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BCOM Index Monthly Commodities Update
February 2020

Executive Summary
Commodities declined in February, with the Bloomberg Commodity Index Total Return down 5.04%. The Index was marginally positive for most of the month but then experienced a large decline during the final week as the risk of a global coronavirus (COVID-19) pandemic rose, reducing commodity consumption expectations significantly. Commodities fell along with equity markets in a risk-off atmosphere. WTI Crude Oil fell 13.59%, especially towards the end of the month, amid a decreased demand outlook as supplies remained ample. China's Caixin PMI reading for January fell as containment measures mandated by the Chinese government reduced manufacturing activity, leading to further bearishness. The demand for Ultra-Low Sulfur Diesel (ULS Diesel), along with other petroleum products, declined amid widening travel restrictions among a growing list of impacted countries. Natural Gas also decreased 10.37% as impeded international economic activity threatened the US' Liquefied Natural Gas (LNG) export market, which accounts for almost 10% of total US natural gas demand. Live Cattle fell 10.00% as US beef demand was weighed down by the prospect of a prolonged coronavirus outbreak. Coffee increased 6.42% as prospects for a Brazilian bumper crop in the coming harvest declined following reports of poor conditions in the country's Cerrado region, which is responsible for a sizeable share of its Arabica coffee production. Lean Hogs gained 1.22% during the period, after China announced early in the month that it would reduce tariffs on some USD 75 billion in imports—including pork—from the US in the coming weeks. Soybean Meal rose 3.11% as Argentina's Ministry of Agriculture temporarily closed export registrations, which led to speculation that the country may soon increase export taxes. As US soybean meal is an important competitor to Argentinian supplies, higher export taxes may potentially increase demand for a more competitively priced US product.

Monthly Commentary
The Bloomberg Commodity Index Total Return was lower for the month, with 18 out of 23 constituents posting losses. Energy declined 11.60% as significant slowdowns in Chinese manufacturing and consumer activity as well as reduced international travel to and from heavily impacted countries – including South Korea, Japan and Italy – decreased demand estimates for Crude Oil and petroleum products. Natural Gas also fell on lowered LNG demand prospects from China as companies began to cancel contracted LNG cargo shipments. Livestock decreased 6.71%, weighed down by Live Cattle. In addition to demand concerns around the spreading coronavirus, the United States Department of Agriculture (USDA) reported that US beef production for the week ending February 22nd increased more than 10% compared to the same period last year, indicating ample beef supplies. Precious Metals fell 2.86%, led lower by Silver, as demand expectations weakened for its use in industrial applications as the coronavirus led to projections of weaker global economic growth. Fears of slowing global growth boosted the US Federal Funds probability of an interest rate cut at the next US Federal Reserve (Fed) meeting, boosting the relative attractiveness of gold and silver as alternative stores of wealth intra-month. However, both metals fell strongly on the last day of the month as investors looked to raise cash. Industrial Metals decreased 2.56%, led lower by Zinc. London Metal Exchange (LME) and Shanghai Futures Exchange (SHFE) stocks rose for most base metals, as the coronavirus outbreak prompted lower demand and allowed stockpiles to build. However, in response to an expected slowdown in the domestic economy, the Chinese government announced a RMB 1.2 trillion (USD 171 billion) stimulus package in an attempt to mitigate negative economic impacts caused by the virus, boosting demand prospects for metals. This led to a positive price response from all base metals and is a primary reason why Copper ended the month in positive territory. Agriculture declined 1.59%, led lower by Cotton, as cotton mill closures in China led to reduced demand for raw US high-quality cotton used in the textile industry.

Market Outlook
News of COVID-19 continued to suggest a dampened demand outlook for commodities, as outbreaks outside of China raised the possibility of a global pandemic. Travel restrictions may continue to increase as governments respond to the spread of the disease, potentially further limiting fuel demand this spring. Although Chinese businesses have begun to come back online, new potential infection epicenters – such as the car-manufacturing hub in Europe – may now be impacted. As countries around the globe attempt to contain new infections outside of China, incremental virus-related information may continue to drive prices for economically sensitive commodities. Given the severity of the impact, governments and central banks globally are likely to respond with stimulus plans and interest rate cuts, which could support commodities prices in the short- to medium-term. Various governments in Asia have introduced stimulus measures in February to offset coronavirus-related declines in economic activity. In addition, a late February report released by the WHO-China Joint Mission on Coronavirus Disease 2019 showed that new infections in China peaked by early February and have declined significantly since, signaling that China's containment efforts have been effective so far. If the threat of the coronavirus were to wane and if central banks were to institute strong stimulus measures, then a resumption in economic activity may (con't)

support a rebound in petroleum and industrial metals prices.

While the effects of the coronavirus and responses by governments and central banks are likely to drive near-term performance of many commodities, it is also worth watching certain near-term fundamental indicators, such as the USDA's March Prospective Plantings report, and any price-driven production response by US shale oil and gas producers. With difficult growing conditions in the 2019/2020 crop year, challenges posed by the US-China trade war and current economic uncertainty, US farmers may continue to prioritize low production costs wherever possible. This in turn could make the upcoming US crop more vulnerable to weather risks than in a typical year. Meanwhile, OPEC+ may likely continue to discuss deeper crude oil production cuts as coronavirus containment efforts continue to weigh on the crude oil demand outlook. Further production cuts, if they were to materialize, may be supportive for crude oil and product prices. Finally, energy producers may be faced with increasing difficulty in raising capital in the current environment, which may lead to lower capital investments as well as reductions in new activity.

Bloomberg Commodity Index TR Performance through February 29, 2020

	Weight as of Month End	MTD Total Return	YTD Total Return
Energy	25.59%	-11.60%	-24.67%
Agriculture	31.64%	-1.59%	-6.83%
Livestock	5.69%	-6.71%	-16.93%
Industrial Metals	17.86%	-2.56%	-9.69%
Precious Metals	19.22%	-2.86%	0.26%
BCOM Index Total Return	**100.00%**	**-5.04%**	**-12.03%**

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.**