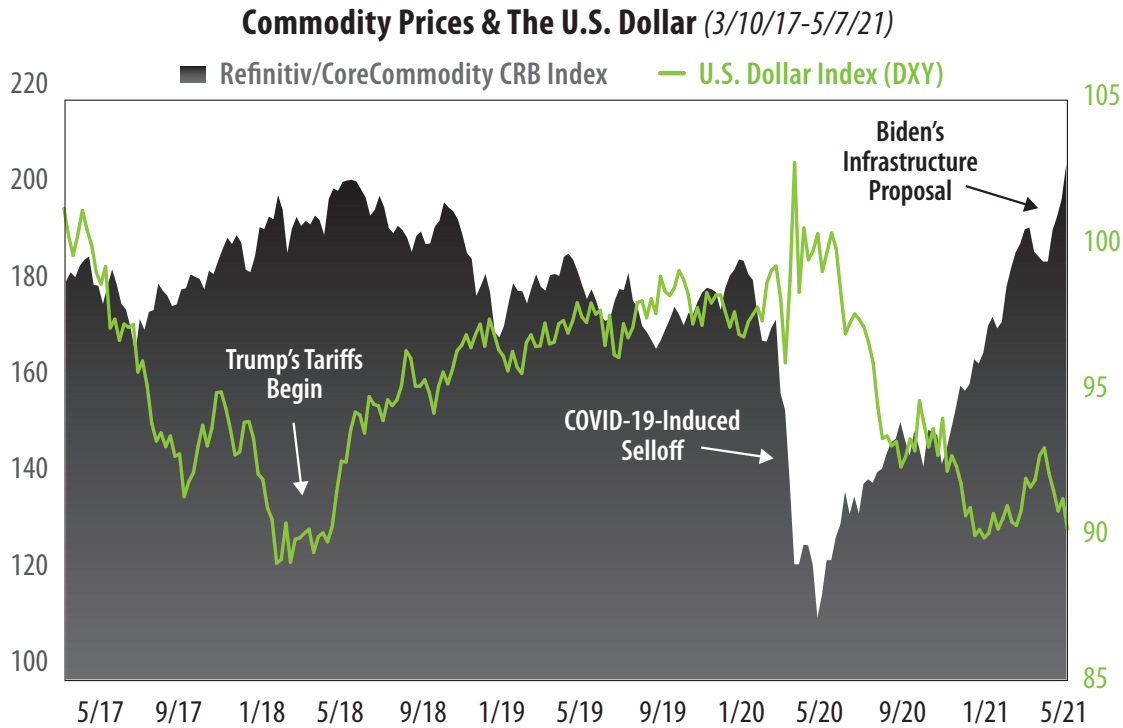


Commodities Are Garnering More Attention From Investors



Source: Bloomberg. Weekly data points.

View from the Observation Deck

1. The Refinitiv/CoreCommodity CRB Index has staged a strong rebound from last year's COVID-19 plunge.
2. From 4/21/20 (low in 2020) through 5/7/21, the index rallied by 94.71%, according to Bloomberg. Despite the strong showing, commodity prices remain well below their record levels.
3. As of 5/7/21, the Refinitiv/CoreCommodity CRB Index stood 56.29% below its all-time closing high on 7/2/08, according to Bloomberg. Commodities have not kept pace with equities in the current millennium.
4. From 12/31/99-5/7/20, the S&P 500 Index posted a cumulative total return of 334.74%, compared to a price return of 31.25% for the Refinitiv/CoreCommodity CRB Index, according to Bloomberg.
5. 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.
6. The decline in the relative value of the U.S. dollar over the past year has provided a nice tailwind for commodities. The U.S. Dollar Index, which indicates the general international value of the dollar relative to a basket of major world currencies, declined by 9.67% to a reading of 90.23 from 5/7/20 through 5/7/21, according to Bloomberg. That is in line with its 90.92 average in the current millennium. The index reading reached as high as 120.90 (7/5/01) near the start of the millennium.
7. It is no coincidence that the Trump administration's launch of new trade tariffs in March 2018, and the subsequent escalation of said tariffs, was followed by a fairly strong rally in the U.S. dollar (see chart). The U.S. dollar can serve as a temporary safe-haven destination for global investors during periods of geopolitical conflict. It also makes sense that the U.S. dollar weakened during the COVID-19 pandemic in response to the dramatic reduction in short-term interest rates by the Federal Reserve and corresponding decline in government bond yields.
8. Looking ahead, commodity prices are already one of the beneficiaries of the reopening process (reopen the parts of the economy shutdown by the COVID-19 pandemic), in our opinion. The rise in the demand for commodities is helping to drive prices higher. We believe that demand and prices would likely be further boosted by the passage of the Biden administration's estimated \$2 trillion infrastructure proposal. Stay tuned!

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. The Refinitiv/CoreCommodity CRB Index is an arithmetic 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. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

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