

Commodity Prices Get Some Relief From Decline In The U.S. Dollar

% Change In Commodity Prices & U.S. Dollar

Year	Thomson Reuters/ CoreCommodity CRB Commodity Index	U.S. Dollar Index (DXY)
2016	0.12%	-3.59%
2015	-23.40%	9.26%
2014	-17.92%	12.79%
2013	-5.03%	0.33%
2012	-3.37%	-0.51%
2011	-8.26%	1.46%
2010	17.44%	1.50%
2009	23.46%	-4.24%
2008	-36.01%	6.02%
2007	16.75%	-8.31%
2006	-7.40%	-8.25%

Source: Bloomberg. Data for 2016 through 3/18. Past performance is no guarantee of future results.

View from the Observation Deck

1. Commodity prices declined in each of the past five calendar years (see chart), as measured by the Thomson Reuters/CoreCommodity CRB Commodity Index.
2. The U.S. Dollar Index (DXY) posted gains in four of those five years. The only exception was a slight decline of -0.51% in 2012.
3. Commodity prices tend to have an inverse relationship with the U.S. dollar over time. A strengthening U.S. dollar can put downward pressure on commodity prices, while weakness in the dollar can help boost prices.
4. The U.S. Dollar Index is down 3.59% so far in 2016 (thru 3/18). One of the potential reasons for the drop in value can be traced to comments from the Federal Reserve, in our opinion.
5. The Fed has acknowledged after recent meetings that it is factoring in the slowdown in global economic growth into U.S. monetary policy. Slower global growth has tempered the demand for commodities, in our opinion.
6. In short, slower global growth could potentially translate into fewer than expected interest rate hikes by the Fed moving forward. The thinking had been that higher interest rates in the U.S. might attract more capital from abroad and boost the value of the U.S. dollar.
7. While investors liquidated \$2.82 billion from Commodities (Broad Basket) mutual funds and exchange-traded funds for the 12-month period ended 2/29/16, they did funnel a net \$1.33 billion into this category in the first two months of 2016, according to Morningstar.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The Thomson Reuters/CoreCommodity CRB Commodity Index is an average of commodity futures prices with monthly rebalancing, while the U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar relative to a basket of major world currencies.