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BCOM Index Monthly Commodities Update
January 2019

Executive Summary
Commodities increased in January, with the Bloomberg Commodity Index Total Return gaining 5.45%. WTI Crude Oil and Gas Oil rose 17.90% and 14.01%, respectively. The International Energy Agency (IEA) released its production data for December, showing Saudi Arabia and Russia were voluntarily reducing production and exports as they indicated they would in December. Libyan and Iranian production also decreased due to unplanned outages for the former and the impact of US sanctions on the latter. Nickel gained 16.77% after the Chinese government pledged additional stimulus measures following a $29 billion tax cut plan for small businesses, raising demand expectations for base metals broadly. In addition, a dam breach at one of Vale SA's Brazilian iron ore mines raised fears that nickel production at other company-owned mines may also be cut as the company could face regulatory pressure to suspend operations. Lean Hogs fell 7.11% as severe cold weather in the US Midwest region closed some pork production facilities, while also lowering pork consumption expectations. The closures kept more ready-to-market hogs in feedlots, leading to expectations for increased hog weights and higher pork supply after production facilities reopen. Meanwhile, expectations for higher Chinese imports of US pork remained muted as trade talks continued. Natural Gas decreased 1.09%. The aforementioned arctic chill in the US Midwest caused local Natural Gas prices at various regional pricing hubs to spike. However, the event was short-lived, and warmer-than-expected weather was forecasted for early February. This led to further weakening of Natural Gas prices at Henry Hub, the delivery location of the futures contract held by the benchmark. Soybean Meal rose 0.24% as adverse dry weather conditions in Brazil hurt soybean crop growth during the main grain filling season.

Monthly Commentary
The Bloomberg Commodity Index Total Return was higher for the month, with 21 out of 23 constituents posting gains. Energy increased 9.22%, led higher by crude oil and petroleum products, as global crude oil inventories appeared to be tightening. Industrial Metals gained 8.05%, led by Nickel. Base metals demand was broadly supported as China continued to make monetary and fiscal policy changes in an effort to fend off slowing domestic growth. Zinc also increased as cancelled warrants for inventories stored in London Metal Exchange warehouses rose, indicating potential strengthening demand for the metal. Precious Metals rose 3.23%. The US Dollar weakened early in the month as market expectations increased for a slower trajectory in interest rate hikes in 2019 after the US Federal Reserve (Fed) released minutes for its December meeting. The US Dollar continued to decline after the Fed reaffirmed a patient approach at the committee's January 29th - 30th meeting. This increased the appeal of Gold and Silver as alternative stores of wealth. Agriculture was 3.04% higher for the month. Soybean Oil was also supported by expectations for lower soybean crop yields out of Brazil due to poor weather conditions. Sugar rose as the Brazilian Real appreciated versus the US Dollar, which discouraged farmers from selling their dollar-priced inventories, leading to lower global supply expectations. Higher crude oil prices may have also encouraged Brazilian sugar mills to crush more sugarcane for ethanol, an alternative to gasoline. Livestock declined 1.50%, led lower by Lean Hogs. While US weather was a key driver of prices during the month, the spread of African Swine Fever in pigs will continue to be closely monitored as a potential driver of returns in the future. Mongolia reported its first case of the virus, following previously reported incidents in China. In addition, some European countries began to build barriers along their borders to prevent wild boars affected with disease from passing the virus on to their domestic pigs.

Market Outlook
At the end of 2018, OPEC and its allies agreed to cut output by approximately 1.2M bbls/day relative to October 2018 levels. Markets started to see initial signs of this at the beginning of 2019. So far, data for December 2018 suggests they are on their way to meeting their stated objective, cutting production by around 750 thousand barrels per day for December, per OPEC data. As markets continue to monitor compliance among nations party to the agreement, ongoing geopolitical tensions may also play a role. On January 28th, the US imposed sanctions on Venezuela's state-owned oil company, Petróleos de Venezuela, S.A. These sanctions are likely to slow down the production of refined oil products in the US as refineries located in Texas and Louisiana, which typically process heavier grades of crude sourced from Venezuela, struggle to find alternative supplies. In addition, as US sanctions on Iran remain in place, European nations including Germany, France and Britain have implemented a new trading mechanism, called the Instrument in Support of Trade Exchanges, to allow them to continue doing business with Iran. If the US government deems that organizations participating in this system are acting in violation of its Iran sanctions, retaliatory punishments may be put in place, which may include restrictions on these companies' access to the US financial system. Any new trade barriers between the US and Europe are likely to weaken global growth prospects.

Trade flows across Europe will also be impacted by ongoing "Brexit" negotiations. British Prime Minister Theresa May's separation (con't)

plan was rejected during the month by members of the United Kingdom's (UK) Parliament. A no deal "Brexit" would cause greater uncertainty for companies doing business in the UK and may harm growth in both the UK and Eurozone. As such, both areas are heavily incentivized to find a resolution in order to avoid a hard landing. Following a large drop in the Eurozone's industrial production reading for November, the European Central Bank (ECB) noted that there are now more downside risks to the Eurozone economy. As a result, the ECB may keep easier monetary policies in place for longer than previously expected. In China, effects from ongoing trade tensions with the US have continued to negatively impact its economy as the National Bureau of Statistics Purchasing Managers' Index for January revealed that China's manufacturing activity contracted for a second straight month. In an attempt to combat this, China continued to implement looser fiscal and monetary stimulus measures. Meanwhile in the US, the Fed has committed to maintaining a patient approach to future monetary tightening following the longest recorded government shutdown in US history. Central banks globally continue to seem more focused on preventing headwinds from slowing down growth than they are concerned about higher levels of inflation. Any upside surprises to growth may also result in greater-than-expected inflation, which should be supportive of the commodities asset class given its historically high correlation to unexpected inflation.

Bloomberg Commodity Index TR Performance through January 31, 2019

	Weight as of Month End	MTD Total Return
Energy	30.89%	9.22%
Agriculture	29.07%	3.04%
Livestock	5.81%	-1.50%
Industrial Metals	18.17%	8.05%
Precious Metals	16.05%	3.23%
BCOM Index Total Return	**100.00%**	**5.45%**

Sources: Credit Suisse Asset Management, LLC, Bloomberg

Performance Notes:
The Bloomberg Commodity Index Total Return is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The returns are calculated on a fully-collateralized basis with full reinvestment. Excess return reflects relative performance versus the benchmark (+/-).
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