**US DOLLAR TRAVELS: CROSSTOWN TRAFFIC**
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"But, darlin' can't you see my signals turn from green to red
And with you I can see a traffic jam straight up ahead". Jimi Hendrix, "Crosstown Traffic"

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## CONCLUSION

The broad real trade-weighted United States dollar's December 2016 (at 103.3)/January 2017 (103.1) peak likely will remain intact ("TWD"; based on goods only; Federal Reserve Board, H.10; monthly average, March 1973=100). The high since then, December 2018's crest at 102.0, stands slightly beneath this, as does May 2019's 101.6 (June 2019 was 101.1). December 2018/May 2019's plateau probably forms a double top in conjunction with December 2016/January 2017's pinnacle. If the TWD breaks through the December 2016/January 2017 roadblock, it probably will not do so by much. The majestic long-running major bull charge in the dollar which commenced in July 2011 at 80.5 has reached the finish line, or soon will do so.

Unlike the broad real trade-weighted dollar, the broad nominal trade-weighted dollar (goods only) has daily data. The broad nominal US dollar probably also formed twin peaks. It achieved an initial top on 12/28/16 (at 128.9) and 1/3/17 (128.8). The nominal TWD's recent high, 5/31/19's 129.6, edges only half of one percent over the 2016/17 high.

The depreciation in the broad real trade-weighted dollar from its 103.3/103.1 elevation probably will be at least five percent, and very possibly ten percent. This retreat likely will last at least for several months.

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The broad real trade-weighted dollar's level and patterns are relevant for and interrelate with those in key stock, interest rate, commodity, and real estate marketplaces. The extent to which and reasons why foreign exchange levels and trends (whether for the US dollar or any other currency) converge and diverge from (lead/lag) those in stock, interest rate, commodity, and other marketplaces is a matter of subjective perspective. Opinions differ.

For related marketplace analysis, see essays such as: "Petroleum: Rolling and Tumbling" (6/10/19); "Wall Street Talking, Yield Hunting, and Running for Cover" (5/14/19); "Economic Growth Fears: Stock and Interest Rate Adventures" (4/2/19); "American Economic Growth: Cycles, Yield Spreads, and Stocks" (3/4/19); "Facing a Wall: Emerging US Dollar Weakness" (1/15/19); "American Housing: a Marketplace Weathervane" (12/4/18); "Twists, Turns, and Turmoil: US and Other Government Note Trends" (11/12/18); "Japan: Financial Archery, Shooting Arrows" (10/5/18); "Stock Marketplace Maneuvers: Convergence and Divergence" (9/4/18); "China at a Crossroads: Economic and Political Danger Signs" (8/5/18); "Shakin' All Over: Marketplace Convergence and Divergence" (6/18/18); "History on Stage: Marketplace Scenes" (8/9/17).

## ON THE ROAD AGAIN

"We'll be watching out for trouble, yeah (All down the line)
And we keep the motor running, yeah (All down the line)", The Rolling Stones, "All Down the Line"

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What interrelated phenomena currently are sparking, or will tend to encourage, near term and long run US dollar weakness?

Growing faith that America's Federal Reserve Board not only will refrain from raising the Federal Funds rate anytime soon, but even may reduce it over the next several months, is a critical factor in the construction of the latest segment (December 2018 to the present) of the TWD's resistance barrier. The Fed Chairman and other US central bank policemen speak of the need for "patience" on the rate increase front. The Fed eagerly promotes its "symmetric" two percent inflation objective (6/19/19 FOMC decision), which blows a horn that it may permit inflation to exceed (move symmetrically around) their revered two percent destination.

By reducing the likelihood of near term boosts in the Federal Funds rate, and particularly by increasing the odds of lowering this signpost, the Fed gatekeeper thereby cuts the probability of yield increases for US government debt securities. The Fed thus makes the US dollar less appealing (less likely to appreciate further) in the perspective of many marketplace players.

The Fed's less aggressive rate scheme (at minimum, a pause in its "normalization" process) mitigates enthusiasm for the US dollar from those aiming to take advantage of interest rate yield differentials (as well as those hoping for appreciation in the value of other dollar-denominated assets such as American stocks or real estate relative to the foreign exchange value of the given home currency). This is despite negative yields in German, Japanese, and other government debt securities. Capital flows into the dollar may slow, or even reverse to some extent.

The yield for the US Treasury 10 year note, after topping around 3.25 percent in early October 2018, has backtracked further in recent months. The UST resumed its drop from 4/17/19's minor top at 2.62pc, nosediving from 5/28/19's 2.32pc elevation. Since late June 2019, its yield has bounced around 2.00pc.

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The current United States Administration probably wants a weaker US dollar relative to its current elevation in order to stimulate the economy as the 2020 elections approach. President Trump claimed that the European Central Bank, by deliberately pushing down the Euro FX's value against the dollar, has been unfair, making it easier for the Euro Area to compete against the US (New York Times, 6/19/19, ppA1, 9). Recall his complaints about China's currency policies as well. The President's repeated loud sirens that the Federal Reserve made mistakes by raising its policy rates, and instead should be lowering them also messages that the Administration wants the dollar to depreciate.

Another consideration constructing a noteworthy broad real TWD top is mild, even if nervous, optimism that tariff battles and other aspects of trade wars between America and many of its key trading partners (especially China) will become less fierce. Both the United States and China increasingly are fearful regarding the ability of their nations to maintain adequate real GDP increases.

On 6/29/19, America and China agreed to resume trade talks. US trade deals with China and other noteworthy nations reduce the incentive for those countries to depreciate their currency relative to the dollar in order to maintain market share for their goods and services within America. Agreements with China probably will be vague or not amount to much in actual practice, but even cosmetic fixes in the trade war arena will tend to weaken the dollar.

Trade progress (even temporary peace) with China would bolster confidence that America's trade feuds with Europe (particularly Germany) will subside.

For the near term, the late 2018 deal between the US Administration with Canada and Mexico changing NAFTA treaty arrangements, as well as some recent improvement on the immigration front between America and Mexico, has calmed (at least publicly) marketplace agitation regarding trade conflicts in this region. Whether Congress eventually will enact the US/Canada/Mexico arrangement or a version close to it remains murky.

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Bruce Springsteen's "Born to Run" proclaims: "In the day we sweat it out on the streets of a runaway American dream".

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In today's uncertain, risky, and often violent international scene, many argue that American assets "overall", whether United States Treasury debt securities (and most state and local debt obligations), "high-quality" corporate bonds, US stocks "in general", and (a great deal of) the nation's real estate marketplace are good "investments". And US marketplaces are huge. It makes sense to park money in American assets!

However, such viewpoints do not necessarily prevent or stop notable US dollar depreciation. Likewise, dollar-denominated marketplaces do not have a manifest destiny to keep rising in price. Rising confidence in America and in the wisdom (merit) of owning US assets (including US stocks) can put on the brakes and halt; confidence thereafter can reverse direction and head downhill.

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The substantial and worsening United States debt situation, particularly in the federal sector as a result of the end-December 2017 tax "reform" legislation, nowadays encourages and increasingly will assist long run dollar depreciation. In its bearish implications for the broad real TWD, this ominous US debt variable at present is somewhat independent of near term Federal Reserve Board and other key central bank policy action and rhetoric as well as the outcome of trade negotiations. However, it nevertheless entangles with these phenomena.

According to the Congressional Budget Office's May 2019 investigation, "Updated Budget Projections: 2019 to 2029" (5/2/19), US government debt held by the public at end fiscal 2019 reaches 78.2 percent of GDP, a substantial increase from the pre-global economic crisis days. Debt held by the public in 2007 (as the dazzling Goldilocks Era was ending) equaled 35.2 percent of GDP (also compare 1993's 47.8pc high). Beginning in 2022, America's federal deficit exceeds one trillion dollars per year. Under the baseline scenario, the deficit motors up to 91.8 percent of GDP in 2029. According to the CBO, federal debt held by the public as a percentage of GDP achieved its record high just after World War Two with 1946's 106 percent. Debt grasped by the public at the end of fiscal 2019 reaches about $16.6 trillion, soaring to $28.5tr in 2029.

The $896 billion deficit predicted by the CBO for 2019 equals about 4.2 percent of GDP. For the four decades 1969-2018, the deficit averaged -2.9 percent of GDP. Over the 2020-29 span, the yearly average speeds up to -4.3pc of GDP.

According to the CBO's "The 2019 Long-Term Budget Outlook" (6/25/19) baseline scenario, the debt held by the public balloons to 144 percent of GDP, an "unprecedented level" (its chart peers back to 1790).

Although America is wealthy and prosperous and not a developing/emerging or third-world country, that does not make the US totally immune to the interest rate yield rises (even in an environment of sluggish GDP growth) and currency depreciation sometimes suffered by such nations due to their longstanding economic (political) mismanagement.

Dollar depreciation, if substantial, "by itself" may increase the challenge facing America to finance its large national debt needs. Despite the Fed's current patience policy, so might the process of an eventual notable sustained rise in UST yields, "by itself". If rate increases (especially over the misty long run horizon) apparently (ultimately) beckon, in part due to an awe-inspiring avalanche of US debt securities, why rush to buy long term debt securities now?

Over the long run, resumed rising US government yields may intertwine with dollar depreciation. Foreigners currently are substantial holders of US Treasury debt. Intertwined rising rates and a feebler dollar likely will motivate many overseas holders of US government debt securities to be smaller net buyers of UST, or even to become net sellers of UST. This in turn probably would accelerate both yield climbs and dollar slumps.

Over the past year, major foreign holders of US Treasury securities have added little to their inventory (US Treasury International Capital/TIC report; 6/17/19). Those holdings were about \$6.4 trillion in April 2019 (the latest data point), \$6.3tr in December 2018, and \$6.3tr in April 2018. Mainland China owned slightly more than \$1.1 trillion in April 2019. Japan hoarded nearly \$1.1tr.

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US household debt has swollen in arithmetical terms over the past few years. According to the New York Federal Reserve Bank (May 2019), aggregate US household debt at the end of 1Q19 tallied \$13.7 trillion dollars, increasing for the nineteenth consecutive quarter, smashing further above the previous peak achieved during the global economic crash (3Q08) by about \$993 billion.

As a percentage of GDP, the American household debt total is less burdensome than during the global crisis and its immediate aftermath (given overall boosts to consumer net worth since 2008-09). According to the Federal Reserve's "Financial Stability Report" (May 2019; p17), the household debt to GDP ratio has declined. According to the Financial Stability Oversight Council's "2018 Annual Report" (updated 6/20/19; Figure 4.4.1, p28), household debt as a percent of disposable personal income has fallen in recent years. Yet the substantial household arithmetic debt amount is a danger signal pointing to potential pressure on and damage to the consumer front, particularly if the economy weakens and stock and home prices decline significantly.

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What about US corporate debt? The trend is hinting at trouble down the road, at least in some lanes. According to the Financial Stability Oversight Council, "the ratio of [nonfinancial] corporate debt-to-GDP is at an all-time high based on available data since 1951" (p25; see Figure 4.3.1). The Fed's Financial Stability Report (p17) confirms that business sector debt relative to GDP nowadays is historically high; "growth in business debt has outpaced GDP for the past 10 years".

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Looking forward, US corporate quarterly earnings for calendar year 2019 very likely will fail to come close to achieving the substantial year-on-year gains that 2018 derived (roughly twenty percent) from the blessings of tax reform legislation. Suppose that 2019 warning light flashes.

Currently, stock marketplace mechanics predict that calendar year 2020 corporate earnings will ascend sharply above those anticipated for 2019. Given the apparent slowing down in US and global economic growth rates recently, and that the American GDP expansion has lasted for an extremely long time by historical standards, these clairvoyants probably are overly optimistic in their current 2020 earnings outlooks. The Fed and its comrades may well find it increasingly challenging to engineer further real output growth. So if lofty expectations for calendar 2020 earnings also descend, US stocks will appear less attractive to overseas (and other) investors (owners). This probably will help to undermine the broad real TWD and propel it lower.

FactSet predicts a 2.9 percent year-on-year earnings fall for 2Q19 for the S+P 500 ("Earnings Insight", 6/28/19; 1Q19 slipped -.3pc), with 3Q19's expected to dip -.5pc. However, analysts expect 4Q19's to advance 6.3pc. Full calendar year 2019 growth, however, is only up 2.7 percent year-on-year. But full calendar year 2020 earnings allegedly will race up 11.0 percent.

Refinitiv foresees a similar pattern of reduced year-on-year earnings growth in 2019 ("S&P 500 Earnings Scorecard" (6/28/19). It saw 1Q19 gain only 1.6 percent year-on-year, and believes 2Q19 will climb a paltry .3pc, with 3Q19 inching up .8pc. The 4Q19 rise fairly strongly, up 7.2pc year-on-year. Nevertheless, calendar 2019's estimated earnings increase of 2.4pc drops precipitously from 2018's extraordinary 22.7pc stellar performance. Refinitiv sees a thrilling recovery for calendar 2020 earnings, a rise of 11.5pc relative to 2019's.

Negative year-on-year earnings for an entire calendar year have happened numerous times in past decades. The bullish prophecies for calendar 2020 US corporate earnings arguably display a blind spot derived from continued faith in significant global growth, easy money from key central banks, and the continuation of US tax reform policy.

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In addition to watching price trends of and other variables relevant to American stock marketplace and United States (and foreign dollar-denominated) debt securities, foreign exchange and other financial marketplace observers should monitor patterns of net foreign direct investment into America. According to the Bureau of Economic Analysis, foreign direct investment in the US was $144 billion in 2009. After staying around $200bb over 2010-2014 (2011's $229bb the high), FDI exploded to $468 billion in 2015 and $472bb in 2016 (compare the 2000 peak at $314bb and 2008's hefty $306bb). The 2017 and 2018 totals slipped, but remained rather strong; 2017's was about $277bb, with 2018's $254bb. First quarter 2019 net FDI was $74 billion.

However, if America appears less desirable as a "good investment opportunity"; then probably less overseas foreign direct investment money will march into the country. Then from this standpoint, all else equal, the US dollar will tend to be somewhat less attractive than before.

Foreign direct investment into the US has at times has plummeted from plateaus or even reversed and become negative (divestment). For example, in 2Q18, net FDI stood at only $590 million. It was a negative $75 billion in 1Q14, with divestment of $454 million in 1Q09.

## **AMERICAN POLITICS IN RECENT YEARS: A LONG STRANGE TRIP**

The Grateful Dead sing in "Truckin'": "Lately it occurs to me what a long strange trip it's been."

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America's severe political, economic, and other cultural divisions and conflicts likely will encourage diversification away from the dollar. Neither left nor right wing populism has disappeared, and the initial stages of the 2020 election season already are underway. Not only ongoing noisy and fierce wordplay between Democrats and Republicans (with a Democratic House of Representatives alongside the Republican Senate and President), but also erratic and divisive Presidential statements and actions, increasingly will inspire marketplace players to place an increasing share of their money, assets, and deals outside of the dollar domain. How much international confidence exists regarding the quality and judgment of current American leadership?

Suppose Democrats win the White House in the 2020 elections, maintain their House of Representatives majority, and capture the Senate. That likely will increase the chances that legislation will eliminate or greatly reduce much of the tax reform law particularly the provisions which benefit corporations (their earnings) and affluent individuals. Note the growing influence of the "progressive" factions among the Democrats. Since tax reform played a critical part in the earnings rally and thus the noteworthy US equity price gains, its reversal probably (all else equal) will weaken American stocks and thus injure their allure to foreign (and American) purchasers.

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Admittedly the United States dollar is the key currency for pricing global trade, and it is the leading currency from the reserves standpoint. Nevertheless, in a multipolar world with a globalized economy, as the US share of (relative size in) the international economic system gradually diminishes, the dollar arguably need not play as significant role as it has in past decades. This fundamental shift away from dollar usage likely will be slow, but it nevertheless will be important for the long run dollar trend. The ability of the Euro Area to hold together despite populist pressure and economic challenges will represent an important variable.

Dollar usage and strength in part interrelate with America's ability and willingness to provide skillful (and collegial) leadership on the global highway. The significant increase in economic and political quarrels with US allies under Trump's (Make America Great Again/America First) policy regime, and the Administration's related nationalistic resistance to multilateral dialogue and solutions, thus probably have other long run consequences. They will propel efforts by nations to diversify to some extent their political and economic relationships away from (or in addition to) ones with America (even if slowly given America's substantial role in the global economy and its geopolitical power). This political and economic orientation (diversification; shift) away from America probably will help to weaken the broad real trade-weighted US dollar.

## **THE BROAD REAL TRADE-WEIGHTED DOLLAR: HISTORY AND TRENDS**

In the currency universe, most financial, political, and media storytellers focus on cross rates between two nations, such as the US dollar versus the Chinese renminbi. Of course cross rates influence marketplace rhetoric and policy decisions. However, analysis of the broad real trade-weighted exchange rates for a given country offers superior insight into the overall situation for that nation's currency. The following prices, unless otherwise indicated, are for the goods only version of the broad real trade-weighted dollar.

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The broad real trade-weighted dollar's major bull move to its December 2016 at 103.3/January 2017 at 103.1 pinnacle ("TWD"; goods only; Federal Reserve Board, H.10; monthly average, March 1973=100), especially when interpreted alongside the subsequent and recent highs close to that elevation, has been sufficiently extensive in price movement (distance) and time duration terms to indicate that a shift to a bearish trend is probable. The period following December 2016/January 2017 remained part of a strong dollar era. December 2018's interim high was 102.0 (November 2018 just under 102.0), with May 2019's 101.6 (101.1 in June 2019).

The TWD's impressive bull climb from July 2011's record low floor at 80.5 to the December 2016/January 2017 peak was 28.3 percent and extended five and one-half years. Stretching the "strong TWD period" to include December 2018's high of 102.0 and recent elevations (which are creating a double top in conjunction with the December 2016/January 2017 apex) makes the dollar bull trend almost eight years.

Marketplace history of course is not marketplace destiny. History need not repeat itself, either entirely or even partly.

However, compare two previous major bull advances in the broad real TWD with the current one. The TWD appreciation from October 1978's 84.1 major bottom to March 1985's 128.4 pinnacle was 52.7 percent. That enormous leap admittedly was greater than the flight commencing in July 2011. Yet a 28.3pc move still is substantial. And the duration dimension is very important for assessing the probability of marketplace trend changes. October 1978/March 1985's TWD skyrocketing lasted about six and a half years, not much different from the five and a half years of the July 2011 to December 2016/January 2017 stage of the current bull move. The towering rally from July 1995's 84.0 to February 2002's 112.8 ascended 34.3 percent and ran about six and two-thirds years. The substantial July 2011 to December 2016/January 2017 TWD appreciation, a 28.3 percent jump, is not significantly smaller than the gain from July 1995 to February 2002.

The highly significant TWD appreciation during the bloody 2007-09 global economic disaster was much shorter in distance and considerably briefer in time than the 1978/1985 and 1995/2002 rallies. The 15.1 percent advance from April 2008's 84.1 to March 2009's 96.8 lasted one year. The bull move from July 2011's record depth substantially surpassed the April 2008/March 2009 one in both the price (distance traveled) and time parameters. The average percentage move of the 1978/1985, 1995/2002, and 2008/2009 TWD climbs is about 34.0 percent, fairly close to the appreciation that began its voyage in July 2011.

Other timing considerations wave caution flags regarding the current TWD bull move. Note that the July 1995 and July 2011 TWD bull moves left the starting gate in the same calendar month. A TWD top around midyear 2019 would be a diagonal calendar time move of eight years from July 2011.

Compare the TWD's appreciation (long bull move, overall strength) since July 2011 alongside America's remarkable 10 year business cycle expansion since the June 2009 trough (National Bureau of Economic Research). The US economy has grown for a record-setting 121 consecutive months. The S+P 500's major bottom was 3/6/09 at 667.

A key barricade for the bull move which started in July 2011 appeared during a winter calendar period with December 2016/January 2017's 103.4/103.3 pinnacle. In addition, note the calendar timing of the significant interim high prior to the achievement of the December 2016/January 2017 summit, January 2016's 101.2. These calendar time considerations (parallels) interrelate with December 2018's 102.0 elevation.

An overall historical summary of the calendar month timing variable since 1973 in relation to major or important interim price turns in the broad real TWD further supports the view that a major high in the TWD probably is in place (or will be very soon). Numerous prior major and interim broad real TWD highs and lows occurred in the calendar December through March period. This calendar timing pattern arguably indicates the probability that the December 2016/January 2017 and December 2018 levels "together" represent important parts in the creation of a major TWD high (even if the final high occurs in a different calendar time window such as summer).

**Major highs: January 1973 at 107.6; March 1985 at 128.4; February 2002 at 112.8; March 2009 at 96.8
**Interim tops: January 1994 at 91.4; January 2016 at 101.2
**Major lows: None
**Interim lows: January 1983 at 106.3; December 1988 at 89.8; December 1998 at 98.7; January 2018 at 94.3

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Currency wars, competitive depreciation, and trade conflicts will not disappear forever. However, the resistance barrier for the broad real trade-weighted dollar at 103.3 (goods only measure) probably will not be broken by much, if at all, over the next several months (and perhaps for much longer). What are some crucial resistance and support levels for the TWD?

A one percent move over 103.3 equals 104.3, two percent is 105.4.

Remember January 2016's important interim top at 101.2.

A five percent drop from the broad real TWD's 103.3 top equals 98.1. A critical pillar supporting the broad real TWD is the worldwide economic crisis era's March 2009 high at 96.8. Also, a twenty percent rally from 80.5 (July 2011) gives 96.6. April 2016's 96.4 was an important interim pothole within the major bull road on the way up to the December 2016/January 2017 summit (see also the minor high at 96.2 in June 1989).

A ten percent correction from 103.3 gives 93.0 (January 2018 minor low at 94.3), a fifteen percent breakdown 87.8. A twenty percent collapse equals a feeble 82.6.

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The Federal Reserve Board several months ago introduced a new TWD index including services as well as goods (H.10; January 2006=100; monthly average). Its marketplace trend changes closely resemble those in the TWD goods only yardstick. Underscore the timing of its pinnacle in December 2016 (110.1)/January 2017 (109.9). It gradually sputtered lower, reaching 100.2 in February 2018. However, it drove up to 107.7 in November and December 2018, nearly matching it with May 2019's 107.3 (June 2019 hovered at 107.1). Is a TWD (goods and services) traffic jam developing near 107.7?

The Bank for International Settlements' effective exchange rate ("EER"; 2010=100; 6/19/19 release) measure for the United States dollar shows a similar pattern to those in the broad real TWD (goods only; goods and services). The summit of December 2016 (120.0)/January 2017 (120.2) remains unbroken. An earlier high was January 2016's 117.1. Although the US EER retreated from the December 2016/January 2017 zenith to about 108.8 in February 2018, it rallied to 117.7 in May 2019 (the most recent data point).

## RECENT CROSS RATE HISTORY AGAINST THE DOLLAR

The blues icon, Robert Johnson, laments in "Crossroads":
"I went to the crossroads, fell down on my knees,
Asked the Lord above, have mercy, save poor Bob if you please…
…the sun goin' down…
You can run, tell my friend poor Willie Brown,
Lord, that I'm standin' at the crossroads, baby, I believe I'm sinkin' down".

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Currency cross rates of course do not all necessarily move in the same fashion (whether in direction, distance, or timing) against the US dollar. Nations often have diverse economic and political strengths, weaknesses, stakes, and agendas, including in the realms of currency and trade wars. Within the foreign exchange district in today's interconnected global economy, although competitive depreciation can appear desirable to numerous nations (or regions), the entire world cannot depreciate "all at the same time".

The following table lists the present-day percentage weights based upon both goods and services within the broad real TWD for several of America's leading trading partners (Federal Reserve, H.10).

In this table covering key United States partners (competitors), note the roughly similar timing of their cross rate lows against the dollar in late 2018/early 2019 as well as recently. For example, various countries and the Euro Area made an important cross rate low against the US dollar between mid-December 2018 (early December, for the Mexican peso)/early January 2019 alongside the broad nominal TWD's high (goods only) on 12/14/18 at 129.1. These two sets of assorted cross rate troughs underline the probability that a change in the TWD's major trend almost certainly (even if not at precisely the same time) will involve the majority (and perhaps all) of these six foreign exchange cross rates.

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| Currency Cross versus US$ | Percent of Broad Real TWD | Late 2018 Cross Rate Lows Against US Dollar (Date) | Recent Cross Lows Versus US$ (Date) |
|---|---|---|---|
| **China** | 16.2 | Key low 12/10/18 at 6.918 preceded by 6.980 (10/31/18) and 6.961 (11/30/18) | 6.938 (6/10/19) |

[The 2018 and 2019 renminbi cross rate troughs against the dollar form a bottom connected with 12/16/16's 6.965 trough (near the important support level of 7.000).

In the Federal Reserve's analysis and summary of currency weight based upon goods only, China's share of the TWD was 21.6 percent. That is significantly greater than the 16.2pc share derived from goods and services combined in the Fed's present approach. The shares within the broad real TWD (goods and services) for the Euro Area and other countries do not change substantially from the prior goods only methodology. The Euro Area's was 17.2 percent via the goods only scheme, Mexico's was 12.8pc, Canada's 11.9pc, Japan's 6.5pc, and the UK's 3.6pc.]

| Currency Cross versus US$ | Percent of Broad Real TWD | Late 2018 Cross Rate Lows Against US Dollar (Date) | Recent Cross Lows Versus US$ (Date) |
|---|---|---|---|
| **Euro Area** | 18.6 | 1.122 (11/12/18); 1.127 (12/14/18); 1.131 (1/3/19) | 1.111 (4/26/19 + 5/23/19); 1.118 (6/18/19) |
| **Mexico** | 13.3 | 20.66 (12/6/18); 20.96 bottom (6/15/18) | 19.88 (6/3/19) |
| **Canada** | 13.6 | 1.367 (12/31/18) | 1.357 (5/31/19) |
| **Japan** | 6.4 | Rally from 113.7 (12/13/18); earlier low 114.6 (10/4/18) | 112.4 (4/24/19); 110.7 (5/21/19) |
| **United Kingdom** | 5.1 | 1.244 (1/3/19) | 1.251 (6/18/19) |

[These six cross rate avenues, using both goods and services as factors in the Fed's currency weighting scheme, total up to about 73.2 percent of the TWD. Using the preceding goods only approach, they constituted about the same amount, 73.6pc. Several of these currencies probably are long run alternatives to the US dollar for international transactions and government reserve holdings.

The British Pound's very early 2019 low against the dollar fit the pattern of the late 2018 troughs elsewhere. But will Brexit troubles cause British Pound cross trends against the US dollar to diverge from the movements of other nations relative to the dollar?

The nominal broad TWD's recent high occurred 5/31/19 at about 129.6. Note how this time generally intersects with the various cross rate lows. It rested at 127.3 on 6/28/19 (the most recent available date).]

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Arguably gold and Bitcoin are not currencies or money in the sense of the US dollar and other foreign exchange instruments. They also have "their own" supply/demand/inventory factors, which are not identical to those of the dollar, Euro FX, and similar means of exchange. Gold and Bitcoin price movements often respond to "political" unrest concerns regarding a particular nation or region, lack of faith in a given currency (or currencies in general), or desires for secrecy in owning assets or transacting business.

Let's nevertheless detour and look at the timing of important lows in gold and Bitcoin in the context of the preceding currency cross rate lows against the dollar. Both rallied around the same time as the cross rate lows for the renminbi and other nations relative to the US dollar. This phenomenon arguably warns that a bear trend for the dollar is either in place or right around the corner.

Gold (nearest futures continuation) climbed following 11/13/18's $1,197 low (prior related troughs 8/6/18 at $1,161 and 9/28/18 at $1,180). It treaded up to about $1,334 on 2/20/19. Gold backed down to $1,226 (4/23/19)/$1,267 (5/2/19)/$1,269 (5/21/19), and thereafter gained traction, attaining $1,433 on 6/25/19. Bitcoin's bottom occurred at $3,136 on 12/14/18. In Bitcoin's dramatic subsequent climb, the final low under $5,000 was 4/26/19's $4,984.

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In the film "Taxi Driver" (Martin Scorsese, director), Senator Palantine claims: "We meet at a crossroads in history. No longer will the wrong roads be taken."

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