

NO RECOVERY YET



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IN A NUTSHELL

- Crude continues to oscillate, as the pace of economic recovery and uncertainty over lifting or re-imposing lockdowns drive market sentiment.
- A weaker U.S. dollar, negative real interest rates and uncertainty amid the coronavirus pandemic are propelling gold prices.
- We expect prices for agricultural commodities to remain under pressure until Covid-19 concerns ease.

West Texas Intermediate (WTI) prices continue to oscillate close to the 40 dollars per barrel level, as the market frets over the pace of economic recovery and uncertainty over lifting or re-imposing lockdowns. The positive news flow on the development of vaccines is supportive for oil prices but the surge in new Covid-19 infections in the United States and government data showing weakening fuel demand this week have had the opposite effect. Internationally, too, the news is very mixed for oil. China and Korea reported lower new cases of Covid-19, suggesting containment of the virus in these countries, and their oil demand is above or close to last year's levels. It's possible, however, that stockpiling of oil may be exaggerating the real level of demand in China.

In July's Joint Ministerial Monitoring Committee, OPEC reaffirmed members would meet their quota commitments, with core OPEC members and Russia slightly increasing their output while non-compliant countries are catching up on the agreed quotas. The aim of the strategy is to try to increase market share while normalizing the level of inventories. We expect OPEC+ to remain data dependent, keeping a close eye on U.S. shale production levels. We believe the huge amount of oil inventories around the world suggests at best sideways movement in oil prices in the near term. The muted sentiment in energy is likely to turn when Covid-19 case numbers show signs of containment.

Natural gas is also struggling against concerns about global demand, depressed by the Covid-19 outbreak. On the supply side, mild weather has reduced expectations for demand to fuel air conditioning. The dual pressures have caused natural-gas prices to fall and they are likely to remain weak.

Gold on the other hand brightens up the picture. Prices keep climbing, hitting an all-time high of 1,930 dollars per ounce. A weaker U.S. dollar, negative real interest rates and the U.S. Federal Reserve's (Fed's) commitment to a prolonged zero-interest-rate environment keeps our gold outlook positive. At the same time palladium prices have continued to drift downward, with little news flow. The price prospects for the metal, which is used in automotive emission-control devices, hinge on whether there is a rebound in auto sales in both China and the United States as economies look to reopen.

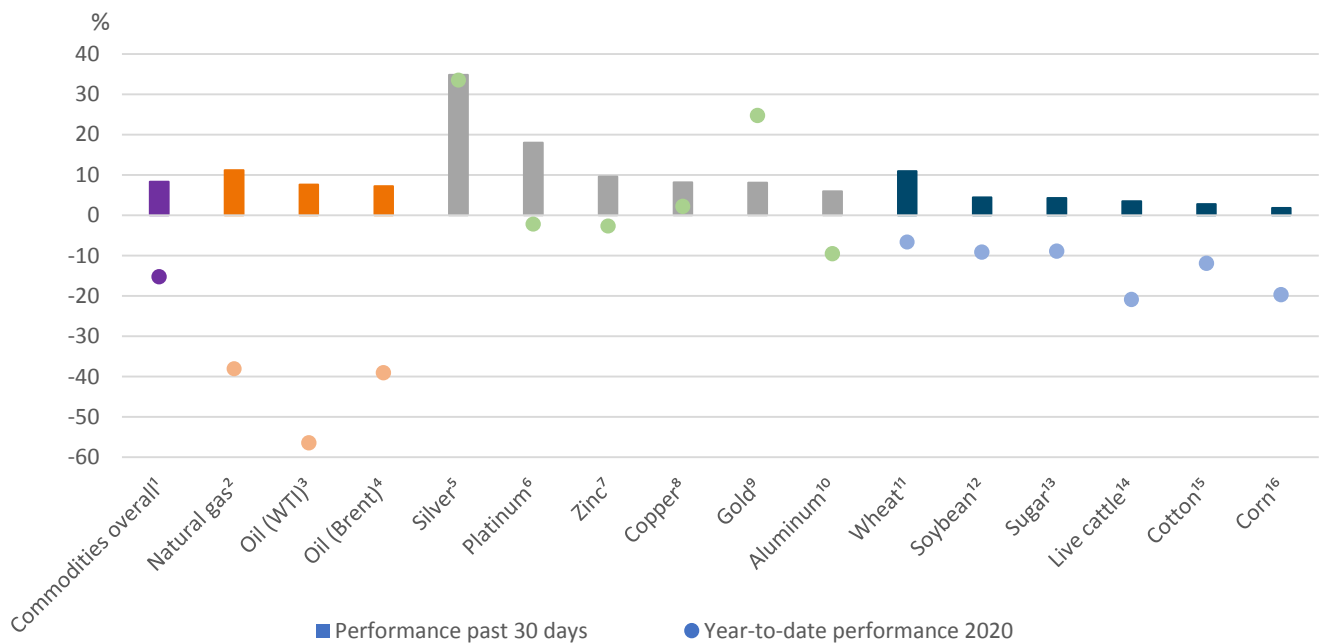
In base metals, the market continues to focus on Chinese restocking post Covid-19. Market participants generally view the restocking effort as a prelude to infrastructure projects in the second half of the year. China already shows its commitment by increasing the local government loan limit, and governments across the United States and Europe are discussing increases in infrastructure spending as well. Meanwhile, supply disruptions persist across South America. Brazil continues to suffer outages as Covid-19 widens its reach, while Chile has recently seen large outbreaks of the virus which have also necessitated production stoppages. By restricting supply, these are positive developments for base-metal prices, but the stockpiled inventory could become an overhang on the market if the pick-up in global demand is not as robust as hoped. We expect the sector to experience varying performance in the near term, with our preference for metals with the most robust near-term fundamentals, such as nickel and copper.

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On the agricultural side, talks between U.S. Secretary of State Mike Pompeo and his Chinese counterpart, Yang Jiechi, in June were constructive, with China affirming the phase-one trade agreement targets and speeding up agricultural commodity purchases. However, with Covid-19 cases on the rise once more, investors have again shifted their attention away from Chinese purchases to potential demand

destruction from reduced global economic activity. Additionally, mild weather across the globe has reinforced expectations that production will be robust this year. We therefore expect prices for agricultural commodities to remain under pressure until Covid-19 concerns ease.

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 7/27/20

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

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 **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.

In economics, a **real** value is adjusted for inflation.

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.

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)

	06/15 - 06/16	06/16 - 06/17	06/17 - 06/18	06/18 - 06/19	06/19 - 06/20
Bloomberg Commodity Index	-13.5%	-7.0%	5.8%	-8.9%	-18.4%
Bloomberg WTI Crude Oil Subindex	-41.7%	-17.4%	56.7%	-20.2%	-56.6%
Bloomberg Brent Crude Subindex	-35.5%	-13.3%	67.2%	-16.1%	-38.1%
Bloomberg Natural Gas Subindex	-32.2%	-19.5%	-19.0%	-22.4%	-50.0%
Bloomberg Gold Subindex	12.0%	-7.5%	-1.2%	9.5%	24.1%
Bloomberg Silver Subindex	17.9%	-12.9%	-5.0%	-8.3%	16.6%
Bloomberg Platinum Subindex	-5.5%	-10.8%	-9.2%	-4.3%	-1.1%
Bloomberg Copper Subindex	-17.3%	20.4%	6.0%	-10.2%	-1.5%
Bloomberg Aluminum Subindex	-6.5%	13.4%	10.2%	-18.4%	-14.6%
Bloomberg Zinc Subindex	2.6%	28.5%	4.6%	-6.4%	-17.8%
Bloomberg Corn Subindex	-20.3%	-7.2%	-18.1%	3.7%	-26.4%
Bloomberg Wheat Subindex	-32.0%	-1.5%	-21.2%	-2.8%	-9.2%
Bloomberg Soybeans Subindex	10.6%	-21.0%	-13.6%	-4.2%	-10.6%
Bloomberg Sugar Subindex	48.8%	-35.0%	-16.5%	-5.6%	-12.7%
Bloomberg Cotton Subindex	-6.2%	6.4%	23.4%	-24.2%	-10.9%
Bloomberg Live Cattle Subindex	-18.4%	13.3%	-10.0%	-2.4%	-17.6%

Past performance is not indicative of future returns.

Sources: Bloomberg Finance L.P., DWS Investment Management Americas Inc. as of 7/27/20

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