

Jubak Picks

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The cure for the common portfolio

February 5, 2019

Jubak Picks Daily Newsletter

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One Consequence Of The Change In Fed Policy Is Likely To Be A Weaker Dollar

A number of Wall Street and big international banks are forecasting a drop in the value of the dollar as a result of the Fed's decision to back off on raising interest rates in 2019. Morgan Stanley, for example, says that the dollar has peaked and has forecast the yen climbing to 102 to the dollar and the euro to \$1.31 by the end of 2019. Japan's Nomura is projecting foreign selling of dollars.

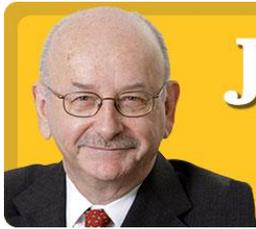
To a degree, forecasts of a weaker dollar are a self-fulfilling prophecy. As expectations increase for a dollar decline, the cost of hedges to protect against that decline increase.

Under the Morgan Stanley forecasts, a EuroZone investor would see a loss of 0.35% on benchmark 10-year U.S. Treasuries even though they pay a dollar-denominated yield of 2.70% at the moment. This certainly makes it clear why non-dollar investors would be looking to buy hedges on their currency risk.

A weaker dollar would—eventually—be good news for the revenue and earnings of U.S. exporters that were hit hard on a stronger dollar in 2018. In the third quarter of 2018, North American companies reported a \$11.8 billion hit to earnings due to the effect of a strong dollar.

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BW: See “About the Author” on the next page.



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About the Author



Editor and Founder of JubakPicks.com; and Senior Markets Editor, MoneyShow.com

Web sites: www.jubakpicks.com; <http://jubakfund.com/>; <http://jubakam.com/>

BW: here is an excerpt from Jim's WELCOME message on his website

After twelve years with MSN Money, I am excited at being on my own. The move gives me a chance to bring you, my readers, more and better ideas for profitable investing. Each week the folks at the MoneyShow.com and MSN Money will publish seven of my posts from this blog on their sites. That is already an increase in your weekly dose of Jubak from the days when I wrote Jubak's Journal twice a week. But you will also find another 18 or so posts a week on my JubakPicks.com blog that do not appear on either of those two sites. (Although they have appeared as much as three days ago and as little as a few minutes ago, if they are really important) on my new subscription site at <http://jubakam.com/>)

Here I am aiming for five posts a day five days a week. I won't always get to those numbers. Some posts just take longer to research and write and sometimes, like everyone else, I run out of gas and need to take a break. But my goal isn't some arbitrary number of posts, anyway. The goal is to bring you the best market intelligence that I can on a schedule that keeps you at least one step ahead of the market.

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