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BCOM Index Monthly Commodities Update
December 2019

Executive Summary
Commodities increased in December, with the Bloomberg Commodity Index Total Return returning 5.04%. Soybean Oil rose 12.88% as regulations in Indonesia and Malaysia go into effect in 2020 to increase crude palm-oil (CPO) content in biodiesel, which would lead to a significant quantity of CPO being diverted away for edible purposes. In addition, Malaysian palm oil production in November declined more than expected due to unfavorable weather trends. These events raised the demand for soybean oil as a cost-effective substitute. WTI Crude Oil and Brent Crude Oil gained 11.05% and 10.43%, respectively, as OPEC and its partners (OPEC+) agreed to deepen the total level of crude production cuts by 500 thousand barrels per day, effective January 1, 2020. Saudi Arabia pledged to continue to produce 400 thousand barrels less per day than its quota, contingent upon strong compliance to the pact from other nations. In addition, the announcement of a partial US-China trade deal helped renew macroeconomic optimism, supporting the demand outlook and increasing expectations for a tightening supply and demand balance heading into 2020. Natural Gas fell 2.97% as warmer-than-average temperatures for the majority of the US throughout December caused lower-than-expected inventory drawdowns. Moreover, weather forecasts showed relatively mild temperatures for the eastern half of the US through mid-January 2020, potentially further weakening heating demand at a critical period in the winter season. Zinc was roughly flat for the period, decreasing 0.08%, as a buildup in Chinese stockpiles towards month-end signaled lagging demand. Live Cattle also declined 0.08% after the US Department of Agriculture's Cattle on Feed report revealed that new feedlot placements in November were higher than expected, raising supply estimates.

Monthly Commentary
The Bloomberg Commodity Index Total Return was higher for the month, with 20 out of 23 constituents posting gains. A weaker US Dollar supported commodities demand broadly. Specifically, Energy increased 6.89%. Crude Oil and petroleum products increased amid OPEC+'s announcement of new production quotas for 2020 as the consortium attempts to rebalance oil markets. Agriculture returned 5.75% with all constituents ended the period in positive territory, as the sector was broadly supported by positive US-China trade developments. Coffee received a boost as Brazilian exports fell significantly in November compared to the year prior amid signs of scarce domestic supplies. This comes as Brazil's arabica stock is expected to drop as coffee trees enter the off-year of the biennial production cycle, producing less fruit. Precious Metals gained 3.88% as soft US economic readings, including month-over-month decreases in the November ISM Purchasing Managers' Index and US Durable Goods Orders, painted a dimmer outlook for the US manufacturing sector. This caused the US Dollar to decline while increasing the relative attractiveness of Gold and Silver. Industrial Metals increased 3.06%, led higher by Copper, as Chinese authorities reiterated their commitment to supporting domestic economic growth in 2020. China's largest copper smelters also agreed to cut production in 2020, lowering the supply outlook. Livestock was up 1.55%. Lean Hogs rose after Chinese officials announced their plans to lower tariffs on US frozen pork imports amid improving trade relations between the US and China. Cases of African swine fever were also reported near Germany, the European Union's largest pork producer. This may increase the odds that China will have to source a large quantity of pork supplies from the US as it has become increasingly reliant on imports from the EU.

Market Outlook
Global trade developments became a major theme in December. The US started off the month by reinstating tariffs on steel and aluminum sourced from Brazil and Argentina while also proposing over $2 billion in new levies on French goods. The US administration's attitude towards protectionist trade policies later softened as the US and China agreed in principle to a Phase One trade deal that avoided an escalation in US tariffs initially scheduled for December 15th. Although full details of the agreement have yet to be released, China announced its commitment to substantially increase its purchases of US agricultural products. Given the prolonged length of the US-China trade war, it may take time for US suppliers to reestablish supply chains to China. In addition, the US House of Representatives signed the revised US-Mexico-Canada Agreement with ratification expected in January. Lower trade barriers worldwide may improve global growth forecasts while also supporting commodity demand.

Entering 2020, new International Maritime Organization (IMO) regulations will require the shipping industry to use more expensive, cleaner burning fuels or to install scrubbers to clean fuels on ships. Even those involved in the supply chain of refining fuels may be impacted, though it remains unclear how exactly the new rules will impact various grades of crude oil, shipping fuels, and shipping rates. All of these costs may add inflationary pressure to the energy sector. Energy market participants will also closely monitor OPEC+ compliance with the new production cut targets as well as any changes in growth in US oil production. Rising geopolitical tensions in the Middle East between the US and Iran also has the potential to shock the energy complex. Near month-end, an Iran-sanctioned attack on an Iraqi military base resulted in the death of a US contractor while also causing injuries to US and Iraqi (con't)

personnel. Pro-Iranian protestors also attacked the US embassy in Baghdad, Iraq. In response to these events, the US announced plans to retaliate against Iran. This rapid escalation of tensions may increase the risks that oil infrastructure of US allies in the region may be targeted, including the key shipping channel of the Strait of Hormuz as well as production and refining facilities in Iraq or elsewhere in the Middle East.

In macro-economic related news, the Chinese economy showed signs of improvement during the month, highlighted by larger-then-expected, year-over-year increases in industrial production and retail sales for November. However, economic readings in the US were less supportive of an improved growth outlook as US jobless claims and key indicators of the US manufacturing sector underperformed expectations. Further progress on trade discussions between the two countries may lend support to improved growth forecasts. Central banks of developed countries seem in no rush to tighten amid mixed economic signals as well as rising geopolitical risk.

Bloomberg Commodity Index TR Performance through December 31, 2019

	Weight as of Month End	MTD Total Return	QTD Total Return	YTD Total Return
Energy	30.20%	6.89%	5.82%	11.78%
Agriculture	29.42%	5.75%	7.11%	1.72%
Livestock	5.86%	1.55%	0.15%	-5.99%
Industrial Metals	17.00%	3.06%	-0.25%	6.98%
Precious Metals	17.52%	3.88%	3.72%	17.02%
BCOM Index Total Return	**100.00%**	**5.04%**	**4.42%**	**7.69%**

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.**