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BCOM Index Monthly Commodities Update
January 2020

Executive Summary
Commodities declined in January, with the Bloomberg Commodity Index Total Return down 7.36%. A majority of the decline occurred during the second half of the month due to the spread of the novel coronavirus, which negatively affected most index constituents. Lean Hogs decreased 21.95% after the US Department of Agriculture (USDA) reported healthy pork production figures and lower-than-anticipated US pork export sales in January despite the US and China's signing of a Phase One trade deal mid-month. Also within the month, the US government revealed it developed a potentially effective vaccine against the African swine fever, which may help China rebuild its decimated domestic hog herds, and consequently, limit its need to import US pork in the future. Coffee fell 20.75% as favorable weather conditions in key production regions for Brazilian Arabica coffee raised supply forecasts, leading to expectations for a record harvest in 2020. In addition, coffee inventories tracked by Intercontinental Exchange (ICE) increased throughout the month, after decreasing for most of 2019. Ultra-Low Sulfur Diesel (ULS Diesel) was 19.14% lower as tempered US-Iran relations reduced crude oil supply risks in the Middle East while the coronavirus outbreak disrupted manufacturing and trade activity within China, and raised concerns of supply chain disruptions. This dampened the crude oil and petroleum demand outlook from one of the largest users of fossil fuels. Diesel was impacted negatively as distillate fuels declined due to reduced travel within and to China. Sugar increased 9.01% as a delayed harvest and lower sugar mill activity in India, along with a record drought in Thailand, heightened expectations for a growing deficit in the coming season, relieving some pressure from the current surplus. Gold and Silver gained 3.97% and 0.64%, respectively, after growing signs of hostility between the US and Iran's militaries amplified safe haven demand for both metals earlier in the month. They both fell amid easing Middle East tensions but then benefitted from increasing demand as wealth-protecting assets after the World Health Organization (WHO) declared the current coronavirus epidemic a public international health emergency, which increased concerns around global growth expectations.

Monthly Commentary
The Bloomberg Commodity Index Total Return was lower for the month, with 20 out of 23 constituents posting losses. Energy declined 14.78%, led lower by Crude Oil and petroleum products, as tensions between the US and Iran de-escalated, easing supply side risks to the energy complex. In addition, the demand for Crude Oil weakened due to declining Chinese manufacturing and consumer activity as well as limited travel to and partially within China in an attempt to limit the spread of the coronavirus. Natural Gas also fell following forecasts for meaningfully warmer-than-normal temperatures throughout the contiguous US during what is typically the coldest time of the year, raising the threat of storage congestion later this year. Livestock decreased 10.96%, weighed down by Lean Hogs. Live Cattle also fell after the latest USDA Cattle on Feed report showed an increase in new feedlot placements and a generally higher population of feeder cattle compared to the year prior, raising supply estimates for US beef. Industrial Metals declined 7.32%, led lower by Copper, as growing cases of the coronavirus worldwide spurred fears of lower global economic activity, decreasing base metal demand expectations. Agriculture fell 5.33%, led lower by Coffee. Aside from growing supply prospects out of Brazil, large coffee chains in China also closed thousands of stores due to the coronavirus outbreak, weakening demand forecasts. Precious Metals increased 3.22%. Despite easing trade tensions between the US and China, a new wave of uncertainty surrounding China's economy and the ability for global growth expectations to recover after an 18-month long US-China trade war supported safe haven assets.

Market Outlook
The US and China signed a partial trade agreement on January 15th, potentially indicating a de-escalation in tensions and a path towards a meaningful, sustainable trade deal. As a part of the deal, China agreed to purchase more US agricultural and livestock goods, though details surrounding when and how much trade will resume between the two countries remain unclear. However, the concern of food security amid China's battle with African swine fever and a new outbreak of H5N1 avian influenza in Hunan Province may accelerate China's imports of US soybeans, wheat and pork, among other goods. Elsewhere, eastern Africa and parts of South East Asia face a growing locust problem, which has destroyed hundreds of acres of cropland and grazing pastures so far. Some estimates show that the plague, if not contained, may last through mid-2020. This may increase the region's demand for agricultural goods and animal protein from abroad as it faces food security concerns as well.

Thus far, the domestic and international responses to the coronavirus outbreak has rippled through various countries and weighed on crude oil demand expectations as industrial activity in the region remain halted. Travel restrictions within or out of the region may likely remain for some time until the epidemic is resolved. OPEC and its partners may decide to cut oil output further to counteract the sudden drop in oil demand after they already agreed to extend production quotas late last year. This may be supportive of crude oil prices, though the impact depends on how much demand is (con't)

lost as well as the details on the timing and types of any cuts. Meanwhile, the potential for supply shocks in the Middle East remains as the US continues to enforce its sanctions on Iran, and most of Libya's oil exports have been disrupted due to continued internal conflicts.

The US Federal Reserve kept short-term interest rates steady after its latest meeting in January, noting "cautious optimism" towards global growth expectations. However, there remains uncertainty on how the coronavirus outbreak will impact the global economy and if it will limit progress made with the Phase One trade deal as China's economy is weakened and constrained. The People's Bank of China already announced plans to inject liquidity into its markets to make up for the economic shortfall caused by the contagious virus. These actions demonstrate how carefully central banks are monitoring their respective economies and their willingness to act to support long-term growth.

Bloomberg Commodity Index TR Performance through January 31, 2020

	Weight as of Month End	MTD Total Return
Energy	27.12%	-14.78%
Agriculture	30.58%	-5.33%
Livestock	5.85%	-10.96%
Industrial Metals	17.50%	-7.32%
Precious Metals	18.95%	3.22%
BCOM Index Total Return	**100.00%**	**-7.36%**

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.
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.**