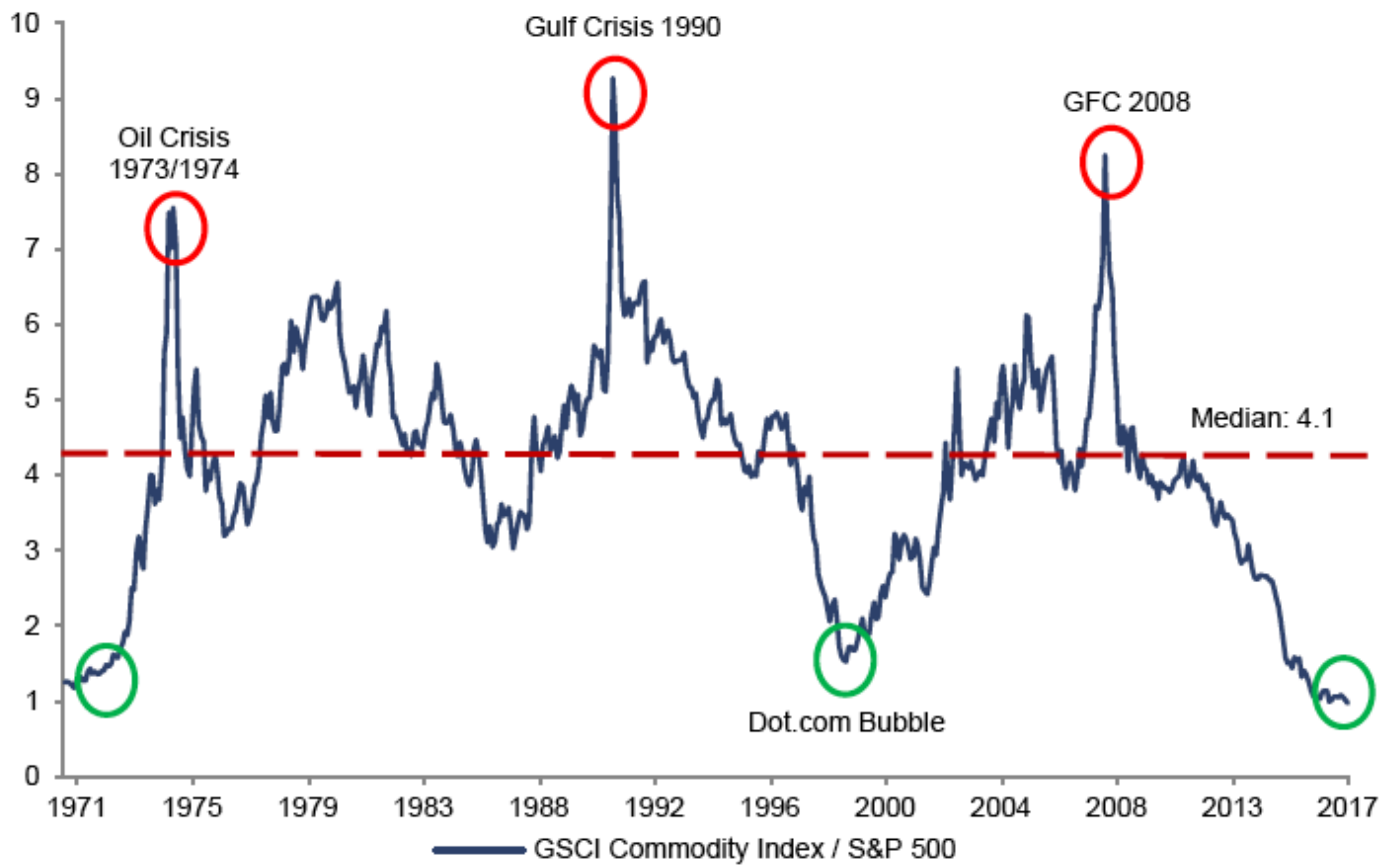
Commodities Are Cheap

In relation to the S&P500, the GSCI commodity index is currently trading at the lowest level in 50 years. When the ratio between equities and commodities is low (represented by the green circle), it means commodities are inexpensive relative to stocks. Also, the ratio is significantly below the long-term median of 4.1. Mean reversion could begin to happen in 2018, which would lead to attractive investment opportunities not seen since the 2000s.



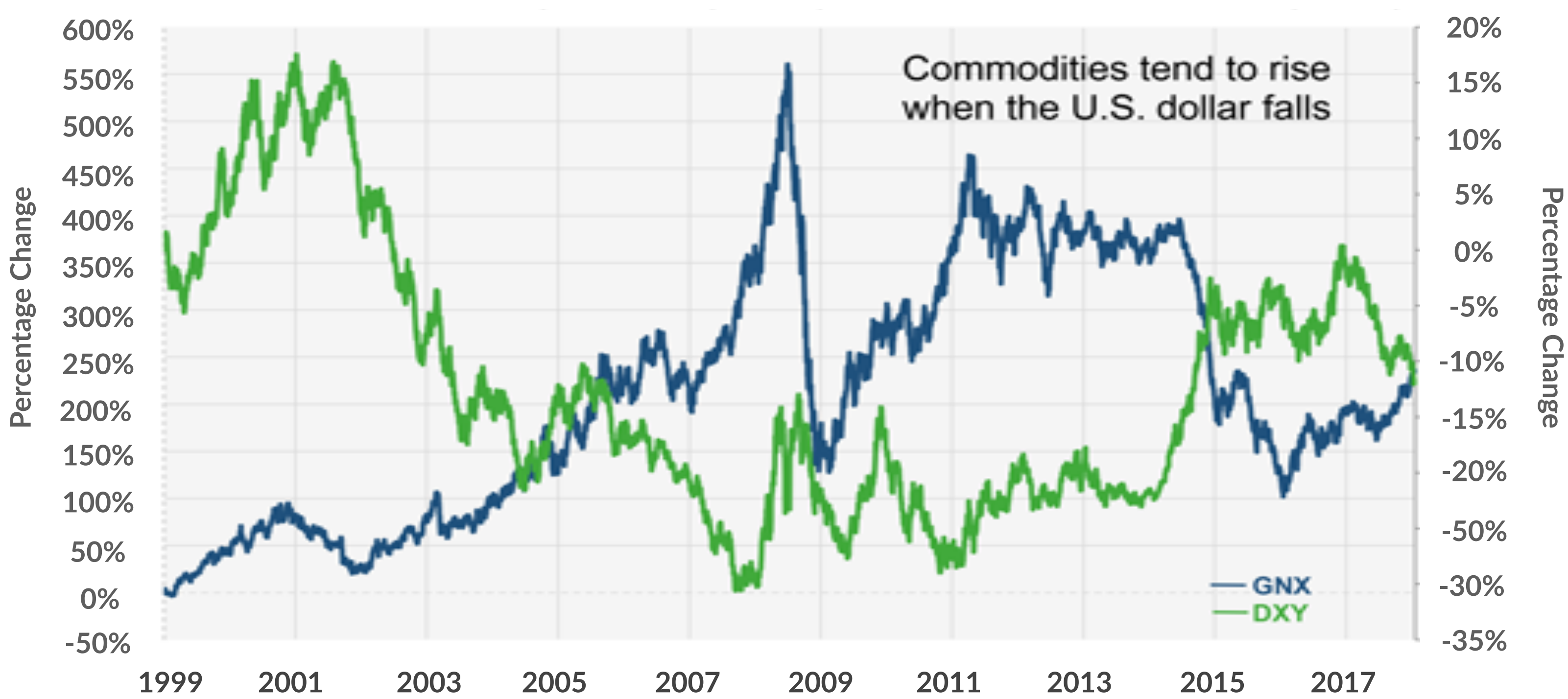
Source: Barron's, Dr. Toresten Dennis, Incrementum AG, February 2018

TerraFunds
Tax-Smart Investments

Commodities Rise as the US Dollar Falls

Large moves in the US dollar affect commodity prices because many major commodities, including oil, are priced in dollars. As the dollar weakens, commodity prices rise. As shown in the chart below, the green line shows the U.S. Dollar Index (DXY). This index tracks the dollar's performance against a basket of currencies. The blue line is the S&P GSCI Commodity Index (GNX), which tracks a basket of major commodities. During the last commodities boom between 2002 and 2008, the DXY fell 41% making commodities cheaper with the GNX increasing 449% over the same period.

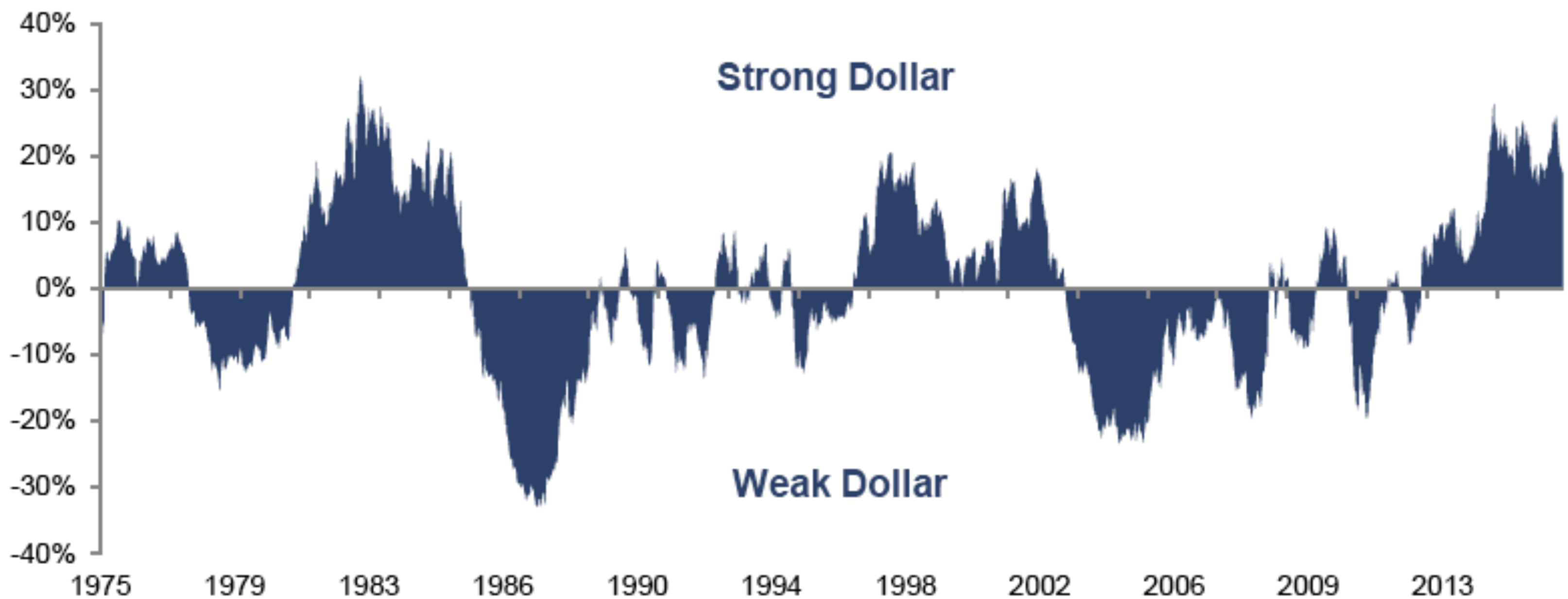
S&P GSCI Commodity Index (GNX) vs. US Dollar Index (DXY)



Source: Bloomberg, January 2018

US Dollar is Expected to Decline

Continued strength in the US dollar would be the exception rather than the rule based on historical trends.



Source: FRED, USD Index (30 month change)