The U.S. Dollar Is Actually Down Since 12/16/15

View from the Observation Deck

1. The Federal Reserve (the “Fed”) has hiked the federal funds target rate (upper bound) a total of seven times dating back to 12/16/15.
2. It took the target rate from 0.25% to 2.00%, or an increase of 175 basis points (bps). The yield on the 10-Year Treasury-note rose 56 bps over that same period.
3. Central bank rate hikes tend to boost currency values by drawing in capital from foreign investors seeking higher yielding assets, according to CNBC. That has not necessarily been the case this time around.
4. The U.S. Dollar Index stood at a reading of 95.14 on 8/31/18, up from 93.54 on 6/13/18, the last time the Fed raised rates. The 95.14 level is essentially in line with its 95.69 average since 12/16/15, according to Bloomberg.
5. As indicated in the chart, however, the U.S. Dollar Index was higher on the day the Fed announced its initial rate hike on 12/16/15. It stood at a reading of 97.87.
6. As of 8/31/18, the U.S. Dollar Index currently sits above its 20- and 30-year averages of 90.78 and 90.98, respectively, according to Bloomberg.
7. We believe that the U.S. dollar may have gained some strength since March 2018 due to the Trump administration's implementation of trade tariffs. We intend to monitor the negotiation process moving forward.

This chart is for illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. The U.S. Dollar Index (DXY) indicates the general international value of the dollar relative to a basket of major world currencies.

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