

OIL WILL LIKELY GRIND HIGHER



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IN A NUTSHELL

- Currently, oil supply is well managed and we believe demand uncertainty will continue to drive prices.
- Investor interest in gold should remain strong, with global central banks continuing to affirm "lower for longer" interest-rate policies.
- Heavy summer storms and rainfall have caused severe damage across the western U.S. corn belt while signs of fall armyworms have been detected in China, likely supporting corn prices.

On September 14, OPEC turned 60. Unfortunately, Covid-19 restrictions deterred any birthday celebrations. A real cause for OPEC celebration, however, is that its members are all back at the negotiating table and reiterating the importance of attaining full conformity on supply, which would have seemed impossible back in April. The interplay between collaborative efforts to decrease crude-oil production globally and the pace of recovery in oil demand will likely determine oil prices. To counter concern about production above the OPEC and Russia limits, the Gulf states of OPEC, including two adversaries, Iraq and Saudi Arabia, signed a joint statement reiterating their intentions to stick to the production cap. Currently, the supply of oil looks well managed and we believe demand will be the driver of prices. Last week's drop in oil prices was therefore mainly driven by fears of a weaker economic recovery. The key question is how fast consumption of gasoline and diesel can continue to rise while Covid-19 cases remain high. By September 2021, however, we expect the West Texas Intermediate (WTI) to have risen to 49 dollars per barrel from its current level around 41 dollars as we believe that demand concerns will have subsided by then and that inventory levels will be more in line with historical averages.

Elsewhere, we believe that investor interest in gold should remain strong with central banks continuing to affirm "lower for longer" interest-rate policies globally. With the U.S. Federal Reserve (Fed) moving toward an average inflation rate target and signaling a willingness to keep inflation above 2% for some time, we would expect investors to continue to

add gold to their portfolios as an inflation hedge. We expect silver, too, to continue to catch a bid for similar reasons, as a cheaper alternative to gold. Platinum prices should continue to be well supported in the near term as the Covid-19 pandemic has curtailed a significant amount of production from South Africa, which accounts for 75% of global supply.

Gold and precious-metal miners have benefitted from an improving operational outlook as mines that were closed to slow the spread of Covid-19 are gradually being allowed to reopen. We expect the gold price to continue to draw support from the accommodative fiscal and monetary environment in place across the globe. While there may be periods of consolidation and heightened price volatility, we believe the upward trend for the yellow metal remains intact. We expect gold prices to rise to 2,100 dollars per ounce by September 2021 and continue rising over the medium to long term.

For base metals we expect demand to increase in parallel with the rising trend in Chinese industrial activity. Macroeconomic conditions appear supportive as China remains committed to stimulating the economy through metals-intensive infrastructure projects and as the world outside China continues to reopen. While rapid restocking of industrial metals in China may pause given current price levels, demand is expected to be strong well into the rest of the year and through the first half of 2021. In the medium term the performance of different metals should vary more as the impact of broad macro stimulus gives way to supply-and-demand differences.

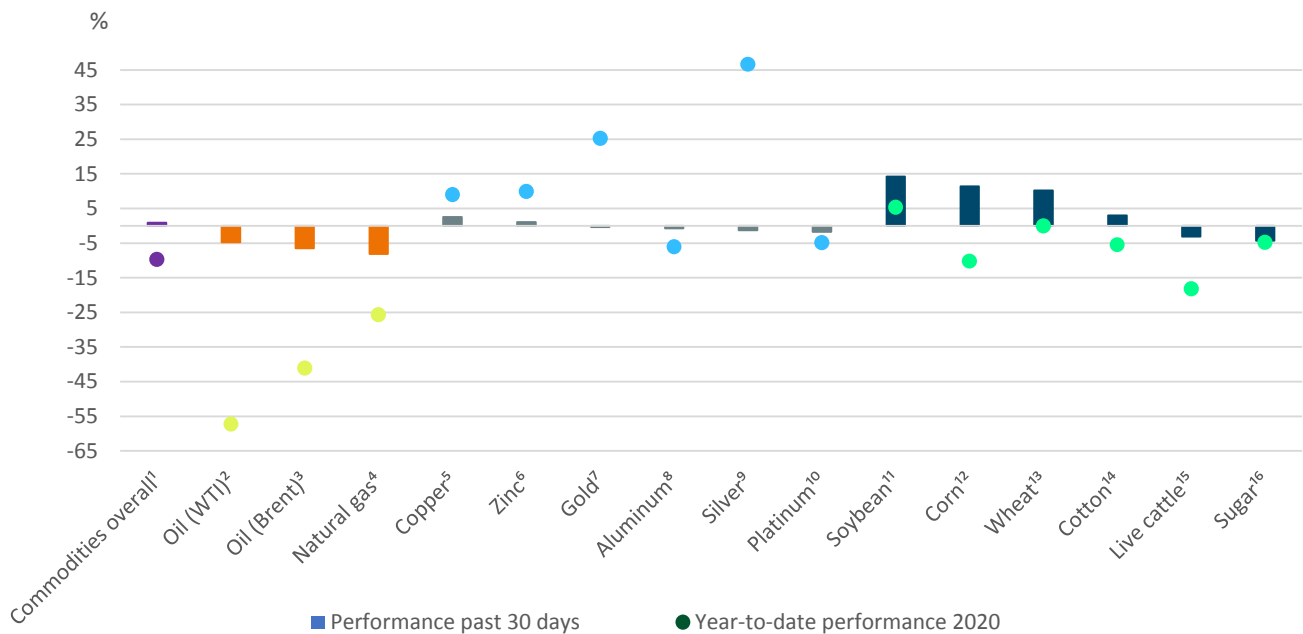
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Agriculture was strong during August, led by grains. Corn prices (and soybeans to a lesser extent) benefited from strong Chinese demand for both corn and ethanol. Additionally, a heavy summer storm and rainfall caused severe damage across the western U.S. corn belt. Lastly, signs of fall armyworms have been detected in China. They pose a serious threat to grain production in Asia and Africa and are expected to affect Chinese corn production significantly, strengthening the need for China to import corn. Wheat

prices also rallied as Russian wheat exports have fallen by 6% so far this season, raising potential shortfall concerns in central European wheat production.

Despite increased political tension between China and the United States, "Phase 1" targets for purchases from China appear to be on schedule. Following a biannual review, both the U.S. and China reiterated their commitment to the agreement.

PAST 30-DAY AND YEAR-TO-DATE PERFORMANCE OF MAJOR COMMODITY CLASSES



Past performance is not indicative of future returns.
Sources: Bloomberg Finance L.P., DWS Investment Management Americas Inc. as of 9/20/20

¹Bloomberg Commodity Index ²Bloomberg WTI Crude Oil Subindex ³Bloomberg Brent Crude Subindex ⁴Bloomberg Natural Gas Subindex ⁵Bloomberg Copper Subindex ⁶Bloomberg Zinc Subindex ⁷Bloomberg Gold Subindex ⁸Bloomberg Aluminum Subindex ⁹Bloomberg Silver Subindex ¹⁰Bloomberg Platinum Subindex ¹¹Bloomberg Soybeans Subindex ¹²Bloomberg Corn Subindex ¹³Bloomberg Wheat Subindex ¹⁴Bloomberg Cotton Subindex ¹⁵Bloomberg Live Cattle Subindex ¹⁶Bloomberg Sugar Subindex

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GLOSSARY

Bloomberg Aluminum Subindex (BCOMAL) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Aluminum.

Bloomberg Brent Crude Subindex (BCOMCO) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Brent Crude.

The **Bloomberg Commodity Index (BCOM)** traces 23 commodities and reflects commodity futures price movements.

Bloomberg Copper Subindex (BCOMHG) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Copper.

Bloomberg Corn Subindex (BCOMCN) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Corn.

Bloomberg Cotton Subindex (BCOMCT) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Cotton.

Bloomberg Gold Subindex (BCOMGC) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Gold.

Bloomberg Live Cattle Subindex (BCOMLC) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Live Cattle.

Bloomberg Natural Gas Subindex (BCOMNG) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Natural Gas.

Bloomberg Platinum Subindex (BCOMPL) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Platinum.

Bloomberg Silver Subindex (BCOMSI) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Silver.

Bloomberg Soybeans Subindex (BCOMSY) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Soybeans.

Bloomberg Sugar Subindex (BCOMSB) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Sugar.

Bloomberg Wheat Subindex (BCOMWH) is a commodity group subindex of the Bloomberg CI (BCOM) composed of futures contracts on Wheat.

Bloomberg WTI Crude Oil Subindex (BCOMCL) is a subindex of the Bloomberg CI (BCOM) composed of futures contracts on WTI crude oil.

Bloomberg Zinc Subindex (BCOMZS) is a subindex of the Bloomberg CI (BCOM) composed of futures contracts on Zinc.

A **central bank** manages a state's currency, money supply and interest rates.

A **hedge** is an investment to reduce the risk of adverse price movements in an asset.

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

The **Organization of the Petroleum Exporting Countries (OPEC)** is an international organization with the mandate to "coordinate and unify the petroleum policies" of its meanwhile 12 members.

The **U.S. dollar (USD)** is the official currency of the United States and its overseas territories.

The **U.S. Federal Reserve**, often referred to as "**the Fed**", is the central bank of the United States.

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing.

APPENDIX: PERFORMANCE OVER THE PAST 5 YEARS (12-MONTH PERIODS)

	08/15 - 08/16	08/16 - 08/17	08/17 - 08/18	08/18 - 08/19	08/19 - 08/20
Bloomberg Commodity Index	-9.0%	2.3%	-1.1%	-8.0%	-4.8%
Bloomberg WTI Crude Oil Subindex	-35.2%	-4.8%	48.1%	-22.7%	-50.5%
Bloomberg Brent Crude Subindex	-29.6%	0.8%	53.4%	-21.1%	-27.2%
Bloomberg Natural Gas Subindex	-30.7%	-16.4%	-17.9%	-24.4%	-31.9%
Bloomberg Gold Subindex	14.7%	-0.9%	-11.0%	23.2%	25.1%
Bloomberg Silver Subindex	26.2%	-8.3%	-19.3%	21.8%	49.7%
Bloomberg Platinum Subindex	3.8%	-6.5%	-22.7%	15.5%	-1.6%
Bloomberg Copper Subindex	-12.6%	45.2%	-16.6%	-5.8%	16.9%
Bloomberg Aluminum Subindex	-3.5%	28.2%	0.0%	-21.0%	-2.6%
Bloomberg Zinc Subindex	24.6%	33.3%	-20.3%	-4.5%	13.8%
Bloomberg Corn Subindex	-22.8%	0.3%	-11.4%	-9.7%	-13.0%
Bloomberg Wheat Subindex	-27.6%	-7.6%	6.0%	-19.1%	14.9%
Bloomberg Soybeans Subindex	5.7%	-4.4%	-16.4%	-5.9%	2.6%
Bloomberg Sugar Subindex	71.2%	-31.3%	-30.7%	-3.7%	4.7%
Bloomberg Cotton Subindex	3.4%	7.7%	16.9%	-31.1%	7.2%
Bloomberg Live Cattle Subindex	-19.8%	10.1%	-1.0%	-8.2%	-7.9%

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Sources: Bloomberg Finance L.P., DWS Investment Management Americas Inc. as of 9/18/20

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