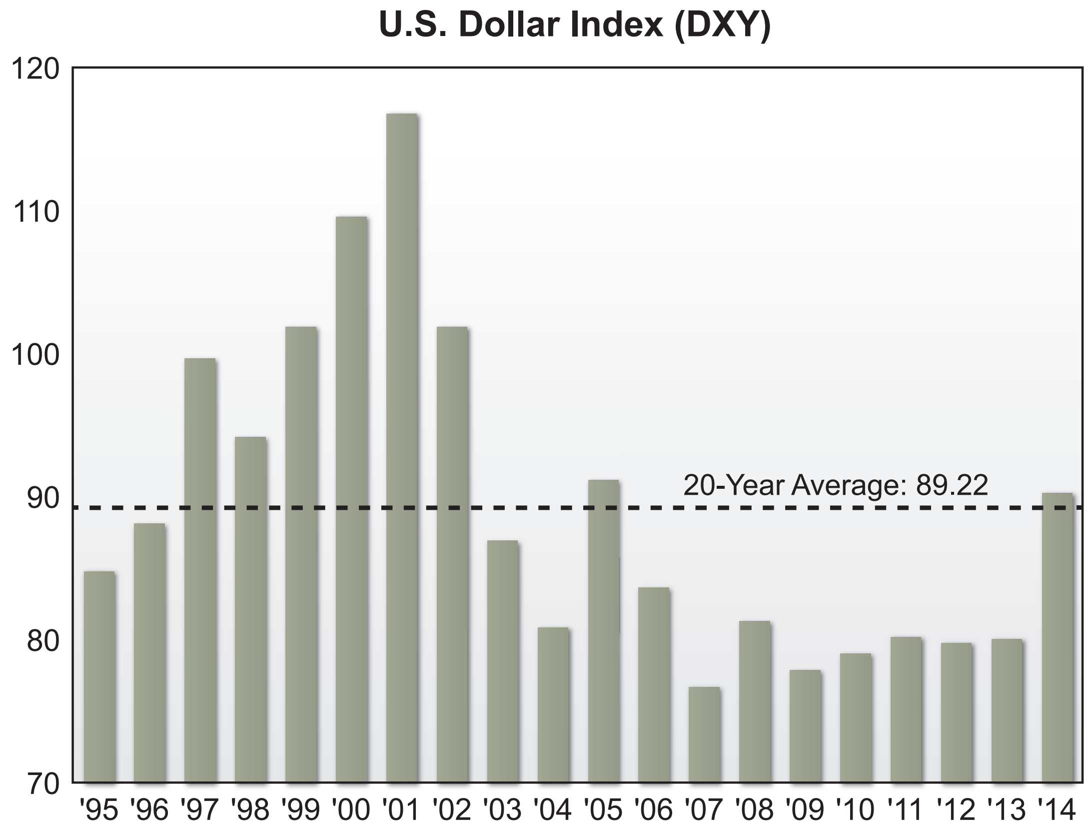
The Surge In The U.S. Dollar Is Noteworthy…But Not Rare



Source: Bloomberg. Year-end values.

View from the Observation Deck

1. From 6/30/14 through 12/31/14, the U.S. Dollar Index rose by 13.15% to an index reading of 90.27, according to Bloomberg.
2. That surge essentially brought the index back in line with its 20-year average (year-end values).
3. As of 2/18/15, the index stood at 94.20, a level not seen in over a decade, and one that is well below levels posted from 1997 through 2002.
4. In 11 of the 20 calendar years featured in the chart, the index finished higher than its previous year's closing mark.
5. The surge in the U.S. dollar over the past eight months has negatively impacted the earnings of some U.S. multinational companies as well as generated either unrealized or realized losses on foreign securities held by some U.S. investors.
6. A strong U.S. dollar, however, does not automatically translate into losses on foreign holdings, particularly with respect to equities.
7. From 12/31/94 through 12/31/99, the U.S. Dollar Index rose by 14.82%. It was a strong period for equities. The 5-year average annual total return, priced in U.S. dollars, on the MSCI World (ex U.S.) Index was +13.08%, according to Bloomberg.

This chart is for illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. The U.S. Dollar Index (DXY) indicates the general international value of the dollar relative to a basket of major world currencies. The MSCI World (ex-U.S.) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

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