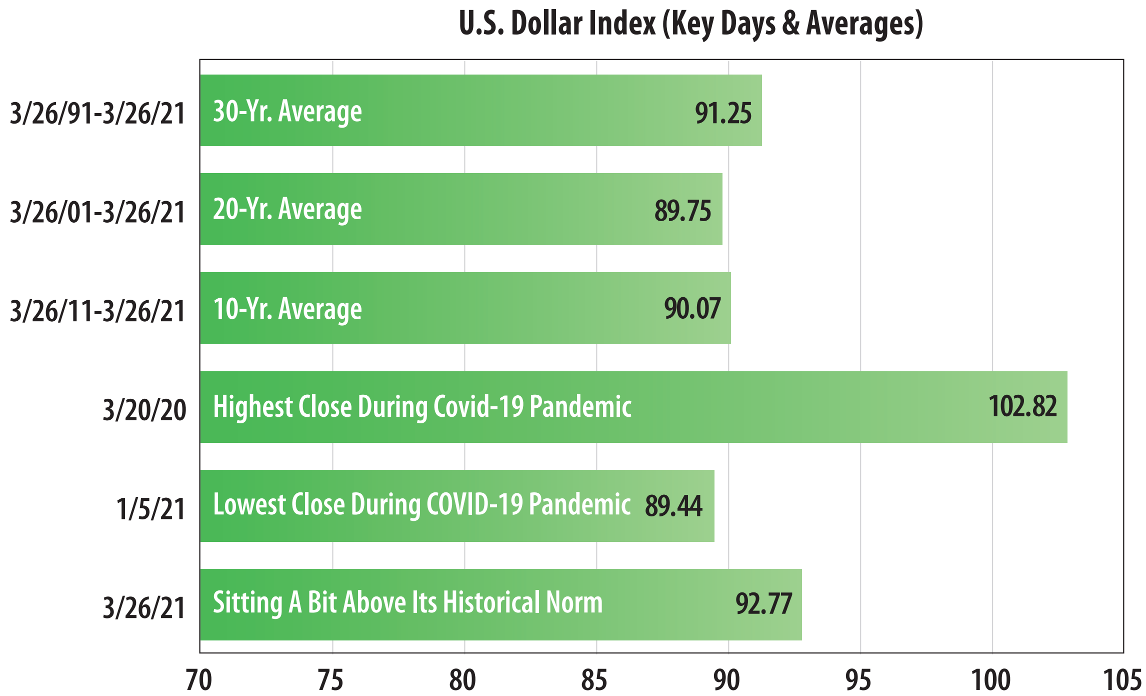
A Snapshot Of The U.S. Dollar



Source: Bloomberg.

View from the Observation Deck

1. We get asked from time to time what our take is on the U.S. dollar and where we think it may be headed next.
2. The dollar is still regarded as the world's primary reserve currency. Its relative strength over time can be influenced by such things as central bank monetary policy, geopolitics and trade.
3. U.S. investors with exposure to foreign securities, commodities and the stocks of U.S. multinational companies are particularly vulnerable to fluctuations in the U.S. dollar.
4. Predicting the direction of the dollar, or any currency, can be a daunting task, even for professionals who specialize in it. One thing we can provide is some context.
5. As indicated in the chart above, as of 3/26/21, the 10-, 20- and 30-year averages for the U.S. Dollar Index carried readings from 89.75 to 91.25, which is a relatively tight range over a span of 30 years.
6. To add some additional context, over the past 30 years, the index peaked at a reading of 120.90 on 7/5/01, while hitting a period-low of 71.33 on 4/22/08, according to Bloomberg.
7. The U.S. Dollar Index has strengthened in recent weeks largely due to the relatively quick rise in the yield on the U.S. 10-year Treasury note (T-note), according to S&P Global Market Intelligence. The yield on the 10-year T-note rose 61 basis points from 1.07% on 1/29/21 to 1.68% on 3/26/21, a potential signal that investors are becoming more optimistic about the prospects for the economy. U.S. government bond yields are still lofty relative to most developed nations and that is likely drawing capital from foreign investors looking for higher returns, in our opinion.

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.