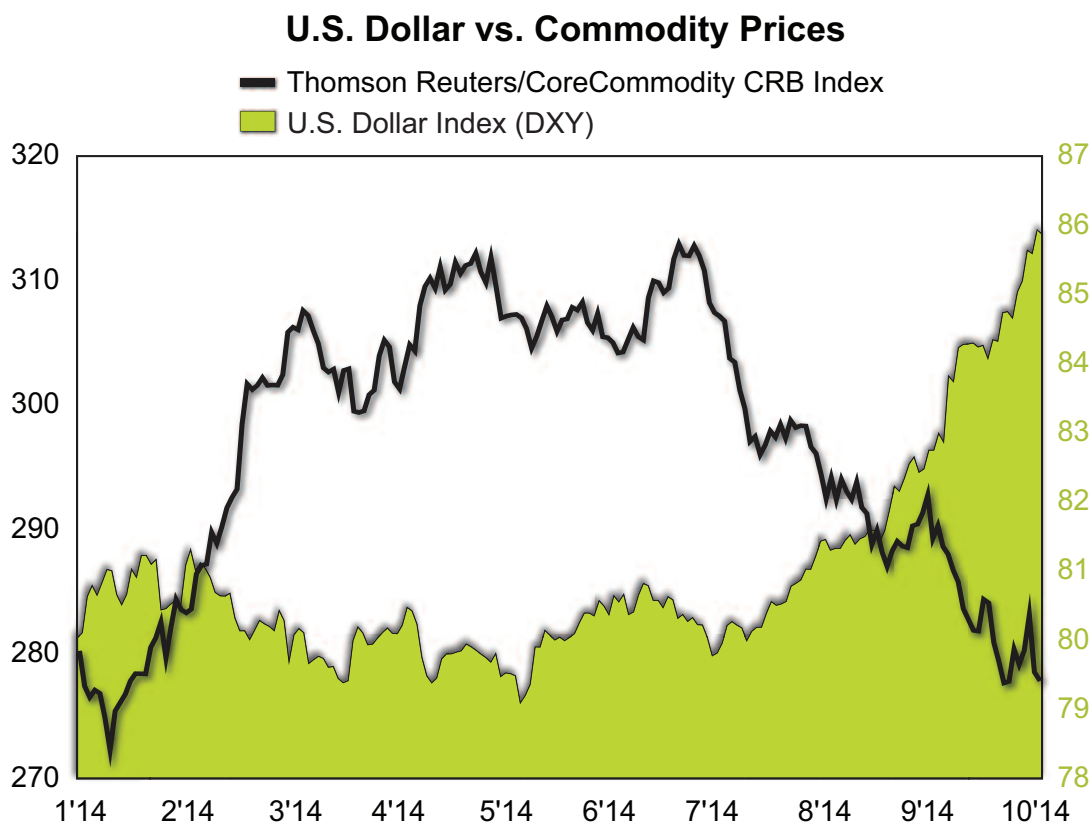


# Q3 Rally In The U.S. Dollar

## A Big Contributor To Drop In Commodity Prices



Source: Bloomberg. Data is YTD through 10/1/14.

### View from the Observation Deck

1. The U.S. dollar rallied 7.72% against a basket of major currencies in Q3'14, as measured by the U.S. Dollar Index (DXY). Year-to-date through 10/1, the index was up 7.42%.
2. The Thomson Reuters/CoreCommodity CRB Index declined by 9.63% in Q3'14. Year-to-date through 10/1, the index was down 0.81%.
3. Commodity prices rose 9.0% in the first five months of 2014 (see chart). Weakness in the dollar from 2/28/14 through 5/31/14 played a role, in our opinion, but there was also some optimism for higher demand.
4. The U.S. dollar currently stands at a four-year high. It has put together its longest string of weekly gains since September 2008 – the height of the financial crisis, according to DailyFX.
5. While there can be many factors influencing demand for dollars at a given time, the scope of geopolitical events, global interest rate levels and economic growth expectations appear to be factors in this rally, in our opinion.
6. On 10/1/14, the Thomson Reuters/CoreCommodity CRB Index stood 41% below its 10-year high set on 7/2/08.
7. While we believe that current commodity price levels may offer an entry point for those investors with a long time horizon, waiting for the rally in the dollar to run its course might be a consideration.

*This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. 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 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.*