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CAPITAL**



**MACROVoices**

**August 29, 2023**

# The U.S. Dollar

When I was last on MacroVoices, the DXY was at 109.  
It jumped another 5% from there...



...but then rolled over as further rate hike expectations started to fade & is down 5% over last year.

# The U.S. Dollar

The pullback in the DXY over the last year is not shocking.  
But where it goes from here...



...will largely determine the direction of the global economy.

# The U.S. Dollar

Not only is the USD still alive...



...it is above the level it started this century 23 years ago.



# BRICS

Investors should not ignore this group...



...but they also shouldn't accept everything they say as Gospel.

# BRICS

They have been largely saying the same thing every year...



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The most important sentence in Joint Statement from 2023 BRICS meeting:

"In order to facilitate trade & investment, we will study feasibilities of monetary cooperation, including local currency trade settlement arrangement between our countries."

Just kidding.

Thats from 2010.

10:57 AM · Aug 25, 2023 · **65.2K** Views

...for several years now.

# The U.S. Dollar

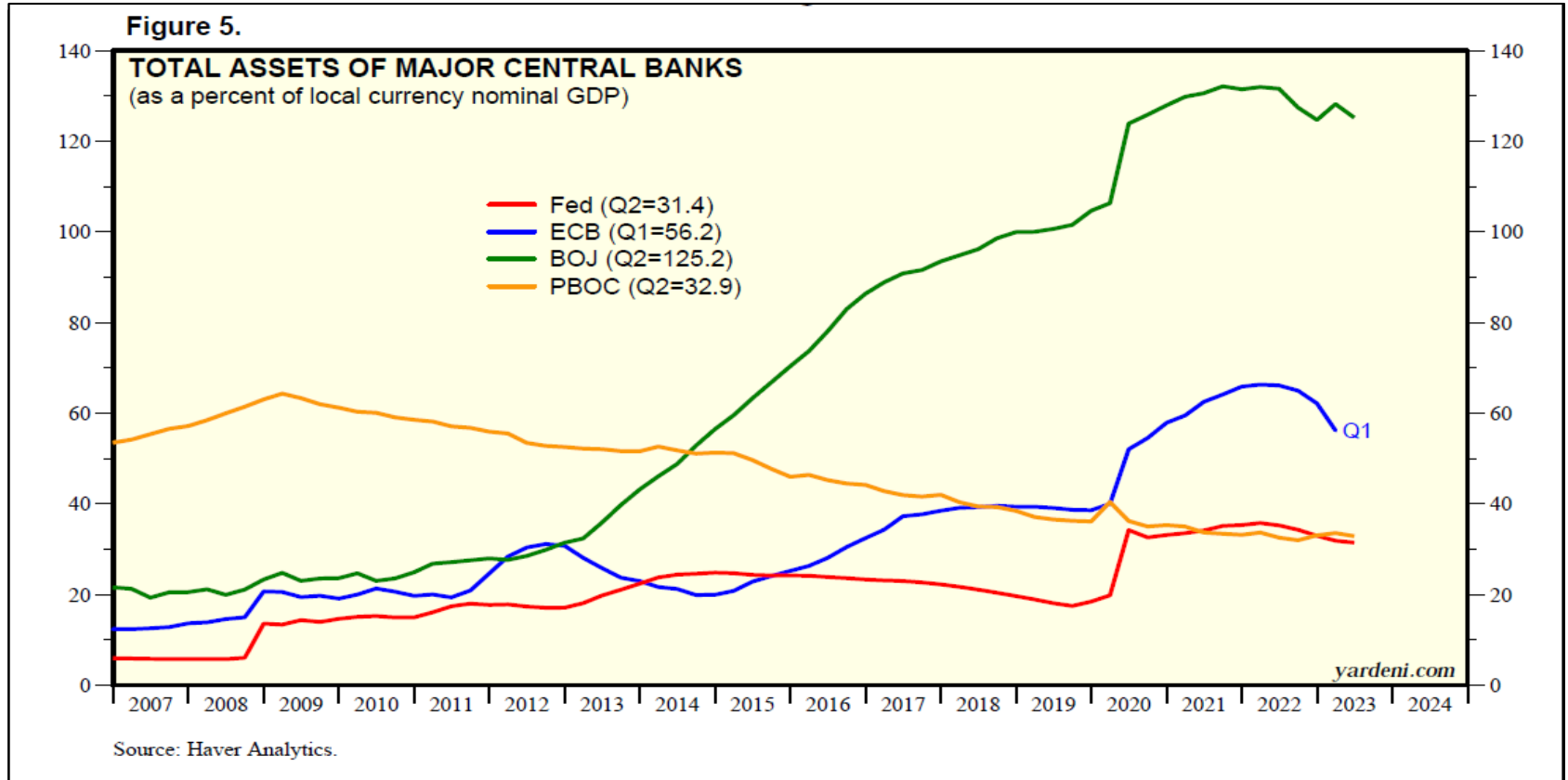
Despite many years of QE, multiple bailouts, stimulus programs and helicopter money...



...the DXY is still almost 20% higher than it was at the beginning of 2008 & the GFC.

# The U.S. Dollar

The U.S. has committed many financial sins...



...but it is not alone.

# The U.S. Dollar

The U.S. has committed many Fiscal sins...



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Periodic reminder that everything you are worried about one day happening to the Fed & Dollar is already happening with the ECB & Euro as well as with the BOJ & Yen.

10:34 AM · Jun 10, 2022 · Twitter Web App

...but it is not alone.

# The Euro

The U.S. has committed many Fiscal sins...



...but it is not alone.

# The Yen

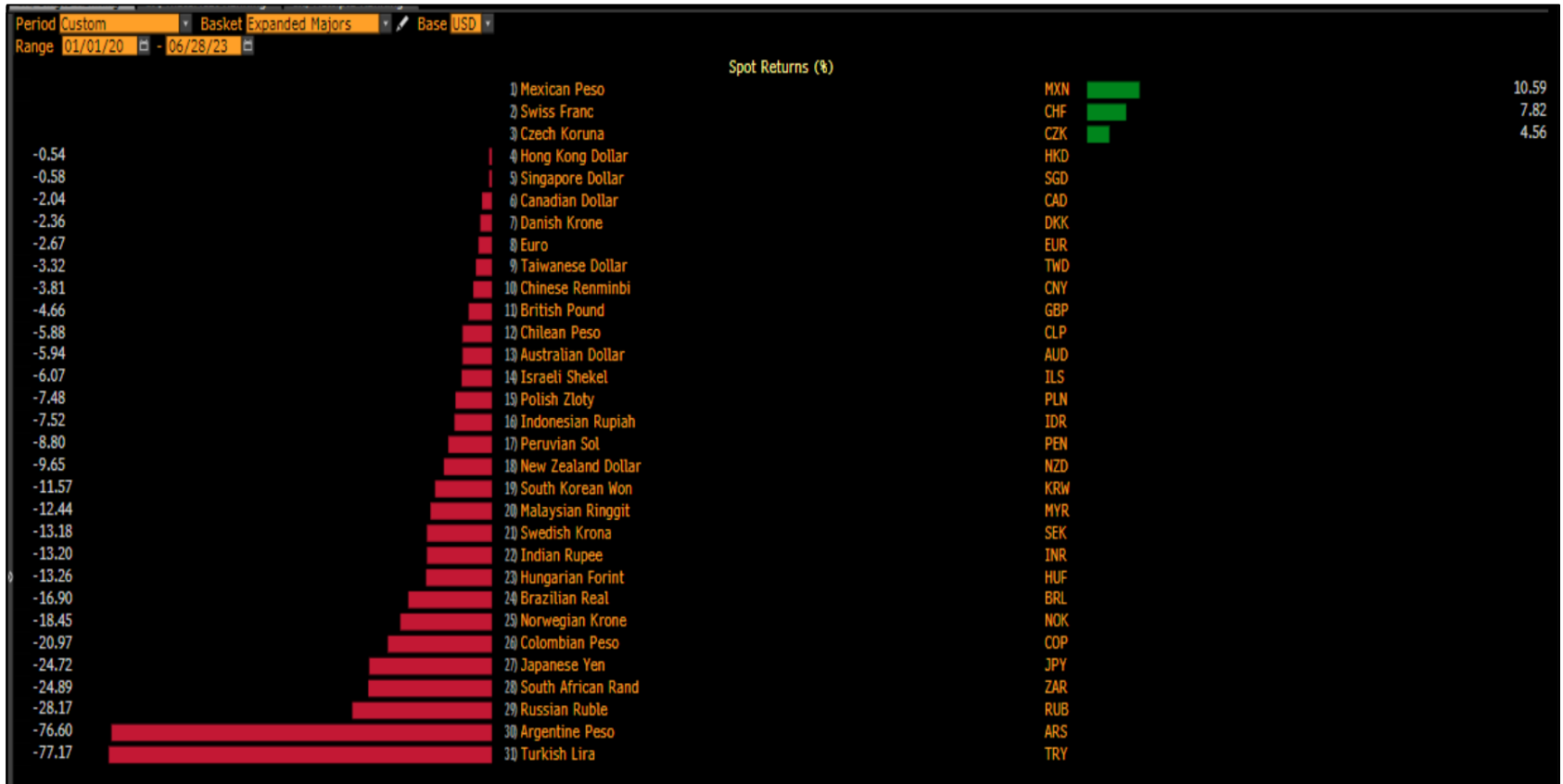
The U.S. has committed many Fiscal sins...



...but it is not alone.

# The Euro & The Yen

“The DXY is higher because the USD is only stronger against the Euro & the Yen.”



No...



# Fiat Currency

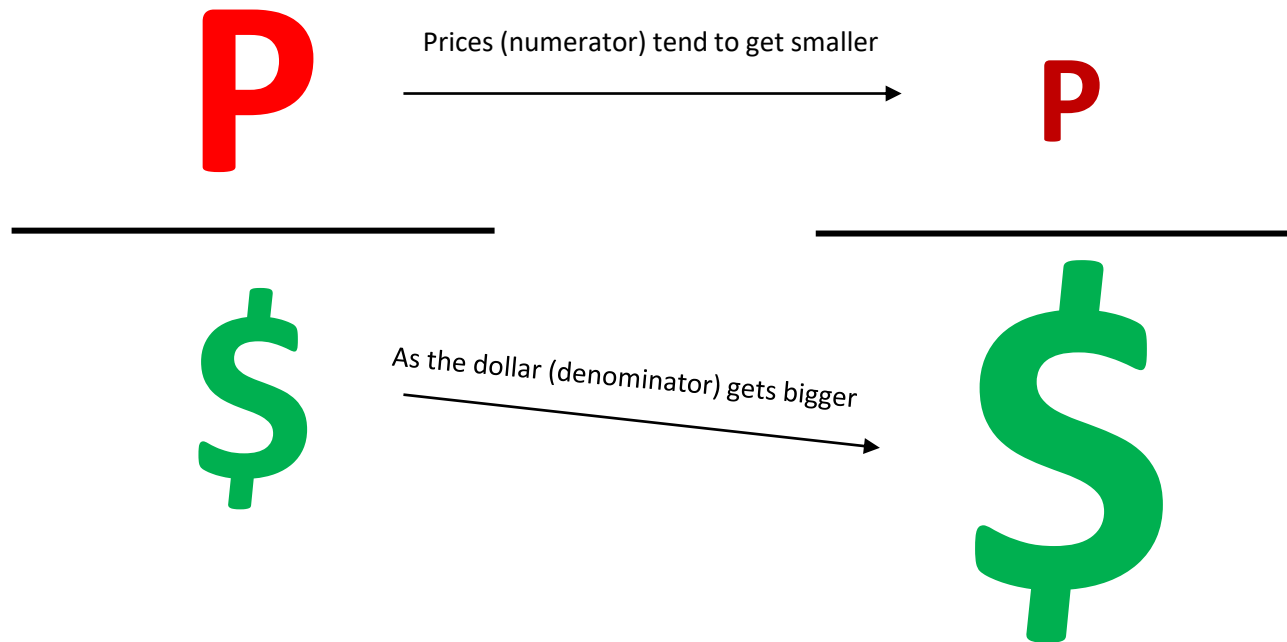
“Since they are all being devalued...I don’t need to worry about the relative strength of the USD.”



No...

# Fiat Currency

“Since they are all being devalued...I don’t need to worry about the relative strength of the USD.”



In a debt based monetary system...this DOES matter.

# The U.S. Dollar

The Dollar always rises when there is a global economic slowdown or crisis.  
Many believe it will be “different this time”.



I do not.

# The U.S. Dollar

Does this mean the dollar is guaranteed to continue its rally here...?



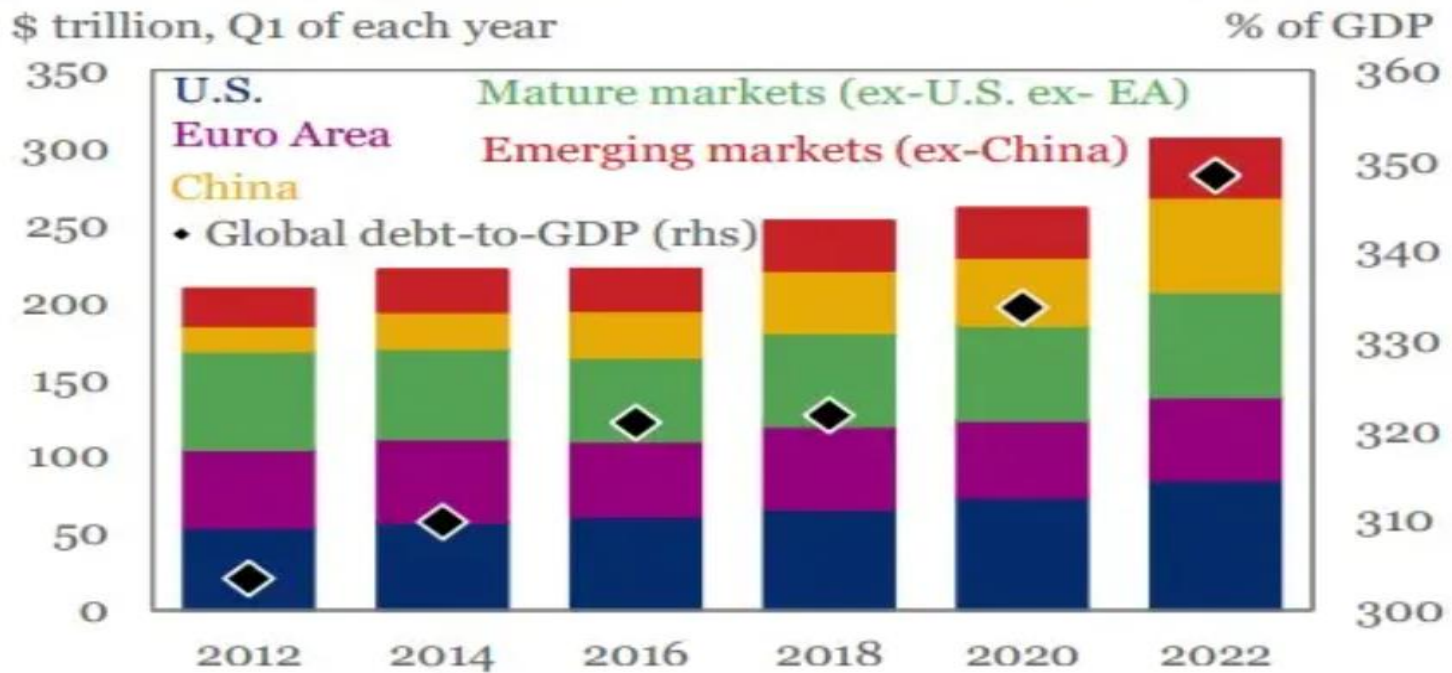
Of course not.

# The Dollar Milkshake Theory

The DMT is an event driven thesis based on the consequences of too much Global Debt.

If the world goes into a Sovereign Debt and Currency crisis, and the US Dollar does not rise...

**Chart 1: Global debt topped a record \$305 trillion in Q122**



Source: IIF, BIS, IMF, National sources, Haver

...the theory will be proven wrong. Until then...

# Inflation vs Deflation

There is little debate that prices have risen significantly over the last 2 years.  
The debate is whether the rise in prices is sustainable...



...or if prices will roll over...again.

# Portfolio Construction

The 10 Year US Treasury yield has broken above its long-term channel.



I think it is likely it will ultimately go lower...but I don't currently have the trade on.

# Commodities

Gold is up around 7% over the last year...



...and IMO it has held up very well in the face of real rates rising.



# The S&P 500 **SLIDE FROM LAST YEAR – August 2022**

Last August I was looking for a move back to the top of the green channel.  
It took longer than expected...but finally happened in H1 '22.



I think it's very likely we move back to it again...maybe even to the red channel.

# The S&P 500

**In August 2022 I was looking for a move back to the red channel. And it happened shortly thereafter.**



**I think it's very likely we move back to test these channels again.**

# The S&P 500

Last August I was looking for a move back to the red channel.  
And it happened shortly thereafter.



**I think it's very likely we move back to test these channels again.**

# Commodities

The Bloomberg Commodity Index is down approximately 15% over the last year...



...and has a 30 year Head and Shoulders pattern!

# Commodities

Copper rallied in early 2023...



...but is now back to where it was a year ago.

# Commodities

Wheat had had a huge break-out in 2022...but has large retracement.



I think it is likely to move higher and started buying it over last few weeks.

# Commodities

Corn also moved higher in 2022 but has also pulled back hard...

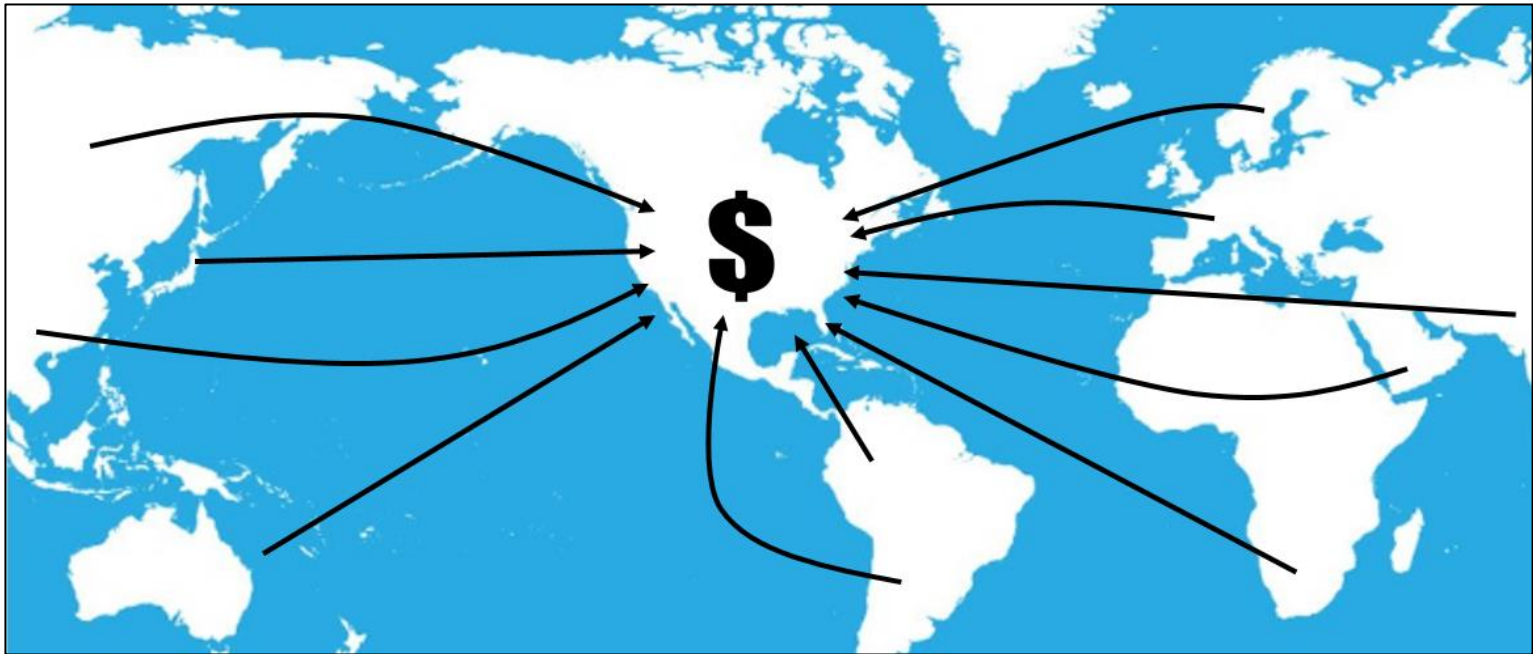


...I expect it to go higher and started buying it over the last few weeks.

# The U.S. Dollar

All financial roads go through the USD.

I focus on the USD because it is the single most important factor in getting the Macro picture right.



If you get the USD wrong...the odds of your portfolio doing well...are greatly diminished.



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