GLOBAL
Insight

RBC Wealth Management

Perspectives from the Global Portfolio Advisory Committee

February 2023

A changing of the guard?

Is the dollar's multiyear rally coming to an end? We examine the drivers of that rally, what's changed, and the implications for global investors.

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Inching closer to a recession

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To any extent necessary

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GLOBAL

Insight

February 2023

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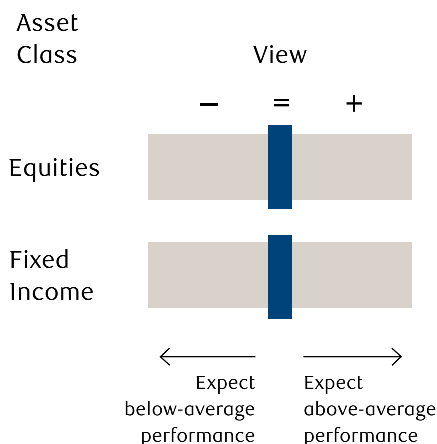
All values in U.S. dollars and priced as of market close, Jan. 31, 2023, unless otherwise stated.

RBC Wealth Management

RBC'S INVESTMENT
Stance

Global asset class views



(+/=/–) represents the Global Portfolio Advisory Committee's (GPAC) view over a 12-month investment time horizon.

+ Overweight implies the potential for better-than-average performance for the asset class or for the region relative to other asset classes or regions.

= Market Weight implies the potential for average performance for the asset class or for the region relative to other asset classes or regions.

– Underweight implies the potential for below-average performance for the asset class or for the region relative to other asset classes or regions.

Source - RBC Wealth Management

Equities

- Major equity markets have started the year on a strong footing, extending rallies that began last autumn, on better-than-feared economic trends in North America and Europe and China's reopening. Perceptions that the Fed and other major central banks will soon end their rate hike campaigns have also played a role. While consensus earnings estimates continue to drift lower, markets seem to have already anticipated the downward movements, and the Q4 earnings reporting season has largely unfolded within the bounds of investors' muted expectations.
- U.S. economic trends will likely determine the direction of global equity markets in the coming months. We think markets are now trading as if a recession will be avoided. If the world's largest economy succumbs to recession, as our most important leading indicators continue to signal, this could put additional pressure on earnings forecasts and generate volatility and/or downside for equity markets.
- Yet investors should remember that stock markets tend to turn higher before recessions end and the earnings clouds lift. Also, economic contractions tend to be short, some two quarters on average. Therefore, we would remain invested, but lean more heavily toward quality and sustainable dividends.

Fixed income

- Government bond yields have leveled out over the past three months, though volatility remains elevated. The average yield on the Bloomberg US Treasury Index currently sits at 3.9%, compared to a three-month average of 4.0% and a 2022 high of 4.6%. Though central banks largely remain hawkish, we still believe that rate hike cycles for many major global central banks will come to an end in H1 2023, meaning that sovereign yields—at least further out on the yield curve—have likely already peaked, leading us to lock in yields where possible.
- We remain Market Weight U.S. fixed income with yields near multi-year highs, with a positive outlook for bank-issued preferred shares on the attractive yields and defensive nature of bank balance sheets. We hold U.S. credit at Market Weight as yields remain near 20-year highs, with dollar prices on bonds still historically low—offering a cushion should recession and default risks materialize.
- We maintain our Market Weight in global fixed income, with a Market Weight allocation to credit.

MONTHLY
Focus

Alan Robinson
Seattle, United States
alan.robinson@rbc.com

A changing of the guard?

The U.S. dollar has benefited from strong cyclical tailwinds that pushed the trade-weighted value of the currency to an 11-year high in 2022. But several factors suggest that run may now be over. We examine the drivers of that rally, what's changed, and the implications for global investors.

Key points

- **The value of the dollar moves in long-term bull and bear cycles, each of which lasts roughly a decade. We may be transitioning from a bull to bear cycle at this time.**
- **Certain investment styles that worked well during the previous cycle may start to surrender leadership and prompt a re-evaluation of global portfolios.**
- **We examine industry sectors, asset classes, and geographies that should benefit from a falling dollar and note that dollar-denominated investors may benefit from more international exposure.**

The first decade of this century was a tough one for the greenback. Global investors questioned the status of the dollar as a reserve currency, and the euro appeared to be in its ascendancy. But by 2011, the depressed sentiment and cheap valuation of the dollar on a purchasing power parity (PPP) basis set the stage for the start of a bull cycle for the dollar that impacted most global investment classes.

Fast forward to the end of 2022, and a combination of rapidly increasing U.S. interest rates and a flight to the relative "safety" and liquidity of the U.S. dollar in the face of rising geopolitical tensions had pushed the dollar to more than 25 percent above its fair value level as measured by PPP.

The dollar moves in recurring long-term cycles

Trade-weighted U.S. Dollar Index (DXY)

Source - RBC Wealth Management, FactSet; monthly data from January 1985 to December 2022

MONTHLY FOCUS

A changing of the guard?

Its rapid ascent and subsequent decline since its high in September 2022 suggests to us a new multiyear down cycle may have started for the dollar. This has implications for asset allocation decisions for long-term investors.

A primer on the currency markets

Why do we think the dollar may have peaked? To answer that, it's worth looking at the factors that influence currency valuations. An important point is that currencies don't trade in isolation. Currency prices are all quoted relative to another currency. If one currency goes down, a different currency will appreciate. So the drivers of a nation's currency depend on the strength of its economy and finances *relative* to its trading partners.

Three factors broadly drive currency valuations: interest rates; budget deficits or surpluses; and terms of trade, or the global market price of a country's exports relative to its imports. Budget deficits can act as a currency headwind. Some emerging economies that run up large spending deficits tend to see their currencies fall, particularly if they print money to address the shortfall.

But the biggest driver of recent global currency moves has been interest rate differentials between countries. The COVID-19 pandemic triggered the sharpest rise in inflation in a generation. The Federal Reserve's steep interest rate hikes to combat this inflation outpaced those of other countries' central banks. Foreign investors were able to convert their currencies into dollars and park the funds in short-term accounts with a much higher interest rate than they could achieve at home. And thus, the final leg of the dollar's rally was born.

As good as it gets?

Many of these longer-term drivers of dollar strength appear to be reversing. Global central banks are catching up with the Fed's rate hike regime just as traders anticipate an end to this cycle and the potential for U.S. rate cuts a few quarters out. We believe this will act to erase the interest rate differential that has driven the dollar higher.

Meanwhile, the recent standoff over increasing the U.S. debt ceiling has shone a spotlight on the country's budget deficits. Even the country's changing terms of trade provide a headwind as U.S. consumers pivot from spending on cheaper imported goods in favor of more expensive services.

We are not suggesting that the start of a dollar bear cycle means its role as a reserve currency is under threat (see our April 2022 commentary from the Global Insight Weekly). But we do expect increasing diversification of investment assets out of the dollar as the cycle progresses.

What are the investment implications?

History provides a few pointers to investment themes that might work in a dollar bear market, some more reliable than others.

Stock valuations

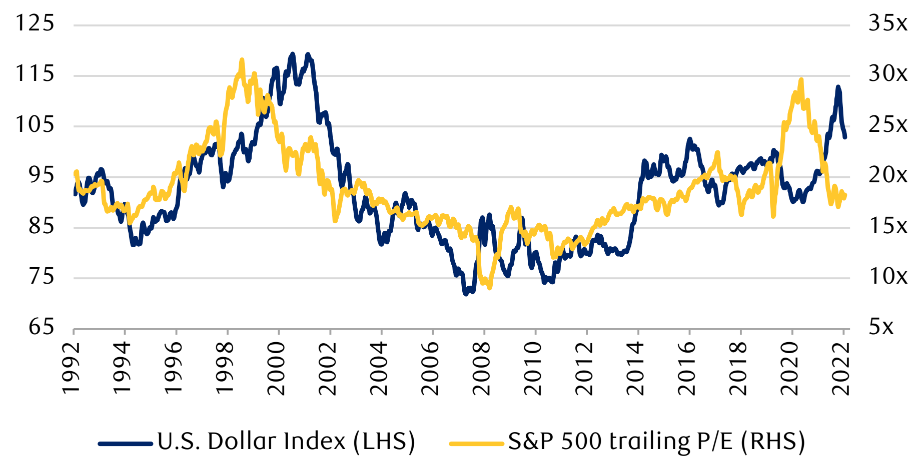
Over the course of the last few long-term dollar cycles, there has been a close relationship between equity valuations and the strength of the dollar. When the dollar strengthens, price-to-earnings multiples for stocks rise

MONTHLY FOCUS

A changing of the guard?

Equity valuations rise and fall with the dollar

Trailing price-to-earnings multiples versus the trade-weighted Dollar Index (DXY)



Source - RBC Wealth Management, FactSet; weekly data, 1/22/93–1/20/23

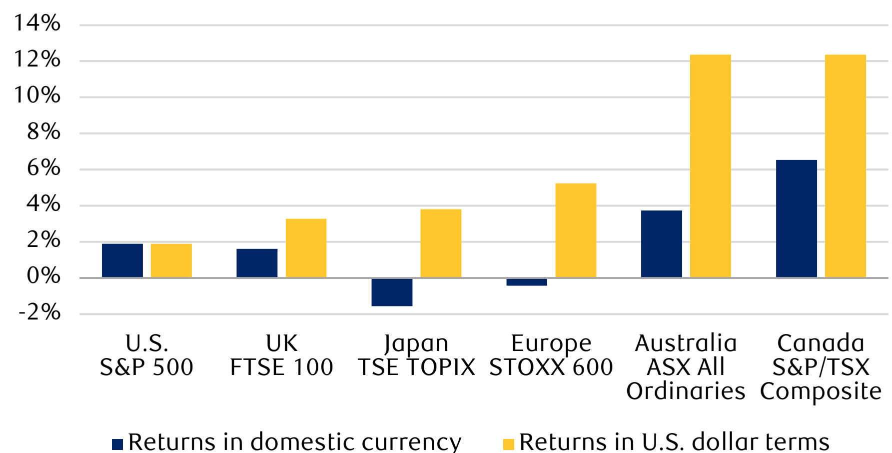
too, with multiples falling again as the dollar weakens (see chart above). This holds for international as well as U.S. equity valuations. While global stocks can still perform well during dollar bear cycles, we note that earnings growth will likely be more important than valuation expansion in this environment. This may favor dividend-paying stocks with more reliable cash flow characteristics.

International stocks

Equity markets outside of the U.S. tend to do well when the dollar is weak. International stocks outperformed their U.S. peers in 2022, driven by cheaper valuations, but the pause in the dollar bull cycle over the last three months of the year probably played its part too. In a weakening dollar environment, domestic U.S. investors can typically capture the outperformance of overseas markets plus the benefit of stronger overseas currencies when translated into dollars (see chart below).

It's good to diversify stock portfolios during dollar bear markets

Annualized stock market returns in local currency and U.S. dollar terms, January 2002–May 2011



Source - RBC Wealth Management, FactSet

MONTHLY FOCUS

A changing of the guard?

Some international equity markets perform better than others in a weak dollar environment. Emerging markets tend to outperform, although we think it would be wise to be selective as globalization fades. Commodity exporters should outperform, while countries that predominantly export to the U.S. may struggle.

U.S. equity sectors

The picture is a little less clear for U.S. stocks in a dollar bear market. Large caps and, in particular, multinational companies tend to perform relatively well as they have a higher proportion of profits generated from outside the U.S., most of which are denominated in appreciating foreign currencies.

We analyzed the returns of each U.S. sector from the start of the most recent dollar bear and bull cycles, and the results are mixed. We believe this is because the longer-term investment cycles of equities, coupled with rapid technological and business changes this century, tend to outweigh the effect of the dollar cycle.

However, we note that Energy and Materials companies tend to outperform when the dollar falls, as commodities that are priced in dollars typically are in more demand during a dollar bear cycle. On the surface, it would seem that the currency used for a transaction should have little bearing on aggregate demand for that product, but in the real world oil and hard industrial commodities enjoy a demand tailwind when the dollar is weak as those commodities become cheaper to buyers outside of the U.S.

Beyond those sectors it's a mixed bag, although Technology and Industrials companies, with their relatively high overseas revenue streams, should be insulated from a falling dollar. Domestically focused sectors such as Real Estate, Utilities, and Banks have less exposure to foreign currencies and their performance may lag in a dollar bear cycle.

Fixed income markets

Bonds denominated in international currencies should enjoy more demand in a falling dollar environment, all else equal. And if a falling dollar reduces imported inflation in these countries, interest rates may decline, further helping their bonds. Emerging market issues, which are often denominated in dollars, should also do well as their yield spreads relative to risk-free rates start to narrow. Many emerging market issuers struggle to fund their dollar interest payments when their domestic currencies are weak, but a falling dollar should make those payments easier.

Closing chapters?

We can't say that the dollar bull cycle is over yet, and the rally that started in 2011 could possibly still have several quarters to run. The speed of the dollar's decline since its 2022 peak suggests we may see a bounce higher before a down cycle is established in earnest. We won't know for sure until after the fact, but if history is a guide we're probably much closer to the end of the dollar bull cycle than the beginning. We think it's worth considering now how to position portfolios in anticipation of a sea change in the dollar.

U.S. RECESSION

Scorecard

Inching closer to a recession

Three of our seven leading indicators of U.S. recession continue to signal an economic downturn is on the way. Two others are still firmly in expansionary territory but are moving (slowly) in the wrong direction. The two employment-related indicators—weekly unemployment claims and the unemployment rate—are at or near their cycle lows and not yet threatening to generate a negative signal.

The indicators that have flipped to recessionary status so far point toward a recession getting underway by late Q2 or early Q3 2023, in our view.

Yield curve (10-year to 1-year Treasuries)

The position of short-term interest rates relative to long-term rates—a.k.a. the shape of the yield curve—has been the most reliable leading indicator of a U.S. recession. Before the start of every recession for the past 75 years, the 1-year Treasury yield has risen above the 10-year yield, indicative of the arrival of tighter credit conditions. About a year after this crossing occurs, on average, a recession begins.

The 1-year yield rose above the 10-year yield decisively last July. The negative gap widened further over the intervening six months. Thus, history suggests the U.S. economy will be in recession by summer 2023.

A majority of U.S. banks continue to raise lending standards, extending a trend begun about a year ago. This has added further weight to the inverted yield curve's signal that credit conditions have become more restrictive. Loan payment delinquencies and default rates have been mostly rising but remain low by historical standards. Therefore, credit could remain accessible, albeit more expensive, for some time yet.

ISM New Orders minus Inventories

The difference between the New Orders and the Inventories sub-indexes of the ISM Purchasing Managers' Index has turned negative near the start of most U.S. recessions. But it has also registered occasional false positives—signaling a recession was imminent when none subsequently arrived. Moreover, this indicator only relates to activity in the manufacturing sector (some 15% of the U.S. economy) and is

U.S. recession scorecard

Indicator	Status		
	Expansionary	Neutral	Recessionary
Yield curve (10-year to 1-year Treasuries)			✓
Unemployment claims	✓		
Unemployment rate	✓		
Conference Board Leading Economic Index			✓
Free cash flow of non-financial corporate business	✓		
ISM New Orders minus Inventories			✓
Fed funds rate vs. nominal GDP growth	✓		

Source - RBC Wealth Management

U.S. RECESSION SCORECARD

derived from a survey rather than hard data. Therefore, we view this as a corroborative indicator—one to pay attention to if other longer-term indicators are implying a recession is on the way. It has been negative since May 2022 from which point it has steadily worsened. It has never reached this depth before without a recession eventually following.

Conference Board Leading Economic Index

Historically, this series has given reliable early warnings of recession. When the index has fallen below where it was a year earlier, a recession has always followed—usually two to three quarters later.

This indicator turned decisively negative in Q3 2022, shifting it to the red column on our scorecard. It strongly suggests a U.S. recession will be underway by Q2 2023.

Unemployment claims

This series set its monthly low, so far, for this cycle back in March 2022 at 178,000. The cycle low for claims has typically been registered about 12 months before the start of the next recession. So, if no lower reading is posted in the coming months, its history would suggest a recession could get underway by spring of this year.

As it happens, new monthly claims sagged sharply in January (down to 192,000) getting much closer to the cycle low posted last March. If a new low for claims is posted in the coming months then this particular "clock" would have to be reset, pushing out the expected start date of the coming recession. However, RBC Capital Markets, LLC Chief U.S. Economist Tom Porcelli points out that seasonal adjustment factors for employment data are suspect around this time of the year because of the usually large number of short-term jobs created leading up to Christmas and the shedding of those jobs early in the new year. Christmas hiring last year was unusually subdued, meaning post-holiday layoffs (and claims) were too. February and March may bring clarity to this topic.

Unemployment rate

The unemployment rate set a new multi-decade low of 3.4% last month. The unusually large number of net new jobs in the nonfarm payroll report looks to have been the biggest contributing factor. But the seasonality factors referred to above with respect to claims may have had similar distorting effects on the jobs data.

In our view, a move above 4.0% for the unemployment rate would signal a recession is on the way. Once that signal is given, on average it has been eight to nine months from the lowest monthly reading until a recession gets underway, although there have been several instances where the time gap was only two to three months.

As for the rest …

Neither the **free cash flow of non-financial corporate business** nor the **federal funds rate vs. nominal GDP growth** appear close to crossing the threshold into a recessionary reading, although in both cases the positive gap looks to be narrowing.

Weighing up the current positioning of all seven indicators and projecting their likely paths over the next couple of quarters continues to point to a growing probability the U.S. will enter recession sometime late in the first half or in Q3 of 2023, in our view. However, absent some notable weakness in the employment data in the coming months, the start date could easily move out later into the second half.

GLOBAL
Equity

Jim Allworth
Vancouver, Canada
jim.allworth@rbc.com

A year of transition

- **The market rally since October could have further to run, supported by improving inflation data and more reasonable valuations.**
- **But the lagged effect of last year's outsized monetary tightening and the ongoing shift higher of bank lending standards makes it likely a U.S. recession will arrive in the second half of 2023.**
- **The mixed picture of more rally to come only to be eventually overcome by the downward forces of recession argues for Market Weight equity exposure for now with a decided preference for quality and sustainable dividends.**

The rally off the October 2022 lows played out through January for all major equity markets. The broad advance in share prices looks to have been driven by successive improvements in the inflation data. Slower inflation has brought bond yields lower, taking the pressure off price-to-earnings (P/E) multiples while raising expectations that central bank tightening cycles may be close to peaking.

Hopes for a "soft landing" for the U.S. economy—i.e., no recession—have been on the rise, underwritten by the prospect for Fed rate cuts to begin in the second half of 2023. Those hopes were rocked somewhat by the more than half-million jobs added in January. The Fed and most other central banks have alluded to the dangers of cutting rates too soon. Some compelling indication of labor market weakness will be a necessary precondition of any Fed rate cutting, in our view.

The January jobs surge has dashed the hopes of uber-optimists that such employment weakness was just around the corner. However, even with any Fed rate cuts possibly off the table for longer than some had hoped, we believe a bullish outlook for stocks for the next several months still has a couple of legs to stand on. While consensus earnings estimates have receded from clearly frothy levels, reported earnings themselves are still rising with 2022 likely to have posted a 5.4% y/y earnings gain even as the S&P 500 Index is off by 14% from its peak a year ago. That has brought the forward P/E multiple from a lofty 21.2x down to a more palatable 18.3x, not exactly cheap but reasonable, in our view. Breadth has been improving faster than the major averages have been appreciating, often a harbinger of more market strength to come.

It's also true that bull markets have typically ended three to six months ahead of the associated recession starting. So it's not out of the question to imagine that a recession that begins in the second half of this year might be preceded by a new cycle high for the S&P 500 in the first half.

But the idea that seems increasingly improbable to us is that a U.S. recession will be avoided altogether.

Equity views

Region	Current
Global	=
United States	=
Canada	=
Continental Europe	–
United Kingdom	–
Asia (ex Japan)	=
Japan	+

+ Overweight; = Market Weight; – Underweight
Source - RBC Wealth Management

GLOBAL EQUITY

Monetary policy acts with a lag of somewhere between six to 12 months. So it is very often the case that the economy continues to perform well for some considerable time after the Fed begins to hike interest rates, prompting economy watchers to wonder aloud whether a recession can be avoided, only to have the growing credit tightness eventually bite deeply enough to induce the downturn.

The succession of outsized Fed rate hikes began last spring and continued into late fall. Their economic impact is already being felt in some sectors such as housing with more negative consequences to come as spring arrives and turns into summer. Banks for their part are preparing for more tightening rather than any imminent easing of credit conditions. The January edition of the Fed's Senior Loan Officer Survey reveals that a growing majority of banks continue to raise lending standards on almost every type of loan, as they had in the prior three quarters. Most are also raising the down payment required on car loans while an increasing plurality is indicating less willingness to extend new loans.

Even if the Fed begins cutting rates in the second half of this year, the same lag will likely keep any positive economic effects from appearing until deep into 2024.

We think a rally, propelled by better inflation data, could extend the gains made since October for some months yet, before the bearish forces of the recession that we see coming take control. In our view, equities should be at no more than their long-term target weight in a global balanced portfolio.

We believe leaning more heavily toward quality and sustainable dividends and away from specific individual company risks that may come home to roost in a recession continues to look like a good approach in a world where the timing of the economic cycle remains an open question.

GLOBAL

Fixed income

Thomas Garretson, CFA
Minneapolis, United States
tom.garretson@rbc.com

To any extent necessary

As the yearlong rate hike campaigns of major global central banks near an end, policymakers have shifted the approach from blunt aggressiveness to one of more finesse with finishing lines now in sight. Even so, volatility could remain high during this stretch of calibration as markets debate not just how high rates will ultimately need to go, but also how long they will ultimately remain there.

And nowhere has this been more evident through the opening weeks of the year than with respect to the outlook for the Federal Reserve. After its latest hike in early February, which raised rates by 25 basis points (bps) to a target range of 4.50% to 4.75%, markets had essentially priced it as potentially the last rate hike. Fed Chair Jerome Powell delivered the first dovish press conference that we have seen from the central bank for some time and notably highlighted the disinflationary impulses that are beginning to take root in the economy, particularly in the goods sector.

But, and as has been the case through the entirety of the Fed's rate hike cycle thus far, the U.S. labor market seems to be paying rate hikes no mind. Hiring activity remains robust while the unemployment rate

Fixed income views

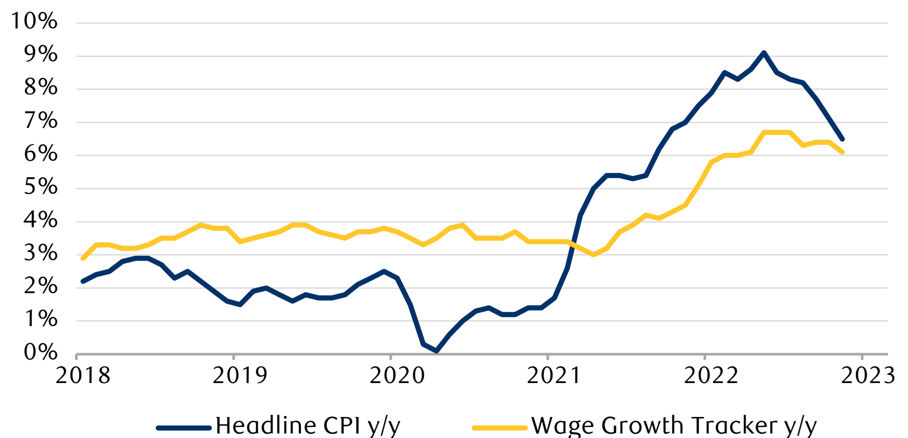
Region	Gov't bonds	Corp. credit	Duration
Global	=	=	5–7 yr
United States	=	=	7–10 yr
Canada	=	+	5–7 yr
Continental Europe	=	=	5–7 yr
United Kingdom	=	=	5–7 yr

\+ Overweight; = Market Weight; – Underweight
Source - RBC Wealth Management

dropped to just 3.4% in January, the lowest since 1969. And while this was offset by further easing in wage growth measures, it will likely keep markets on edge as a tight labor market could increase risks around an inflation resurgence should wages pick up. As a result, markets put rate hikes back on the table and are once again pricing a peak policy rate of 5.25% by May, though we expect the Fed to stop at 5.0% in March.

The Bank of Canada was most explicit in its view that rate hikes have ended, at least for the time being, with the latest hike to 4.50%. The Bank of England, which took rates to 4.00% at its latest meeting, also

Even as U.S. unemployment rates hit fresh lows, inflation and wage pressures show signs of easing



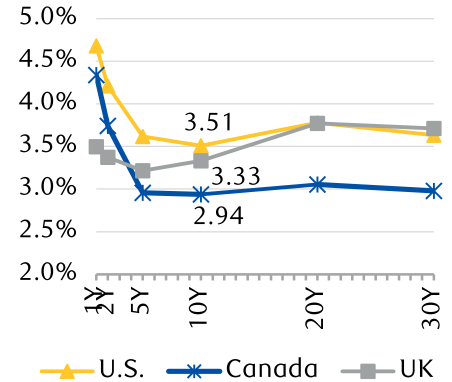
Source - RBC Wealth Management, Bloomberg, Atlanta Federal Reserve Wage Growth Tracker; data through 12/31/22

GLOBAL FIXED INCOME

appears to be heading for the off ramp as economic risks for the UK are the highest amongst the major developed economies, in our view. And finally, the European Central Bank now stands as the most hawkish of the bunch, as the 50 bps move at its February meeting is likely to be followed by yet another 50 bps hike in March, which would bring deposit rates to 3.00%.

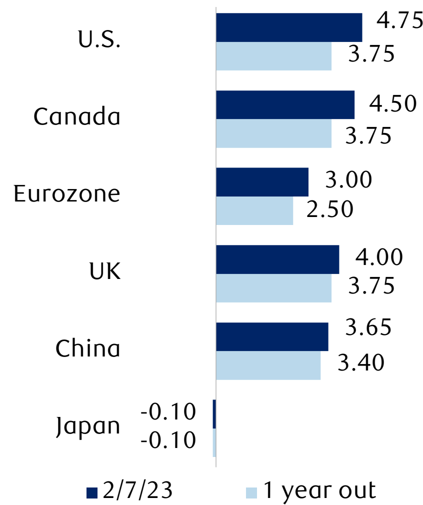
All told, even as rate hike campaigns become more data dependent and cautious in the end stages, central bank-fueled volatility is unlikely to fade as the incoming economic data is back in the driver's seat. And we believe the data will now dictate the extent to which rates need to rise.

Sovereign yield curves



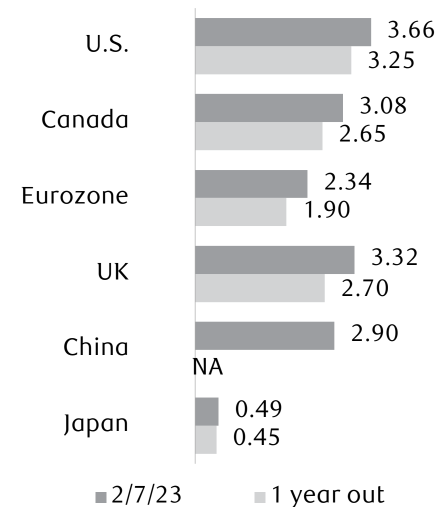
Source - Bloomberg; data through 1/31/23

Central bank rate (%)



Source - RBC Investment Strategy Committee, RBC Capital Markets forecasts, Global Portfolio Advisory Committee, RBC Global Asset Management

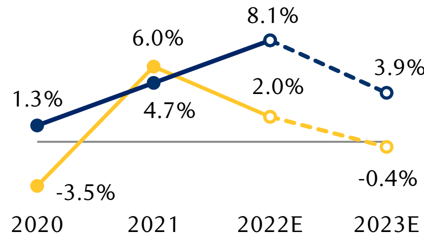
10-year rate (%)



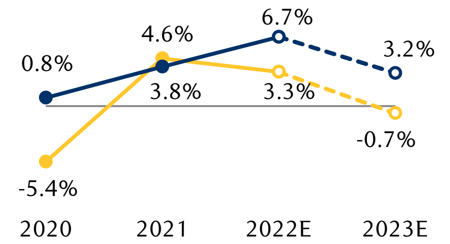
Note: Eurozone utilizes German Bunds.
Source - RBC Investment Strategy Committee, Global Portfolio Advisory Committee, RBC Global Asset Management

KEY
Forecasts

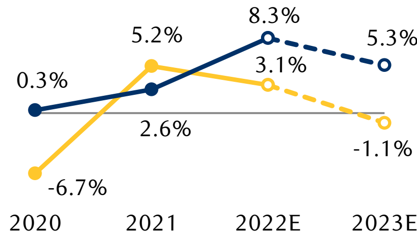
United States



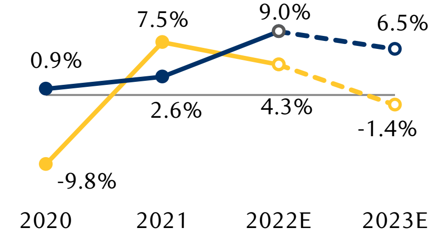
Canada



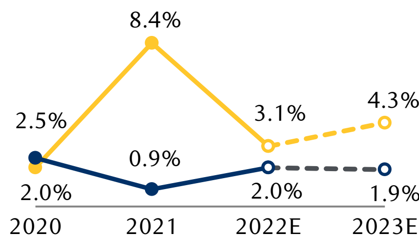
Eurozone



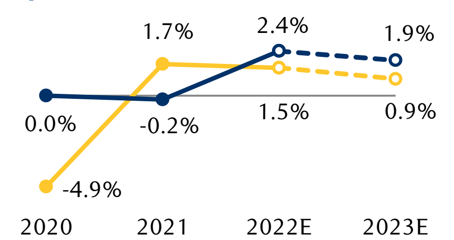
United Kingdom



China



Japan



Real GDP growth

Inflation rate

Note: Forecasts are under review

Source - RBC Investment Strategy Committee, RBC Capital Markets, Global Portfolio Advisory Committee, RBC Global Asset Management, Bloomberg consensus estimates

Market Scorecard

Data as of January 31, 2023

Equities

Global equity markets posted strong gains in January to begin the year following last year's dismal performance, led by strong rallies from the U.S. Nasdaq and Mexican Bolsa.

Bond yields

Sovereign yields declined in January on signs of easing price pressures, with the exception of German sovereign debt.

Commodities

Commodity prices mostly strengthened amid ongoing inflation concerns, while oil and natural gas prices declined.

Currencies

Major global currencies mostly gained ground against the U.S. dollar in January, including the CAD, EUR, GBP, and AUD.

Index (local currency)	Level	1 month	YTD	12 month
S&P 500	4,076.60	6.2%	6.2%	-9.7%
Dow Industrials (DJIA)	34,086.04	2.8%	2.8%	-3.0%
Nasdaq	11,584.55	10.7%	10.7%	-18.6%
Russell 2000	1,931.95	9.7%	9.7%	-4.8%
S&P/TSX Comp	20,767.38	7.1%	7.1%	-1.6%
FTSE All-Share	4,255.72	4.4%	4.4%	1.5%
STOXX Europe 600	453.21	6.7%	6.7%	-3.3%
EURO STOXX 50	4,163.45	9.7%	9.7%	-0.3%
Hang Seng	21,842.33	10.4%	10.4%	-8.2%
Shanghai Comp	3,255.67	5.4%	5.4%	-3.1%
Nikkei 225	27,327.11	4.7%	4.7%	1.2%
India Sensex	59,549.90	-2.1%	-2.1%	2.6%
Singapore Straits Times	3,365.67	3.5%	3.5%	3.6%
Brazil Ibovespa	113,430.54	3.4%	3.4%	1.1%
Mexican Bolsa IPC	54,564.27	12.6%	12.6%	6.3%
Bond yields	**1/31/23**	**12/31/22**	**1/31/22**	**12 mo. chg**
U.S. 2-Yr Tsy	4.201%	4.426%	1.179%	3.02%
U.S. 10-Yr Tsy	3.507%	3.875%	1.777%	1.73%
Canada 2-Yr	3.752%	4.054%	1.275%	2.48%
Canada 10-Yr	2.916%	3.300%	1.771%	1.15%
UK 2-Yr	3.468%	3.576%	1.045%	2.42%
UK 10-Yr	3.332%	3.672%	1.302%	2.03%
Germany 2-Yr	2.651%	-0.601%	-0.528%	3.18%
Germany 10-Yr	2.286%	-0.185%	0.011%	2.28%
Commodities (USD)	**Price**	**1 month**	**YTD**	**12 month**
Gold (spot $/oz)	1,928.36	5.7%	5.7%	7.3%
Silver (spot $/oz)	23.73	-0.9%	-0.9%	5.6%
Copper ($/metric ton)	9,199.55	10.0%	10.0%	-4.0%
Oil (WTI spot/bbl)	78.87	-1.7%	-1.7%	-10.5%
Oil (Brent spot/bbl)	84.49	-1.7%	-1.7%	-7.4%
Natural Gas ($/mmBtu)	2.68	-40.0%	-40.0%	-44.9%
Agriculture Index	474.15	0.8%	0.8%	2.0%
Currencies	**Rate**	**1 month**	**YTD**	**12 month**
U.S. Dollar Index	102.0970	-1.4%	-1.4%	5.8%
CAD/USD	0.7515	1.9%	1.9%	-4.5%
USD/CAD	1.3306	-1.8%	-1.8%	4.7%
EUR/USD	1.0863	1.5%	1.5%	-3.3%
GBP/USD	1.2320	2.0%	2.0%	-8.4%
AUD/USD	0.7055	3.6%	3.6%	-0.2%
USD/JPY	130.0900	-0.8%	-0.8%	13.0%
EUR/JPY	141.3200	0.6%	0.6%	9.3%
EUR/GBP	0.8816	-0.4%	-0.4%	5.5%
EUR/CHF	0.9951	0.6%	0.6%	-4.4%
USD/SGD	1.3139	-1.9%	-1.9%	-2.8%
USD/CNY	6.7553	-2.1%	-2.1%	6.2%
USD/MXN	18.8385	-3.4%	-3.4%	-8.7%
USD/BRL	5.0757	-3.9%	-3.9%	-4.4%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Equity performance and bond yields in local currencies. U.S. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.75 means 1 Canadian dollar will buy 0.75 U.S. dollar. CAD/USD -4.5% return means the Canadian dollar has fallen 4.5% vs. the U.S. dollar during the past 12 months. USD/JPY 130.09 means 1 U.S. dollar will buy 130.09 yen. USD/JPY 13.0% return means the U.S. dollar has risen 13.0% vs. the yen during the past 12 months.

Source - RBC Wealth Management, RBC Capital Markets, Bloomberg; data through 1/31/23

Research resources

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David Storm, CFA, CAIA – Chief Investment Officer, BI & Asia, RBC Europe Limited

Tat Wai Toh – Head of Portfolio Management, BI & Asia, Royal Bank of Canada, Singapore Branch

Joseph Wu, CFA – Portfolio Manager, Multi-Asset Strategy, RBC Dominion Securities Inc.

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