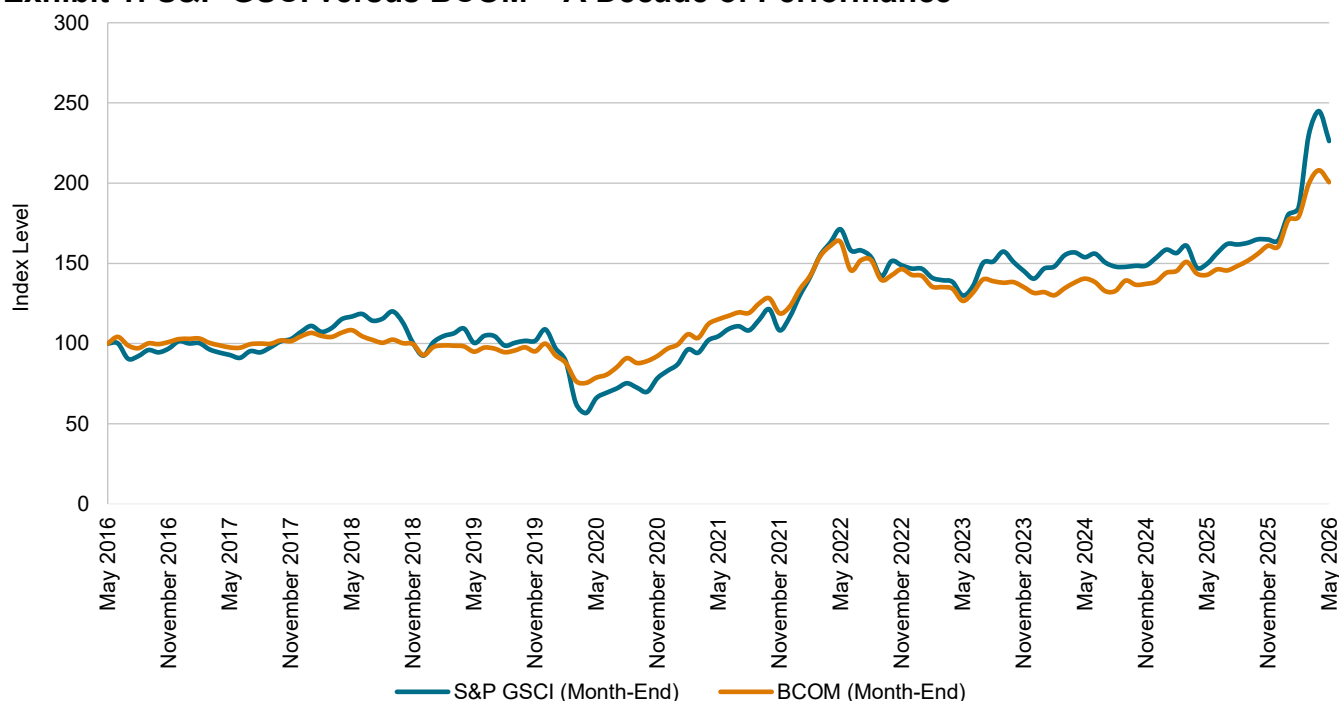
Production weighting drives the result. The S&P GSCI weights its constituents by a five-year rolling average of world production, which causes index weights to scale with each commodity's economic footprint. Target January 2026 rebalancing weights for Energy were 51.8% for the S&P GSCI and 29.4% in BCOM. Energy is also the largest single contributor to the variance of headline inflation. The two facts compound: an index that holds more energy moves more when energy moves, and energy often moves with the inflation cycle.

Higher beta cuts both ways. The same construction that showed a 33.4% trailing gain in high inflation regimes lost 9.7% in low inflation regimes, while BCOM averaged -4.4% in low inflation regimes. The pattern across the decade is consistent: the S&P GSCI led when inflation was elevated and lagged when it was not. That said, as we'll see later, the S&P GSCI's outperformance during high inflation regimes far exceeded relative underperformance during low inflation regimes. As such, the S&P GSCI has historically exhibited characteristics associated with inflation hedging.

## The Decade in Numbers

We compare the S&P GSCI and BCOM performance in total return terms for the 10-year period ending May 29, 2026, which was the most recent month-end when this study was performed. Over the course of the past decade, we've encountered periods of especially low inflation, such as 2020 with the COVID-19 slowdown, or high inflation, like 2021–2022 with the post-2020 inflation rebound and the start of the Ukraine-Russia conflict in 2021, and periods in between. Over the full cycle, the S&P GSCI meaningfully outperformed BCOM; however, relative performance varied within the period based on the type of inflationary regime.

### Exhibit 1: S&P GSCI versus BCOM – A Decade of Performance



Source: S&P Dow Jones Indices LLC (S&P GSCI TR); Bloomberg Index Services Limited (BCOM TR). Data from May 31, 2016, to May 29, 2026. Indices were rebased to 100 on May 31, 2016. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Three features of the performance stand out. First, the COVID-19 demand shock of early 2020 hit the S&P GSCI harder than BCOM in absolute terms; the production-weighted index

bottomed out in late April 2020 in the mid-50s, compared to BCOM in the mid-70s. Next, the 2021-2022 inflation cycle (including the Russia-Ukraine war) drove the S&P GSCI sharply higher, roughly doubling from the low-80s to a peak in the high-170s, while BCOM also rose strongly but less markedly. Finally, the YTD 2026 energy spike linked to the conflict with Iran has quickly re-opened a wide spread between the two indices in just a few months. Together, these episodes highlight the relative sensitivity of the S&P GSCI's performance to energy-led commodity moves. The calendar-year breakdown shows the same pattern with more granularity (see Exhibit 2).

### Exhibit 2: Annual Performance of S&P GSCI versus BCOM and CPI

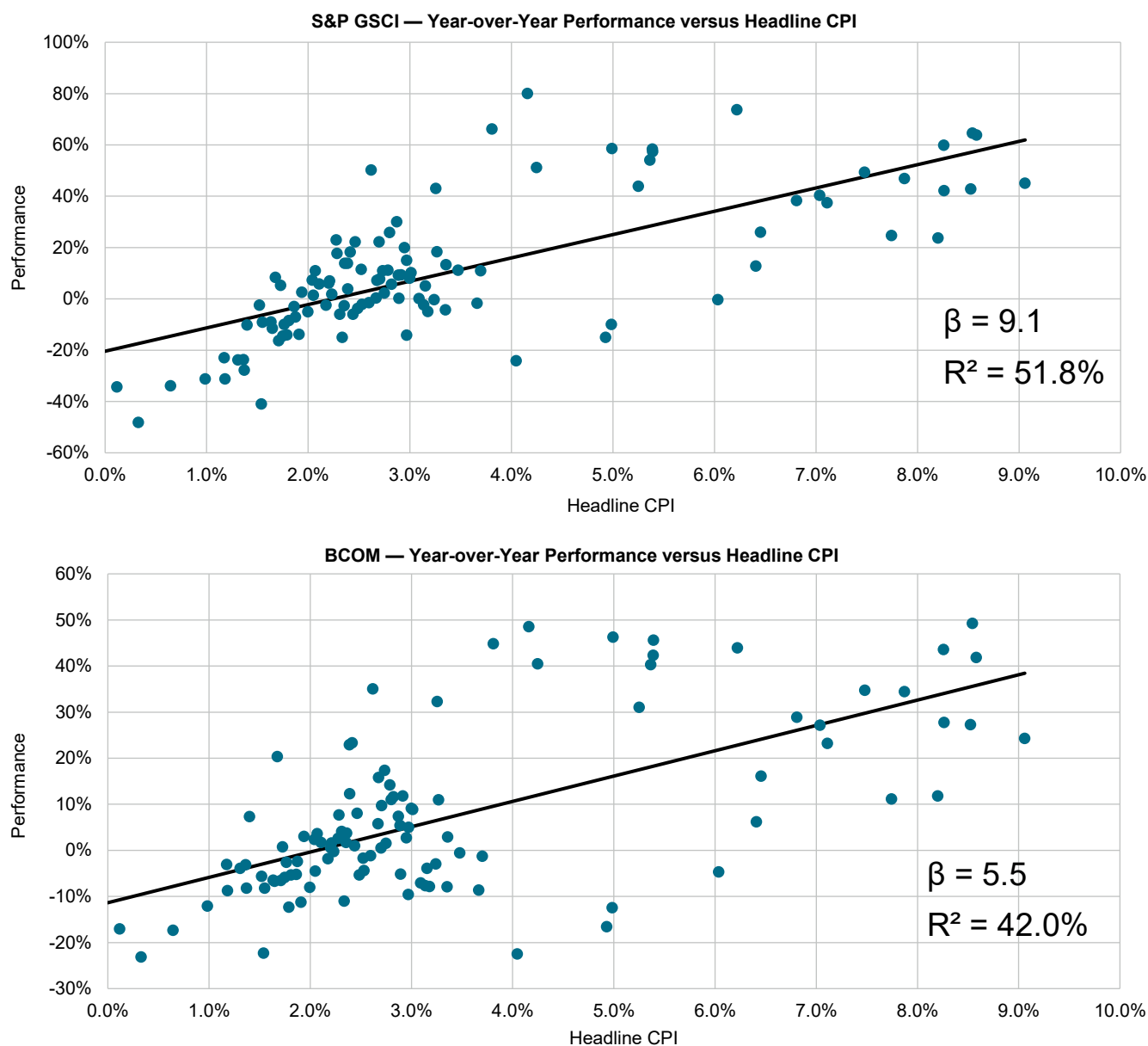
| Year | Performance (%) |       | Spread (%) | Year-over-Year CPI (%) | Note                            |
|------|-----------------|-------|------------|------------------------|---------------------------------|
|      | S&P GSCI        | BCOM  |            |                        |                                 |
| 2016 | 1.5             | 2.8   | -1.3       | -                      | Partial – Starting May 29, 2016 |
| 2017 | 5.8             | 1.7   | 4.1        | 2.1                    | -                               |
| 2018 | -13.8           | -11.2 | -2.6       | 1.9                    | Q4 Oil Slide                    |
| 2019 | 17.6            | 7.7   | 9.9        | 2.3                    | -                               |
| 2020 | -23.7           | -3.1  | -20.6      | 1.4                    | COVID-19, Negative WTI          |
| 2021 | 40.4            | 27.1  | 13.2       | 7.0                    | Post-COVID-19 Inflation         |
| 2022 | 26.0            | 16.1  | 9.9        | 6.5                    | Russia-Ukraine War Started      |
| 2023 | -4.3            | -7.9  | 3.6        | 3.4                    | -                               |
| 2024 | 9.2             | 5.4   | 3.9        | 2.9                    | -                               |
| 2025 | 7.1             | 15.8  | -8.7       | 2.7                    | BCOM Led on Gold and Copper     |
| 2026 | 37.7            | 25.0  | 12.6       | -                      | Partial – Through End of May    |

Source: S&P Dow Jones Indices LLC (S&P GSCI TR), Bloomberg Index Services Limited (BCOM TR), U.S. Bureau of Labor Statistics (CPI-U, not seasonally adjusted). Data from May 29, 2016, to May 29, 2026. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Overall, the S&P GSCI outperformed BCOM in 7 of the 11 calendar periods covered (including partial periods). In general, when the broad commodity cycle was positive, the S&P GSCI's higher beta helped it to outperform and act as an inflation hedge.

## Inflation Beta: What the Data Show

To calculate the inflation beta for each index, the trailing 12-month performance in total return terms was computed and regressed on the year-over-year CPI rate using ordinary least squares. The slope of that regression is the inflation beta. A beta of 5 means that, on average across the sample, a one percentage-point increase in year-over-year CPI was associated with five percentage points of additional 12-month total return (see Exhibit 3).

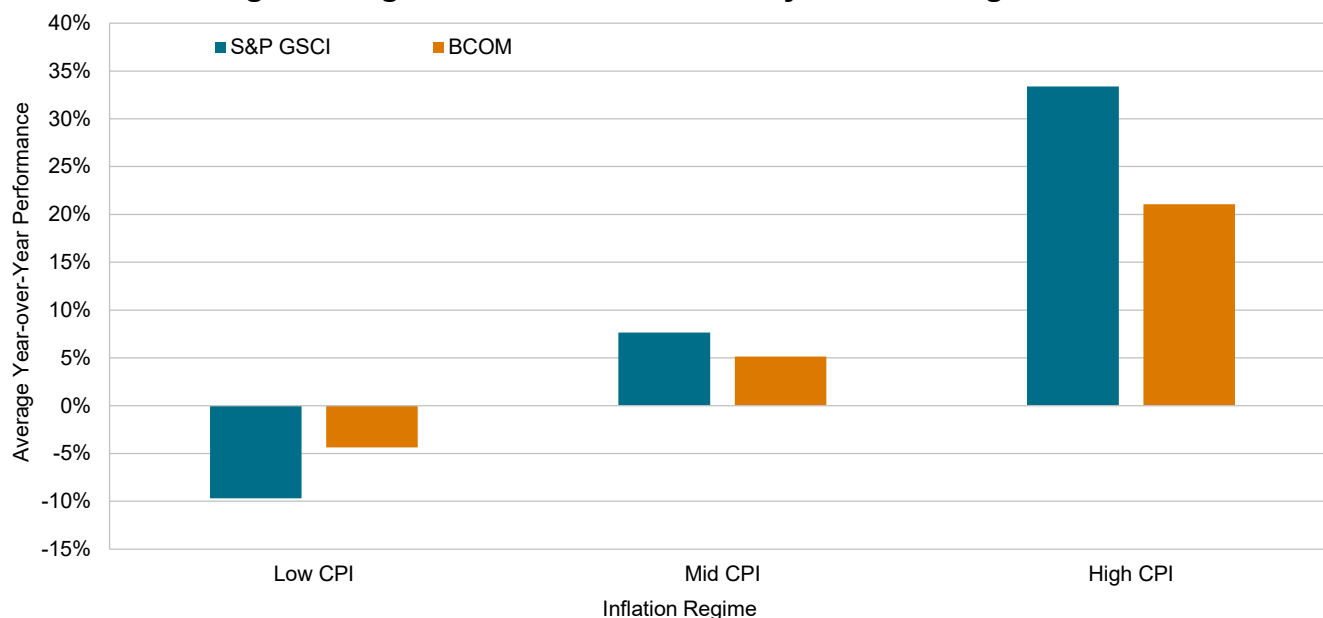
**Exhibit 3: Inflation Beta – Monthly Observations**

Source: S&P Dow Jones Indices LLC (S&P GSCI TR), Bloomberg Index Services Limited (BCOM TR), U.S. Bureau of Labor Statistics (CPI-U, not seasonally adjusted). Data from May 29, 2017, to May 29, 2026. Index performance based on total return in USD. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Regressing year-over-year total returns on year-over-year CPI shows a fitted beta of 9.09 for the S&P GSCI ( $R^2 \approx 51.8\%$ ) versus 5.50 for BCOM ( $R^2 \approx 42.0\%$ ). GSCI's slope is about 1.65 $\times$  steeper, meaning its 12-month return tended to move roughly 65% more (in percentage-point terms) than BCOM's for each one-point change in year-over-year inflation. Both betas are clearly positive and each  $R^2$  is economically meaningful, indicating that both indices have exhibited inflation-hedging performance over the past decade, with the S&P GSCI exhibiting a higher sensitivity to inflation.

The result is not driven by any single inflation episode. Sorting the 109 monthly observations into inflation regime terciles (periods of low, mid and high CPI) produces the average trailing 12-month performance shown in Exhibit 4.

**Exhibit 4: Average Rolling 12-Month Performance by Inflation Regime**



| Regime   | Average Year-over-Year CPI (%) | Year-over Year Average Performance (%) |       | GSCI – BCOM (%) | Months |
|----------|--------------------------------|----------------------------------------|-------|-----------------|--------|
|          |                                | S&P GSCI                               | BCOM  |                 |        |
| Low CPI  | 1.66                           | –9.69                                  | –4.36 | –5.34           | 37     |
| Mid CPI  | 2.72                           | 7.64                                   | 5.12  | 2.51            | 36     |
| High CPI | 5.79                           | 33.37                                  | 21.08 | 12.29           | 36     |

Source: S&P Dow Jones Indices LLC (S&P GSCI TR); Bloomberg Index Services Limited (BCOM TR); U.S. Bureau of Labor Statistics (CPI-U, not seasonally adjusted). Data as of May 2026. Index performance based on total return in USD. Inflation regimes are defined using terciles of year-over-year CPI. Monthly observations are grouped into approximately equal-sized buckets. Returns represent average rolling 12-month total returns. Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes.

As we can see in Exhibit 4, in the high inflation regime (averaging about 5.8% year-over-year CPI), the S&P GSCI was over 12 percentage points higher than BCOM on average, whereas in low-inflation periods it lagged by about 5 points—underscoring that the S&P GSCI's higher beta led to underperformance when inflation was benign but much larger gains when inflation was elevated, a trade-off consistent with an index with greater historical sensitivity to inflation.

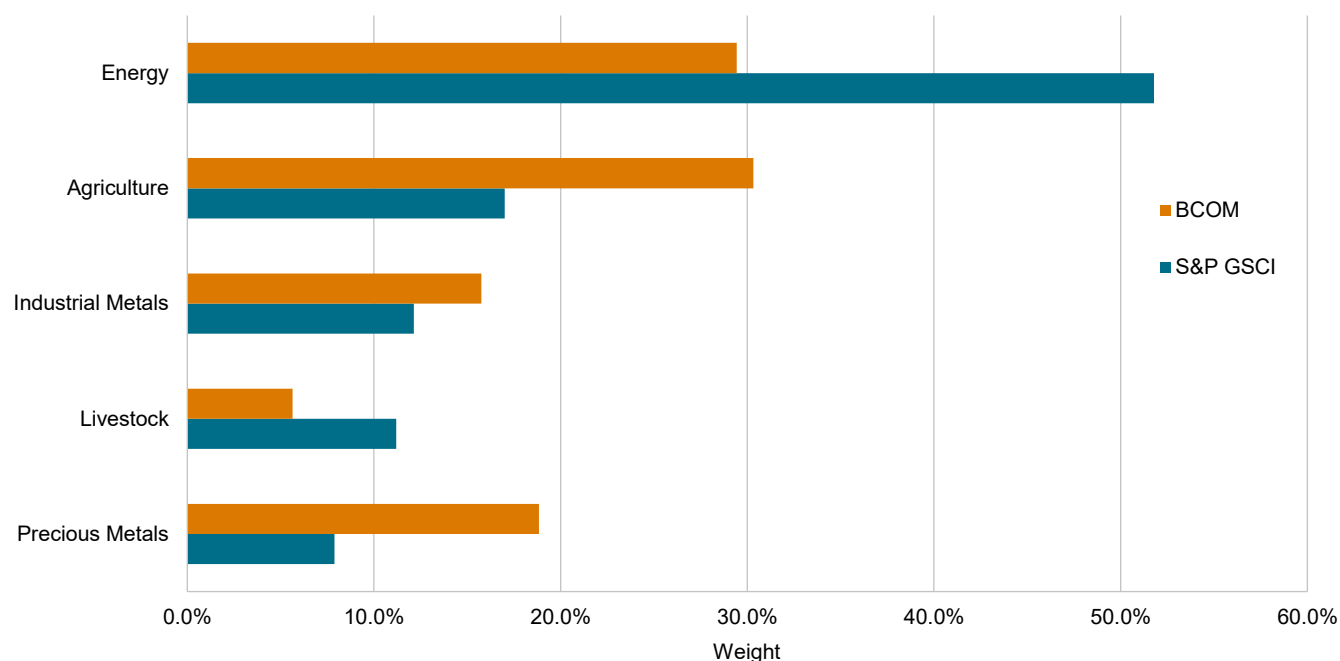
## Why Production Weighting Tracks Inflation

The S&P GSCI weights its constituents by a five-year rolling average of world production. The weights reflect each commodity's share of global output. BCOM applies caps designed to enforce diversification: 33% maximum per sector and 15% maximum per individual commodity.

The announced target weights from the two methodologies produced different target sector profiles for 2026.

Exhibit 5 compares the target January 2026 rebalancing weights for the S&P GSCI and BCOM. The most striking contrast is the significantly higher weight to Energy (22.3 percentage points higher in the S&P GSCI than BCOM). This is driven by the S&P GSCI's reliance on production weighting, versus BCOM's approach, which includes liquidity and capping.

#### Exhibit 5: Announced Target Sector Weights for January 2026 Rebalancing



Source: S&P Dow Jones Indices LLC; Bloomberg Index Services Limited. Data as of January 2026. Chart is provided for illustrative purposes.

The link between production weighting and inflation beta is largely mechanical. Energy is the dominant contributor to variation in headline CPI. While food and shelter carry larger weights in the CPI basket, neither responds to supply shocks with the same immediacy or magnitude observed in commodity markets. For instance, when the global oil supply is disrupted, retail gasoline prices and the front-month futures contracts that underpin commodity indices tend to move in tandem. An index with roughly half its weight in energy will therefore reflect these moves more directly than one with a materially lower weight.

The economic logic points in the same direction. Production weighting reflects the proposition that index weights should mirror the underlying structure of global commodity production and consumption. Commodities that account for a larger share of global output and trade, most notably Energy, also play a more central role in the cost structure of the real economy. A benchmark that weights commodities according to this economic footprint may therefore be more aligned with the channels through which commodity price shocks feed into inflation.

## Caveats and Conclusions

The implications of production weighting in inflation-sensitive contexts are readily observable, but higher inflation beta is not a free lunch. The same concentration that produced 33.4% average trailing performance in high CPI regimes produced -23.7% in 2020 and lagged BCOM by nearly nine percentage points in 2025. Calendar year 2018 saw a fourth quarter oil slide that pulled the S&P GSCI down 13.8%, while BCOM fell 11.2%. None of those results should be a surprise given how the index is constructed. However, the S&P GSCI's outperformance in high inflationary periods significantly outpaced its underperformance in low inflationary periods. This asymmetry is consistent with the characteristics often associated with a broad-based inflation hedge.

The S&P GSCI's potential role in a strategy reflects its construction. As a broad commodity benchmark that reflects the real economy footprint, the production-weighted approach may be more aligned with that. In terms of inflation hedging, the decade of data shows a beta roughly 1.7× higher than a capped-liquidity alternative, with an  $R^2$  above 51%. If considered as a diversified commodity benchmark alongside equities and fixed income, the asymmetric payoff profile—stronger when inflation accelerates and weaker when it does not—could be complementary.

Methodology choice is a function of mandate. Production weighting generally reflects the economic basket. In a market environment where inflation remains a central macro risk, that fidelity is relevant, and the 10 years of data through May 2026 showed how this weighting has historically played out.

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