

Media Release

Commodities Declined on Weakening Demand Expectations

New York, October 11, 2017 **Commodities declined in September on weakening demand expectations for metals and agricultural commodities, according to Credit Suisse Asset Management.**

The Bloomberg Commodity Index Total Return performance was negative for the month, with 12 out of 22 Index constituents posting losses.

Credit Suisse Asset Management observed the following:

- Industrial Metals fell 3.75% on prospects of lower Chinese demand and due to a stronger US Dollar, making base metals more expensive to Chinese buyers.
- Precious Metals decreased 3.34% due to a strengthening US Dollar and reduced save haven demand as tensions between the US and North Korea slightly eased.
- Agriculture was flat for the month. Soybean Oil led the sector lower amid lower demand expectations after the US EPA suggested it may decrease the Renewable Fuel Standard biodiesel mandate.
- Energy increased 3.51% as crude oil and petroleum products generally increased as US transportation and refining infrastructure largely recovered following the impacts of hurricanes.
- Livestock gained 3.57%, led up by Live Cattle, as domestic and export demand for beef remained elevated in September. Lean Hogs also rose due to continued strong export demand.

Nelson Louie, Global Head of Commodities for Credit Suisse Asset Management, said: "Hurricane Harvey severely impacted refining operations and the transportation of crude and refined products in the US Gulf Coast region, home to a significant portion of the United States' energy infrastructure. Cotton crops in the US Southeast were also slightly affected by these extreme weather events. While conditions have not fully normalized as of the beginning of October, at this point, it appears there will not be lasting material supply shocks to energy or agricultural commodities from the storms, though they certainly impacted prices in September. Meanwhile, inventories of crude oil and petroleum products have now largely normalized around the world, with one notable exception being US crude inventories. With parties to the OPEC member agreement continuing to restrict production, the US should be increasingly called upon as the world's swing producer and exporter. US exports for September continued to be strong."

Christopher Burton, Senior Portfolio Manager for the Credit Suisse Total Commodity Return Strategy, added: "From a macroeconomic standpoint, positive US economic indicators, such as increased median household incomes and upward revisions to second quarter GDP, helped spur the Fed to continue with more hawkish signaling of another rate hike before year end. However, uncertainty increased surrounding who will be appointed the next Fed Chair, which in turn raised uncertainty regarding the future path of monetary policy. In the Eurozone, consumer sentiment indicators and second quarter GDP rose as well. The ECB signaled it will begin talks to potentially reduce monetary stimulus towards the end of 2017. However, there is still concern surrounding the future for the Euro bloc, with unrest in Catalonia, including a disputed October independence referendum, potentially holding ramifications for Spain and the region in

general. In China, CPI grew while PMI remained in expansionary territory. The economic status of these major indicators all point to potentially sustainable higher inflation.”

About the Credit Suisse Total Commodity Return Strategy

Credit Suisse’s Total Commodity Return Strategy is managed by a team with over 30 years of experience, and seeks to outperform the return of a commodities index, such as the Bloomberg Commodity Index Total Return or the S&P GSCI Total Return Index, using both a quantitative and qualitative commodity research process. Commodity index total returns are achieved through:

- Spot Return: price return on specified commodity futures contracts;
- Roll Yield: impact due to migration of futures positions from near to far contracts; and
- Collateral Yield: return earned on collateral for the futures.

As of September 30, 2017, the Team managed approximately USD 8.4 billion in assets globally.

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