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# Now is Everyone Onboard?

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## CURRENCIES

Basis the **FXY (Yen ETF),** SKGS remained extremely bearish at the peak region of 122 - 126, citing the currency wars as the reason for central bankers lying to gain "position," to be able to print after others do.

At the peak, it was noteworthy that commentators were rather unanimously saying that the bearish Yen view had been the case for far too long and had driven too many to persistent losses.

Such commentary was AFTER the major central banks had embarked upon and promised to maintain massive future money printing. It was simply a matter of waiting for the Japanese to go last. The BoJ shook 'em loose.

It was too easy to repeat what I have written so often over the past quarter-century, namely, the Japanese always do what they say, but not when expected, when the ever-Japan-ignorant foreigners have given up.

Also, the measures would be huge, Japanese style.

There were several indications of "loosening" from the Bank of Japan and Finance Ministry that, over time and with each passing BoJ meeting, foreigners grew increasingly disappointed, until they couldn't handle the grief anymore.

As with precious metals, a look at those in the same boat (in this case the central banks) showed what would follow next for Yen. And still the foreigners were not onboard.

The bullish arguments were self-evident, and they became a full blown gift once Abe had made his promises before he became Prime Minister. The populace was not going to deny their politicians the opportunity to do unto others. The Japanese are superb at non-military war, hence I forecasted that they would go last.

So, as in the past, everyone had time to get onboard the Dollar/Yen trade. As in the past, it was painful. As in the past, it was easy.

As a matter of discipline, upon achieving the 110 target, I wrote of the wisdom of exiting at 110 given the windfall gains, depending on when one got onboard, and what instrument one used. However, my view too was that this thing has much farther to go in this cyclical bear market.

Since then, the FXY has broken under 106 **(today may finally have been a short term low)**, but our purpose was achieved.

Those who used long term options to take advantage of the unique features of the Yen (above), as well as the fact that volatility premiums were at all-time lows, have realized extraordinary gains.

No matter how big a theme, the Yen was a trade, since it doesn't fit into our currency allocation model. Also, something won't remain a trade if long term options are not cheap enough to offer great potential.

As previously commented, the **FXE (euro ETF)** has shown that is will continue to trade counter to the Yen (see Dollar).

Replete with some momentum divergences (i.e. - RSI), **today's pop up to 136 may have been a near term peak.** Too many came to share the view that 140 is the level where the euro tops, so a peak (not at all necessarily THE top) may have concluded today.

Indeed, a final high slightly UNDER 140 may yet be seen, as that level could be where Draghi promises to print anew, as some have speculated.

During the 4th-quarter, I had felt that the euro would see 140, but only after hitting a new low under 120. 130.5 was exactly the peak and it did hold the 125.5 - 126 area. The speed of the ensuing rally precluded reentry. Until...

**December 26, 2013**

"The FXE closed today at 131.27. I believe it is a short right here, using a close-only stop above 133."

So that one didn't work.

Now, I am closely following the Yen and euro, including the effects of their relationship on the DXY; the preceding ought to be viewed in relation to the precious metals complex, as well.

**December 26, 2013**

"There is a 79 - 81 trading range in the **Dollar Index** (DXY).

"The **Yen** and **Euro** are pulling in opposite directions, thereby aiding the result of a **DXY** trading range that is bound to become a right shoulder top (81) or neckline support (79)."

The **DXY** closed today at 79.56, so, I firmly believe, it was correct to analyze that political leaders had basically mapped out currency exchange rates, so as to have a certain framework for this war to divvy up the planet.

As previously described, the notion was to achieve currency neutrality in the Dollar, while extreme changes globally were actually going on with central bank policies and printing (global sovereign wealth transfers).

As you may infer from the above, I recommend no action, insofar as trading is concerned.

## ASSET ALLOCATION

There is no change. Under SKGS's model, 50% of all liquid wealth is invested in gold, while the other half is equally shared between the Swiss Franc and US dollar.

Sid Klein