

AFTER A CHALLENGING YEAR, A POSITIVE OUTLOOK



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IN A NUTSHELL

- The oil market's health will probably largely depend on the extent of the recovery in demand after the coronavirus pandemic.
- With the Fed moving toward targeting an average inflation rate and signaling a willingness to keep inflation above the 2% target for some time, we expect investors to continue to add gold to their portfolios.

Commodities continue to exhibit marked price sensitivity to headline news as the economic recovery from Covid-19 continues. Positive news on vaccines has generated a significant rally in oil prices, but in the near term we expect the demand impact from the pandemic to be a headwind, limiting the scope for further upside. We maintain that the "Phase-One" agreement between the United States and China was positive for global trade and believe that China is likely to continue to act in good faith to fulfill purchase commitments. Fundamentally, we believe that supply growth in most commodities will be limited because of the harm suppliers have suffered during this year's Covid-driven downturn. But in the absence of material global demand destruction, moderate growth should, we believe, lead to improved supply and demand fundamentals across commodities over the coming year.

OPEC+ and other oil-producing nations have begun to bring crude supply back to the market. This, however, is happening gradually in order to account for the slow recovery in global demand. Regardless of the pace of recovery, it will take considerable restraint by OPEC+ to bring inventory levels down to historical averages. The oil market's health will probably largely depend on the extent of future demand recovery from the coronavirus epidemic. Positive news on the vaccine front certainly brightens the outlook. For West Texas Intermediate (WTI)¹ we expect a price of 49 USD per barrel by December 2021.

For natural gas our view is that prices will continue to be volatile, moving in synchrony with weather forecasts for the

winter season. Lately, U.S. natural gas has fallen significantly as the two-week weather forecast has been trending toward warmer weather for the United States.

Overall, investor interest in gold has softened in the face of the risk rally driven by positive vaccine trials and rollout optimism. The outperformance of base metals over precious metal continues to reflect investors' preference for assets that benefit from a cyclical recovery. Copper prices, for example, have been propelled by Chinese restocking. The Covid-19 recovery and global infrastructure spending could also help copper. Gold appears to have found support at the 1,800 dollars-per-ounce level. Central banks continue to affirm "lower-for-longer" interest-rate policies globally. With the U.S. Federal Reserve (the Fed) moving toward targeting an average inflation rate and signaling a willingness to keep inflation above the 2% target for some time, we expect investors to continue to add gold to their portfolios as a hedge against unexpected sharp rises in inflation. Despite the positive vaccine news, we therefore consider it likely that gold prices could reach 2,100 dollars per ounce by December 2021, an increase of around 12% on their current level.

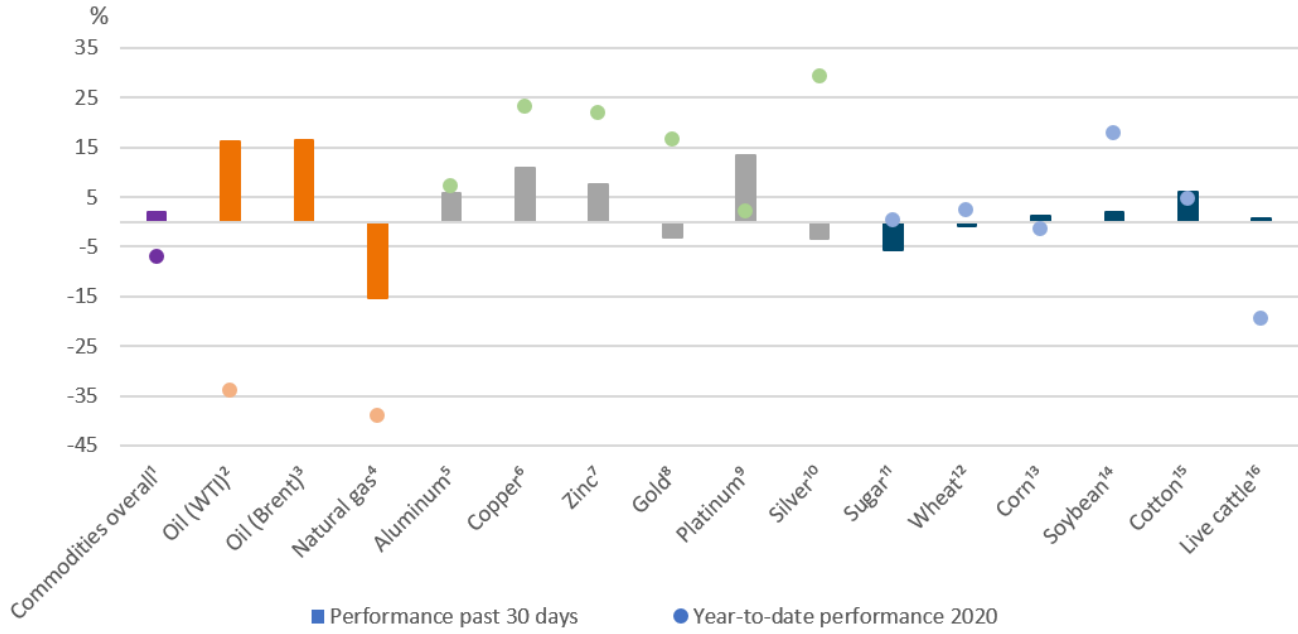
Across the agricultural complex, we think dollar fluctuations are likely to continue to drive investment flows. Global importers, including China, are in need of corn and soybeans from the United States through at least January, pointing to strong export demand regardless of currency fluctuations. The currently tight inventory numbers from the U.S. Department of Agriculture should go a long way toward supporting elevated crop prices. We believe the market's attention

¹ WTI 12-month forward

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will be on South American production, where we see little room for supply disappointments. The risk-reward balance looks bullish, particularly for corn and soybeans, but the direction of prices from here will be very weather dependent in our view. We feel that wheat is fundamentally overvalued and likely to underperform, while softs face considerable supply uncertainty and are likely to remain volatile.

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 12/15/20

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

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 **bull market** is a financial market where prices are rising - usually used in the context of equities markets.

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

The **US Dollar** is the common currency of the United States of America and is the most held reserve currency in the world.

Fundamentals are data giving information about the general well-being of companies, securities or currencies and serving for the subsequent valuation of these as an investment opportunity.

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.

OPEC+ is an informal alliance of OPEC members and other oil-producing countries, led by Russia, aiming to coordinate their production strategies.

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)

	11/15 - 11/16	11/16 - 11/17	11/17 - 11/18	11/18 - 11/19	11/19 - 11/20
Bloomberg Commodity Index	6.1%	-0.3%	-3.7%	-6.6%	-3.6%
Bloomberg WTI Crude Oil Subindex	-14.8%	5.4%	-7.8%	5.7%	-48.9%
Bloomberg Brent Crude Subindex	-4.9%	14.1%	-0.9%	8.7%	-30.4%
Bloomberg Natural Gas Subindex	-0.7%	-27.3%	41.0%	-57.6%	-35.7%
Bloomberg Gold Subindex	8.9%	6.9%	-6.5%	16.8%	17.1%
Bloomberg Silver Subindex	14.8%	-2.3%	-16.2%	16.3%	27.2%
Bloomberg Platinum Subindex	8.5%	2.1%	-16.7%	9.6%	4.7%
Bloomberg Copper Subindex	26.3%	13.0%	-11.9%	-5.7%	26.1%
Bloomberg Aluminum Subindex	16.2%	14.8%	-3.6%	-13.3%	9.1%
Bloomberg Zinc Subindex	69.4%	16.1%	-16.3%	-6.0%	20.0%
Bloomberg Corn Subindex	-14.2%	-10.8%	-7.1%	-9.4%	0.7%
Bloomberg Wheat Subindex	-26.1%	-11.0%	2.6%	1.3%	3.5%
Bloomberg Soybeans Subindex	16.3%	-9.2%	-15.4%	-10.5%	26.4%
Bloomberg Sugar Subindex	26.9%	-27.6%	-22.2%	-9.9%	7.0%
Bloomberg Cotton Subindex	12.8%	1.9%	7.3%	-20.7%	6.9%
Bloomberg Live Cattle Subindex	-8.0%	15.2%	-4.9%	2.1%	-19.9%

Past performance is not indicative of future returns.

Sources: Bloomberg Finance L.P., DWS Investment Management Americas Inc. as of 12/15/20

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