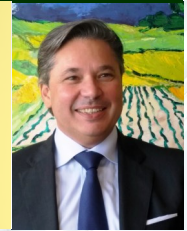


# WEEKLY ANALYSIS

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## ARE WE HEADING FOR A NEW POSITIVE COMMODITIES SUPER CYCLE?

**An incredible 2020 for commodities. Focus on the last two super cycles for commodities. Rapid inventory reduction. Four main factors supporting increased demand.**

### Key points

- An incredible 2020 for commodities
- Focus on the last two commodities super cycles
- Are we heading for a new positive commodities super cycle?
- Rapid inventory reduction
- Four main factors supporting the increase in demand
- Possible emergence of a new super cycle
- Time to invest in commodities

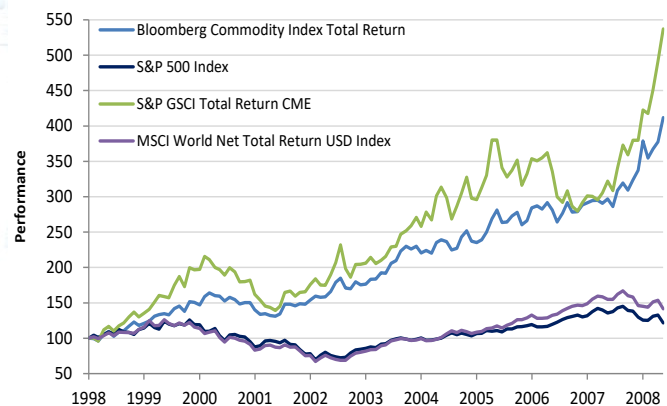
### An incredible 2020 for commodities

Commodities had an exceptional year in 2020. The various indices measuring the performance of commodities overall achieved impressive performances not seen for many years. The overall performance for the year was negative, but price movements were particularly erratic throughout the year. The most striking phenomenon was the shift of crude oil prices into negative territory. Although this episode was only short-lived, it greatly unsettled investors' views and their risk perception for commodities in April. The fall in commodities (-23%) in Q1 2020 was not so different from that in the equity markets (-21%) if we exclude the fall in crude oil prices (-67%). The following nine months were exceptionally positive for oil prices, which rose by 113%, as well as for commodities overall (+26.3%).

The events of 2020 need to be seen in the longer-term context of commodity price shifts to understand the significance of these price movements in 2020 and of this extreme volatility and what it may portend for the coming years. Since the 1970s, commodities have recorded a compound annual increase of +8% to +9% depending on the benchmark

index and its composition. Compared to the performance of the US (+10.9%) and international (+9.1%) equity markets, commodities have experienced periods of cyclical outperformance and underperformance. The last decade was more of an underperformance cycle, stretched to the extreme until 2020 with exceptional volatility. The performance of commodities in H2 2020 and the beginning of 2021 merits consideration as a possible reversal of the trend and as the potential emergence of a new long-term cycle favourable to commodities with a return to outperformance vis-à-vis equities in particular.

Performance of raw materials VS US and international equities (1998-2008)



Sources: Bloomberg, BBGI Group SA

### Focus on the last two commodities super cycles

First of all, let us recall some key elements to understand what the term super cycle means for commodities. The notion of super cycle tends to apply to a period of time that exceeds a traditional economic cycle. In this logic, a super cycle must therefore be longer than a classic theoretical cycle of about five years. From the standpoint of duration, a super cycle may therefore last a decade or more.