



Commodities AND dollar strong; what gives?

Analyzing the parallel rallies: a rare combination in recent years

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Asymmetries in commodity / USD index relationship

USD & commodities have risen together over the past 4 months; rare over the past 10y or so albeit less so before. Parallel declines have always been rare due to USD safe-haven flows when growth weak. Shift in real yields looks key in current phase.

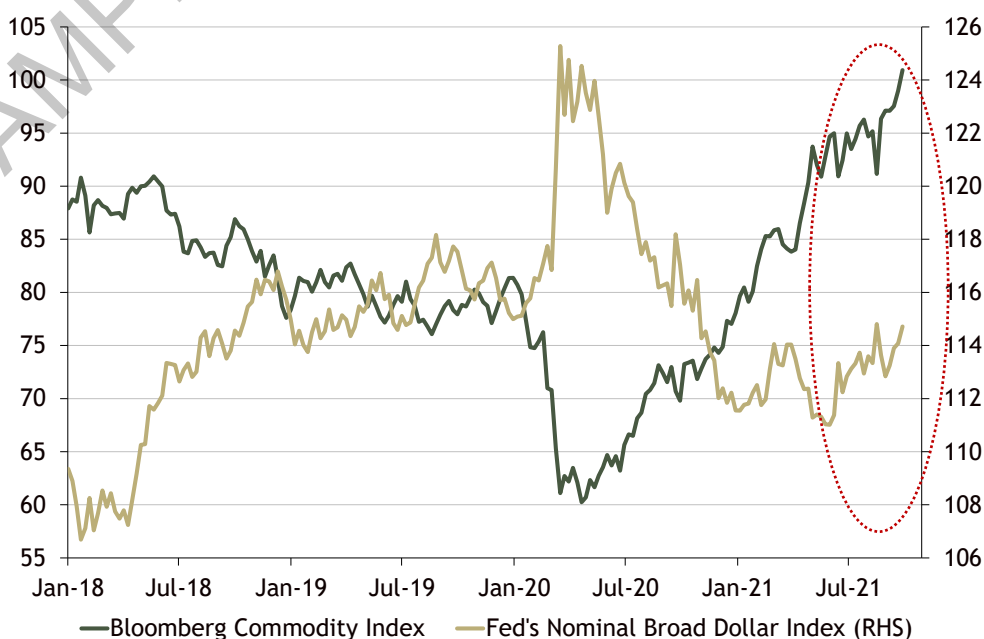
Do markets care whether oil rallies are supply- or demand-driven?

We don't believe supply has played an outsized role in the overall commodity rally, though clearly key in some cases. Historically, do markets care which of supply or demand is dominant? Some evidence to say 'yes' in UST, less so for commodity FX.

What happens next?

Continued positive returns from commodities also leaves room for commodity currencies to deliver gains, including laggards. We still see risks on the broad USD index skewed to downside on a 12m view on ASR's benign outlook for risk assets.

Key chart: Commodities and USD rallying together in recent months



Source: ASR Ltd. / Bloomberg