

COMMODITIES AND THE MEAN REVERSION PRINCIPLE



Source: Steele and U.S. Global Research

Investments can have wide price swings during any given year. But, over time, they usually revert to their long-term averages. This principle is called “mean reversion.” The chart above demonstrates the fluctuation of various commodities for the past 9 years. As you can see, not one category has performed consistently over the 9-year period. By allocating your assets among a variety of categories, and understanding mean reversion, you protect yourself from unpredictable shifts in the market. Diversification does not protect an investor from market risks and does not assure a profit. 09-119