

**SANTIAGO
CAPITAL**



MACROVoices

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@SantiagoAuFund

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The U.S. Dollar

After starting the year at \$96.39, the DXY has seen both a sharp rise and subsequent mirror image fall...



...which translates to a 10% pullback from its intra-year high.

The U.S. Dollar

As a result, I have been told over and over again that the Dollar Trade is over...



...and that the Milkshake has melted, spilled and gone sour.

The U.S. Dollar

But are they right?



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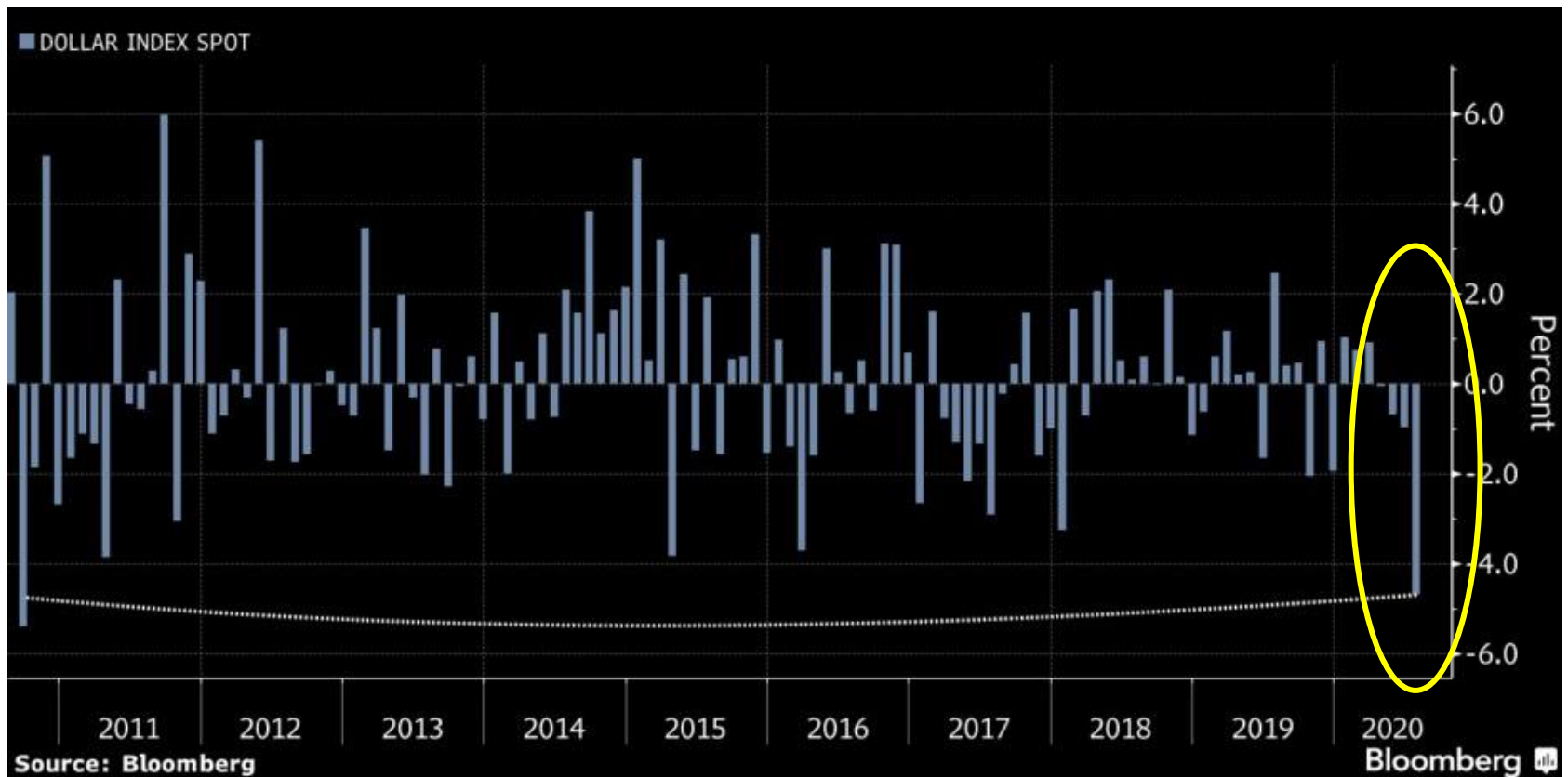
Listen up \$ bulls:
Especially if new to the team.
Whether tomorrow,
or in next few weeks,
at some pt,
the Fed will do something,
and \$ will have a hard pull back.
It will hurt.
\$ bears will say "See I told you".
That's the time to double down.
Bc this is far from over... 🙌

10:25 PM · Mar 19, 2020 · [Twitter Web App](#)

Or is this the time it makes a stand?

The U.S. Dollar

Cannot deny it has had a rough 4 months...



...with July being the worst month in a decade.

The U.S. Dollar

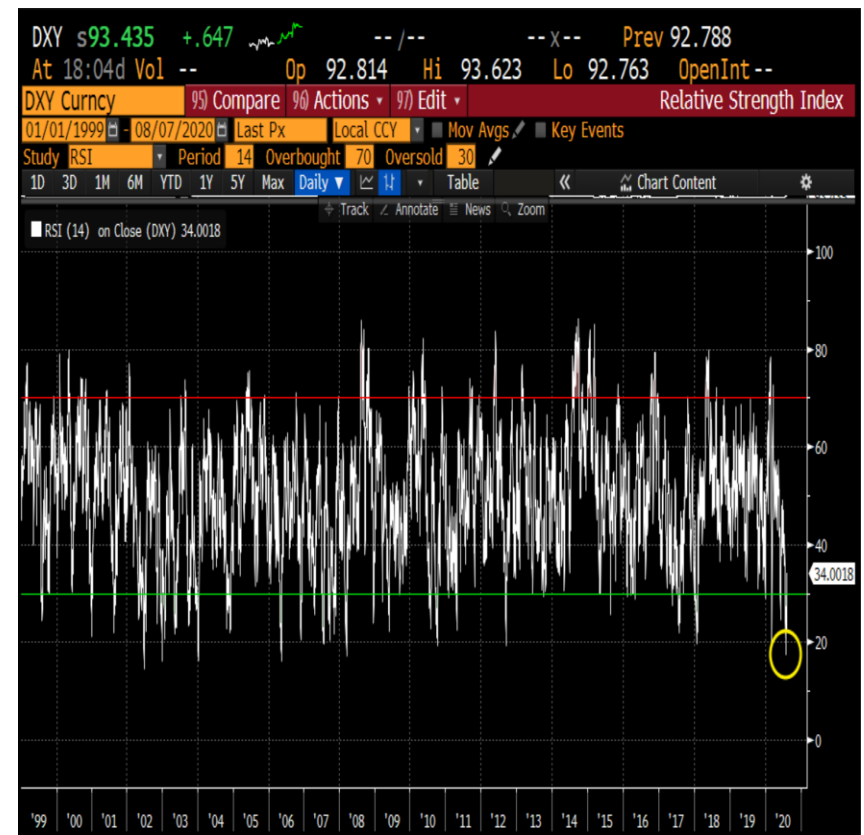
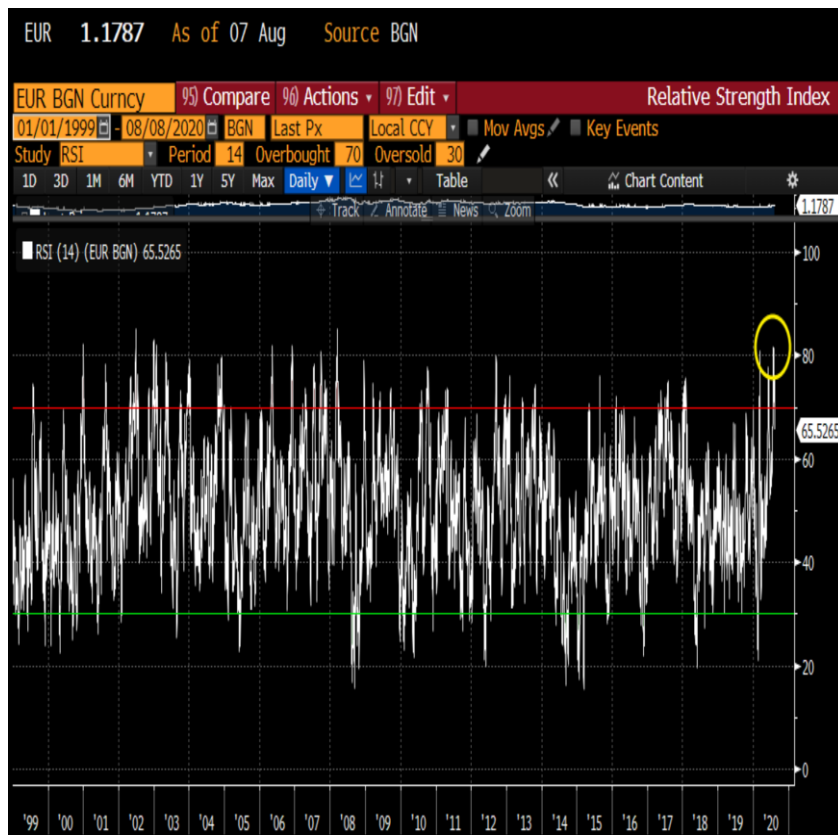
It sliced through short term support...



...and now sits at a Ten-Year support level on weekly and monthly charts.

The U.S. Dollar

The DXY index is 57% Euro and the RSI on the Euro has rarely been higher...



...while the RSI on the DXY has rarely been lower.

The U.S. Dollar

The Daily Sentiment Index (DSI) has rarely been higher for the Euro...

| Network Press Incorporated Daily Sentiment Index ©2020 | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------|-----|-----|-----|------|------------|-----|-----|-----|------|------------|-----|-----|-----|------|------------|-----|-----|-----|------|------------|-----|-----|-----|------|--|
| Date, Raw % bullish, 3, 5, 9, and 18 day Moving Averages | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DSI | 08-25-2020 | | | | | 08-24-2020 | | | | | 08-21-2020 | | | | | 08-20-2020 | | | | | 08-19-2020 | | | | | |
| | Raw | 3ma | 5ma | 9ma | 18ma | Raw | 3ma | 5ma | 9ma | 18ma | Raw | 3ma | 5ma | 9ma | 18ma | Raw | 3ma | 5ma | 9ma | 18ma | Raw | 3ma | 5ma | 9ma | 18ma | |
| Market | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | %Up | |
| T-Bonds | 55 | 59 | 59 | 58 | 65 | 60 | 61 | 60 | 58 | 67 | 63 | 59 | 59 | 59 | 68 | 60 | 58 | 57 | 59 | 68 | 55 | 57 | 56 | 61 | 69 | |
| T-Notes | 59 | 61 | 61 | 61 | 66 | 62 | 61 | 61 | 62 | 66 | 62 | 61 | 61 | 62 | 66 | 60 | 61 | 61 | 63 | 66 | 60 | 61 | 62 | 64 | 67 | |
| Euro Dollar | 71 | 71 | 72 | 73 | 73 | 71 | 72 | 73 | 73 | 73 | 71 | 73 | 73 | 73 | 73 | 73 | 74 | 73 | 73 | 73 | 75 | 74 | 73 | 73 | 73 | |
| S&P Index | 87 | 84 | 82 | 81 | 82 | 85 | 82 | 81 | 81 | 81 | 81 | 79 | 80 | 81 | 80 | 79 | 80 | 79 | 81 | 80 | 77 | 80 | 80 | 82 | 79 | |
| Nasdaq Index | 90 | 89 | 87 | 84 | 83 | 90 | 88 | 86 | 83 | 83 | 87 | 85 | 85 | 81 | 82 | 86 | 85 | 83 | 80 | 81 | 82 | 84 | 81 | 79 | 80 | |
| Volatility Index | 11 | 14 | 14 | 13 | 12 | 14 | 15 | 13 | 13 | 13 | 17 | 14 | 13 | 13 | 13 | 13 | 12 | 12 | 12 | 13 | 13 | 11 | 12 | 11 | 13 | |
| Swiss Franc | 75 | 75 | 77 | 79 | 80 | 73 | 77 | 79 | 79 | 81 | 75 | 78 | 81 | 79 | 82 | 82 | 82 | 82 | 80 | 83 | 76 | 83 | 82 | 79 | 83 | |
| Euro FX | 75 | 74 | 77 | 81 | 82 | 71 | 76 | 80 | 82 | 83 | 75 | 80 | 84 | 82 | 84 | 81 | 85 | 85 | 82 | 85 | 83 | 87 | 86 | 82 | 85 | |
| Japanese Yen | 68 | 69 | 71 | 70 | 71 | 69 | 72 | 73 | 70 | 72 | 73 | 73 | 74 | 70 | 72 | 75 | 75 | 72 | 70 | 72 | 72 | 73 | 70 | 70 | 72 | |
| British Pound | 72 | 71 | 72 | 72 | 73 | 69 | 72 | 73 | 71 | 74 | 71 | 73 | 73 | 71 | 75 | 77 | 75 | 73 | 72 | 75 | 71 | 73 | 72 | 71 | 75 | |
| Canadian Dollar | 78 | 77 | 77 | 78 | 75 | 75 | 77 | 78 | 78 | 74 | 79 | 78 | 79 | 77 | 74 | 77 | 79 | 79 | 77 | 73 | 77 | 80 | 79 | 76 | 72 | |
| Australian Dollar | 77 | 76 | 78 | 80 | 81 | 74 | 77 | 80 | 80 | 81 | 77 | 80 | 82 | 80 | 82 | 81 | 83 | 82 | 80 | 82 | 81 | 84 | 82 | 81 | 82 | |
| New Zealand Dollar | 76 | 69 | 68 | 68 | 71 | 68 | 67 | 69 | 68 | 72 | 68 | 67 | 69 | 69 | 72 | 65 | 69 | 68 | 69 | 73 | 69 | 71 | 68 | 70 | 74 | |
| Dollar Index | 19 | 21 | 19 | 16 | 17 | 23 | 20 | 17 | 16 | 16 | 21 | 18 | 15 | 17 | 15 | 15 | 14 | 14 | 16 | 15 | 17 | 13 | 14 | 17 | 15 | |
| Mexican Peso | 67 | 77 | 76 | 75 | 70 | 75 | 76 | 75 | 74 | 70 | 78 | 75 | 75 | 73 | 69 | 74 | 74 | 74 | 72 | 69 | 74 | 74 | 74 | 71 | 69 | |
| Crude Light | 69 | 66 | 66 | 68 | 68 | 65 | 65 | 67 | 68 | 67 | 63 | 66 | 68 | 68 | 67 | 66 | 68 | 69 | 69 | 67 | 69 | 71 | 70 | 69 | 67 | |
| Heating Oil | 69 | 67 | 68 | 71 | 69 | 67 | 67 | 70 | 71 | 68 | 64 | 68 | 71 | 71 | 68 | 69 | 73 | 73 | 72 | 68 | 72 | 75 | 73 | 71 | 67 | |
| RBOB# | 79 | 78 | 78 | 75 | 69 | 79 | 78 | 77 | 73 | 67 | 77 | 77 | 76 | 72 | 66 | 79 | 76 | 74 | 70 | 65 | 74 | 74 | 72 | 68 | 65 | |
| Natural Gas | 41 | 43 | 42 | 41 | 37 | 44 | 42 | 43 | 40 | 37 | 44 | 42 | 42 | 39 | 36 | 38 | 42 | 41 | 38 | 36 | 45 | 43 | 41 | 38 | 35 | |
| Gold | 63 | 67 | 69 | 72 | 78 | 66 | 71 | 73 | 72 | 79 | 72 | 72 | 76 | 72 | 80 | 74 | 76 | 75 | 72 | 81 | 71 | 78 | 74 | 74 | 82 | |
| Silver | 66 | 69 | 72 | 74 | 80 | 69 | 73 | 75 | 74 | 81 | 72 | 75 | 77 | 74 | 82 | 77 | 78 | 77 | 76 | 83 | 75 | 79 | 76 | 77 | 83 | |
| Platinum | 69 | 66 | 67 | 71 | 77 | 63 | 65 | 69 | 72 | 77 | 67 | 68 | 72 | 73 | 78 | 65 | 72 | 73 | 76 | 79 | 72 | 76 | 76 | 78 | 80 | |
| Palladium | 71 | 71 | 70 | 72 | 73 | 69 | 71 | 71 | 72 | 72 | 73 | 71 | 73 | 73 | 72 | 71 | 71 | 72 | 74 | 72 | 68 | 73 | 73 | 75 | 74 | |
| Copper | 71 | 72 | 76 | 75 | 72 | 71 | 75 | 78 | 75 | 72 | 74 | 79 | 79 | 76 | 73 | 80 | 81 | 78 | 75 | 73 | 82 | 80 | 76 | 73 | 72 | |
| Corn | 45 | 38 | 34 | 34 | 26 | 38 | 32 | 32 | 32 | 25 | 31 | 29 | 31 | 30 | 24 | 27 | 30 | 31 | 28 | 24 | 30 | 33 | 33 | 27 | 24 | |
| Wheat | 63 | 63 | 60 | 54 | 51 | 60 | 62 | 57 | 51 | 50 | 65 | 59 | 56 | 50 | 50 | 60 | 53 | 52 | 47 | 49 | 52 | 51 | 48 | 45 | 49 | |
| Oats | 45 | 45 | 43 | 41 | 42 | 48 | 44 | 42 | 39 | 42 | 42 | 40 | 41 | 38 | 42 | 42 | 40 | 39 | 37 | 44 | 36 | 40 | 38 | 37 | 45 | |
| Soybean | 74 | 69 | 70 | 71 | 65 | 67 | 67 | 70 | 70 | 64 | 65 | 69 | 71 | 69 | 63 | 68 | 72 | 72 | 68 | 63 | 74 | 74 | 72 | 66 | 62 | |
| Soybean Oil | 75 | 71 | 71 | 70 | 71 | 70 | 69 | 70 | 70 | 71 | 68 | 70 | 70 | 70 | 70 | 68 | 71 | 70 | 70 | 69 | 73 | 72 | 71 | 71 | 69 | |
| Soybean Meal | 37 | 34 | 35 | 36 | 32 | 32 | 34 | 36 | 36 | 32 | 32 | 36 | 38 | 35 | 32 | 37 | 38 | 38 | 34 | 32 | 39 | 40 | 38 | 33 | 33 | |
| Orange Juice | 47 | 50 | 52 | 55 | 55 | 52 | 52 | 55 | 56 | 56 | 50 | 54 | 55 | 56 | 56 | 55 | 57 | 58 | 56 | 56 | 57 | 57 | 59 | 56 | 55 | |
| Coffee | 58 | 54 | 50 | 48 | 49 | 53 | 50 | 48 | 46 | 48 | 51 | 47 | 46 | 45 | 47 | 47 | 45 | 44 | 44 | 46 | 42 | 43 | 44 | 44 | 46 | |
| Cocoa | 79 | 75 | 72 | 70 | 71 | 76 | 72 | 70 | 69 | 70 | 71 | 68 | 67 | 68 | 68 | 68 | 68 | 66 | 69 | 67 | 65 | 65 | 67 | 70 | 65 | |
| Sugar | 63 | 64 | 66 | 66 | 63 | 65 | 66 | 66 | 66 | 62 | 65 | 68 | 66 | 65 | 61 | 68 | 67 | 66 | 64 | 60 | 71 | 66 | 66 | 63 | 59 | |
| Lumber | 81 | 86 | 89 | 89 | 89 | 85 | 90 | 91 | 90 | 89 | 93 | 93 | 91 | 91 | 89 | 93 | 92 | 90 | 91 | 88 | 93 | 90 | 89 | 91 | 87 | |
| Cotton | 73 | 73 | 72 | 69 | 68 | 76 | 73 | 71 | 68 | 68 | 70 | 71 | 69 | 67 | 67 | 73 | 70 | 68 | 67 | 66 | 70 | 67 | 66 | 65 | 65 | |
| Live Cattle | 77 | 75 | 79 | 81 | 84 | 73 | 76 | 80 | 83 | 84 | 75 | 81 | 81 | 85 | 85 | 80 | 84 | 83 | 87 | 85 | 88 | 84 | 85 | 88 | 84 | |
| Lean Hogs | 51 | 47 | 46 | 42 | 36 | 45 | 47 | 42 | 39 | 35 | 45 | 45 | 42 | 38 | 35 | 50 | 41 | 40 | 38 | 35 | 39 | 38 | 37 | 36 | 34 | |
| CRB Index | 74 | 71 | 73 | 75 | 78 | 70 | 71 | 75 | 75 | 78 | 70 | 74 | 77 | 76 | 79 | 73 | 78 | 77 | 77 | 79 | 79 | 80 | 77 | 78 | 79 | |
| Nikkei Index | 79 | 75 | 76 | 80 | 78 | 76 | 74 | 77 | 81 | 78 | 71 | 75 | 78 | 82 | 77 | 74 | 79 | 81 | 83 | 77 | 79 | 82 | 84 | 83 | 77 | |

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...and rarely been lower for the DXY.

The U.S. Dollar

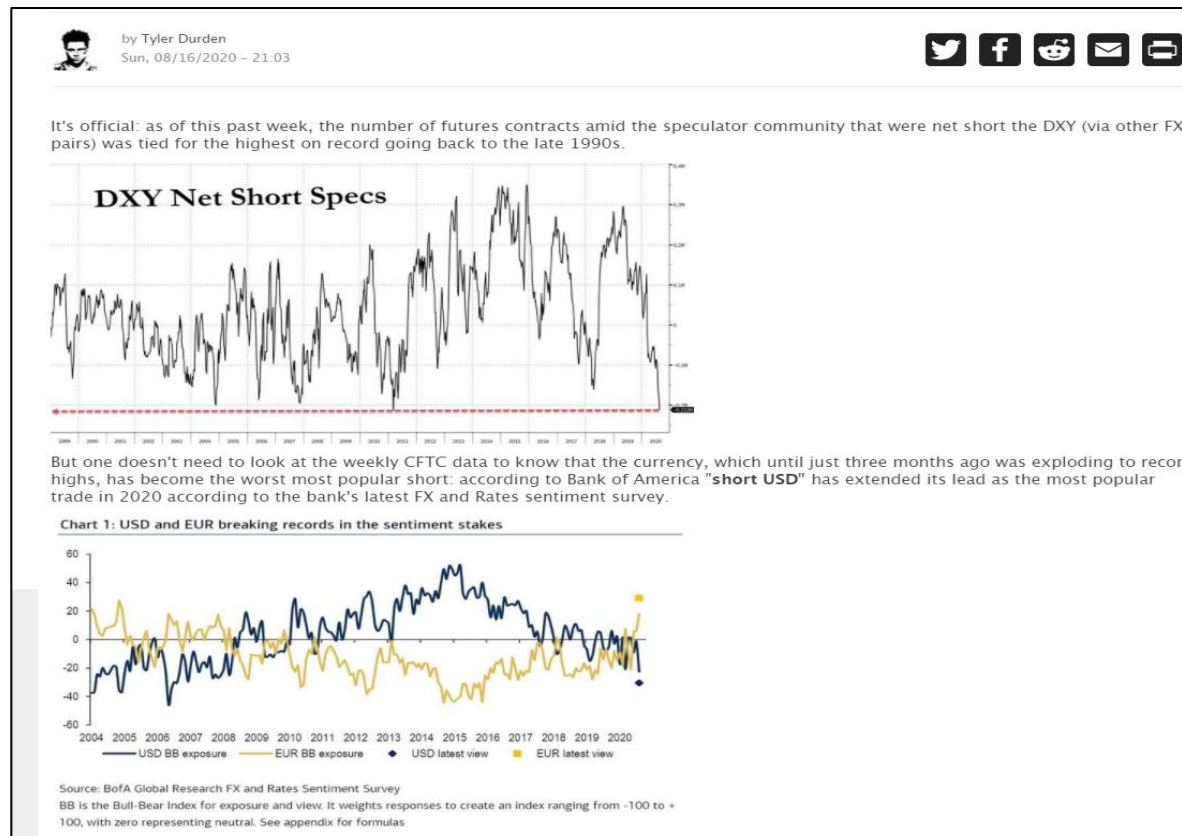
COT data shows that since the Euro first started trading in 1999...



...there has never been a bigger speculative long position.

The U.S. Dollar

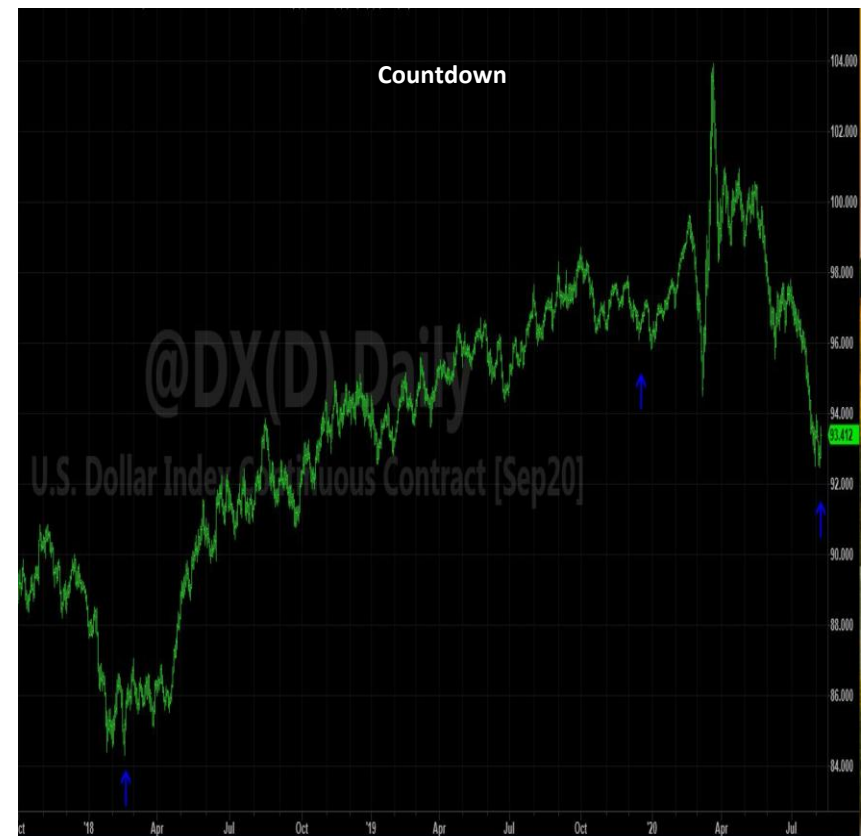
“Short Dollar” is now the World’s Most Consensus Trade...



...as reported by ZeroHedge.

The U.S. Dollar

Both a Demark “Setup” and Demark “Countdown” indicators...



...triggered in the last few weeks.

The U.S. Dollar

Do all these arguments mean the dollar is guaranteed to rally here...?



Of course not.

The U.S. Dollar

Do I have a stop...?

- **When another Global Payment System is Developed**
- **When another Global Payment System is Implemented**
- **When the Rest of the World adopts this new System en masse**
- **When the Rest of the World no longer wants to sell good to the US Consumer**
- **When all three points above happen while Tomahawk Missiles are flying through their skies**

Not a price stop...but an “events” stop as noted above.

The U.S. Dollar

If don't have a Stop/Loss price...



...then how do you control the risk?

Portfolio Construction

You control risk by sizing the trade appropriately...



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Replying to [@roysebag](#) [@amlivemon](#) and 8 others


I would start with this and then reallocate over time
20% Short/Medium Term UST
20% Gold/Precious Metals
20% Real Estate
30% US Blue Chip equities
10% Global Macro/Volatility

8:19 AM · Mar 3, 2020 · [Twitter Web App](#)

...and matching your investment time horizon to your idea time horizon.

Portfolio Construction

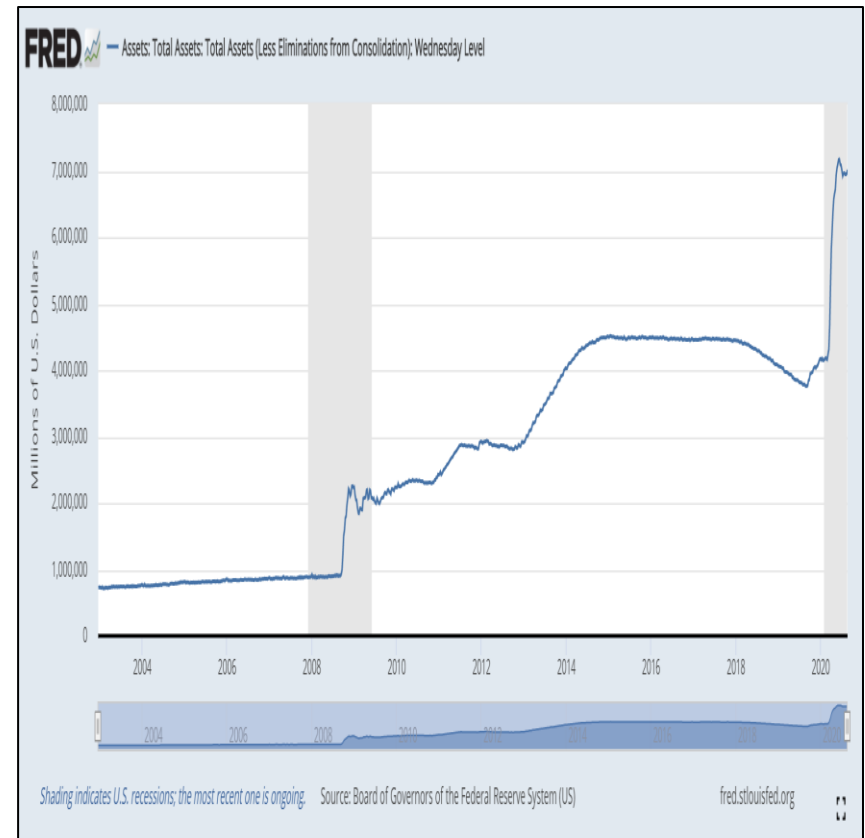
You control risk by being flexible...

| Asset Class | Portfolio 0-18 Months | Portfolio 12-36 months | Portfolio 24 months + |
|---|--------------------------|---------------------------|--------------------------|
| Cash (US Dollars) | 10% | 5% | 0% |
| Cash (Non US Dollars) | 0% | 0% | 10% |
| ST Fixed Income (US Dollar) | 20% | 5% | |
| US Blue Chip Equities | 35% | 40% | 0% |
| Developed Int'l Equities | 0% | 0% | 20% |
| Emerging Market Equities | 0% | 0% | 20% |
| Private Equity | 10% | 10% | 10% |
| Strong Dollar  | 10% | 10% | 0% |
| Commodities | 0% | 5% | 10% |
| Gold Mining Equities | 0% | 5% | 10% |
| Gold Bullion | 15% | 20% | 20% |
| | 100% | 100% | 100% |

...and understanding that you may need to reallocate over time.

The U.S. Dollar

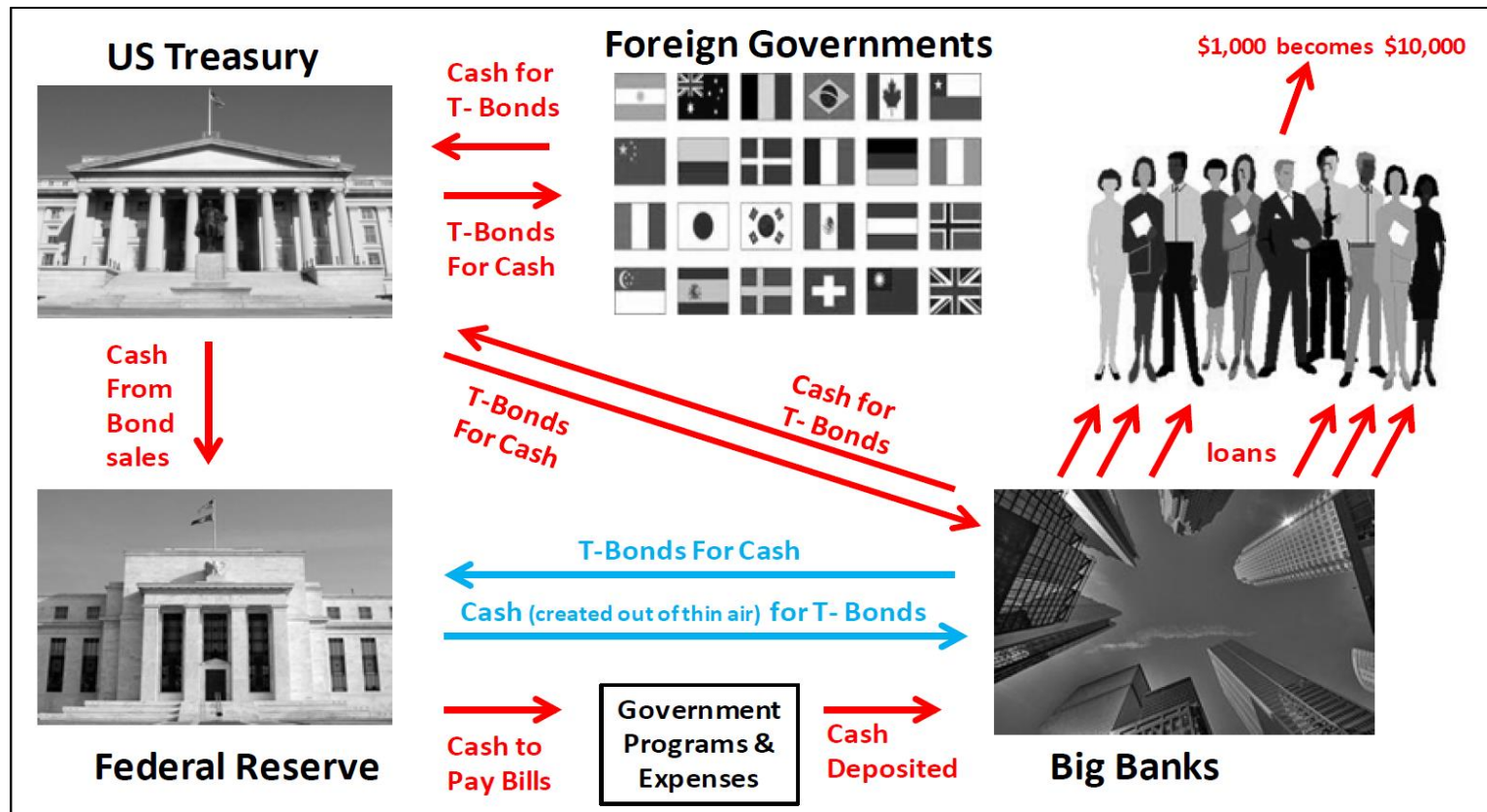
The Milkshake Theory is not based on Technical Analysis, Relative Strength or short-term Futures positioning...



...it's a Long-Term Fundamental call on a Monetary System with a Flawed Design.

The U.S. Dollar Liquidity

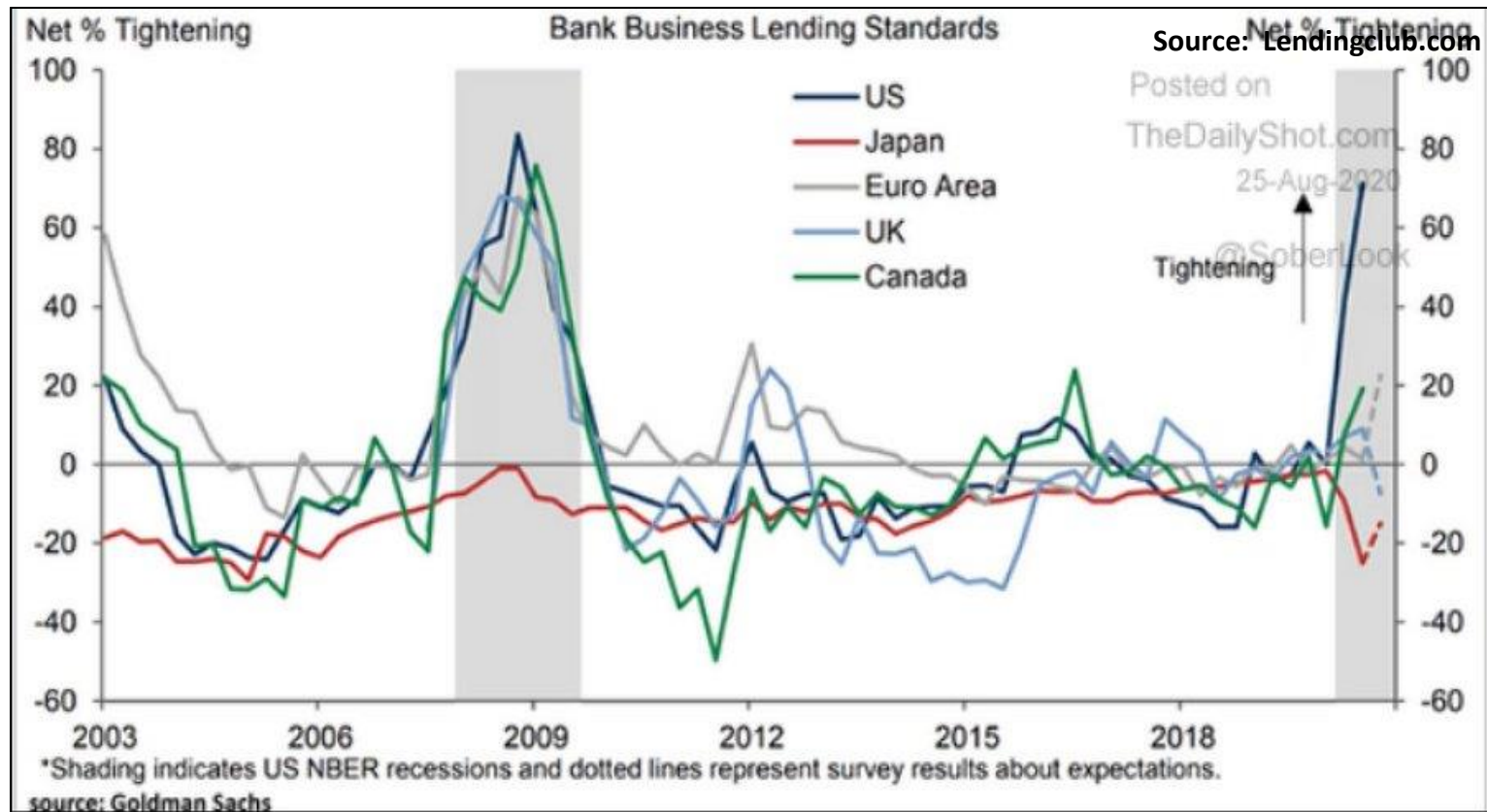
QE does not work the way most people think it does...



...and liquidity is not as abundant as Monetary Aggregates suggest.

The U.S. Dollar Liquidity

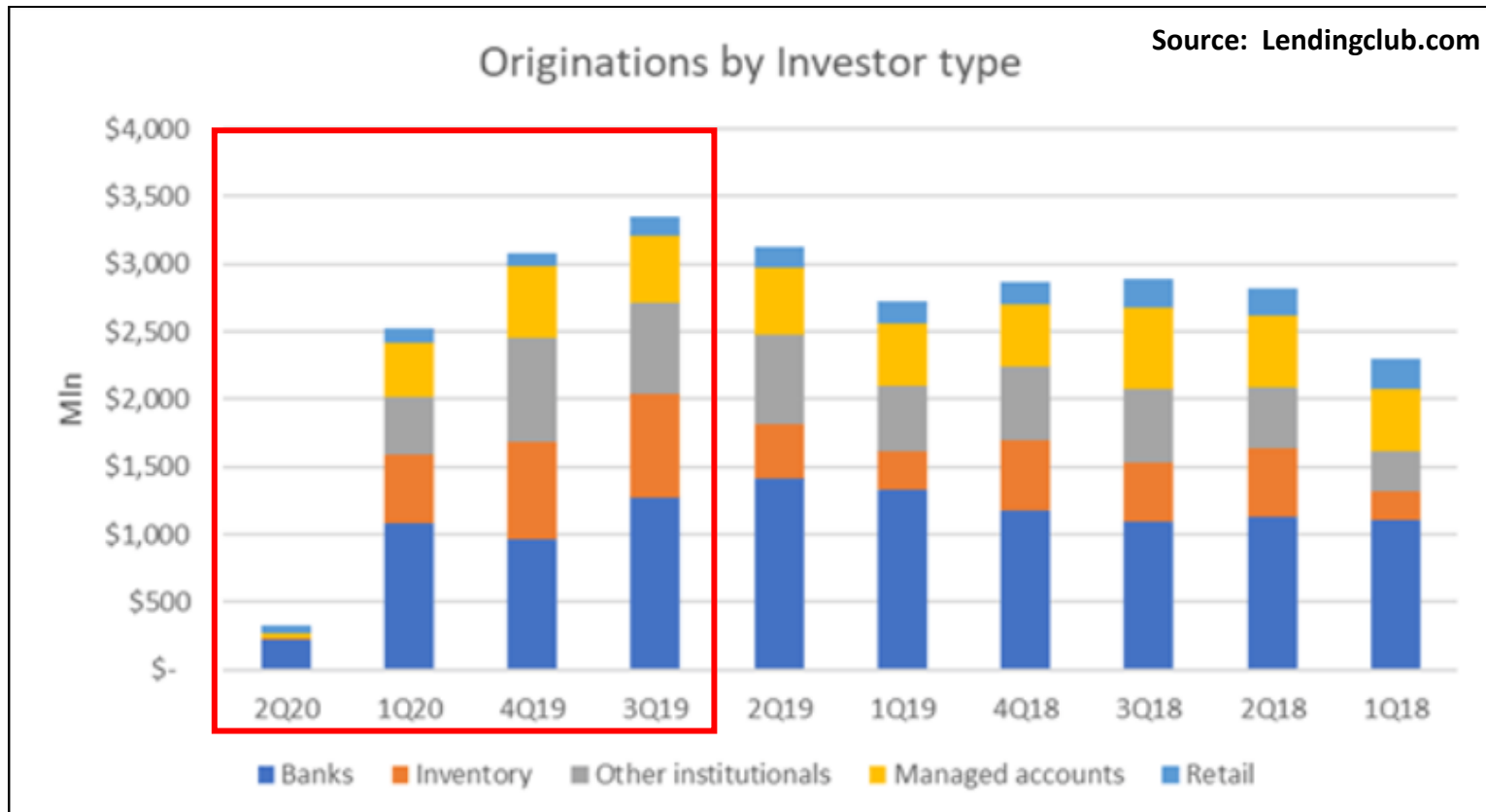
Despite the popular narrative, Banks are raising lending standards...



...and liquidity in tightening.

The U.S. Dollar Liquidity

Liquidity in the peer to peer / shadow lending market...



...is also drying up.

The U.S. Dollar Liquidity

Missing the inflation target...

Chart of the day: Missing the inflation target (Core PCE inflation % yoy, green/red shading represents gap from inflation target, gray shading is recessions)



Source: BofA Global Research, Bureau of Economic Analysis

...has become a way of life for the Fed.

S&P 500

I thought equities would rally hard after March but did not expect them to return to (and exceed) the previous high.



I am now expecting a retracement.

U.S. Treasuries

The 10-Year yield continues to fall...



...and is headed towards zero.

Gold

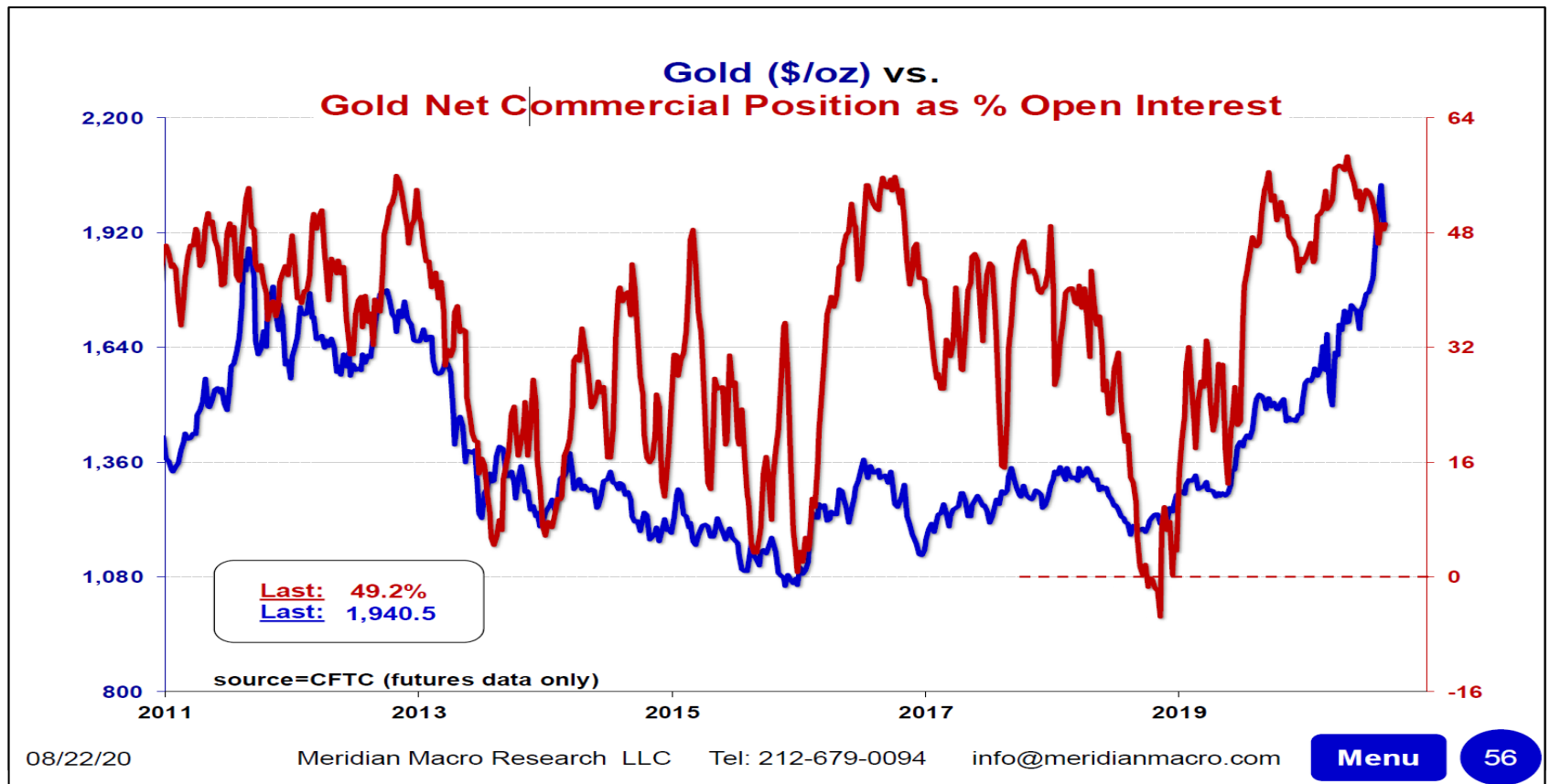
Gold is a safe-haven and everyone should own it.
But I still think it will become a source of funds & liquidity...



...if we have another broad market sell off.

Gold

COT Positioning has been at extreme levels for a long time.
But the Commercial Short position has started to fall both in gross number...



...as well as a percentage of Open Interest.

Commodities

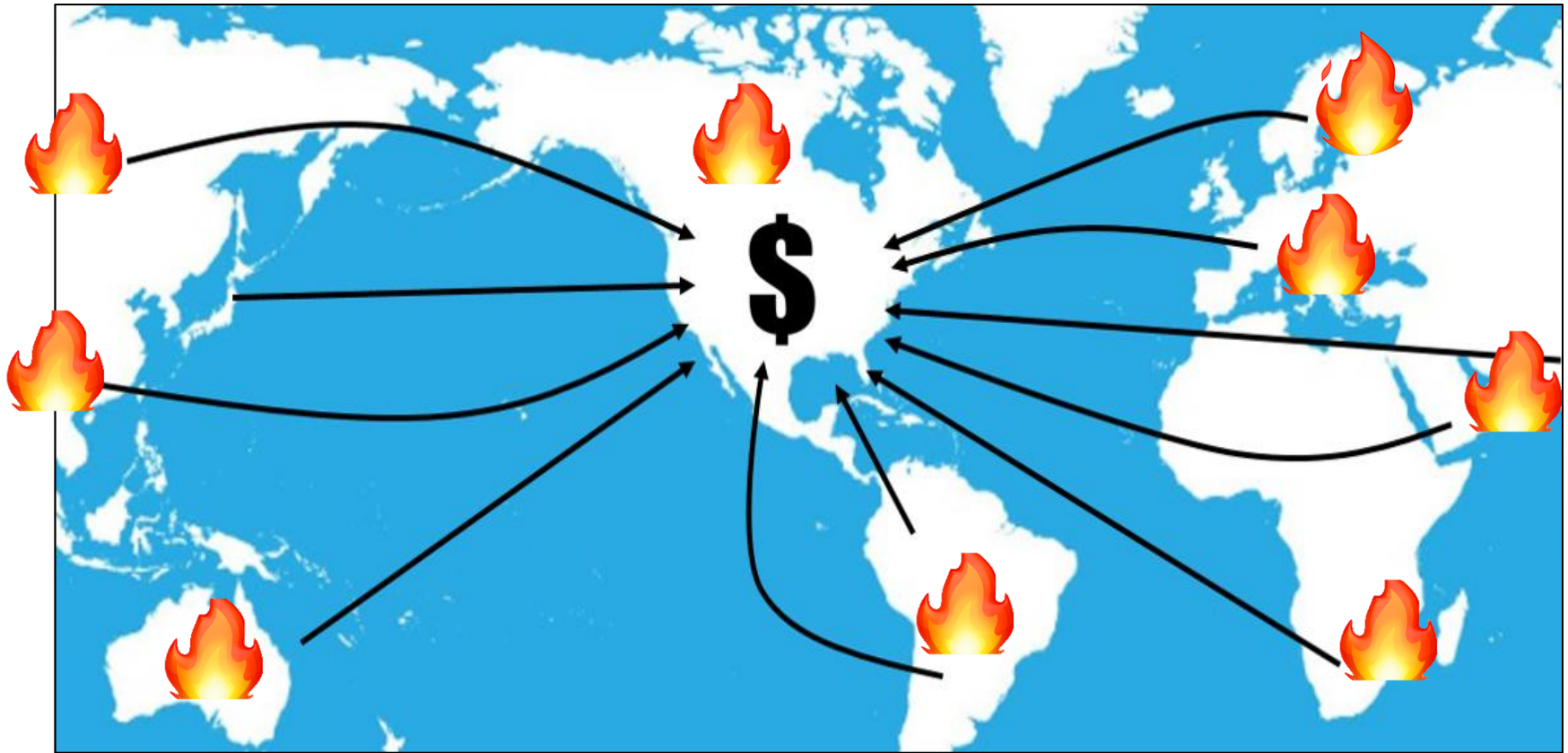
Commodities have formed a 25-year Head and Shoulders pattern...



...and are now bumping up against monthly resistance.

The U.S. Dollar

Tales of its Death have been greatly exaggerated...



...and as global chaos heats up it will be the recipient of capital flows in the years ahead.