

Diversifying By Gaining Exposure to Commodities

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Global commodities markets have been making a lot of headlines during 2018. This isn't surprising given all of the "Trade War" talk amid tariffs being implemented on imports from both China and the US. The specific commodities these tariffs are being placed on span a wide range including, but not limited to, aluminum, pork, and soybeans. Given the fact that China is one of the largest importers of US agricultural products, commodities such as Corn and Soybeans have experienced significant declines this year. Furthermore, the de-valuation in emerging market currencies, such as the Turkish Lira and Argentinian Peso, have provided headwinds to equity markets in these regions which, in-turn, has also added to the negative sentiment.

This research piece will focus on the Nasdaq Commodity Index family, and more specifically which Indexes have been outperforming. We will also discuss a number of ETP's from the Boost product suite from Europe which market participants can use to gain exposure to the Nasdaq Commodities Index Family.

Commodity Performance

Nasdaq Commodity Index Comparisons (Dec 29, 2017 - June 29, 2018)

The below table compares performance of the following Nasdaq Commodity Indexes: **Brent Crude (NQICBER)**, **WTI Crude (NQICLER)**, **Gold (NQICGER)**, **Copper (NQIHGER)**, **Natural Gas (NQINGER)**, **Palladium (NQIPAER)**, and **Silver (NQISIER)**. The dispersion in performance amongst the commodities listed below has provided for opportunities on both the long and short sides of the market.

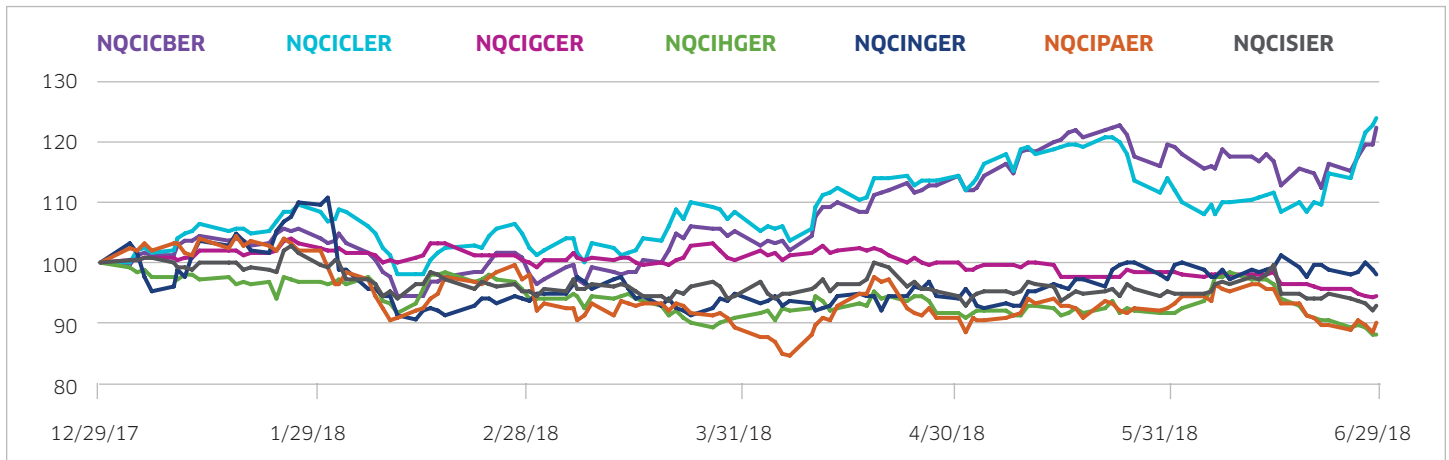
	RETURN (YTD)
NQICBER	22.32%
NQICLER	24.08%
NQICGER	-5.40%
NQIHGER	-11.84%
NQINGER	-1.78%
NQIPAER	-9.70%
NQISIER	-6.94%

NASDAQ COMMODITY INDEXES FAMILY

Overview

The Nasdaq Commodity Index Family is designed to measure the performance of a single commodity or a group of commodities through the use of futures contracts. The Indexes have been constructed with a transparent, rules-based methodology to serve as benchmarks of the global commodity markets.

The Nasdaq Commodity Index Family is focused on liquidity and size. It uses quantitative criteria for selection of the Index population. The Index Family includes Benchmark, Tradable, Sector and Single Commodity Indexes.



Relative Strength Analysis

Identifying The Top Performers

Let's take our analysis a step further and find some additional methods of identifying the top performers of the commodities indexes listed above. One of the most basic ways to create a visual comparison of how a particular market is performing against another is to create a relative strength chart. The slope of the line will display which product is outperforming the other. Perhaps one of the largest benefits of using Relative Strength based analysis is the ability to use the same process across any asset class.

NQCIER

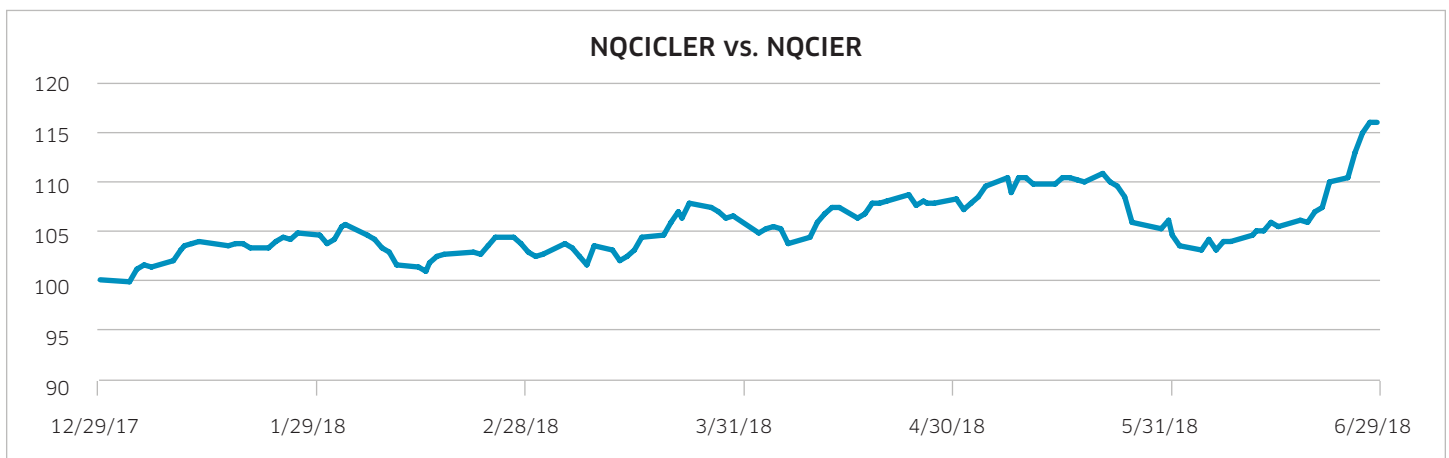
The Nasdaq Commodity Benchmark Index

The Nasdaq Commodity Benchmark (NQCIER) is made up of 32 commodities and provides a broad and representative exposure to the commodity markets. A few of the basic eligibility requirements for inclusion are as follows: The commodity future must have a total minimum Notional Market Value of \$1Billion; and the commodity future must have a minimum notional twelve-month Average Daily Dollar Trading Volume of \$100 million. As of June 29, 2018, the largest exposures were geared towards WTI Crude Oil, Brent Crude Oil, and Gold.

NQCICLER vs. NQCIER

Crude Oil vs. Nasdaq Commodity Benchmark Index

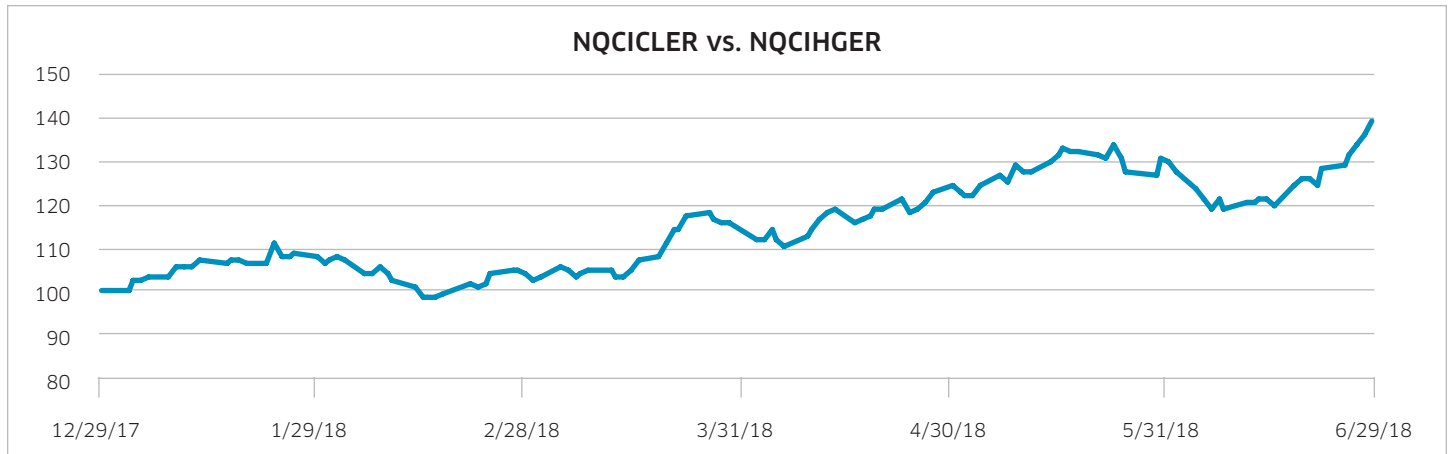
The relative strength chart below compares the Nasdaq Commodity Crude Oil Index (NQCICLER) vs. the Nasdaq Commodity Benchmark (NQCIER) in 2018. The gradual rise throughout the majority of year confirms the outperformance of Crude Oil against the the broader Commodity Benchmark. After suffering a brief correction in mid-April, the ratio has accelerated its uptrend since the end of May.



NQCICLER vs. NQCIHGER

Crude vs. Copper

Getting more granular with our analysis, we can also compare individual Commodity Indexes against each other. As we stated previously, the Energy sector (Oil) has been one of the stronger performing sectors, while Industrial Metals (Copper) have seen sharp declines. The rising relative strength ratio certainly confirms the outperformance of WTI Crude (NQCICLER) vs. Copper (NQCIHGER)



Boost ETPs tracking Nasdaq Commodity Indexes

Product Suite

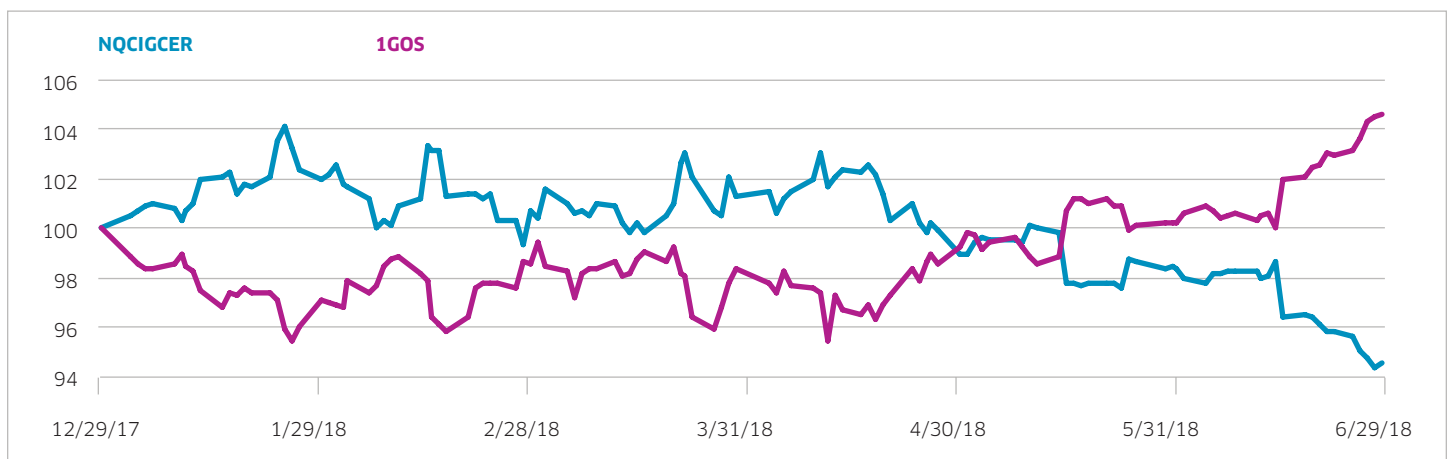
Due to their traditional low correlation to equities over the long-term, exposure to commodities can help diversify a portfolio away from risks associated with traditional asset classes. The below table lists the BOOST ETP Commodity product line up, along with the corresponding Nasdaq Commodity Index each product tracks. Boost's product lineup includes some ETPs that directly track the given commodity, while others have geared exposure (leveraged long, inverse and leveraged inverse).

ETP SYMBOL	ETP NAME	INDEX TICKER	INDEX NAME
BRND	Boost Brent Oil ETP	NQCICBER	
3BRL	Boost Brent Oil 3x Leverage Daily ETP	NQCICBER	NASDAQ Commodity Brent Crude Index ER
3BRS	Boost Brent Oil 3x Short Daily ETP	NQCICBER	
3OIL	Boost WTI Oil 3x Leverage Daily ETP	NQCICLER	
3OIS	Boost WTI Oil 3x Short Daily ETP	NQCICLER	
WTID	Boost WTI Oil ETP	NQCICLER	NASDAQ Commodity Crude Oil Index ER
OILZ	Boost WTI Oil 1x Short Daily ETP	NQCICLER	
2OIL	Boost WTI Oil 2x Leverage Daily ETP	NQCICLER	
2OIS	Boost WTI Oil 2x Short Daily ETP	NQCICLER	

ETP SYMBOL	ETP NAME	INDEX TICKER	INDEX NAME
3GOL	Boost Gold 3x Leverage Daily ETP	NQCIGCER	NASDAQ Commodity Gold Index ER
3GOS	Boost Gold 3x Short Daily ETP	NQCIGCER	
1GOS	Boost Gold 1x Short Daily ETP	NQCIGCER	
2GOS	Boost Gold 2x Short Daily ETP	NQCIGCER	
2GOL	Boost Gold 2x Leverage Daily ETP	NQCIGCER	
GLD	Boost Gold ETP	NQCIGCER	
3HCL	Boost Copper 3x Leverage Daily ETP	NQCIHGER	NASDAQ Commodity HG Copper Index ER
3HCS	Boost Copper 3x Short Daily ETP	NQCIHGER	
3NGL	Boost Natural Gas 3x Leverage Daily ETP	NQCINGER	NASDAQ Commodity Natural Gas Index ER
3NGS	Boost Natural Gas 3x Short Daily ETP	NQCINGER	
2NGS	Boost Natural Gas 2x Short Daily ETP	NQCINGER	
2NGL	Boost Natural Gas 2x Leverage Daily ETP	NQCINGER	
GASD	Boost Natural Gas ETP	NQCINGER	
1PAS	Boost Palladium 1x Short Daily ETP	NQCIPAER	NASDAQ Commodity Palladium Index ER
2PAL	Boost Palladium 2x Leverage Daily ETP	NQCIPAER	
3SIL	Boost Silver 3x Leverage Daily ETP	NQCISIER	NASDAQ Commodity Silver Index ER
3SIS	Boost Silver 3x Short Daily ETP	NQCISIER	
2SIS	Boost Silver 2x Short Daily ETP	NQCISIER	
2SIL	Boost Silver 2x Leverage Daily ETP	NQCISIER	

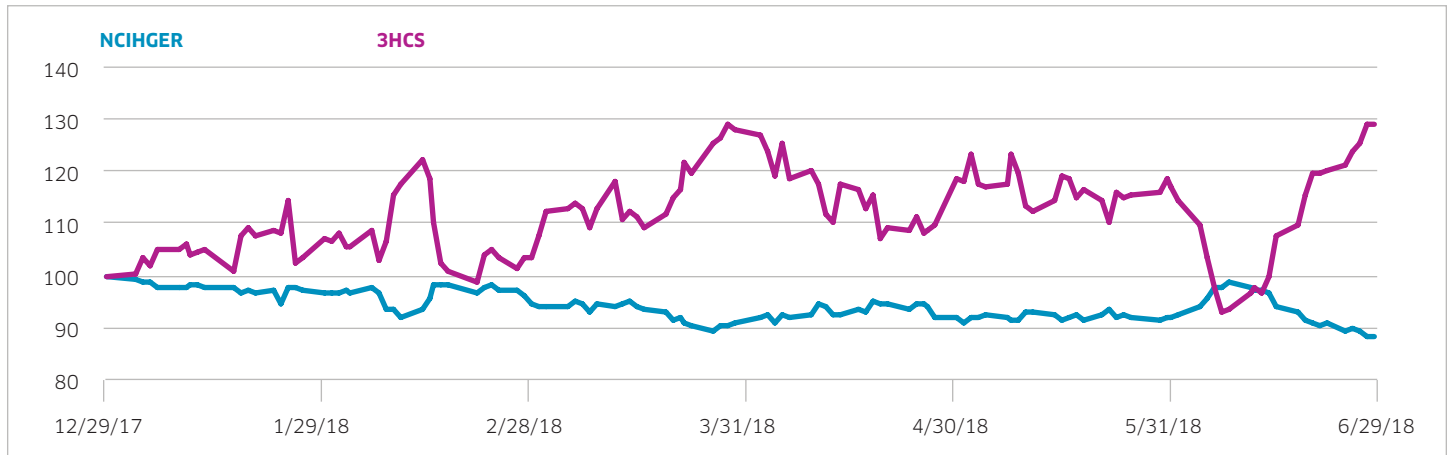
Nasdaq Commodity Gold Index (NQCIGCER) vs. Boost Gold 1x Short Daily (1GOS)

Inverse ETP’s can provide a number of advantages to investors. For example, those asset managers or market participants who are mandated to long only positions in a portfolio would not have received much benefit from having exposure to gold thus far in 2018. However, the Boost Gold 1x Short Daily ETP (1GOS) would provide inverse exposure to the underlying commodity which benefits from a decline in gold prices. Through the end of June, it is up 4.61% YTD and has recently started to accelerate its move higher.



Nasdaq Commodity HG Copper Index (NQCIHGER) vs. Boost Copper 3x Short Daily ETP (3HCS)

Another advantage the Boost Commodity ETP suite is the ability to gain exposure to leveraged ETPs. For example, although NQCIHGER is down 11.84% through the end of June, the Boost Copper 3x Short Daily ETP (3HCS) is up 29% over the same time frame. Not surprisingly, any product using leverage is also subject to elevated volatility as evidenced by the chart below.



Commodities and the Nasdaq-100

Annual Historical Performance (12/29/13 -6/29/18)

Over the long term, commodities and equities typically have a low correlation. The chart below compares annual performance of the same indexes we analyzed above, shown again here for your reference: **Brent Crude (NQICIBER)**, **WTI Crude (NQICLER)**, **Gold (NQICGER)**, **Copper (NQCIHGER)**, **Natural Gas (NQCINGER)**, **Palladium (NQCI PAER)**, and **Silver (NQCISIER)**. We've also added in the Nasdaq-100 Total Return Index (XNDX). As we can see, the Nasdaq 100 Total Return (XNDX) was the top performer in four out of the six years in the markets used for our study. The largest annual gain for XNDX came in 2013 at 36.92%, followed by 2017 at 32.99%. Thus far into 2018, **WTI Crude (NQICLER)** is the top performing commodity index and has notched gains 24.08%. The worst performing commodity index thus far into 2018 are **Gold (NQICGER)** at -3.85%, followed by **Copper (NQCIHGER)**, at -3.82%.

2013	2014	2015	2016	2017	2018
XNDX 36.92%	XNDX 19.40%	XNDX 9.75%	NQCINGER 11.27%	XNDX 32.99%	NQCICLER 24.08%
NQCINGER 7.14%	NQICGER 0.73%	NQCIHGER 4.22%	NQCICLER 8.85%	NQCIHGER 7.72%	XNDX 10.65%
NQCICLER 6.07%	NQCISIER 0.28%	NQCIPAER 3.46%	NQCICBER 8.21%	NQCICBER 7.16%	NQCICBER 2.55%
NQCIHGER 5.98%	NQCIHGER -0.72%	NQCINGER 1.87%	XNDX 7.27%	NQCIPAER 5.72%	NQCINGER -1.39%
NQCICBER 1.40%	NQCIPAER -1.83%	NQICGER -0.48%	NQICGER -1.89%	NQCISIER 4.07%	NQCISIER -2.07%
NQCIPAER -0.19%	NQCICBER -18.77%	NQCISIER -2.01%	NQCISIER -2.99%	NQCICLER 2.97%	NQCIPAER -3.14%
NQCISIER -3.31%	NQCINGER -29.48%	NQCICBER -17.53%	NQCIHGER -4.84%	NQICGER 2.55%	NQCIHGER -3.82%
NQICGER -3.85%	NQCICLER -42.35%	NQCICLER -43.68%	NQCIPAER -11.57%	NQCINGER -2.60%	NQICGER -3.85%

Commodities and the Nasdaq-100

Monthly Historical Performance (6/29/17 - 6/29/18)

Next, we will take this study and apply it on a monthly basis over the past year. This dispersion in performance across the various commodities markets has been rather large in 2018. As we mentioned previously, **WTI Crude (NQICLER)** has been one of the top performing commodities this year. In fact, it was the top performing commodity in 4 out of the last 12 months, and the second top performing commodity 3 out of the last 12 months. The largest monthly decline was **Natural Gas (NQINGER)**, which dropped 9.45% in October 2017. The largest monthly gain was **WTI Crude (NQICLER)** which was up 10.69% in June 2018.

7/31/17	8/31/17	9/29/17	10/31/17	11/30/17	12/29/17	1/31/18	2/28/18	3/29/18	4/30/18	5/31/18	6/29/18
NQICLER 8.50%	NQINGER 7.26%	NQICLER 8.21%	NQCIBER 7.77%	NQICLER 5.14%	NQIHGER 7.72%	XNDX 8.70%	NQCIPAER 1.76%	NQCIBER 7.51%	NQCIBER 8.43%	XNDX 5.68%	NQICLER 10.69%
NQCIBER 7.47%	NQIHGER 6.41%	NQCIBER 7.53%	NQIHGER 4.94%	NQCIPAER 3.31%	NQCIBER 7.16%	NQICLER 7.21%	XNDX -1.22%	NQICLER 5.63%	NQICLER 5.62%	NQINGER 5.60%	NQCIBER 2.55%
NQIHGER 6.66%	NQCIPAER 6.04%	NQCIPAER 0.49%	XNDX 4.55%	NQCIBER 3.21%	NQCIPAER 5.72%	NQINGER 3.91%	NQCIGER -1.88%	NQINGER 1.32%	NQCIPAER 1.77%	NQCIBER 4.39%	XNDX 1.09%
NQCIPAER 5.83%	NQCISIER 4.11%	XNDX -0.12%	NQICLER 4.54%	XNDX 2.06%	NQICLER 5.18%	NQCIBER 3.80%	NQIHGER -2.60%	NQCIGER 0.27%	NQIHGER 0.93%	NQCIPAER 2.59%	NQINGER -1.39%
XNDX 4.17%	NQCIGER 3.83%	NQCIGER -2.83%	NQCIPAER 4.52%	NQINGER 0.77%	NQCISIER 4.07%	NQCIGER 2.21%	NQICLER -4.34%	NQCISIER -0.85%	XNDX 0.41%	NQCISIER 0.35%	NQCISIER -2.07%
NQCIGER 1.90%	XNDX 2.03%	NQINGER -3.38%	NQCISIER 0.10%	NQCIGER 0.15%	NQCIGER 2.55%	NQCISIER 0.56%	NQCISIER -5.33%	NQIHGER -3.42%	NQCISIER 0.32%	NQIHGER -0.29%	NQCIPAER -3.14%
NQCISIER 0.96%	NQCIBER 0.14%	NQIHGER -4.63%	NQCIGER -1.11%	NQIHGER -1.85%	XNDX 0.52%	NQIHGER -3.18%	NQCIBER -5.57%	XNDX -3.94%	NQCIGER -0.61%	NQCIGER -1.57%	NQIHGER -3.82%
NQINGER -7.81%	NQICLER -6.15%	NQCISIER -5.12%	NQINGER -9.45%	NQCISIER -1.87%	NQINGER -2.60%	NQCIPAER -3.53%	NQINGER -9.77%	NQCIPAER -9.04%	NQINGER -0.71%	NQICLER -2.03%	NQCIGER -3.85%

Conclusion

The recent "Trade War" talk between China and the US has sparked elevated volatility in the commodities markets in 2018. The large tariffs being implemented on imports from both sides has increased fears that a lack of demand will increase supply on certain goods. Commodities such as Copper, Palladium, and Agriculture (Corn, Soybeans and others) have suffered sharp declines, while the Energy sector has held up fairly well.

In this research piece we gave a basic performance break down of the year to date performance for a number of Nasdaq Commodity Family Indexes and the Nasdaq-100. The increased volatility, along with the dispersion being seen across the complex has provided opportunities on both the long and short side of the market. We also gave a basic breakdown of using relative strength analysis to help identify top performing commodities. Finally, we provided a list of the Boost ETP Commodity product line-up, along with the corresponding Nasdaq Commodity Index each product tracks. In addition to the Boost ETPs tracking Nasdaq Commodity Indexes, they also offer ETPs tracking the Nasdaq-100. Those ETPs are the Boost NASDAQ 100 3X Leverage Daily ETP (QQQ3) and the Boost NASDAQ 100 3X Short Daily ETP (QQQS).

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