

The Recovery In Commodity Prices Is Slow Going

% Change In Commodity Prices & U.S. Dollar

Year	Thomson Reuters/ CoreCommodity CRB Commodity Index	U.S. Dollar Index (DXY)
2018 (YTD 6/18/18)	1.2%	2.9%
2017	0.7%	-9.9%
2016	9.3%	3.6%
2015	-23.4%	9.3%
2014	-17.9%	12.8%
2013	-5.0%	0.3%
2012	-3.4%	-0.5%
2011	-8.3%	1.5%
2010	17.4%	1.5%
2009	23.5%	-4.2%
2008	-36.0%	6.0%
2007	16.7%	-8.3%
2006	-7.4%	-8.2%
2005	19.1%	12.8%
2004	16.6%	-7.0%
2003	22.9%	-14.7%

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

View from the Observation Deck

1. With the exception of 2016, commodity prices have been largely depressed since 2010, as measured by the Thomson Reuters/CoreCommodity CRB Commodity Index.
2. In fact, the index posted losses for five consecutive years (2011-2015). The U.S. Dollar Index (DXY) posted gains in four of those five years. The only exception was a slight decline of -0.5% 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. Weakness in the U.S. dollar, however, does not always boost demand for commodities, as evidenced by the price action in 2006 and 2017 (see table).
5. The absence of any major global inflationary pressures should also be considered, in our opinion. Inflation has been on the decline since 2011.
6. Data from the International Monetary Fund estimates that the median inflation rate of Advanced Economies will be 1.7% in 2018, compared to 3.6% for Emerging Market and Developing Economies. Those percentages are down from the 2.2% (Advanced Economies) and 5.1% (Emerging Market and Developing Economies) median averages from 2000 through 2009.
7. Lower commodity prices could represent an opportunity for patient investors. On 6/18/18, the Thomson Reuters/CoreCommodity CRB Commodity Index stood 58.57% below its high since the start of 2003 and 28.00% below its average over the same period, according to Bloomberg.

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 will occur. 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.

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