

## Spotlight: Hungry for Commodities? Buy Breakfast.

As investors and traders navigate today's volatile markets, there is one thing they can depend on every day amidst the craziness – breakfast (or, at least, they should). Once the cheap and easy breakfast option, even a bowl of cereal may raise eyebrows as the price of wheat skyrockets. In fact, 47% of recent survey respondents noticed an increase in the price of cereal in March 2022.<sup>1</sup> While rising food prices are not ideal for the consumer, this environment presents a good time to look towards commodity investments.

### INFLATION IS NOT GOING AWAY

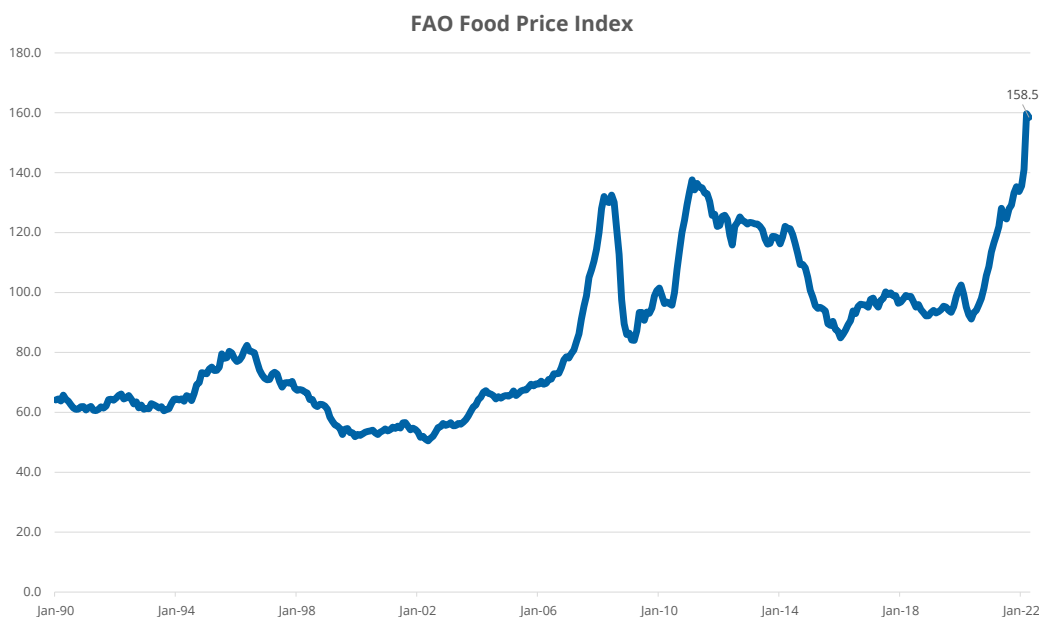
Although many economists predicted inflation would reside by now, there is no clear end in sight. The Consumer Price Index (CPI)\* reported consumer prices rising 8.3% in April year-over-year. Grocery prices, in particular, rose 9.4% in April year-over-year. In an attempt to quell inflation, the Federal Reserve increased the benchmark interest rate by 0.50% in early May. They have signaled they will continue to make several identical rate hikes throughout the year. Ultimately, the Federal Reserve can only do so much and there are other factors at play when it comes to food inflation.

### THE GLOBAL FOOD SUPPLY CHAIN IS STRUGGLING

The food supply is more connected globally than ever before. However, since the beginning of the year, there have been 47 export restrictions placed on food and fertilizers around the world, 43 of them since the Russian invasion of Ukraine, which has put enormous strain on global supply chains. In fact, Ukraine and Russia combined account for more than a quarter of the world's wheat exports.<sup>2</sup> In mid-May, India announced that they too are halting all wheat exports, and soon after put a restriction on sugar exports. Both Russia and China have banned the sale of fertilizer, causing additional supply issues. As countries begin to prioritize their own food security by necessity, we are entering a new era of food protectionism, which is pushing up prices.

Weather events also play a big role. In late 2021, Brazil, the world's leading coffee producer, experienced a record drought that affected coffee supply and increased prices. As extreme weather patterns become the new normal, agriculture and farming will be increasingly affected.

A strong indicator of these factors on global food prices is the FAO Food Price Index, a measure of the monthly change in international prices of a basket of food commodities. In March 2022, this index reached an all-time high of 159.7, as seen in the figure below.



Source: Food and Agriculture Organization of the United Nations, from January 1990 to April 2022.

\* The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

## WHY BREAKFAST?

*Randolph Duke: We are 'commodities brokers,' William. Now, what are commodities? Commodities are agricultural products... like coffee that you had for breakfast... wheat, which is used to make bread... pork bellies, which is used to make bacon, which you might find in a 'bacon, lettuce and tomato' sandwich.*

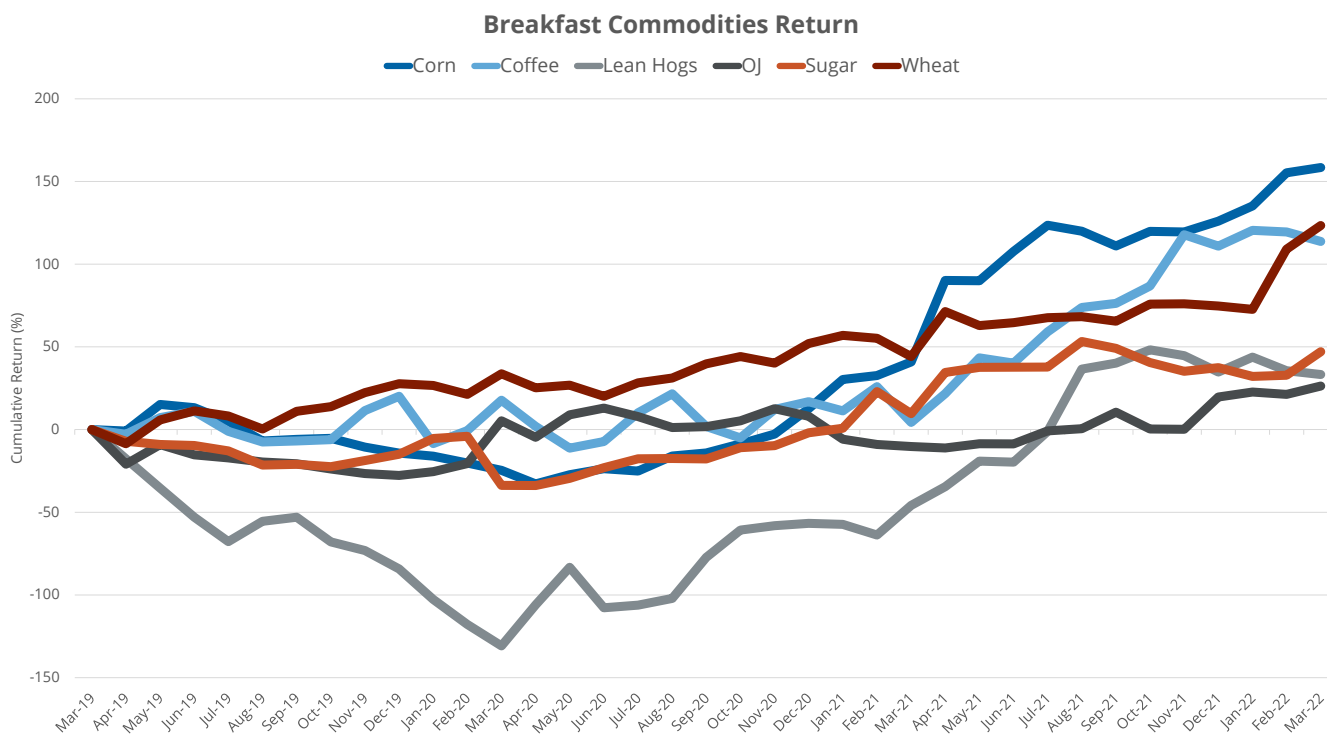
*Randolph Duke: And then there are other commodities, like frozen orange juice... and GOLD. Though, of course, gold doesn't grow on trees like oranges.*

**- Trading Places (1983)**

The [Direxion Breakfast Commodities Strategy ETF \(BRKY\)](#) includes the aforementioned coffee, wheat, lean hogs (pork bellies) and orange juice (concentrate), along with corn and sugar commodities. All of these commodities have relatively inelastic demand qualities and are used in a multitude of ways in the kitchen. Even as prices rise, consumers continue to buy these breakfast food items, as they are nearly impossible to substitute. BRKY is the first ETF to include this basket of commodity futures. The figure below illustrates the astounding price change in the BRKY commodities since pre-pandemic. On average, these commodities almost double that of the broader S&P GSCI Index.

Commodities	Cumulative Return
Corn	158.42%
Wheat	123.38%
Coffee	113.76%
Sugar	47.09%
Lean Hogs	33.31%
Orange Juice	26.31%
<b>Average</b>	<b>83.71%</b>
<b>S&amp;P GSCI Total Return Index*</b>	<b>45.82%</b>

Source: Bloomberg Finance, L.P., Commodities represented by the generic 1st futures, from March 31, 2019 to March 31, 2022. Past performance is not indicative of future results. You cannot invest directly in an index. The cumulative return is the total change in the investment price over a set time—an aggregate return, not an annualized one. Reinvesting the dividends or capital gains of an investment impacts its cumulative return.

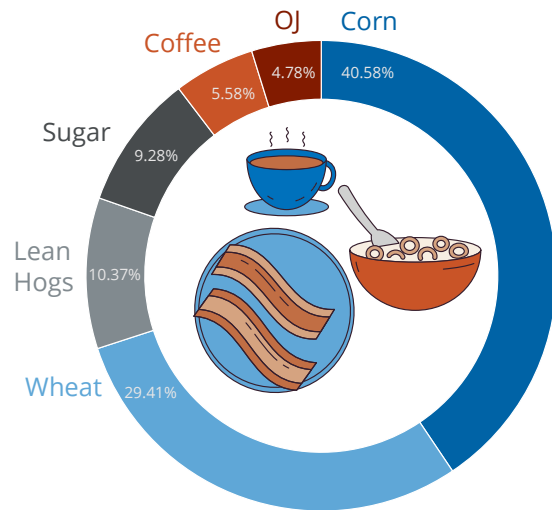


Source: Bloomberg Finance, L.P., Commodities represented by the generic 1st futures, from March 31, 2019 to March 31, 2022.

\*S&P GSCI Commodities Index serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time.

BRKY tracks the S&P GSCI Dynamic Roll Breakfast (OJ 5% Capped) Index. The index is designed to alleviate some of the challenges typically associated with trading futures and lessen the impact of near-term price volatility. Index weights are tied to the world production of each commodity, with OJ being capped at 5% due to liquidity constraints. Wheat and corn are weighted the most heavily because of their high supply and consumption profile. These two commodities are also experiencing some of the most significant increases in pricing.

## HOLDINGS BASED ON WORLD PRODUCTION



Source: S&P Global, as of May 16, 2022.

Inflation, geopolitical tensions, and extreme weather have created a favorable environment for returns on commodity futures during an otherwise mostly bear market. This basket of breakfast commodities has outpaced broad equities over the past three years, and if it were its own commodities sector, it would have been the second best performing over the same timeframe. There is no better way to invest in commodities than through the most important meal of the day.

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***An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain a Fund's prospectus and summary prospectus call 866-301-9214 or visit our website at [direxion.com](https://www.direxion.com). A Fund's prospectus and summary prospectus should be read carefully before investing.***

Shares of the Direxion Shares are bought and sold at market price (not NAV) and are not individually redeemed from a Fund. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00 pm EST (when NAV is normally calculated) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at NAV. Some performance results reflect expense reimbursements or recoupments and fee waivers in effect during certain periods shown. Absent these reimbursements or recoupments and fee waivers, results would have been less favorable.

**Direxion Shares ETF Risks** – An investment in the Fund involves risk, including the possible loss of principal. The Fund is non-diversified and includes risks associated with concentration that results from the Fund's investments in a particular industry, sector, or geographic region which can result in increased volatility. The Fund's use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Risks of the Fund include Index Correlation Risk, Index Strategy Risk, Derivatives Risk, Commodity-Linked Derivatives Risk, Futures Strategy Risk, Breakfast Commodities Risk, Agriculture Investment Risk, Market Risk, Counterparty Risk, Cash Transaction Risk, Subsidiary Investment Risk, Interest Rate Risk, and Tax Risk. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

Exchange-traded commodity futures contracts generally are volatile and are not suitable for all investors. The value of a commodity-linked derivative investment typically is based upon the price movements of a physical commodity and may be affected by changes in overall market movements, volatility of the index, changes in interest rates, or factors affecting a particular industry or commodity, such as global pandemics, weather and other natural disasters, changes in supply and production, embargoes, tariffs and international economic, political and regulatory developments and changes in speculators' and/or investors' demand. Commodity-linked derivatives also may be subject to credit and interest rate risks that in general affect the value of debt securities. The Fund's investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in securities or other investments.

Risks associated with the use of futures contracts are (a) the imperfect correlation between the change in market value of the instruments held by the Fund and the price of the futures contract; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Index's inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; (e) the possibility that the counterparty will default in the performance of its obligations; and (f) if the Fund has insufficient cash, it may have to sell securities or financial instruments from its portfolio to meet daily variation margin requirements, which may lead to the Fund selling securities or financial instruments at a time when it may be disadvantageous to do so.

**Distributor:** Foreside Fund Services, LLC.