

# The Dollar Is About to Fall... Big Time

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*The Fed stops the process of raising key rates while indicating that it wants to reduce its balance sheet.*

You know President Macron's verbal note: "at the same time." Reassuring sign of moderation for his admirers, sign of blur and smoke for his critics.

Well, yesterday, the Federal Reserve gave us the "at the same time" speech.

The US Central Bank will leave its key rates unchanged until further notice, but "at the same time" it talks a lot about the imminent reduction in its balance sheet.

Stopping at this level of interest rates is indicative of a lax monetary policy. Credit is virtually free.

Considering a reduction in the balance sheet is a monetary tightening. The Fed will issue bonds on the market. So liquidity will return to freeze in bonds that had been withdrawn from the market. There will be less money (credit) available for something else.

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Laxist policy but "at the same time" more rigorous ... Colombe and "at the same time" falcon.

Obviously, it does not make much sense. But in any case, we are still at the stage of words for the reduction of the balance sheet, not the acts.

However, the review of the minutes of the June Fed is very enlightening, according to my colleague Graham Summers.

*"The Fed is fully back on its falcon policy and seems to have almost finished with its rate hikes.*

*The meaning of this should not be underestimated. It is one thing that Yellen cooves like a dove in front of Congress (which could be merely a political posture); It is another, completely different thing, that the whole council of governors opts for a dove attitude.*

*Markets are no longer anticipating any rate hike in 2017 and the dollar is falling while precious metals are rising. "*

Yes, but ... and the reduction of the balance sheet?

The star of the bond management, Bill Gross, of Janus Capital, has an idea on this subject that exposes on [CNBC](#):

*"They are preparing to reduce the balance sheet because they want a positive rate curve. [...] It is important, I think in a debt-free economy not to have a yield curve that tends to flatten and the Fed is aware of it. [...] This will have a more symbolic than real effect on the markets ".*

The "yield curve" shows the relationship between short-term interest rates and long-term interest rates. The reduction in the balance sheet should push up long rates as there will be less money available for long-term borrowing.

The sales should start in September, after the meeting of Jackson Hole, traditional meeting of the Financial Parasitocracy.

How does this affect us as an investor in the Eurozone?

Short term :

- The dollar therefore decreases the euro rises (against the dollar). It's time to go on vacation in the United States!
- Gold and silver reacted upward (as the dollar fell) contributing more than 1%
- Mechanically, it is rather good for US stocks because big managers outside the US reason in "money pockets". As the dollar has gone down, their portfolios of dollar-denominated securities have declined. As they commit to a certain monetary equilibrium with their client, they will redeem dollar shares to maintain their proportions.

Medium term :

- Inflation - the acid likely to eat away debts - is slow to come.
- A fiscal crisis is brewing in the United States because it will be necessary to discuss again the raising of the debt ceiling. Doubt begins to be instilled on the mastery of the situation by the central bankers.

The whole monetary and financial system only holds by debt and all the debt holds only because the rates are low ...

Central bankers claim to have saved the economy with their exceptional monetary policies, but "at the same time" they seem unable to withdraw them.

Nothing prevents you from having confidence in the monetarist theories of our great financiers, but "at the same time" I advise you to have a little gold that seems very cheap.[Editor's note: not all golds are equal. Do not be deceived for your physical gold purchases. Choose this piece that has a very special status that gives it a very soft tax.[Everything is explained here.](#)]