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BCOM Index Quarterly Commodities Update
First Quarter of 2020

Executive Summary

The Bloomberg Commodity Index Total Return fell 23.29% during the first quarter of 2020. During the quarter, the threat of COVID-19 went from being largely localized in a province in China, to an epidemic involving its neighboring countries, to finally becoming a global pandemic. Most countries chose to utilize social distancing to slow the spread of the virus, resulting in synchronous bearish demand shocks on most commodities in magnitudes not seen since at least the Global Financial Crisis and within an unprecedented compressed time frame. Certain commodities, such as the ones in the petroleum complex, also experienced bearish supply shocks during the quarter that created large daily supply and demand imbalances. It is then not surprising that Gasoline performed the worst, declining 68.10% in the quarter and with most of the declines occurring in March. Mandated social distancing drove a sharp decline in car traffic throughout the US, leaving Gasoline without its largest source of demand. Natural Gas also fell 27.47%, following the warmest January and February in the continental US in the last ten years, the most critical months in the winter heating season. Unlike with most other commodities, the impact of the coronavirus pandemic on Natural Gas was initially deemed to be supportive, as sharply lower crude oil prices could potentially lead to lower associated gas production from shale oil producers. As the coronavirus outbreak continued, the potentially bearish impact on domestic and Liquefied Natural Gas export demand eventually overwhelmed all of the initial gains. Cotton dropped 26.37% due to initial reports of mill closures in China and later due to reductions in clothing production globally. This included northern Italy, where Milan is regarded by many as the fashion capital of the world. The severe effect of this outbreak on major cotton consuming regions weakened the supply and demand balance of the commodity. Chicago Wheat and Kansas City Wheat increased 2.06% and 0.42%, respectively, due to rising retail demand for storable products such as crackers, cookies, and flour as the public prepared for an extended period of remaining at home for longer to mitigate the spread of COVID-19. Gold also rose by 4.52%, as safe haven demand increased during this period of extraordinary market volatility across all asset classes.

Quarterly Commentary

The Bloomberg Commodity Index Total Return was negative for the quarter, with 19 out of 23 constituents and all five sectors posting declines. Energy declined 51.10%, weighed down by Crude Oil and petroleum products, which all declined between 50% - 70% during the quarter. The combination of both the bearish pandemic-related global demand shock and bearish supply shock following the decision by the Organization of the Petroleum Exporting Countries (OPEC) and Russia to abandon their existing production cut agreement and raise oil production created daily large supply and demand imbalances. Livestock declined 28.14%, as both Live Cattle and Lean Hogs declined sharply. Demand from US restaurants and schools, typically representing a substantial portion of domestic meat consumption, diminished as a result of social distancing measures enacted by both federal and state governments. Industrial Metals lost 18.46%, with all four constituents posting similar losses between 15% - 20% quarter-over-quarter. Softness in the global economic outlook created a supply overhang across all base metals. Agriculture fell 9.86%, with Sugar, Corn, and Soybean Oil suffering large losses. All three commodities shared a major bearish catalyst in the form of reduced ethanol and biodiesel demand due to sharp declines in gasoline and other petroleum product prices. Precious Metals also declined 1.11%. Silver's losses from reduced industrial demand outweighed Gold's outperformance from raised safe haven demand.

Market Outlook

As COVID-19 continues to spread globally with cases increasing in the months ahead, many nations are likely to enact more stringent social distancing measures as well as limitations on travel. While this may continue to suppress demand for commodities, especially petroleum products, market participants may have already reflected the impact from the lower demand in commodity futures prices. Unleaded gasoline, which is usually priced at a premium to diesel as the US enters into the peak driving season, is trading at discounted levels. In addition to the drop-off in demand, the increase in oil supply due to the crude oil production war between Russia and Saudi Arabia has resulted in lower near term prices as traders look to buy and store oil. As available storage capacity decreases, lower near-term oil prices will likely further strain corporate and fiscal budgets in an environment where governments are looking to increase spending to support their local economies. This may force companies and oil producing nations to re-evaluate the oil production strategy currently in place. Any potential coordinated changes to oil production levels may affect petroleum prices materially.

Meanwhile, the USDA's 2020 Prospective Plantings report revealed a higher-than-expected increase in corn planting intentions, surpassing 2019's planted figures by approximately 8%. However, surveys for the report were conducted prior to late March when a majority of the US began to ramp up virus containment efforts, which lowered ethanol demand and corn prices. If planting intentions subsequently decrease, this could be supportive of agricultural commodities. Additionally, concern for workers' safety amid (cont'd)

the coronavirus outbreak has already led to strikes and other supply disruptions across the globe. During March, sugarcane harvesters on several large plantations in India refused to continue operations without proper protective equipment. The Santos port in Brazil, responsible for a large percentage of the country's annual trade, also grappled with strike concerns during the period. Supply chains, especially those that involve a higher degree of human labor, may be especially vulnerable to disruptions in coming months as governments continue to adjust restrictions and as the virus infection rate has yet to be confirmed in large numbers in certain parts of South America, Africa, and Asia.

The sudden demand drop during March caused notably lower commodity prices, which will likely flow through to near-term inflation forecasts. However, governments globally have resorted to an unprecedented amount of quick monetary and fiscal stimulus measures to combat the economic effects of the coronavirus pandemic. The magnitude of this intervention has the potential to create meaningful inflation once the commodity supply-demand balance tightens.

Bloomberg Commodity Index TR Performance through March 31, 2020

	Weight as of Quarter End	QTD Total Return
Energy	19.16%	-51.10%
Agriculture	34.95%	-9.86%
Livestock	5.80%	-28.14%
Industrial Metals	18.41%	-18.46%
Precious Metals	21.68%	-1.11%
BCOM Index Total Return	**100.00%**	**-23.29%**

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.