U.S. Commodities Markets

A Dollar Crises for U.S. Commodities? A Look at What Is Driving U.S. Dollar Strength and The Impact on U.S. Agricultural Commodity Exports

- Last week, the U.S. dollar reached a historical high against the euro, pound, and yen. When comparing the dollar to the currency of other agricultural commodity exporting countries like Australia, Brazil and Canada, there is a divergence, but the dollar is not at record levels.
- Global geopolitical risks combined with the relative strength and stability of the U.S. economy and the current Fed policy are converging to influence the dollar's performance.
- The dollar's strength creates substantial headwinds and has turned into a clear negative for U.S. futures and physical commodity exports. This price effect is particularly visible for commodities like corn, cotton, wheat and corn.
- In contrast with the structural supply deficits affecting select U.S. agricultural commodities, we see the U.S. dollar creating short and medium term demand related challenges.

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