RHETORIC AND GLOBAL CURRENCY TRENDS
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In the movie "Casablanca", Signor Ferrari asks the proprietor of Rick's Café Americain: "My dear Rick, when will you realize that in this world today isolationism is no longer a practical policy?" (Michael Curtiz, director)

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DIVIDING LINES

On America's 2016 election campaign trail and thereafter, President Donald Trump's impassioned populist rhetoric has encompassed striking slogans such as "Make America Great Again!" and "America First!" All United States patriots of course want their country to be great. Such wordplay, however, especially appeals to citizens wary of or hostile to phenomena such as "the establishment" (elites), globalization, and (overly) free trade.

Many of America's current and proposed domestic programs and their consequences are not divorced from international ones. Lines between (and definitions of) "domestic" and "international" are not necessarily clear. Many so-called "economic" issues interrelate with political, military, and social arenas. Prior to America's recent national election season, many observers across the political spectrum lamented the country's (and world's) substantial income and wealth inequality. In any case, let's concentrate primarily on the international trade and currency front, even though other assorted US domestic as well as a range of global issues significantly entangle with it.

Most Americans praise "free markets" and "capitalism" as "good", but they also want them to be "fair". A currency level and trend can symbolize relative power and its changes. Thus a "strong" dollar may be praiseworthy (and excite national pride), and the country should not permit the greenback to become "too weak" or "feeble". But why should Americans tolerate evils such as "unfair trade" and a "too strong" dollar? As in competitive sports, isn't it right to have a "level playing field"? Surely massive persistent trade (or current account) deficits between two nations suggest something inappropriate in policies and practices may be going on! Can't some protectionism for American industries be good, at least in the right circumstances?

Thus America's President and many of his supporters loudly warn of changes in tariffs and taxes. They squawk about walking away from, tearing up, or renegotiating trade agreements. They hint America will respond to the currency manipulation or excessive depreciation engaged in by its trading partners.

However, all economic (political) language, policies, and behavior related to notions of goodness, fairness, and reasonableness (rationality) merely represent personal perspectives. So whether a given trade agreement such as the North American Free Trade Agreement (NAFTA) or the Trans-Pacific Partnership (TPP) trade deal treats the US fairly or appropriately, whether it is good or bad for America, is a matter of opinion. Whether a given US dollar cross rate (such as that between the dollar and the Chinese renminbi) or broad real trade-weighted US dollar level are "good", "bad", "too high" ("expensive"; "overshooting"), "too low" ("cheap"; "undershooting"), or "fairly (reasonably, appropriately) valued" (or near some allegedly natural, rational, logical, or equilibrium price) likewise express opinions.

Moreover, in the deeply interconnected and complex global economy and multipolar political world, even the mighty and zealous United States cannot institute many of its key programs on others without expecting a notable response (push-back) from others threatened or infuriated by them. After all, other countries around the globe, whether implicitly or explicitly, also generally place their nation first and foremost in their political and economic calculations. Most foreign countries (their leaders) do not want to seem too timid in their dealings with America. And not all Americans, or even all Republicans, applaud or even support the President's policies, which themselves may change as time passes and negotiations proceed.

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A nation and its internal political groupings often manifest significant partisan quarrels, which sometimes become ferocious. Everyone knows that history likewise displays a continuum, from relative peace and harmony to various expressions of war, battle, and violence. America's notable current divisions are wide-ranging. Divides exist within economics and politics, but also involve topics such as age, race, religion, gender, sexual orientation, and geography.

Widespread talk on the international stage of competitive depreciation, currency wars, and trade battles reflects the increasing strains on and within an increasingly fractured "global economic order". The significant and wide-ranging internal economic divisions within America (and many other leading nations) to some extent mirrors and encourages such international economic (and political) tensions and changes.

Multilateral diplomatic discussions do not necessarily result in better (or worse) outcomes than bilateral ones. The current American Administration apparently prefers in the international economic (and political) realm to conclude one-on-one deals between countries (their strong leaders).

Some guides declare "life is a game." Regardless of the faith of some luminaries, not all economic (or political or other cultural) arenas and interactions (including negotiations) are zero-sum games, or necessarily have clear winners and losers. Both (or most; or all) sides in a financial contest (whether commerce/business in general or international trade and currency in particular) may turn out to be winners (or losers) to varying extents. In any event, it is conceivable that particular sets of economic policies and responses to them can result (whether sooner or later) in unhappy (costly) outcomes for the nation promoting them, or even for numerous or a majority of countries (including those not directly participating in the fascinating discussions and artful deals on the main table).

CURRENCIES: THE WEIGHTING GAME, AND KEEPING IT REAL

The movie "Ship of Fools" (Stanley Kramer, director), depicts a diverse cast of passengers on an ocean voyage. One of them, Mary Treadwell, declares: "If you can't get what you want, you damn well better settle for what you can get."

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Countries- whether members of the advanced/developed nation armada or participants in the emerging/developing marketplace fleet- vary in diverse ways in their economic and political outlooks, practices, and policies, as well as in their trade and current account balances and commercial relationships. In the currency universe, most financial, political, and media storytellers concentrate on cross rates between two nations, such as the US dollar versus the Canadian dollar.

However, in today's interconnected worldwide economy, many nations have a significant diversity of foreign trading partners (other countries). Nations of course diverge to some extent as to the identity and relative importance and rankings of their foreign counterparties. China's percentage trade weight (percentage) may be far more important for a given Asian country such as Japan than a particular South American one.

Also, when comparing the relative trading importance of two nations to each other, substantial differences may exist. Thus, using measures regarding currency weights such as that from the Bank for International Settlements ("BIS"), the US carries more weight in Mexico's international profile than does Mexico in America's. Such differences often can play significant roles in bilateral negotiations.

Analysis of the broad real trade-weighted effective exchange rates for a given country therefore offers better insight into the overall situation for that nation's currency than does attention to cross rates.

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Many countries would like to have their currency remain relatively weak in order to encourage economic growth. Despite currency (and other economic and political) quarrels and competitive devaluation, not everyone can depreciate at once. After all, nations are linked together, not isolated.

Significant ongoing American political divisions and related fights risk weakness in the US dollar. A widespread and sustained lack of confidence in Trump's leadership abilities and policies arguably would be reflected in reduced acquisition (or net selling) of dollar-denominated assets such as US government securities (and corporate debt) and American stocks. Trump's budget proposals, if enacted, will likely expand the deficit considerably and thus probably would encourage interest rate rises.

Previous essays assess the potential of a change in the dollar's bull trend, as well as the relationship between the TWD and US interest rate, stock (both the S+P 500 and emerging marketplaces), and commodity marketplaces. For example, see "Gold and Goldilocks: 2017 Marketplaces" (1/10/17); "Back to the Future: the Marketplace Time Machine" (12/13/16); "The New World?! US Election Aftermath" (11/15/16); "US Election 2016: Rolling and Tumbling" (11/6/16); "Playing in the Band: OPEC and Oil Prices" (10/25/16); "Running for Cover: Foreign Official Holdings of US Treasury Securities" (10/13/16); "Adventures in Wonderland: Commodity Currencies" (9/26/16).

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Let's first focus on the currency weights within and trading values for the broad real trade-weighted US dollar ("TWD"; Federal Reserve Board, H.10; monthly average, March 1973=100). This review of trading values (prices) not only will indicate the most recent major trend in the TWD. The survey also will suggest whether the TWD appears high (or too high), about average, or low (or too low) from a rather long run historical perspective. Obviously this TWD price analysis could incorporate assorted arsenals of other variables.

The following perspective does not venture an opinion regarding the goodness, badness, appropriateness, or reasonableness of a current (or past, or future) TWD (or US dollar cross rate) level or trend. Neither does it recommend policies to be embraced or abandoned regarding the dollar and other currencies, or related interest rate, stock, and commodity battlegrounds. Various members of economic, political, and media camps actively express their views on such topics.

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USA: THE BROAD REAL TRADE-WEIGHTED DOLLAR ("TWD")

For the moment, let's rely primarily on the Federal Reserve's current breakdown (H.10) of currency weights for the broad real trade-weighted dollar. These do not differ dramatically from BIS estimates of weights for the dollar's broad real effective exchange rate ("EER").

Whereas Fed TWD price history (monthly averages) extends back to January 1973, the BIS's EER statistics for the dollar and other countries begin in January 1994. However, key marketplace turns for the dollar have occurred around the same time in Fed H.10 data and the BIS's EER statistics.

What are important present-day percentage weights within the broad real TWD? China's 21.9 percent share is the largest. The Euro FX represents 17.1pc (United Kingdom 3.7pc) in the TWD. Mexico's 12.6 percent slightly exceeds Canada's 12.0pc. What about elsewhere in the Asia/Far East? Japan garners a 6.3pc share, South Korea 4.0pc, Taiwan 2.3pc, Malaysia 1.6pc, and Thailand 1.4pc; Singapore has 1.7pc, Hong Kong 1.4pc, and Indonesia about 1.0pc. Australia wins 1.2pc. Elsewhere around the globe, other modest weights in the TWD include Switzerland's 2.0 percent, India's 2.0pc, and Brazil's 1.8pc. Israel and Russia nowadays capture many US media headlines but have small TWD shares; Israel's is 1.0pc, Russia's 1.1pc.

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The following table and related discussion rounds monthly TWD values to the nearest decimal.

THE DOLLAR'S MOST RECENT MAJOR BULL TREND

Major Low	**Recent High**
80.3; July 2011	102.9; December 2016 (102.8 in January 2017)

The broad real trade-weighted dollar's rally since July 2011 has been substantial in distance (about 28.3 percent) and duration terms (about five and a half years).

Relative to July 2011's trough, recent levels neighboring 103.0 undoubtedly appear very lofty to many observers. Not only do they decisively exceed March 2009's 96.7 pinnacle, achieved during the depth of the 2007-09 worldwide economic disaster. They surpass January 2016's important interim top at 100.9. It hovers significantly beyond other major bottoms since 1973: October 1978's 84.1, July 1995's 84.0, and April 2008's 84.0.

From other perspectives, the TWD level around 103.0 appears mildly elevated, but not extraordinary. The average TWD height over the roughly 45 years from January 1973 through January 2017 is about 95.8. Compare other major TWD peaks: January 1973's 107.6, March 1985's 128.4, and February 2002's 112.8. The average of these three pinnacles plus March 2009's 96.7 equals 111.4. The midpoint of the range from 128.4 to 80.3 is about 104.4, near December 2016's height.

Generating an outlook whether the TWD is "high" or not of course relates to and influences, but nevertheless is separate from, investigations and probability outlooks as to whether, when, and why its current trend will change or continue.

April 2016's interim low at 96.1 following January 2016's initial top held around important support (95.8 long run average TWD level; March 2009's 96.7).

The bull climb since July 2011 has travelled less in distance and time than the gigantic 52.7 percent leap over six and a half years, from October 1978's 84.1 to March 1985's 128.4 .Compare the TWD's advance from July 2011 with July 1995's move from 84.0 up to February 2002's 112.8, a 34.3pc jump which also took about six and a half years. As the major TWD bull move that commenced with July 2011's trough has been less in distance and duration than these two ascents, arguably it could go higher and longer than it has to date. Yet the important bull move from April 2008 to the March 2009 plateau during the global financial disaster lasted only about a year and was a relatively modest 15.1 percent, about half the current advance.

Many major summits in the TWD, as well as January 2016's interim top, occurred in calendar first quarter.

The nominal broad TWD, unlike the broad real TWD, has daily data. Although it established a notable high on 1/20/16 at 126.0, it ascended to 129.1 on 12/28/16. Since then, it eroded to 125.3 (2/3/17), slightly beneath 1/20/16's elevation. Will it rally from its early February 2017 depth?

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The Bank for International Settlements broad real effective exchange rate data begins in January 1994, with the most recent month December 2016. Like the Fed's H.10 numbers, the BIS statistics for the US dollar EER show a notable bull move from July 2011 (93.0) to December 2016 (118.4). That 27.3 percent march upward is about the same as that measured for the Fed's TWD.

The average US EER level since January 1994 is about 108.6, so December 2016's EER elevation stands modestly higher than this. Yet December 2016's point sits well beneath February 2002's 129.0 major peak.

The Fed's H.10 broad real TWD averaged about 94.3 from January 1994 to the present. That differs little from the 95.8 average covering the two decades longer span from January 1973 to the present.

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America has a substantial federal debt burden. A significant share of US Treasury obligations are held by foreign nations, including foreign official institutions. Suppose the dollar "in general" depreciates against other key currencies. All else equal, in relation to the outstanding debt obligations, that dollar weakness tends to reduce America's UST debt repayment challenge.

All else equal, engineering a feebler TWD is one method by which to boost US exports and reduce its imports (and hopefully slash America's trade deficit).

Complaints, threats, and negotiations by the current US Administration perhaps will encourage several of America's important trading partners to take steps to attempt to boost their currencies relative to the dollar.

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In the 1983 movie "Trading Places" (John Landis, director), the actor Eddie Murphy as "Winthorpe" resolutely strides on to the commodities trading floor. He stresses: "Never show any signs of weakness. Always go for the throat…Nothing you have ever experienced can prepare you for the unbridled carnage you're about to witness. The Super Bowl, the World Series, they don't know what pressure is. In this building it's either killed or be killed. You make no friends in the pits, and you take no prisoners."

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Yet the cross rate for the US dollar against another currency and the particular trade deficit America may have with a given nation (such as China or Japan), or the American leadership's opinion regarding these, does not tell the whole story. After all, countries beyond America's shores have economic (and political and social) interests, concerns, values, and goals which are not always or entirely (or necessarily) the same as America's. In today's interdependent world, these nations obviously deal with other countries, not just the US. Effective exchange rate weights and their levels in historical perspective offer important insight into global trading relationships and currency trends. A review of the effective exchange rates situations of America's noteworthy trading counterparties enables observers to reach an assessment (opinion) whether one or more of these currencies, despite whatever the Administration and its allies may chirp or preach, indeed are "too low".

TRADING PLACES: AMERICAN PARTNERS

The Beatles sing in "Yellow Submarine":
"We all live in a yellow submarine
Yellow submarine, yellow submarine
And our friends are all aboard
Many of them live next door
And the band begins to play".

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The Bank for International Settlements provides broad real effective exchange rates ("EER"; CPI based; monthly average, 2010=100; data back to January 1994) for numerous nations around the globe. The latest BIS release (1/19/17) gives statistics through December 2016 (next release 2/16/17). The trading patterns for the broad real TWD (Fed, H.10) closely resemble those reported by the BIS for the US dollar EER.

The broad real TWD's value shifted little from December 2016 to January 2017. That suggests that America's significant trading partners in general (overall; all of them combined) probably did not have a big shift in their EER levels from December 2016 to January 2017.

The following sections focus on three regions, North America, Asia, and the Eurozone. In addition to the Eurozone, the countries discussed differ, often significantly, in their relative shares within the broad real trade-weighted dollar (and the US dollar EER). These countries and the Eurozone are of great (although varying) importance not only to America's trade and currency situation, but also to the perspectives, policy aims, and rhetoric of the current US Administration and its comrades.

The tables within them identify a noteworthy recent major EER trend for the given nation and the Eurozone. Many of these selected EER patterns are bearish, so they in part may correspond to the

US dollar's long run bull commencing in July 2011. However, the starting and (if applicable) ending dates for the given trend for America's various trading partners are not identical. Record highs and lows for the EER are from the January 1994 to present span.

Review the BIS statistics for broad indices (based on 2011-13 trade). The BIS information underscores that the US dollar varies, often dramatically, in its EER importance for the panorama of nations.

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A. NORTH AMERICA

MOST RECENT
MAJOR BEAR TREND

CANADA

High(s)	Low(s)	All-Time High	All-Time Low
104.3; April 2011	76.4; January 2016	106.8; Nov 2007	71.8; Nov 2001
26.7 percent decline			

[The slump in the broad real Canadian EER since April 2011 thus broadly paralleled the rally in the US broad real trade-weighted dollar. However, since around January 2016, the Canadian EER has meandered sideways.

The average Canadian EER for January 1994 to the present is about 86.8. So from that vantage point (rather than the April 2011 elevation), Canada's December 2016 EER of 81.8 appears only moderately low. The EER high since the January 2016 bottom is June 2016's 83.7 (a 9.6pc rally).

The US is a gigantic 57.6 percent of Canada's EER.]

MEXICO

High(s)	Low(s)	All-Time High	All-Time Low
106.8; April 2013	74.2; December 2016	133.3; Mar 2002	62.8; Mar 1995
30.5pc decline			

[America grabs a massive 52.7 percent weight in Mexico's EER.

The Mexican EER's retreat since April 2013 briefly halted at 80.9 in February 2016, but it collapsed to 74.2 in December 2016. Peso depreciation thus preceded the advent of Trump's campaign and his colorful rhetoric related to Mexico. The President's comments nevertheless likely contributed to the Mexican EER's slump.

Mexico's average EER since January 1994 is 102.3; relative to this as well as April 2013's summit, Mexico's most recent EER from the historical perspective appears rather low.

Mexico represents a notable share, 12.6 percent, of the broad real trade-weighted dollar. If America's current national leadership wants the TWD to weaken, it probably would be helpful for these high priests to encourage rallies in the Mexican peso EER, and especially in the dollar/peso cross rate.

Is Mexico relatively (merely) peripheral to the United States and the global economy? Marketplace pilgrims should not forget the Mexican peso crisis of the early 1990s, during which the Mexican EER suffered a murderous 47.7 percent devaluation. From 120.0 in January 1994, the EER fell to 95.4 in December 1994, crashing to March 1995's 62.8.

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B. ASIA

MOST RECENT
MAJOR BEAR TREND

CHINA

High(s)	Low(s)	All-Time High	All-Time Low
131.0; July and Nov 2015	120.8; August 2016	131.0; July/Nov 2015	66.4; Feb 1994

7.8 percent decline

Many marketplace authorities and numerous American politicians avidly focus on the cross rate for the Chinese renminbi versus the US dollar. Quite a few have trumpeted their views that China manipulates its currency or shouted that the renminbi is undervalued and needs to rise.

The renminbi peaked against the dollar on 1/14/14 around 6.04. After China's August 2015 devaluation (8/10/15 close 6.21, 8/11/15 settlement 6.33), it raced to an intraday low around 6.43 on 8/26/15. After around mid-December 2015, the renminbi depreciated further against the dollar. Its 12/28/16 low at 6.97 represents about a 13.3 percent fall from its January 2014 cross rate plateau.

Yet paying attention to the renminbi's slump against the dollar since January 2014 should not cause gurus to overlook the overall strength of China's currency that persisted until second half 2015. China's EER achieved a record elevation at 131.0 in both July and November 2015. This 2015 height dwarfs the China EER average of 97.0 for the era beginning in January 1994. It towers over February 2009's 107.5 high.

China's EER fell to 120.8 in August 2016, a quite modest 7.8 percent drop from its second half 2015 highs. The 120.8 level still is far above its long run average. Compare a take-off point for its appreciation during China's incredible growth era, December 2004's EER at 81.9. August 2016's low also hovers well above November 2009's 95.6 depth. China's EER edged up to 122.9 in December 2016. So despite the sound and fury around the Chinese/US dollar cross rate, China's EER's long run history and current level arguably indicate the "need", particularly from China's perspective, for further depreciation (not appreciation) in China's EER.

At times in recent years, various nations around the world have engaged in competitive devaluations and currency wars. China's August 2015 devaluation not only indicated the country's desire to spur its economic growth, but also suggested its willingness to engage in a currency battle with industrial nations such as Japan.

The United States is 17.8 percent of China's EER. Within the BIS domain, China constitutes 21.7pc of America's EER. Japan's weight within China's EER is 14.1pc.]

JAPAN

High(s)	Low(s)	All-Time High	All-Time Low
105.6: Oct 2011	67.9; June 2015	150.8; Apr 1995	67.9; June 2015

35.7pc decline

[The US has a 15.2 percent weight within the Japan EER. China's share within Japan's EER is very substantial: 31.0 percent.

October 2011's EER peak neighbored the summit attained during the global financial crisis, January 2009's 106.8.

After the Yen EER established its major low at 67.9 in June 2015, it jumped 24.3 percent to August 2016's 84.4 (contrast the trend in China's EER over this approximate time span), which remains the top since June 2015.

The Japan EER rested at 76.3 in December 2016 (note the drop following Trump's victory; the EER averaged 83.3 in October 2016). This Yen height may seem "too low" to many marketplace and political captains. Not only does it remain far below October 2011's elevation (and note also the stratospheric April 1995 apex). It lurks well beneath the 101.6 average for the Yen EER from January 1994 through December 2016.

The Japanese Yen's major high in its cross rate relationship against the US dollar was Y75.4 on 10/31/11. However, its depreciation accelerated from 11/9/12's Y79.2. The Yen's trough against the dollar since then was 6/5/15's Y125.9, a 67.0 percent collapse versus 10/31/11's pinnacle.

The Yen over the past several months repeatedly has tested the key political level of Y100 (high Y99.0 on 6/24/16; Y99.5 on 8/16/16; Y100.1 on 9/27/16) but did not smash over it. The reluctance of the Yen to strengthen beyond this Y100 point versus the dollar probably reflects Japanese economic (political) strategies.

A somewhat weak Yen (whether on a dollar cross rate or EER basis) encourages Japanese exports, arguably improves Japan's GDP growth (and corporate earnings), may boost inflation, and helps the country buy time to solve its enormous government debt as a percentage of GDP problem.

MOST RECENT
MAJOR BEAR TREND

SOUTH KOREA

High(s)	Low(s)	All-Time High	All-Time Low
113.9; April 2015	106.9; May 2016	131.9; Dec 2006	72.1; Jan 1998
6.1 percent fall			

[America possesses a 12.6 percent weight in South Korea's effective exchange rate. China, however, captures a 30.0pc share of South Korea's EER.

Korea's December 2016 EER of 110.7 is close to April 2015's top. December 2016's height also borders the January 1994-present 109.8 average. Although December 2016's EER tumbles substantially from December 2006's majestic height (toward the end of the Goldilocks Era), it soars above January 1998's dismal abyss reached during the so-called "Asian" financial crisis period. It also is well above March 2009's 83.6 bottom.

The modest percentage fall in the South Korean EER over 2015-2016 is similar in extent to that of China's EER.]

MOST RECENT
MAJOR BEAR TREND

THAILAND

High(s)	Low(s)	All-Time High	All-Time Low
110.5; April 2013	98.9; Apr 2016	122.1; June 1997	68.9; Jan 1998
10.5pc decline			

[The US is 9.3pc of the Thailand EER.

The average for the Thai EER since January 1994 is about 96.2. Thus relative to that, April 2016's low appears "about average" rather than too low. December 2016's 102.1 EER exceeds that average and flies above the January 1998 Asia crisis bottom.]

MALAYSIA

High(s)	Low(s)	All-Time High	All-Time Low
104.2; May 2013	84.3; Sept 2015	130.8; March 1997	84.3; Sept 2015
19.1pc fall			

[America's weight in the Malaysia EER is 12.0 percent.

Malaysia EER rose to 91.4 in April 2016 but thereafter dived. December 2016's EER is 84.9, close to the all-time (1994-present) low. The average Malaysia EER from 1994 to end 2016 is 100.9. Thus the December 2016's EER appears somewhat "low".

Compare September 2015 trough and nowadays with the 85.3 bottom of January 1998 achieved during the Asian financial crisis. Is Malaysia having a crisis now, or might one be looming?]

CHINESE TAIPEI (TAIWAN)

High(s)	Low(s)	All-Time High	All-Time Low
NA; trend has been sideways to up since February 2014		145.7; Feb 1994	97.2; Oct 2011

[Chinese Taipei EER has been moving in a sideways to up pattern from 2014 to the present. After establishing a low at 98.5 in February 2014 (close to October 2011's trough), it generally has advanced. December 2016's106.0 is the strongest EER since June 2008's 106.6.

The Chinese Taipei EER has averaged 115.6 over the January 1994-December 2016 horizon. December 2016's 106.0 height stands quite a bit under this.

The US has a 12.3 percent weight in the Taiwan EER.]

AUSTRALIA

High(s)	Low(s)	All-Time High	All-Time Low
111.6; August 2012	85.5; September 2015	111.6; Aug 2012	64.9; Mar 2001
23.4 percent decline			

[Australia's Pacific role justifies including it alongside the preceding array of Asian nations.

The US has a 14.3pc share in Australia's EER.

Australia's December 2016 effective exchange rate level is 92.2. The high since September 2015 is November 2016's 93.2. Current levels remain distant from August 2012's summit. However, the average Australian EER from January 1994 through December 2016 is about 85.7 (close to the September 2015 trough), so the end calendar 2016 level appears slightly high relative to that horizon.]

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In his book "Shut Up and Deal", Jesse May notes: "Poker's good if you like watching people."

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C. EURO FX AREA

MOST RECENT
MAJOR BEAR TREND

High(s)	Low(s)	All-Time High	All-Time Low
101.5; March 2014	86.9; Apr 2015	111.6; Apr 2008	83.4; Oct 2000
14.4pc decline			

[The United States has a 13.2 percent weight in the Euro FX EER.

Arguably the Euro FX EER's major bear trend began not with its March 2014 height, but with April 2011's slightly higher 101.7 (the broad real TWD ascent of July 2011 began very close in time to that), or even April 2008's loftier 111.6 top.

The December 2016 EER is 90.5. After falling to 86.9 in April 2015, it appreciated to 92.5 in May 2016. Thus, despite complaints by some American politicians that the Euro FX is too low, the Euro FX EER has stayed in a narrow range for about a year and a half.

April 2015's low, and even the December 2016 level, seem rather depressed from the perspective of the July 2011/March 2014 elevation. In addition, the April 2015 and subsequent heights remain under the long run average (post-January 1994) of 100.3 (the BIS creates Euro FX EER levels for the period prior to the Euro's introduction in January 1999). Moreover, April 2015's low came quite close to October 2000's all-time low.

In this context, recall the European sovereign debt and currency crisis. The Euro FX's EER levels in recent months are pretty close to its crucial EER lows at 91.9 in July and August 2012. Those 2012 EER bottoms occurred around the time of the European Central Bank's "whatever it takes" statements defending the Euro currency and aiming to hold the Eurozone together.

A Euro FX EER level around 92.0 subjectively may be "low" from the perspective of the European Central Bank and other members of the European "establishment" (not just in the opinion of some economists and American politicians).Won't a fairly weak Euro FX EER help to achieve intertwined goals such as boosting GDP growth, reducing unemployment, creating sufficient inflation, and helping to hold the European Union (and the Eurozone) together. Won't progress toward such goals help to subdue the dangers of populism (whether right-wing or left-wing)?

Nevertheless, the European Central Bank, and indeed much of the European "establishment" (and quite possibly many other elites around the globe), arguably do not want the Euro FX EER level to become "excessively low". That arguably would warn of (confirm) grave dangers to European economic growth and in Europe's political order. What does the sideways movement in the Euro FX EER over the past several months suggest regarding the opinion of much of the current European economic and political establishment (and possibly similar establishment fraternities elsewhere) regarding what is a "too low" level for the Euro FX EER? Around April 2015's 86.9 depth indeed may represent a "too low" level, but October 2000's 83.4 bottom likely is "too low".

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