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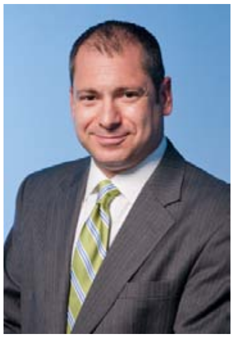

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In a fight for global economic dominance, we just gained the upper hand…King Dollar!

In the biggest of big picture views, the fight for global economic dominance is fought in the global currency market. The Europeans didn't create the Euro because they wanted to take a back seat to the U.S. On the other side of the world, China didn't peg its currency to the Dollar because it didn't want to seek global economic dominance.

After all, the U.S. defeated the USSR without a single missile being fired; we used economic warfare…we outspent them into oblivion. **Make no mistake about it; these days, the global currency market is where economic warfare is waged.**

Well, we just saw what happened to the Euro…its future is questionable in its current form and it reflects the weak state of the entire continent.

China is a different story, but nevertheless its economic weapon of choice, the "Dollar Peg" may have just run out of firing power. On the other side of our giant trade deficit sits China, with its huge trade surplus with the U.S. **Ultimately, a country with more money coming in and more exports going out is considered stronger economically.** China has been in this enviable position for far too long because it has masterfully and forcefully kept its Yuan pegged to the Dollar. The Yuan, many financial experts believe strongly, should be valued higher versus the Dollar and this "peg" artificially keeps the Yuan too weak.

Why is this "peg" important to China? Because by keeping the Yuan depressed, Chinese goods become cheaper in the U.S. Plus, it makes U.S. goods more expensive in China, thereby making our goods competitively weak there.

Now that global investors are selling Euros and Euro denominated assets in favor of Dollars and Treasury securities, the Dollar has risen mightily. The Yuan, by proxy, has lost its artificial weakness and now its exports are no longer as competitively priced abroad. This is already evident in China's exports to Europe; Eurozone nations are already busy renegotiating prices of imported goods with Chinese exporters.

Now China is stuck between a rock and a hard place. If it lets its currency float, its exports drop and a recession could take hold. If it doesn't let its currency float, its exports could be further dampened due to the resurgent Dollar strength.

For the U.S., it allows our nation to reposition itself from the biggest waning economy to the strongest growing economy. It means we are the best place on earth to invest in. It means more inflows of capital and less outflows. It allows us to regain control of our trade deficit and it reasserts the Dollar as the global currency. Not to mention what it does to oil rich nations as the recent price drop in crude oil isn't exactly the best thing for OPEC…a story for a different day.

While I do not expect the recent misalignments in global currencies to remain as pronounced as they've been over the last few weeks, I believe we are at the tipping point of a more durable U.S. economic recovery. Even with the Yuan artificially weak, we were still exporting American made goods to China (Buicks, Caterpillar machines, etc.). This just tips the balance a little more in our favor. **So, with or without the Dollar peg, it looks like the Yuan may be about to become China's paper tiger.**

Thanks for reading this. Please forward this to anyone you know who may find it interesting. Please reply me if you'd like to comment.

Interested in becoming a client? Call me. Let's talk about it.

(Disclosure: This is solely MY opinion. Of course, you are welcome to share your opinions with me too. If you act on any of this without speaking to me first and you lose money, don't blame me. I may be wrong. I reserve the right to change my mind about any of this whenever I want and without warning. Have a great day! ☺)

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