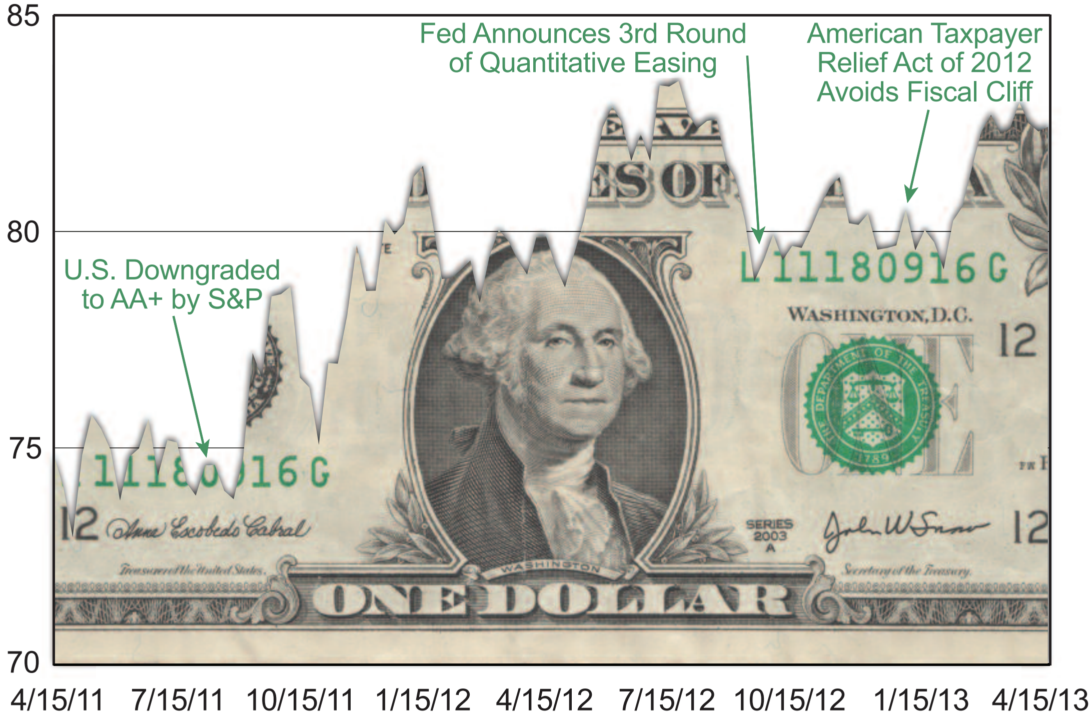
# Dollar's Strength Has Not Derailed U.S. Bull Market In Stocks

## U.S. Dollar Showing Relative Strength

*U.S. Dollar Index (DXY)*




*Source: Bloomberg*

## View from the Observation Deck

1. We last featured the U.S. dollar in a post on December 30, 2011 (see archive). We noted at the time that the S&P 500 appeared to perform quite well while the dollar was weakening relative to a basket of major foreign currencies.
2. While weakness in the U.S. dollar can have a positive impact on U.S. exports, a strong dollar has historically signified sound monetary policy and economic growth. Two things that would potentially attract investment capital to the U.S.
3. For the 24-month period ended 4/15/13 (see chart), the U.S. dollar appreciated 10.1% against a basket of major currencies, as measured by the U.S. Dollar Index (DXY). This despite the downgrade of the U.S.'s sovereign debt rating on 8/5/11.
4. U.S. GDP growth has averaged 1.9% (past 7 quarters thru 12/31/12) over that period, according to data from the Bureau of Economic Analysis.
5. The issue of sound monetary policy, however, is up for debate, in our opinion. History may end up being the judge.
6. The S&P 500 posted a cumulative total return of 22.95%, or 10.87% on an annualized basis, over that same 24-month span.
7. Net inflows into U.S. Equity funds (includes mutual funds, ETFs and closed-end funds) totaled $77.3 billion in Q1'13, up from $29.2 billion in Q1'12, according to data from Strategic Insight.