The Future of the U.S. Dollar

There is a topic being discussed online, on the radio and on T.V. regarding the U.S. dollar. The topic is driving a TON of fear for people. It’s the notion that the U.S. dollar is going to lose its place as the worlds reserve currency causing a massive panic that will destroy our stock and commodity markets.

In this video I address head on the reasons why this is such a hot topic and some of the facts surrounding it. The intent is to provide information that will allow you to make your own decision as to whether this is an actual topic to be fearful about.

If you have any questions please reach out to me at brett@igga.dev

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The Return of the Global Markets

The following is a portion of Iron Gate Global Advisors letter to clients. We removed specific investment advice, stock reviews and advice. That is for our clients only. For more information contact Brett Pattison at brett@igga.dev.

As the name of our firm mentions, we are global investors. We like to search the globe for those markets, countries and companies that are cheap (from a valuation perspective) and poised to grow. Over the past three years we have been allocated primarily to the good ole U.S. of A. This has turned out to be the right decision as the U.S. market (S&P 500) has out-performed the other global markets by 58.95%. The table below shows you the 2011 – 2014 performance numbers for the global markets.

As we entered 2015 Brian and I talked with one another, and many of you, about the real possibility that the U.S. markets incredible streak may come to an end. It wasn’t a matter of if, just when. The other global markets can’t continue to lag the U.S. just based on historical cycles and returns, valuations and current fundamentals.

You can see in the table below where we currently stand so far in 2015. As noted in the far right column (YTD Performance) the U.S. market is lagging both the Developed Non-U.S. and the Emerging Markets in performance. While it’s way too early to say that the U.S. streak is over (we still have nine months to go in 2015), it’s still important to note what is happening around the globe.

Market	2011–2014 Performance %	YTD Performance %
United States	63.45%	3.01%
Developed Non-US	4.50%	10.82%
Emerging Markets	-17.50%	11.54%

As a result of what we're seeing in the global markets, we have begun to position portfolios accordingly. Here's a breakdown of what we're seeing.

United States of America – Bullish

The U.S. is still no doubt the healthiest of all the global markets, however that's not to say there haven't been bumps and won't be more bumps on the road to growth. We remain bullish in the U.S. for many reasons including:

Unemployment. Currently unemployment sits at 5.50%, the lowest rate since June of 2008.

GDP Growth. Gross Domestic Product (GDP) continues to show positive signs. The last report showed the economy growing at 2.36% (below estimates). This led some people to worry whether we've seen the end of our current bull run . . . what they are missing is that this is normal volatility in the GDP numbers. The trend is the important thing which you can see in the chart below.

Superior Technology. Technology continues to spur new development (space exploration, self-driving cars, internet of things, etc.). This type of technology raises productivity, and returns to investment in the private sector. Companies are operating leaner and meaner than they ever have. You won't hear this in the news but it's the current reality . . . which is good for all shareholders of these types of companies!


US GDP (SAAR)
17.70T
17.50T
16.50T
15.50T
14.50T
13.50T
12.50T
Q2 '07
Q2 '09
Q2 '11
Q2 '13
Source: BEA
Apr 08 2015, 1:44PM EDT. Powered by YCHARTS

Developed Non-U.S. (Europe, Asia, Australia) – Bullish

These areas of the globe are among the most hated in the world. All you hear about Europe is how the Euro is dying, Greece is going to default, and the European Union is going to break apart. It's the same thing year in and year out for the past 5 years. However, we are seeing some tremendous bullish activity in Europe that supports are bullish stance. Here's a few of the reasons, outside of technical analysis, as to why we like Europe:

Valuations. European and Asian valuations are low relative to the other global markets, including the U.S. This means that these global markets are cheaper than other areas of the globe. As you already know, buying assets when they are cheap is at the core of our philosophy.

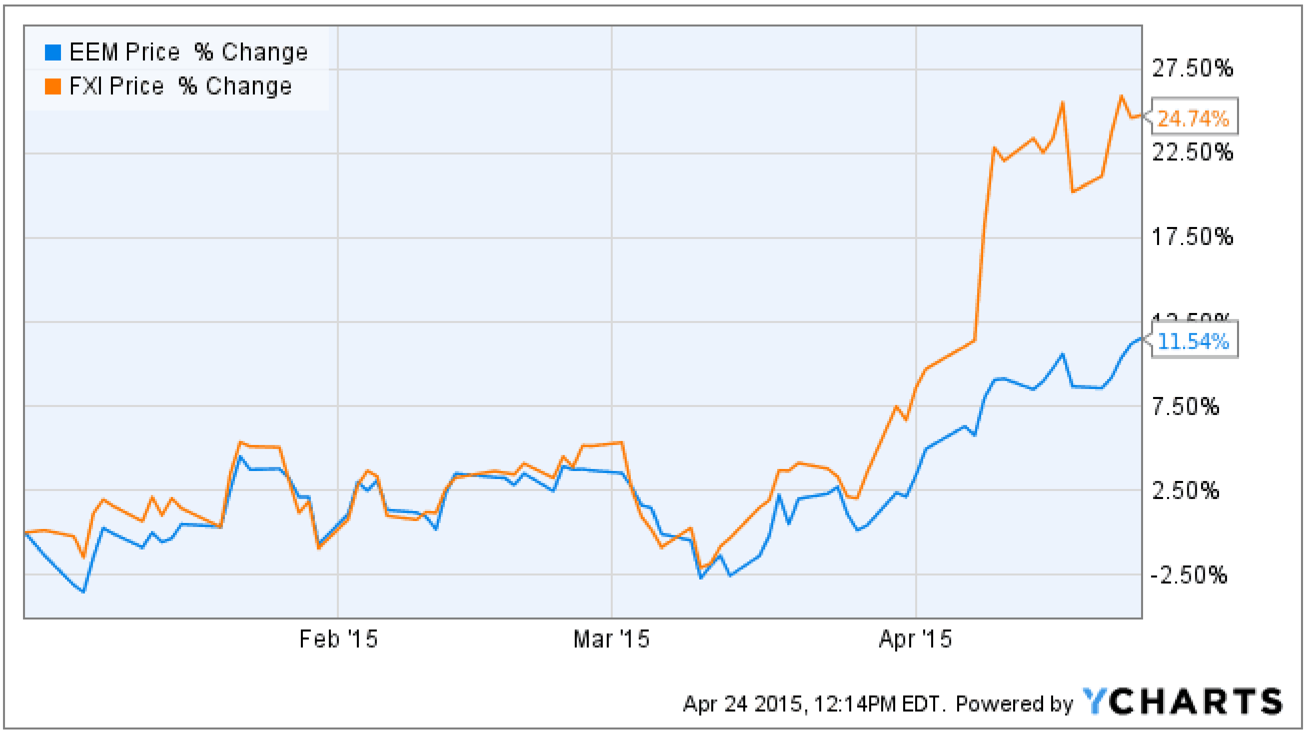
Quantitative Easing. The European Central Bank (ECB) has a $1.1 trillion bond-buying program (modeled after the Federal Reserve's program). This has pushed yields extremely low, negative in some cases. When you have yields so low it drives people into dividend stocks that offer a better yield than the fixed income market.

The Euro. The Euro has been pummeled vs. the U.S. $ and most other currencies. While some look at this as a negative thing we look at it as a positive. Export oriented companies benefit as a weakened Euro can help improve their revenues.

Emerging Markets – Bullish

The Emerging Markets include China, Brazil, Taiwan, India, Russia, etc. For the past few years because of a few of those countries, namely Russia and Brazil, the Emerging Markets have been pummeled. However, in late 2014 and so far in 2015 we have seen some bullish signs fundamentally, economically and technically. Here's a few things we're seeing.

China. China is on fire! So much so it's starting to get us worried. The Chinese government has been doing everything in their power to get outside investors into the Chinese stock market. They have changed laws, started marketing campaigns and are encouraging anyone and everyone to open up a brokerage account and invest in the stock market. The result has been a 24.74% return year to date. This is compared to the Emerging Market index which has a 11.54% return in the same period.



Valuations. The Emerging Markets, including China, are some of the cheapest countries in the world. Their valuations are very attractive to those who are looking for bargains globally. China, for example, has a PE (price to earnings) Ratio of 10 compared to the U.S. which is 21. The fact that the markets are so cheap and the markets are starting to show some strength support our bullish view on this area of the globe.

A Bubble? Some would argue that China is "the next big bubble." Case in point is the graphic below which shows that the government's plan of opening China to the masses is working. The number of Chinese accounts has exploded compared to the past. While there is somewhat of a concern with China being a bubble, we still believe there is upside potential. The valuations are at such a level that just doesn't speak to a "bubble" taking place. That said, for any investor, it's important to keep risk under control and manage money properly.

In summary, the entire global market continues to improve. We are still bullish even in year six of an incredible bull market. We will keep our clients (in a more detailed way) and others updated on the markets and as always will be on the lookout for potential market risks that may come our way.

Successful investing!