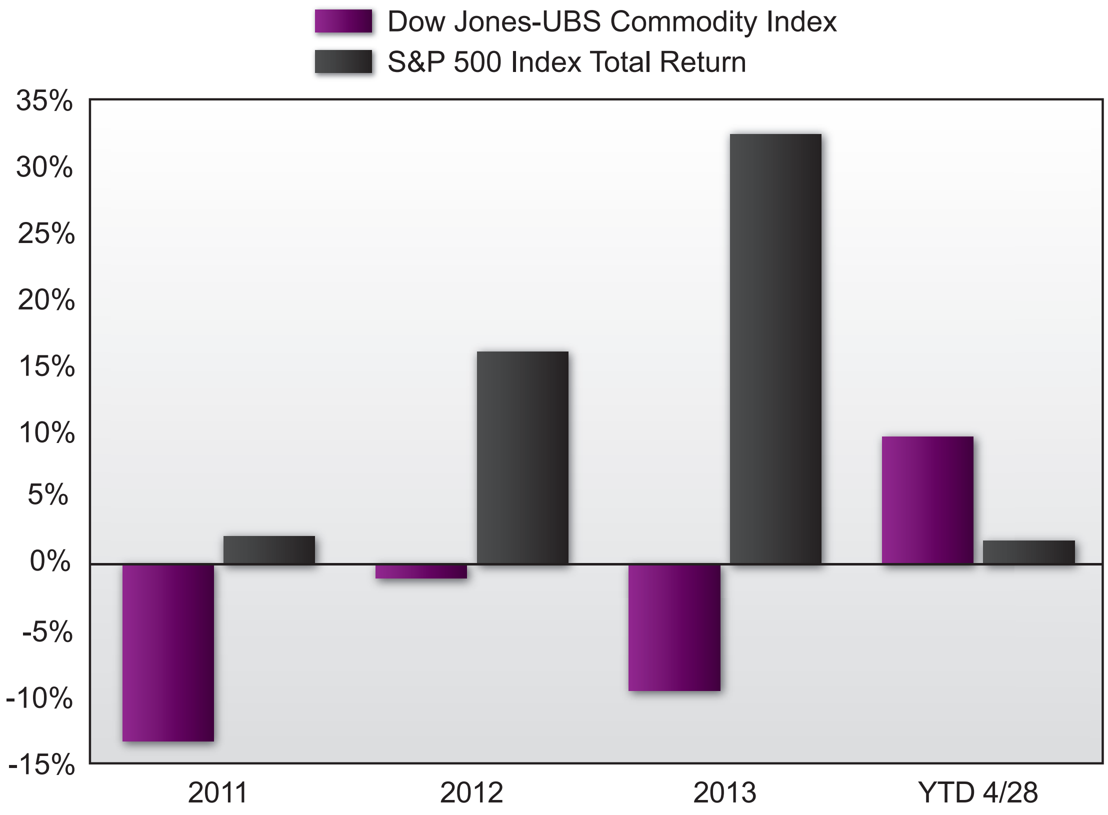
Commodities Off To A Good Start Relative To Stocks In 2014

Commodity Price Changes vs. S&P 500 Total Returns



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. For the three-year period ended December 2013, the S&P 500 posted a cumulative total return of 56.82%, compared to a cumulative loss of 22.40% for the Dow Jones-UBS Commodity Index.
2. Phil Flynn, senior market analyst at the Price Futures Group, noted in a MarketWatch.com article in December 2013 that the "biggest story" in 2014 would be the direction of commodity prices relative to stock prices.
3. Flynn's take was that stocks prices were either too high or commodity prices were way too low. Either way, he believed the disparity between the two would get sorted out.
4. Year-to-date through 4/28, the Dow Jones-UBS Commodity Index was up 9.61%, compared to a total return of 1.76% for the S&P 500.
5. Commodity prices are rebounding despite a relatively stable U.S. dollar and low inflation. The U.S. stock market is also higher, which suggests that commodity prices were likely too low.
6. As of 4/24/14, the sector in the S&P 500 with the highest estimated earnings growth rate for 2014 was Materials, at 27.1%, according to S&P Dow Jones Indices. The estimate for the S&P 500 was 12.1%.
7. We believe that the recovery in commodity prices is just beginning.

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. There can be no assurance that any of the projections cited will occur. The Dow Jones-UBS Commodity Index is composed of futures contracts on 22 physical commodities. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.

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