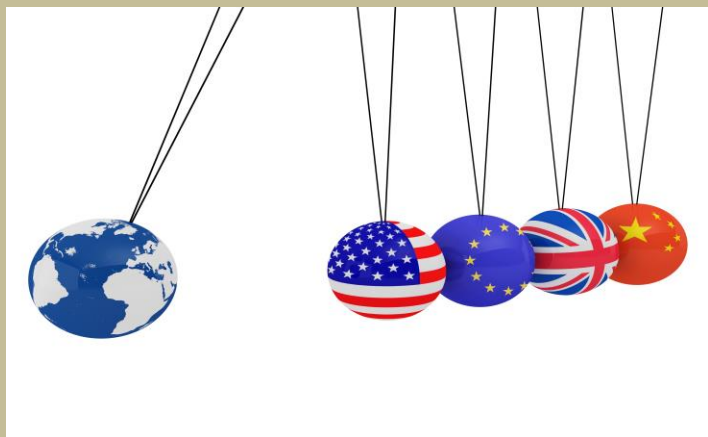


Watch Weldon LIVE
and Listen to Color Commentary,
*Every Day, on Every Market,
From Every Angle.*

WeldonLIVE



Global-Macro LIVE

US Dollar
“Never Mind !!!”

February 3, 2016



WeldonLIVE

WE CALLED IT, CASE CLOSED !!!
Evidence Just a Small ‘Sampling’ of Quotes
From Weldon LIVE Over the Last Few Weeks,
in Anticipation of a Move EXACTLY LIKE the One
Seen Today ... ie; the LARGEST SINGLE-DAY
DECLINE in the US Currency in the Seven Years
Since the Fed Introduced QE

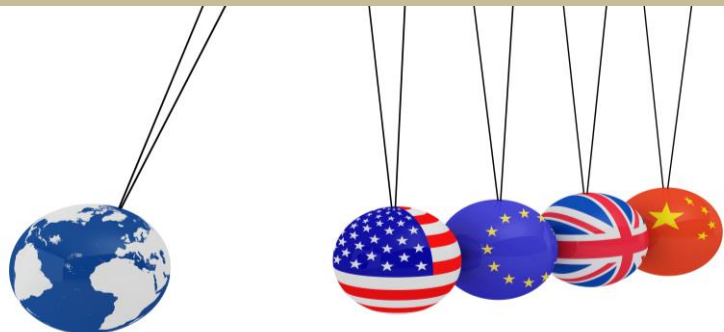
“The Fed cannot allow the USD to breakout and embark on another leg higher in the context of an ongoing bull market, they cannot be seen as facilitating another round of deflation in Emerging Market currencies, stocks, and macro-economies, and commodity prices. Such would work AGAINST their mandate linked to stable prices, and their 2% inflation target.”

“The wild card for 2016 is the potential for as much as a ten-percent decline in the USD as a result of backpedaling by the Fed on rate hikes.”

“The surprise move of the year could well be a rally in Gold, Silver, mining shares and the broader commodities markets, predicated upon a possible depreciation in the US Dollar.”

“It’s time for Gold and Silver to rise and shine ... got Gold ??

“Seven mentions of the US Dollar in the December FOMC Meeting” Minutes ?? I have not seen more than two mentions of the US currency In Fed Minutes since I can’t remember when. And suddenly, they mention the greenback SEVEN times ?? The odds of a sharp move lower in the USD are on the rise.”



WeldonLIVE

From Our January 7th Fixed-Income LIVE in Which We Spotlited the Fed's Laying the Groundwork for More Verbalized Resistance to Further Dollar Appreciation ...



WeldonLIVE

Fixed-Income

I Can't Remember the Last Time the US Dollar Was Mentioned SO MANY TIMES in the Fed's Meeting Minutes ...

The risks to the projection for inflation were seen as weighted to the downside, reflecting the possibility that longer-term inflation expectations may have edged down and that the foreign exchange **value of the dollar could rise substantially further**, which would put downward pressure on inflation.

Over the intermeeting period, crude oil prices dropped notably, other commodity prices declined, and the **dollar appreciated further**.

Participants generally agreed that the drag on U.S. economic activity from the **appreciation of the dollar** since the summer of 2014 and the slowdown in foreign economic growth, particularly in emerging market economies, was likely to continue to depress U.S. net exports for some time

However, participants cited a number of lingering concerns, including the possibility that **further dollar appreciation** and persistent weakness in commodity prices could increase the stress on emerging market economies and that China could find it difficult to navigate the cyclical and structural changes under way in its economy.



WeldonLIVE

... With an Incredibly HIGH Seven 'Mentions' of Dollar Appreciation Contained in the FOMC Minutes From the December Meeting



WeldonLIVE

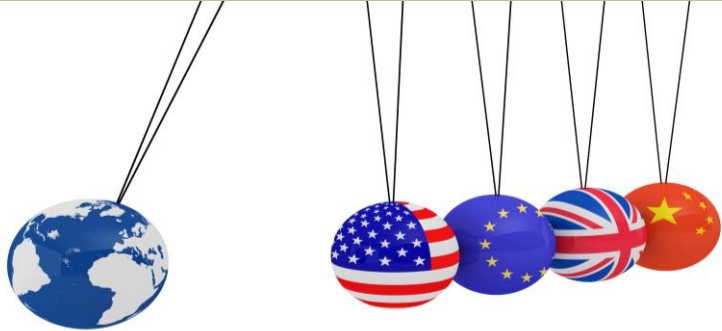
Fixed-Income

... and Then Some, With SEVEN Total 'Mentions' !!!

The **stronger dollar** appeared to weigh on earnings growth across many sectors.

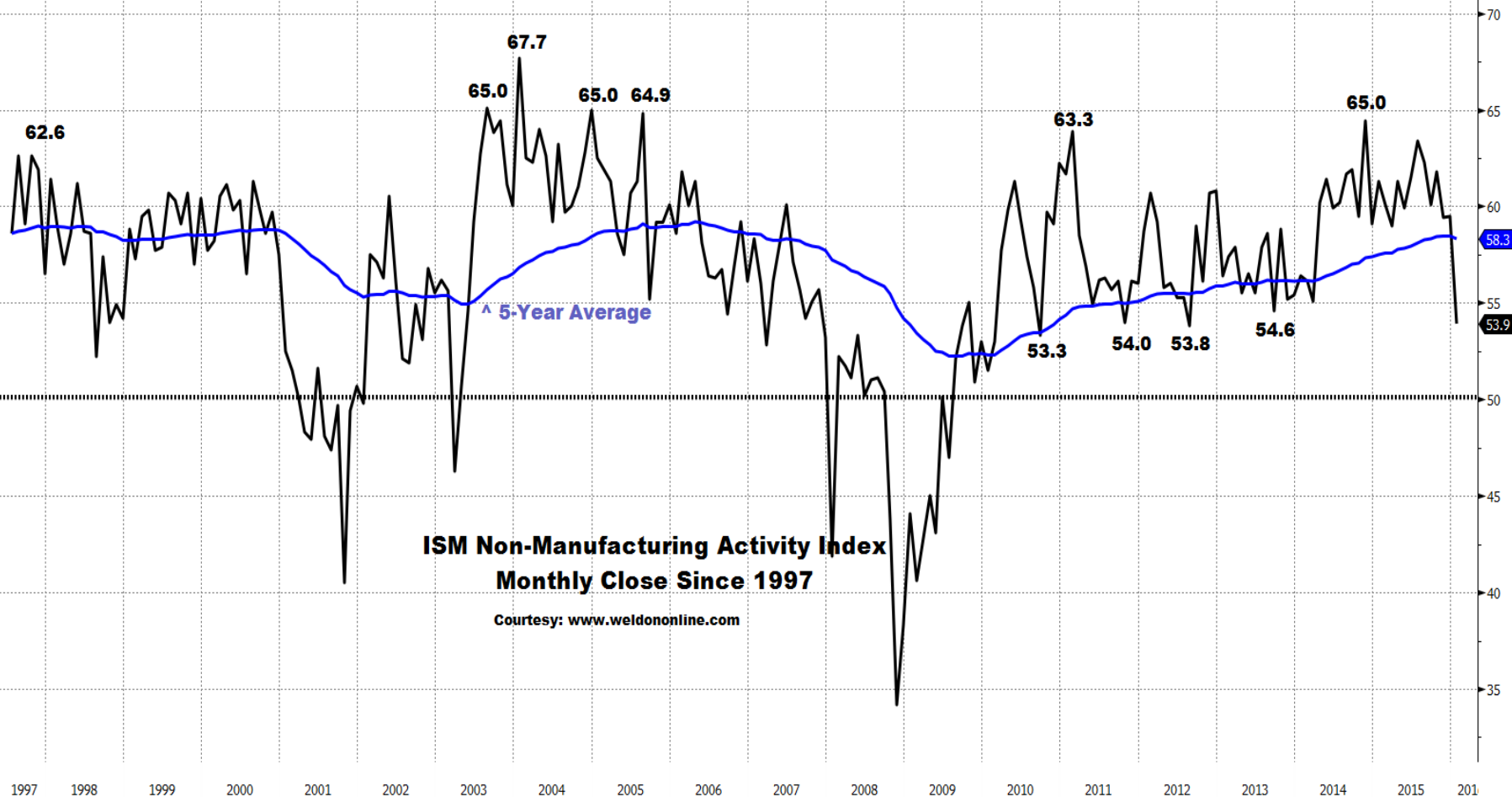
Nearly all participants were now reasonably confident that inflation would move back to 2 percent over the medium term. However, because of the recent further decline in crude oil prices, many participants judged that falling energy prices would depress headline inflation somewhat longer than previously anticipated. Also, several observed that the **additional appreciation of the dollar** would continue to hold down the prices of imported goods

Overall, taking into account economic developments and the outlook for economic activity and the labor market, the Committee was now reasonably confident in its expectation that inflation would rise, over the medium term, to its 2 percent objective. However, for some members, the risks attending their inflation forecasts remained considerable. Among those risks was the possibility that additional downward shocks to prices of oil and other commodities or a **sustained rise in the exchange value of the dollar could delay or diminish the expected upturn in inflation.**



WeldonLIVE

ISM Service Sector Index Melt-Down Provides the Catalyst, Macro-Data Wise for Fed Comment on the USD



**ISM Non-Manufacturing Activity Index
Monthly Close Since 1997**

Courtesy: www.weldononline.com



WeldonLIVE

The Heretofore Resilient and Robust Service Sector Wobbles ... ISM Non-Manufacturing Business Activity Barely Positive (Note the % Replies) While the Strong USD Has KILLED Export Orders

Business Activity	% Higher	% Same	% Lower	Index
Jan 2016	30	41	29	53.9
Dec 2015	32	50	18	59.5
Nov 2015	32	51	17	59.4
Oct 2015	31	59	10	61.8

New Export Orders	% Higher	% Same	% Lower	Index
Jan 2016	11	69	20	45.5
Dec 2015	15	77	8	53.5
Nov 2015	11	77	12	49.5
Oct 2015	16	77	7	54.5



BOTH the Non-Manufacturing (White) and Manufacturing (Grey) Employment Indexes FELL, With Back-to-Back Sub-50 Readings in Manufacturing Employment

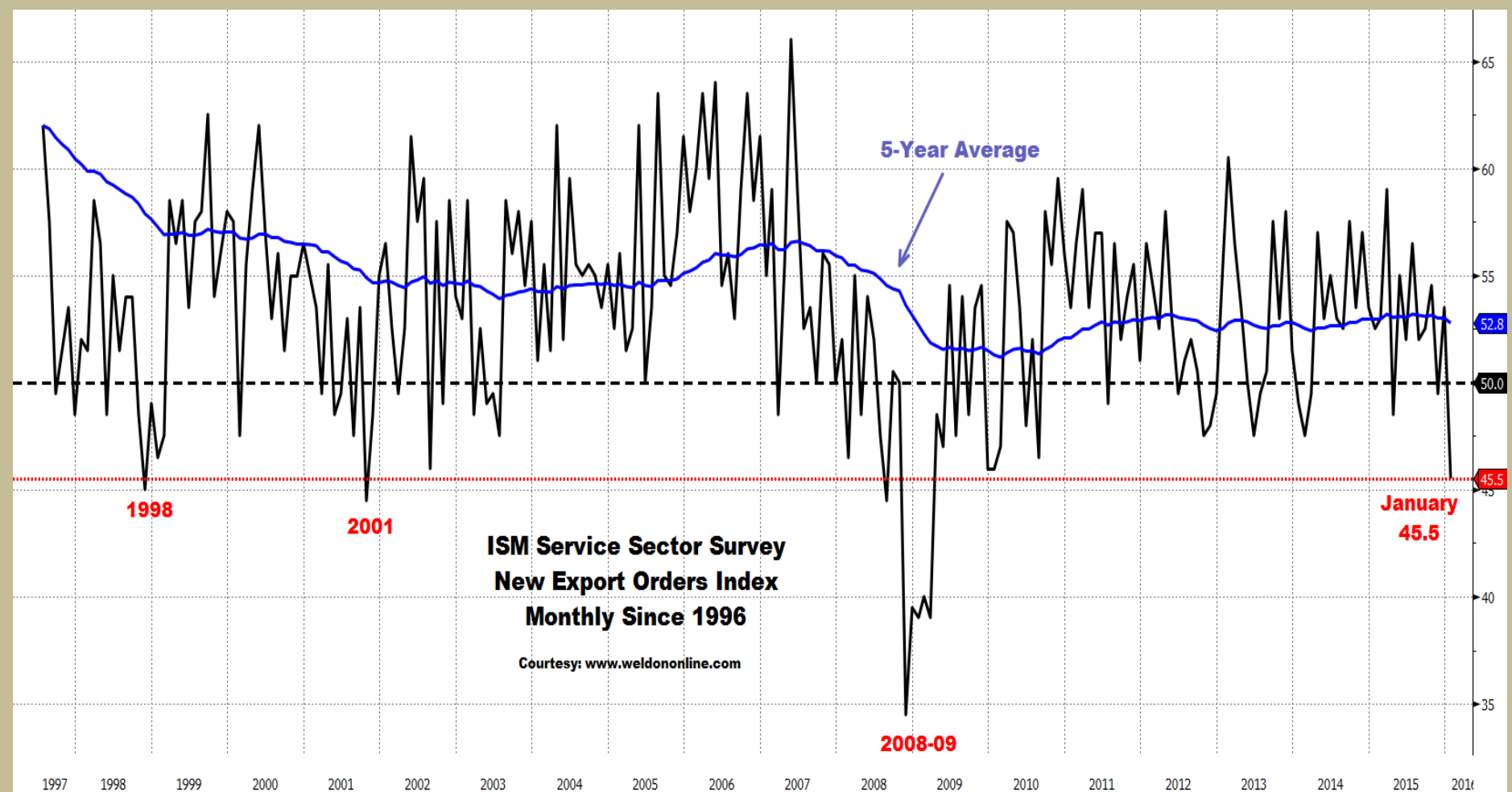
Employment	% Higher	% Same	% Lower	Index
Jan 2016	15	68	17	52.1
Dec 2015	20	70	10	56.3
Nov 2015	18	66	16	56.0
Oct 2015	24	65	11	58.4

Employment	% Higher	% Same	% Lower	Net	Index
Jan 2016	11	67	22	-11	45.9
Dec 2015	10	73	17	-7	48.0
Nov 2015	15	69	16	-1	50.8
Oct 2015	12	68	20	-8	47.7



WeldonLIVE

Strength in the USD Has Crushed Emerging Market Economies ... and Demand for US Exports, as Evidenced by the LOW Level of the ISM's New Export Order Index



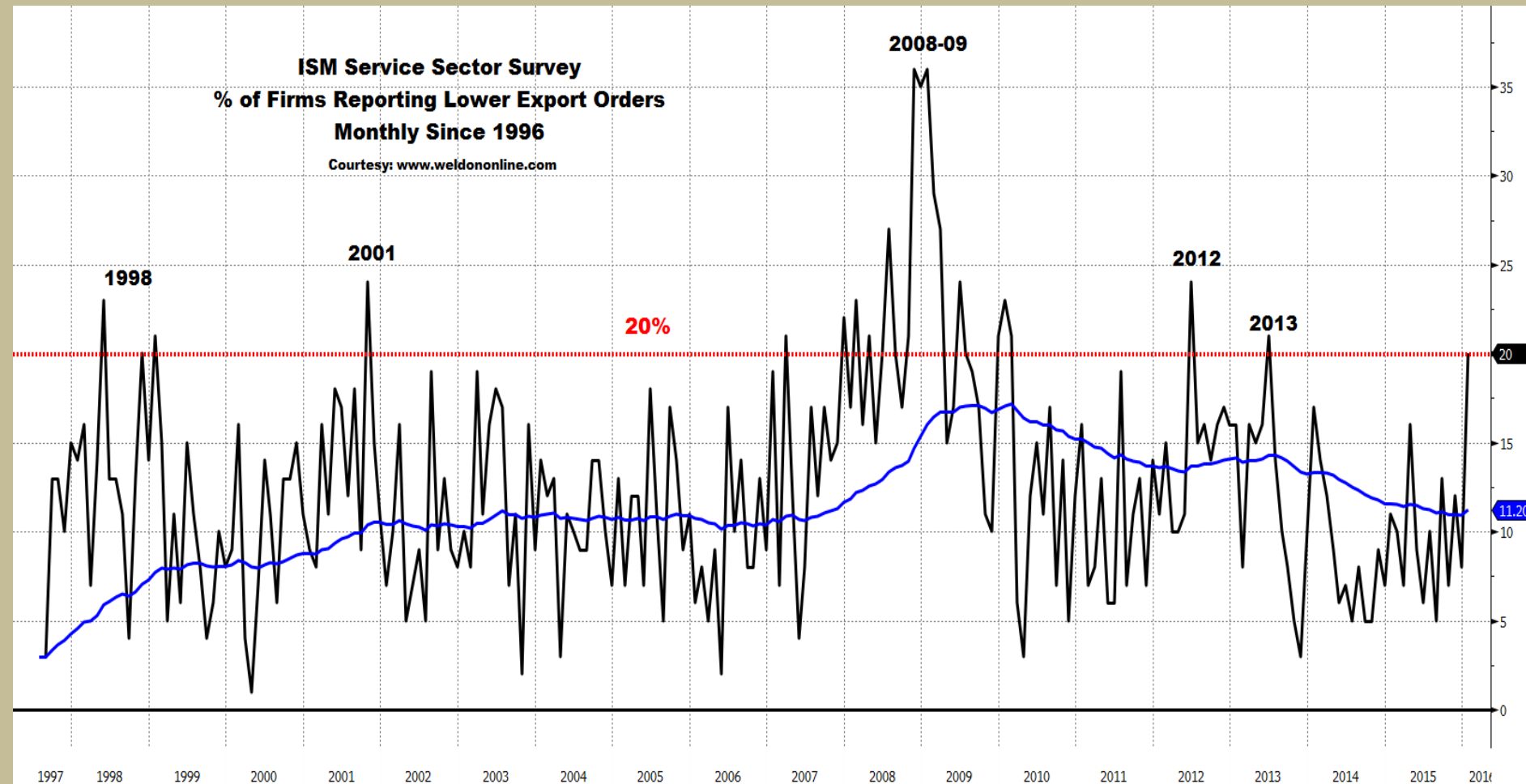


WeldonLIVE

A Sizable Twenty-Percent of US Service Sector Firms Reporting That New Export Orders are CONTRACTING

ISM Service Sector Survey
% of Firms Reporting Lower Export Orders
Monthly Since 1996

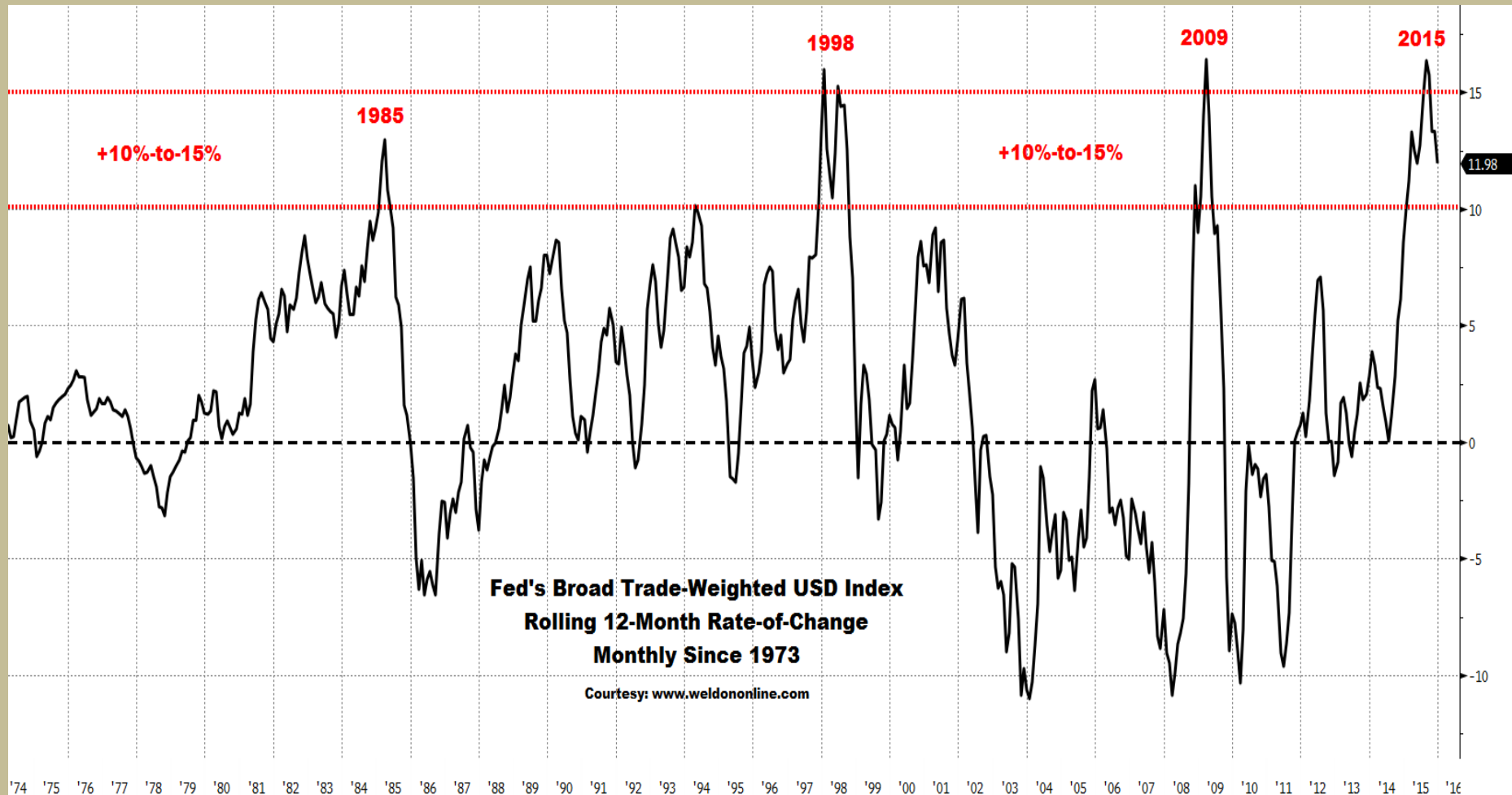
Courtesy: www.weldononline.com

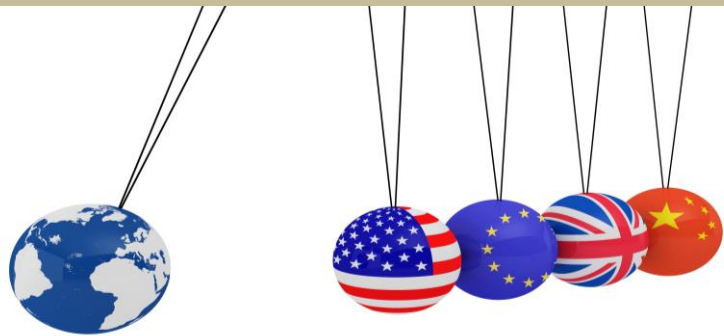




WeldonLIVE

**We Have Been Using This Chart for Months ...
... the 15% Appreciation in the USD During
2014-15 Is a Crisis-Inducing Rate-of-Change**





WeldonLIVE

An Overheated Rate of USD Appreciation Combined With Fundamental Bearishness in Energy Sector (Supply Glut) Generated an UNPRECEDENTED Rate of Commodity Deflation Over the Last Two-Years

**Goldman Sachs Commodity Index
2-Year Rate-of-Change - Monthly Since 1971**

Courtesy: www.weldononline.com

**Oct-Nov
1976**

**Now THE Deepest 2-Year
Rate of Deflation EVER**

**-50
-54.5**

1972 1976 1980 1984 1988 1992 1996 2000 2004 2008 2012

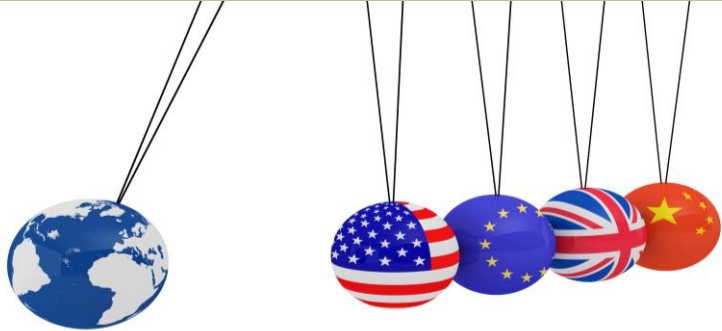
www.weldononline.com



WeldonLIVE

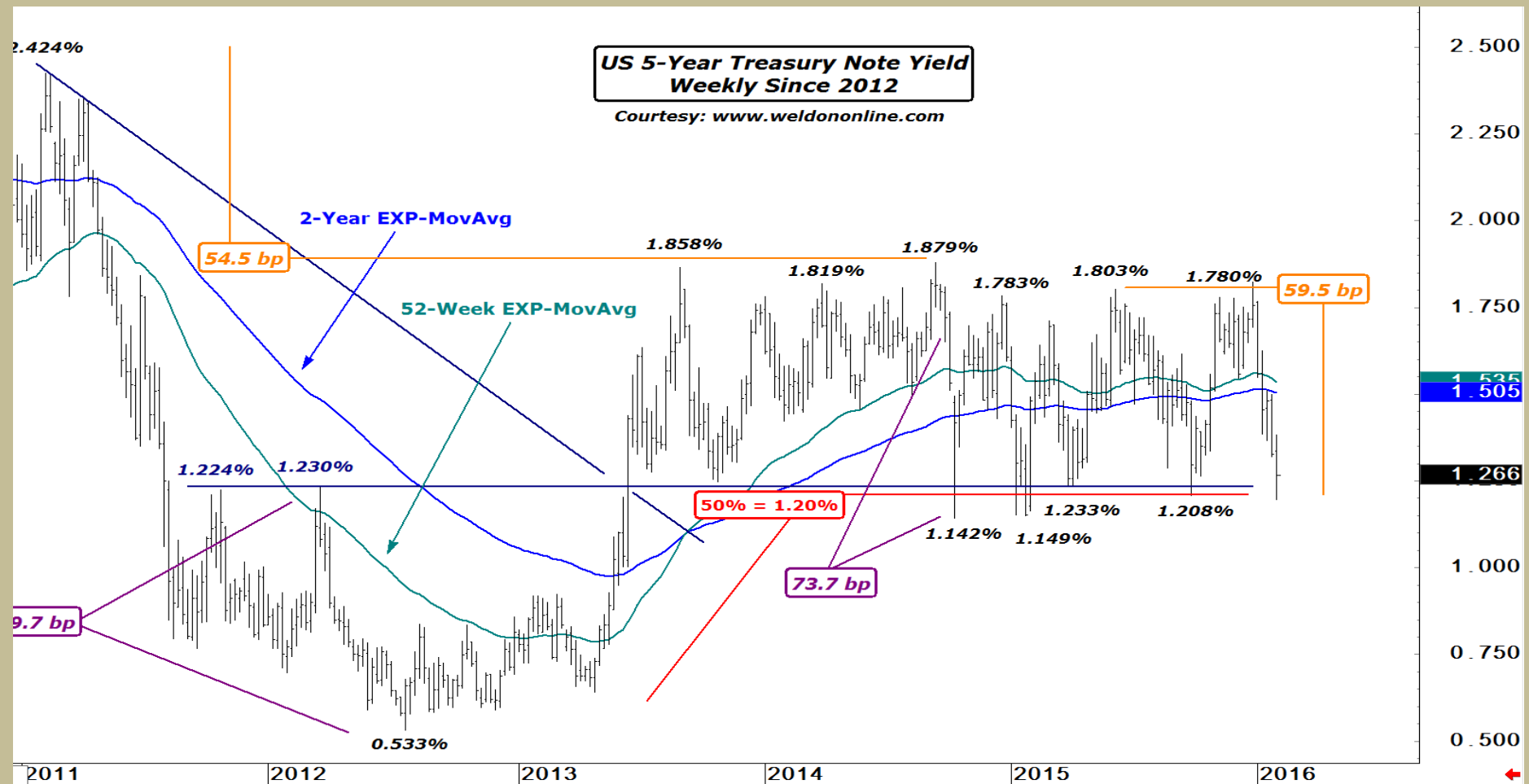
**The Fed's Dot-Plot is TOO HAWKISH ...
... With an Incredibly Wide Spread Versus the
Market's Expectation for Future Hikes in the Fed
Funds Rate, With Only ONE Hike Priced for the
Next Two-Years !!!**





WeldonLIVE

Closely Monitoring the 5-Year US Treasury Note's Yield ... and the Recent Lows





WeldonLIVE

Influential New York Fed Bank President William Dudley Had the USD in His Crosshairs ... and Talked About Unintended Tightening in Monetary Conditions, Which is Centralbankese 'for' Dollar Appreciation



"A weakening of the global economy accompanied by further appreciation in an already strong dollar could also have significant consequences for the U.S. economy."



"One thing I think we can say with more confidence is that financial conditions are considerably tighter than they were at the time of the December meeting. So if those financial conditions were to remain in place by the time we get to the March meeting we would have to take that into consideration in terms of that monetary policy decision."



"We're acknowledging that things have happened in financial markets and in the flow of the economic data that may be in the process of altering the outlook for growth and the risk to the outlook for growth going forward, but it's a little soon to draw any firm conclusions from what we've seen."



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Translation Into English



Inflation ??

Yeah, no ... inflation is NOWHERE in sight !!!



Indeed, the USD is high ...



... but it would be less deflationary if it were down here.



WeldonLIVE

**Shocked, Shocked to Find That Our Rate Hike
Caused Monetary Conditions to Tighten !!! ...
... It Seems Downright Laughable ...
... and is Totally Unacceptable !!**



I know, can you believe it ???

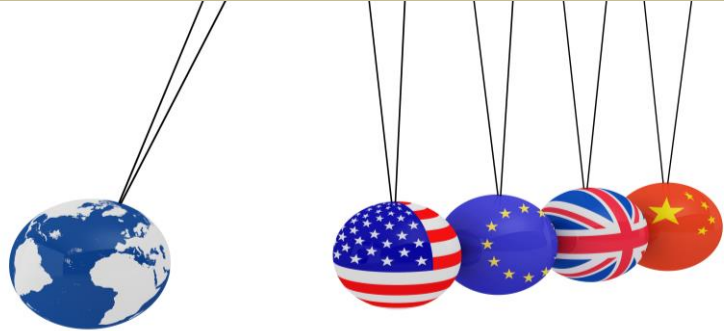
Who'd have thunk it ...

... the Trade-Weighted Dollar rallied and made new highs, and monetary conditions tightened, because we raised interest rates ??

SAY WHATTTTTTT ??

GEE, NO ... we DON'T WANT monetary conditions to tighten !!!!

So ... never mind !!!



WeldonLIVE

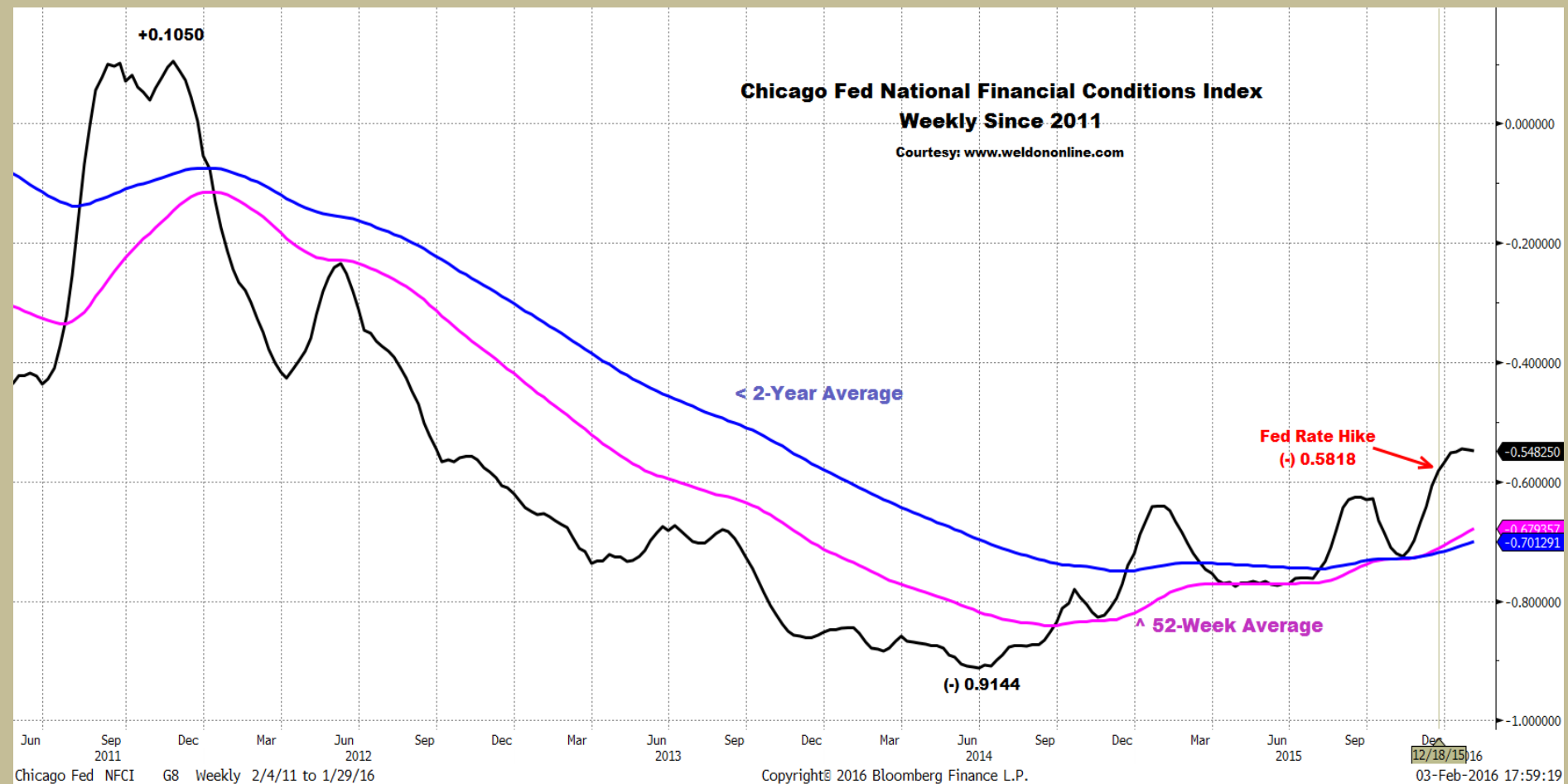
**The Fed's Underlying Policy 'Message'
as Delivered by the New Fed Chair ...
... Rosanne Rosanna Danna**





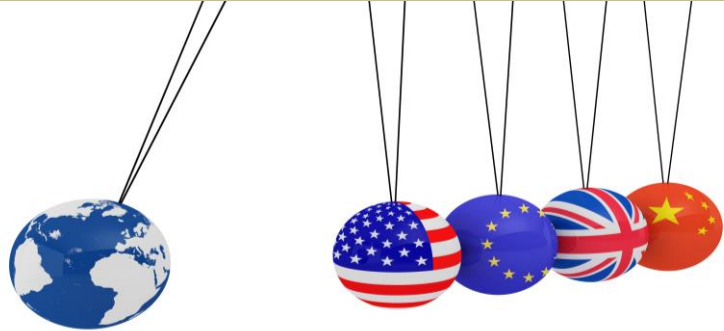
WeldonLIVE

The Chicago Fed MCI is NOT “Tight” at All, With a Still Negative Reading ... Conditions Are ONLY Less Easy, Suggesting That the Markets and Macro-Economy are FAR MORE VULNERABLE Than the Fed Believes



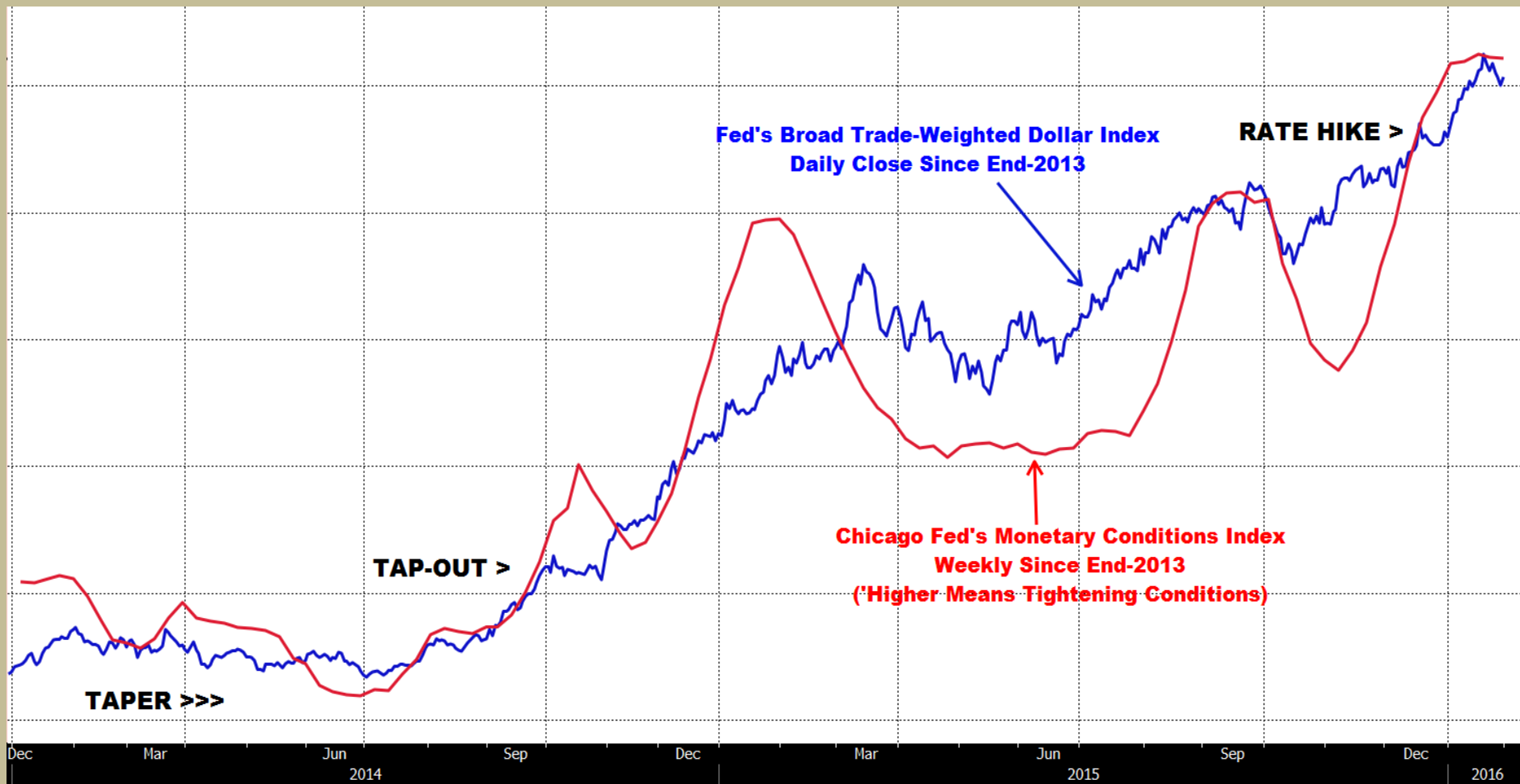
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03-Feb-2016 17:59:19



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The So-Called “Tightening” in Monetary Conditions Can Be DIRECTLY Attributed to the Appreciation in the USD, Predicated Upon the Slope of the FOMC’s Dot-Plot





WeldonLIVE

**The USDX Has Ten-Percent of Downside Risk,
Relative to Where the Fixed-Income Market Is
Currently Pricing the Future of the Fed Funds Rate**

Courtesy: www.weldononline.com

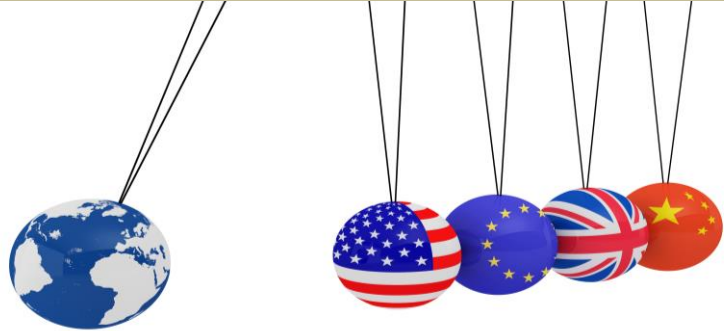
**US Dollar Index
Daily Close Since January**

**End-2016 Fed Funds Futures
Implied Rate - Daily Since January**

102000
100000
98000
96000
94000
92000
90000
88000
86000

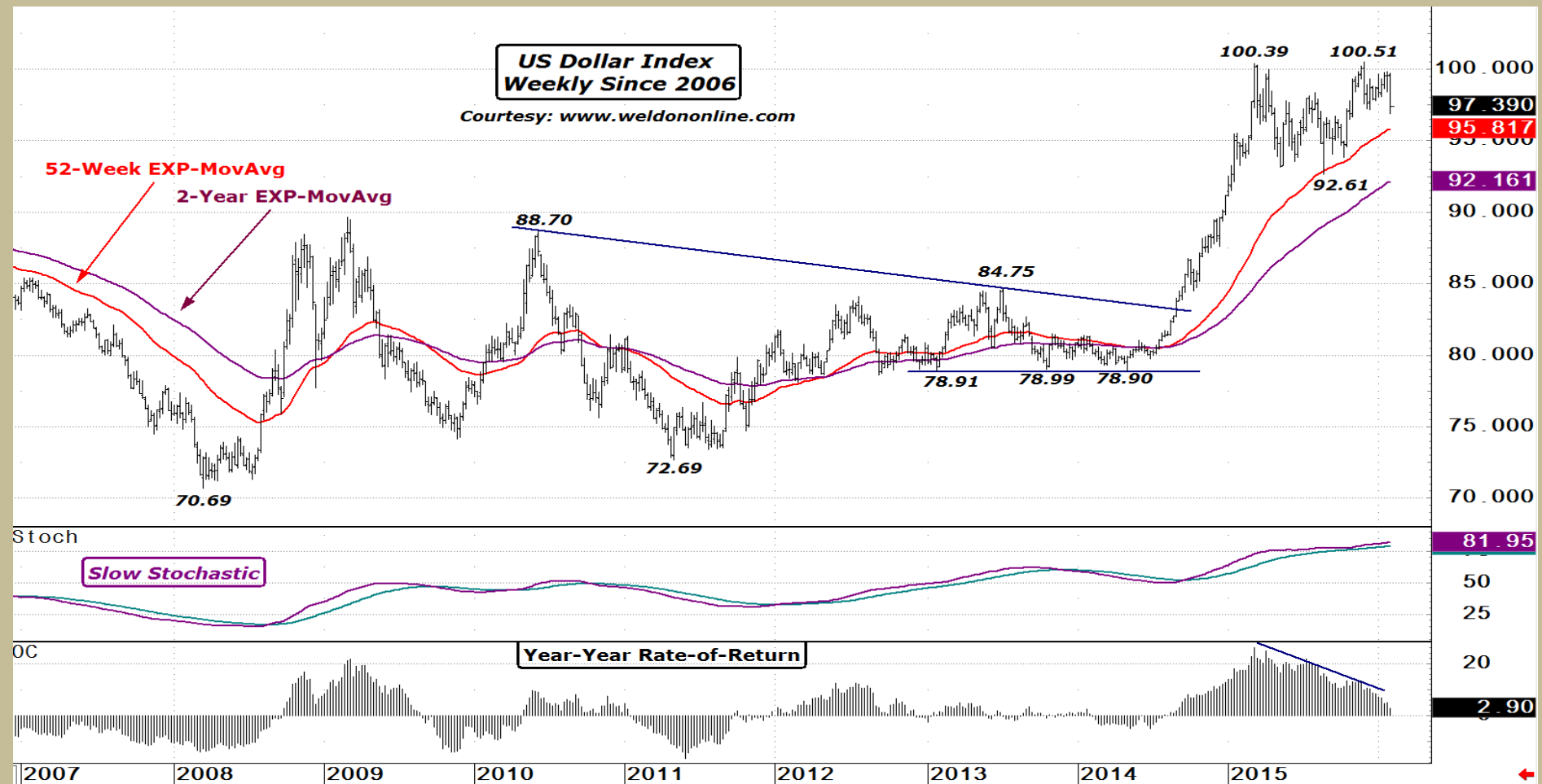
May 15 Jun Jul Aug Sep Oct Nov Dec Jan 16

www.weldononline.com



WeldonLIVE

**A Major Double-Top Forming in the USDX,
Amid Bearish Momentum Divergence and an
Overstretched Condition in the Stochastic Indicator**





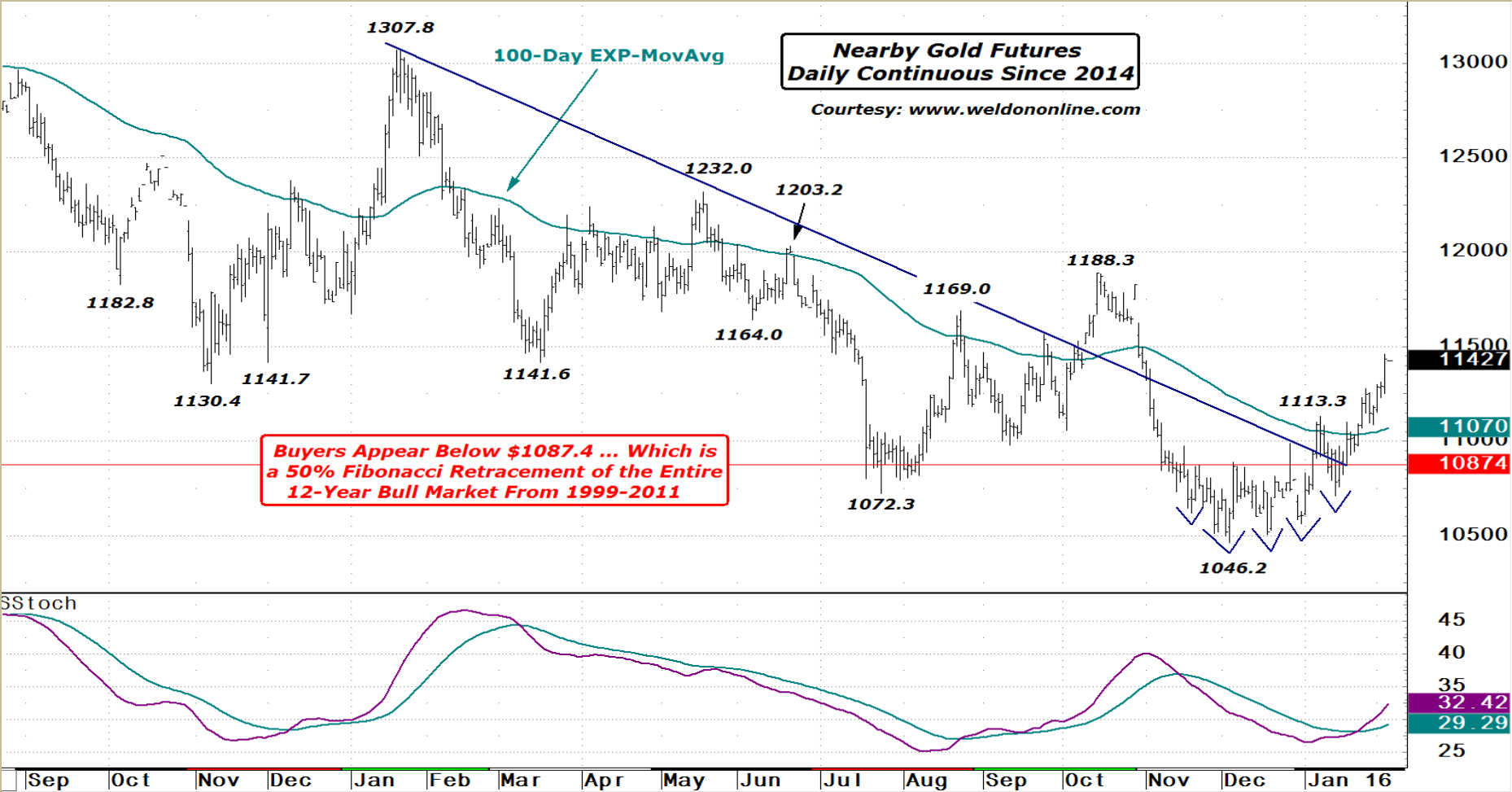
WeldonLIVE

**We Have Been HONED-IN on the Chart Below
Plotting the Gold-Adjusted 'Value' of the US
Dollar Index ... Which Peaked Just Prior to the
Fed's December Rate Hike**





Got Gold ??



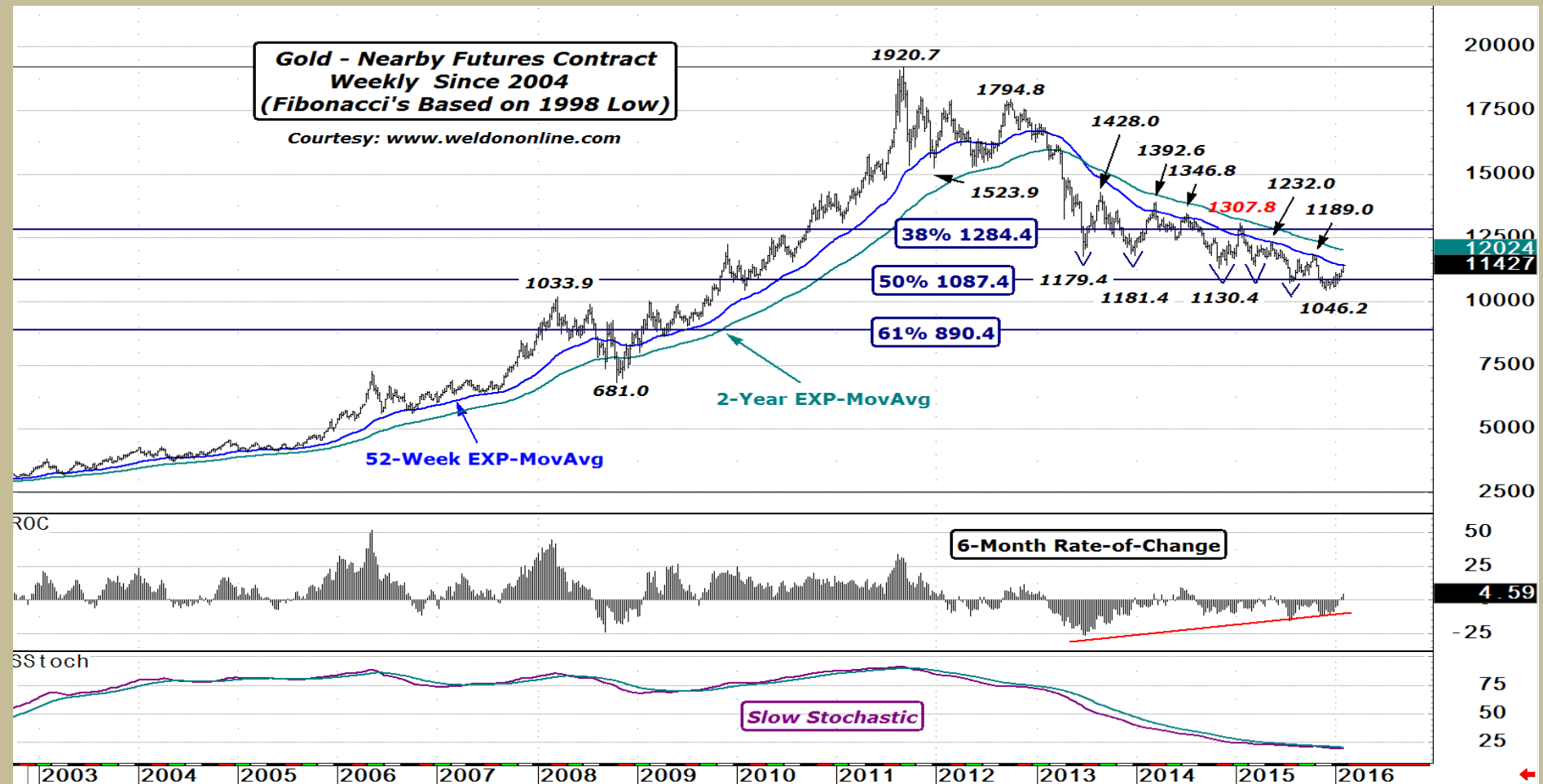


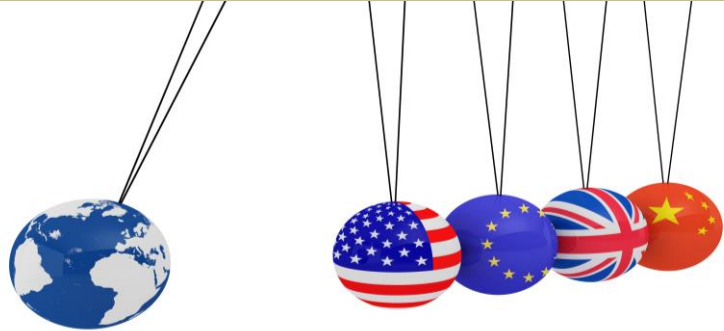
WeldonLIVE

**A Move Above \$1190 in Gold Completes the Technical Bottoming Pattern ...
... a Move Above \$1309 Signals a Resumption of the Multi-Decade Secular Bull Market**

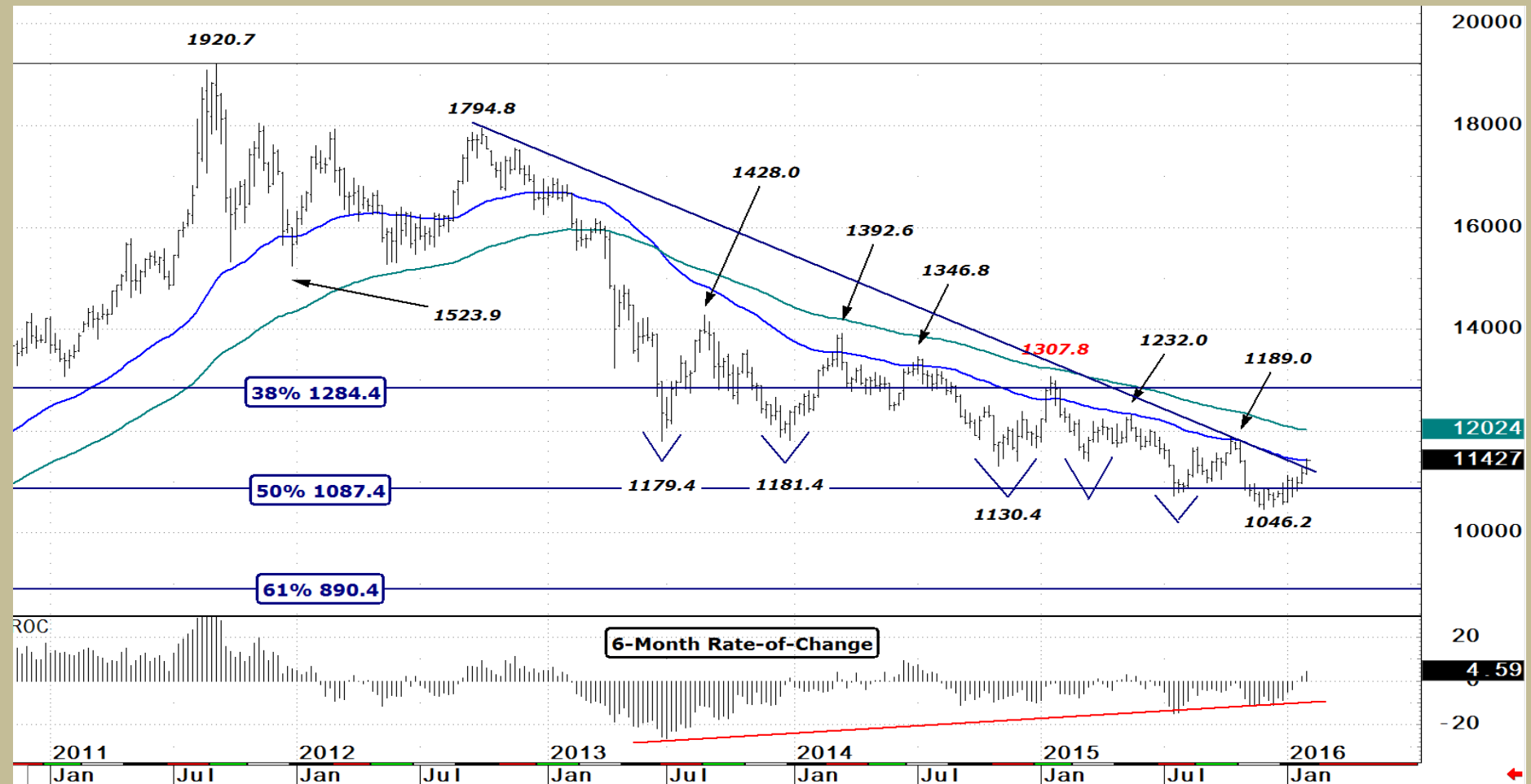
**Gold - Nearby Futures Contract
Weekly Since 2004
(Fibonacci's Based on 1998 Low)**

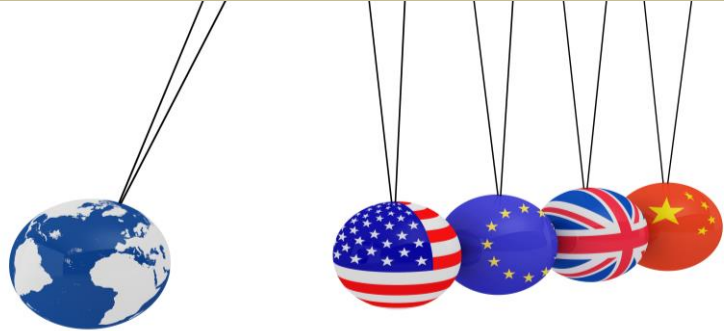
Courtesy: www.weldononline.com





Close-Up: Gold Breakout in the Making

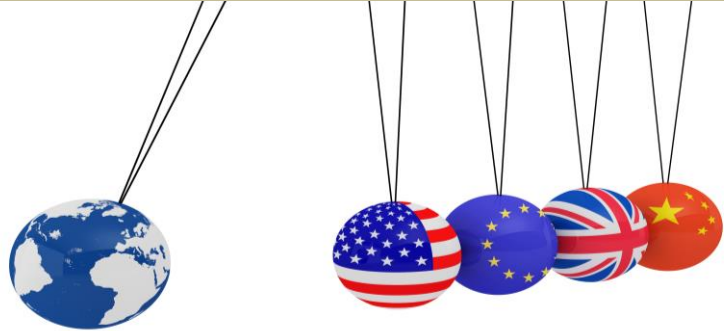




WeldonLIVE

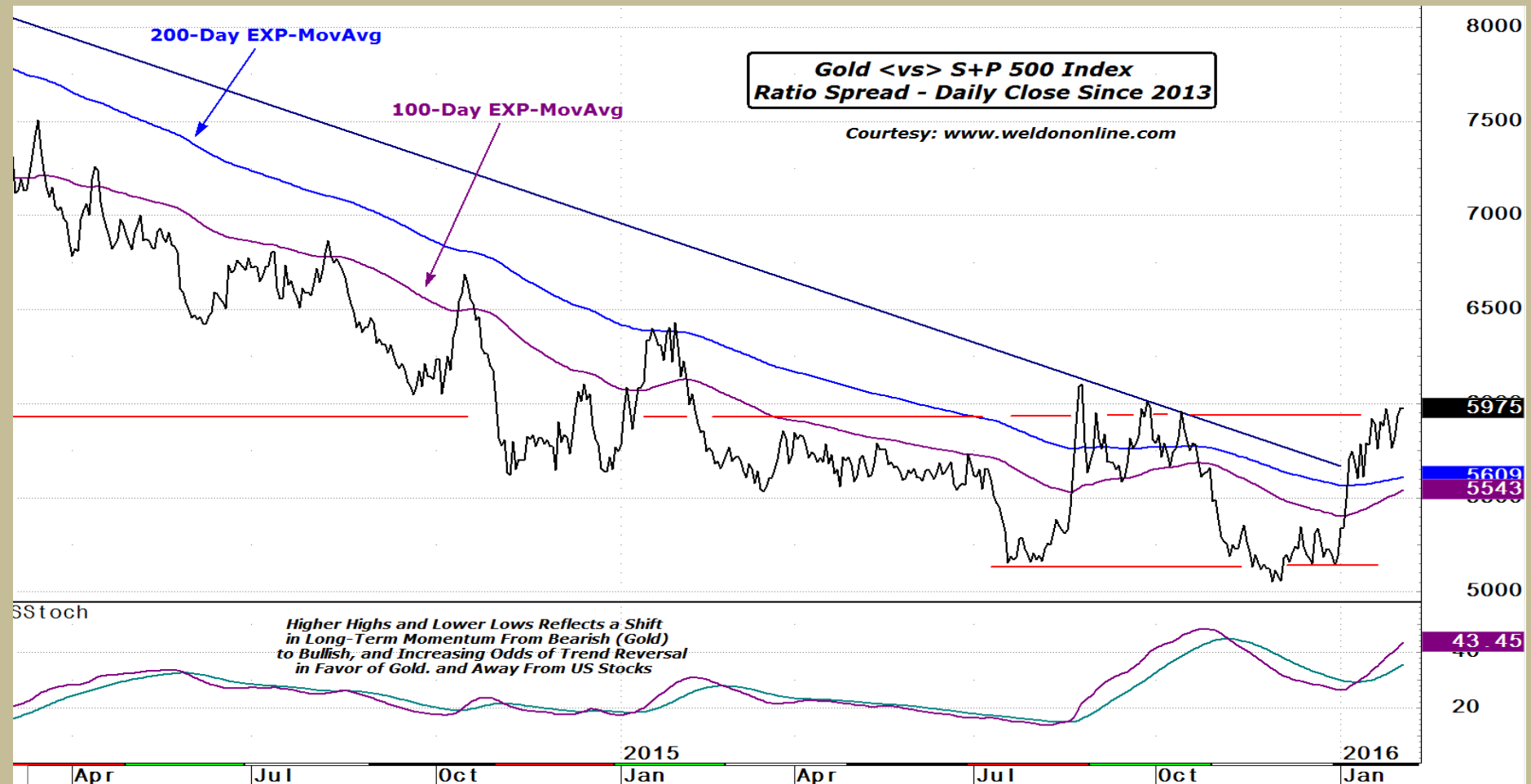
**Gold Bidding to Breakout Relative to the US Stock Market, as Defined by the S+P 500 ...
... Multi-Year Downtrend Line Violated, Long-Term Moving Average Violated, Bullish Divergence in Multiple Momentum Indicators**

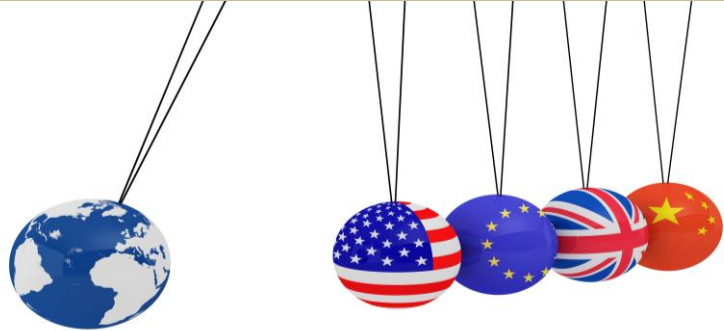




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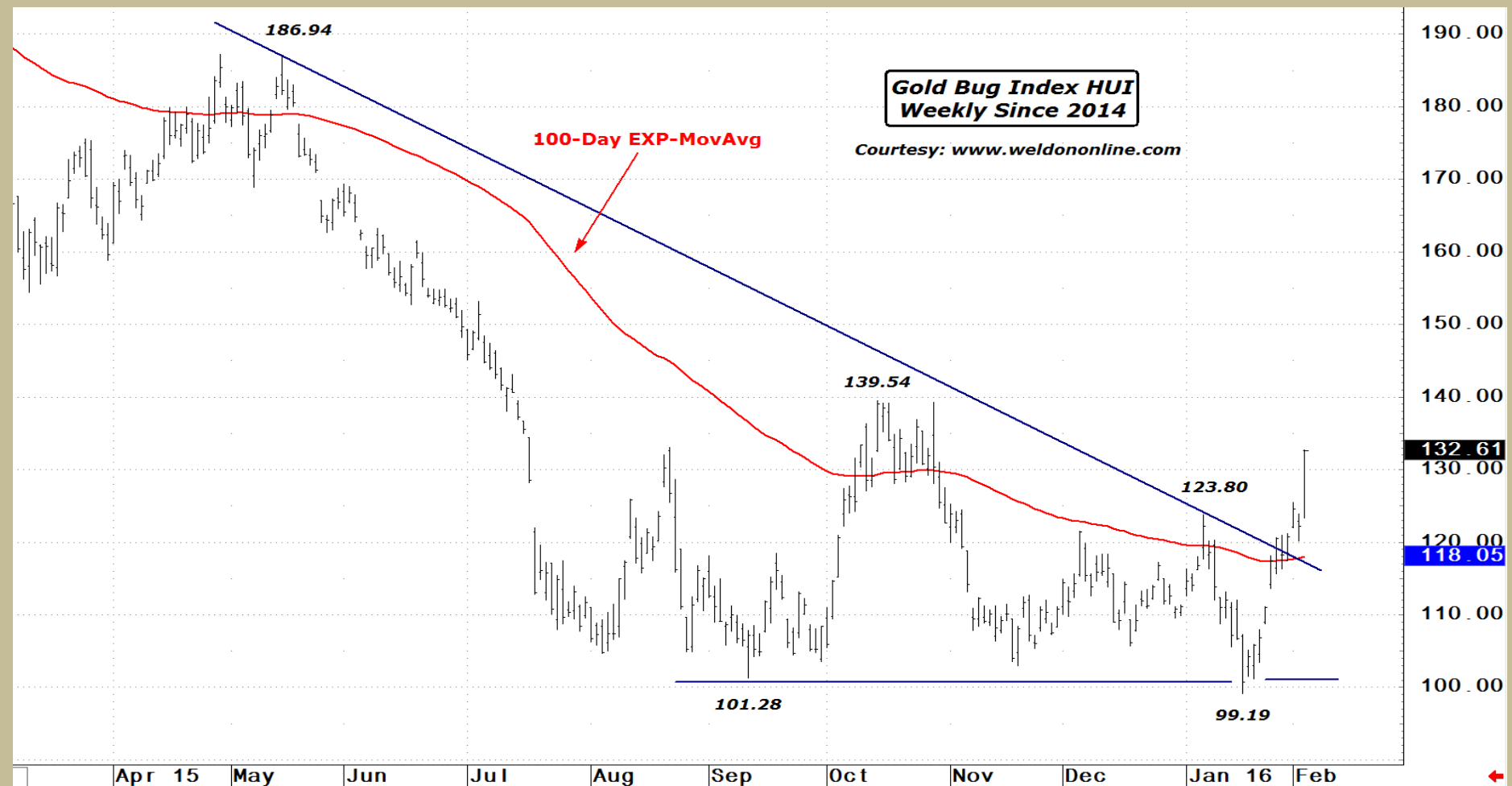
Close-Up: A Dollar Depreciation May Bail-Out the US Stock Market, But Gold is Likely to Outperform on the Upside, Amid Questions About the Fed's Credibility

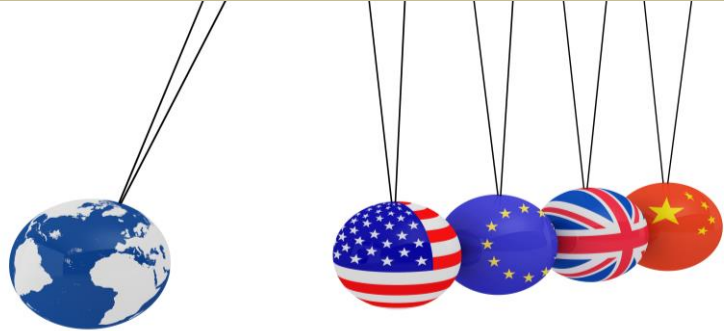




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**Gold Mining Shares SOAR ...
... From Their Cheapest Level in DECADES,
Relative to the Broader US Stock Market AND
the Underlying Price of Gold**





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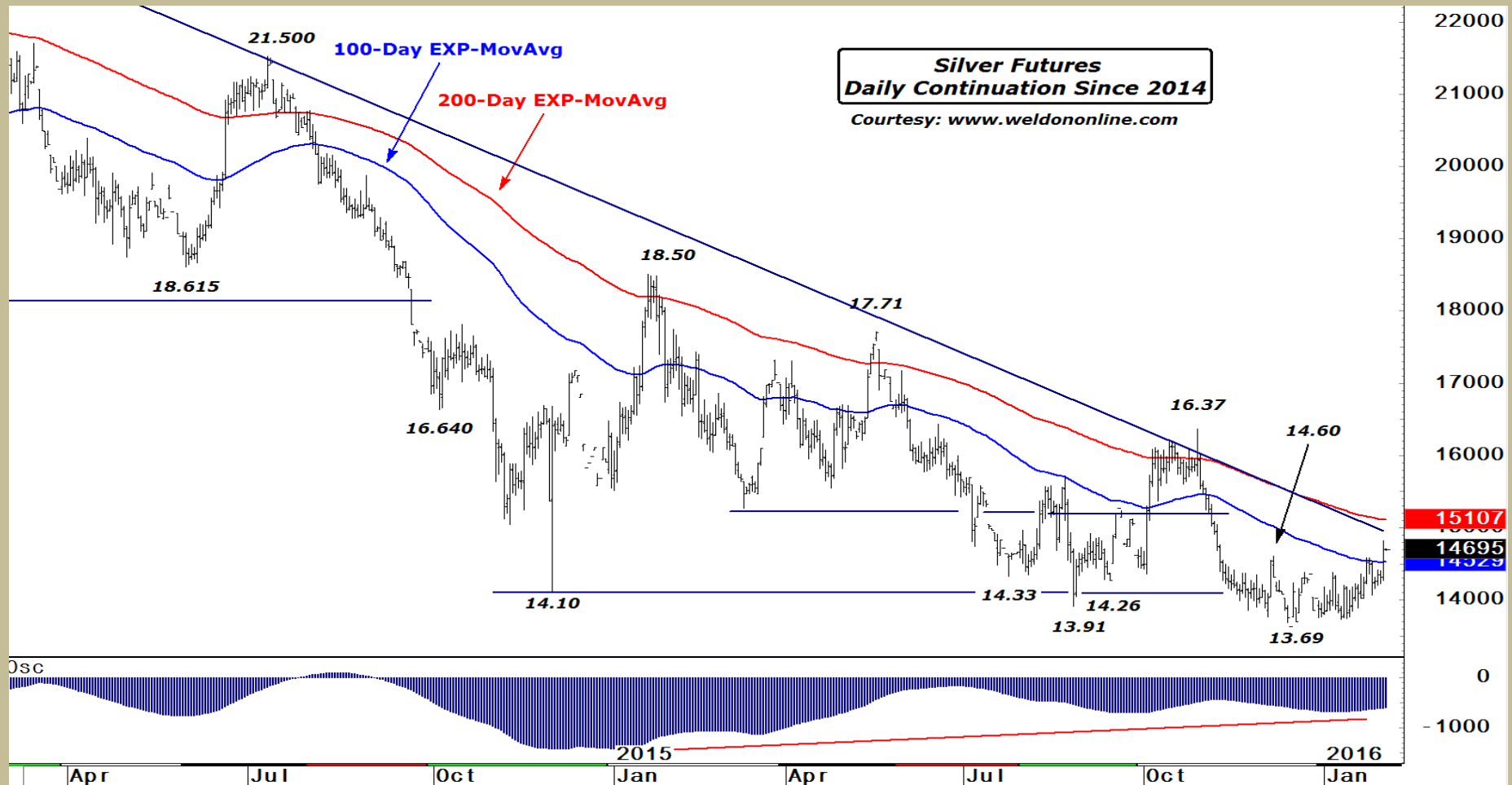
Long-Term Secular Upside Breakout in the Gold Bug Index of Un-Hedged Gold Mining Shares

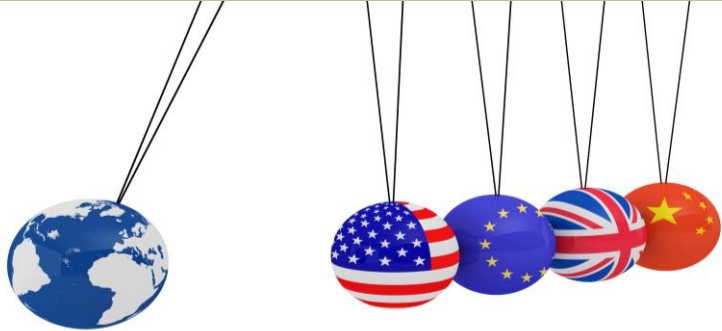




WeldonLIVE

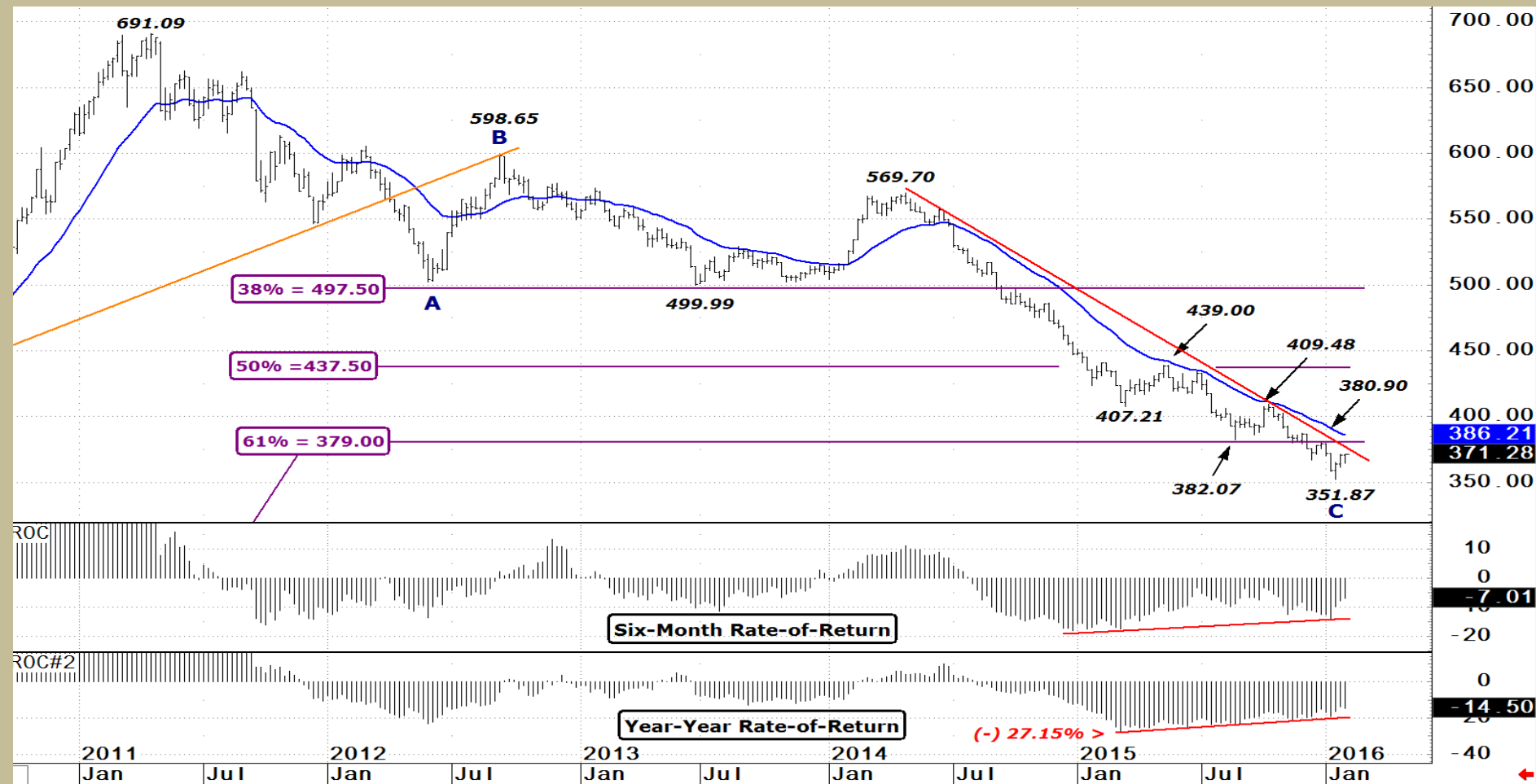
Hi Ho Silver ... Away !!!





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**Commodities to Benefit ...
... We Are Bullish, Generally Speaking, in
Select Commodities, Including Base Metals**





WeldonLIVE

**One of Our Main Macro-Trading Themes
Coming Into the Year, as Defined Within
Our “*Outlook 2016: Time to Rise & Shine*” ..**

**... We SPECIFICALLY CALLED for Possible
Verbal Intervention in the USD by Officialdom,
Since Which Time the FOMC Minutes Were
Released, Leading to Today’s Comments From
NY Fed President William Dudley**

Macro-Market Trading Themes for Early 2016

**Gold & Silver, Gold Mining Shares and ETFs
“Time to Rise and Shine ??”**

Time to Buy Historically Cheap (Relatively) Gold and Mining Shares ??
... Anticipating a Deflation-Driven Reversal in the Fed’s Outlook,
and Possible Verbal Intervention in the USD by Officialdom



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Our January 5th Outlook Recommendation
Gold was at \$1077.0
Now at \$1143.0 ... Up +\$66
Up +6.1% in One-Month



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2016 Outlook

**We Feel STRONGLY That the Time is Right to Begin Buying
and/or Owning Precious Metals, and We Specifically
Designed This Program to Outperform Other Gold
Investments During Bullish Periods**

Strategic Investment Opportunities

Long-Only Leveraged Precious Metals Program – Greg Weldon, CTA

A Bullish Bet on Gold, Silver, Platinum and Palladium,
Buying as Capitulation is Finally Realized, and a Four-Year Bear Market Might Be Ending
2016 May Well Mark a Major Reversal Year for the Precious Metals
And Offer a Long-Term, Secular Buy-the-Dip Opportunity, Perhaps the BEST Since 1985

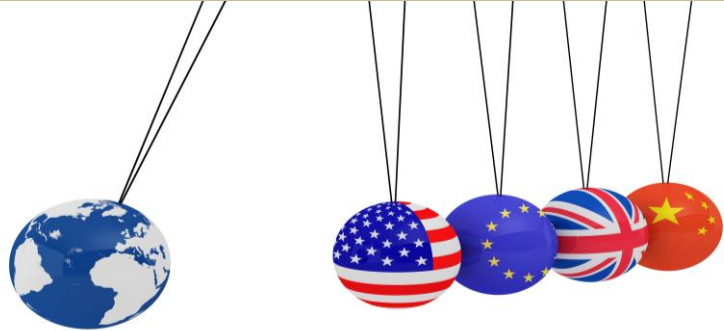
This Program is Always 100% Long Gold (Futures) ...
... and when our quantitative indicators mandate, we take a leveraged position in Gold, Silver,
Platinum and Palladium, with a maximum 'leverage', (nominally, at current prices) of 4.2-to-1

The Minimum Investment is \$150,000

Notionally Funded Programs Are Available

**All Programs Are Set-up as Individually Managed Accounts, With Daily Reporting,
FULL Transparency, Overnight Liquidation and NO Lock-Up Period**

www.weldononline.com



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**For Information on Our Quantitatively Driven,
Long-Only, Leveraged Gold & Precious Metals
Managed Accounts Program ... or to Arrange
for a Phone Call With Greg Weldon ...**

**... email Our Director of Operations,
Katelyn Ellis at
katelyn.ellis@gmail.com**

