

Commodities & The U.S. Dollar

% Change In Commodity Prices & U.S. Dollar

Year	Thomson Reuters/ CoreCommodity CRB Commodity Index	U.S. Dollar Index (DXY)
2019	9.88%	-0.23%
2018	-10.66%	4.40%
2017	1.66%	-9.87%
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%

Source: Bloomberg. Data for 2019 through 3/20. Past performance is no guarantee of future results.

View from the Observation Deck

- Commodity prices declined in six of the 10 calendar years (full-year) featured in the table, as measured by the Thomson Reuters/CoreCommodity CRB Commodity Index. Prices are up markedly so far in 2019.
- From 12/31/08-12/31/18, commodity prices fell 23.12%, according to Bloomberg. For comparative purposes, commodity prices rose 152.84% the previous decade (12/31/98-12/31/08).
- The U.S. Dollar Index (DXY) posted gains in six of the 10 calendar years (full-year) in the table. From 12/31/08-12/31/18, the index rose 18.28%, according to Bloomberg. For comparative purposes, the index declined 13.66% the previous decade (12/31/98-12/31/08).
- 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.
- The low rate of inflation over the past decade may have contributed to the downward pressure on commodity prices. From 2009-2018, the Consumer Price Index (CPI) headline rate never closed a calendar year higher than 3.0% (2011) on a year-over-year basis, according to the Bureau of Labor Statistics. From 1999-2008, the CPI reached as high as 4.1% (2007) and was 3.0% or higher a total of four times. From 1926-2018, the CPI averaged 3.0% per year, according to Bloomberg. It stood at 1.5% in February 2019, below the Federal Reserve's ("Fed") 2.0% target level.
- The Fed has acknowledged that it is factoring in the slowdown in global economic growth into U.S. monetary policy. As of 3/20/19, it is projecting zero federal funds rate hikes for the rest of 2019 and just one in 2020. In addition, it will soon end the process of reducing the size of its bloated balance sheet.
- Investors funneled an estimated net \$151 million into Commodities (Broad Basket) mutual funds and exchange-traded funds in the first two months of 2019, and an estimated net \$625 million for the 12-month period ended 2/28/19, 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.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

