BCOM Index Monthly Commodities Update
March 2019

Executive Summary

Commodities decreased in March, with the Bloomberg Commodity Index Total Return down 0.18%. Soybean Oil declined 6.06% as the arrival of Latin America's oilseed harvesting period encouraged the region's farmers to discount their inventories to make room for the new crop. This, as well as weaker exchange rates for the Argentine Peso and Brazilian Real versus the US Dollar, increased the competitiveness of the region's soybeans and resulted in fewer buyers of US-produced soybeans. Also, February's National Oilseed Processors Association Crush Report indicated significantly higher-than-expected US soybean oil supplies, adding downward pressure on prices. Natural Gas fell 5.52% as warmer-than-normal temperatures forecasted throughout the US for the first half of April mitigated possibilities for prolonged seasonal storage drawdowns. Coffee was 3.82% lower as beneficial weather conditions in Brazil's key growing regions raised expectations for a larger-than-expected crop during the off year of the current biennial cycle. A weaker Brazilian Real during the period also incentivized sales of coffee priced in US Dollars. Lean Hogs gained 23.75% due to reports of improving trade relations between the US and China, and the continued outbreak of African swine fever across China's hog herds. Both increased expectations of greater Chinese demand for US pork products. In addition, major flooding in the US Midwest threatened hog production in Nebraska, Iowa and Missouri. Gasoline increased 6.82% as supplies decreased over the month from near their highest levels over the past decade at the start of the month to only slightly above average by the end of the month, as reported by the US Energy Information Administration. Cotton rose 6.78% after US-China trade deal optimism supported demand expectations for US crops. Also, the US Department of Agriculture (USDA) released its March 29th Prospective Plantings report, which revealed lower-than-expected planted acreage for cotton, reducing supply expectations for the 2019/2020 crop season.

Monthly Commentary

The Bloomberg Commodity Index Total Return was lower for the month, with 16 out of 23 constituents posting losses. Agriculture declined 2.22%, led lower by Soybean Oil and Coffee. Corn also declined after the USDA Prospective Plantings report showed more corn plantings than expected, largely attributed to high soybean-to-corn switching in North and South Dakota after Chinese tariffs on US soybeans weighed on farmers' profitability. The USDA's latest quarterly Grains Stocks report also showed higher-than-expected US inventories of corn. Precious Metals decreased 2.00% as the US Dollar rose along with the US stock market, reducing demand for Silver and Gold as safe haven assets. Industrial Metals increased 0.90%, led higher by Zinc, as the global refined supply deficit persisted into its third year, as reported by the International Lead and Zinc Study Group. Inventories tracked by the London Metal Exchange continued to decline, increasing expectations for further supply tightness. Energy rose 0.66%, led higher by Gasoline. WTI Crude Oil and Brent Crude Oil also gained from tightening supply and demand fundamentals. However, their gains were offset by losses in Natural Gas. In addition to warmer forecasted temperatures, current weakness in the global Liquefied Natural Gas (LNG) markets has increased concerns on the prospects of future US LNG export demand in the latter part of the year. Livestock gained 6.30%, led higher by Lean Hogs. The USDA's March Cold Storage report revealed a 3% drop in frozen pork supplies for January year-over-year, indicating stronger demand for US pork products than expected.

Market Outlook

The trade dispute between the US and China came closer to reaching its one-year mark by the end of March, with both sides potentially motivated to finalize a deal quickly to support their respective economies. The two largest economies in the world made progress towards forming preliminary terms, with a target date of arranging an extensive trade agreement by the end of April. If trade talks progress as planned, the US' agricultural and livestock industries may receive a boost in Chinese export demand by May. The current draft would even be a boon to the US energy markets, with China planning on increasing imports of US LNG. The domestic natural gas industry already faces potential slower production growth as exploration companies focus on improving profitability by reducing new capital expenditure projects. Even base metals demand expectations could recover quickly, potentially improving from better global growth prospects in the near term.

In the meantime, the US economy appeared to remain resilient, though with mixed economic reports. Among the highlights were an increase in new home sales year-over-year in February, near its strongest levels since the global financial crisis, and an unemployment rate that fell back down to 3.8%. The US ISM and Markit Manufacturing PMI figures though were weaker than expected for February and seemed to indicate the manufacturing expansion may be cooling. The Caixin China General Manufacturing PMI reading for March returned to expansionary territory, surprising the market to the upside, potentially due to stimulus measures from the Chinese government. Meanwhile, the US Federal Reserve (Fed) seemed to further make it clear it was willing to remain patient and keep monetary policy looser for longer, rather than continuing (con't)

to raise interest rates and risk being considered to be a major cause of a potential recession. The Fed even seemed to allude that it would be willing to ease if needed as it keeps on eye on foreign growth prospects which would impact US growth. Even the European Central Bank signaled that it may reconsider its stance on maintaining negative interest rates if economic data out of the Eurozone continued to soften. Their words and actions emphasize that the trend of more active central bank management of their respective economies is likely to remain.

Bloomberg Commodity Index TR Performance through March 31, 2019

	Weight as of Month End	**MTD Total Return**	**YTD Total Return**
Energy	32.69%	0.66%	15.93%
Agriculture	27.10%	-2.22%	-3.18%
Livestock	6.29%	6.30%	4.69%
Industrial Metals	18.62%	0.90%	12.85%
Precious Metals	15.30%	-2.00%	0.02%
BCOM Index Total Return	**100.00%**	**-0.18%**	**6.32%**

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 (+/-).
Indices are not subject to management fees and are not available for direct investment. **Investing entails risks, including possible loss of principal. Past performance is no guarantee of future results.**