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If it is true there are several issues worth discussing. The first is that this incredibly bearish information for the US comes at a time when only 4% of the US Dollar Index traders are bullish on the currency. This is an extreme level that suggests to me that there are few people left to join in on the “Demise of the US dollar” theme. Last year a similar bullish extreme on crude oil was evident during the summer peak price levels just before the historic decline began. I believe there is a strong possibility that a reversal in the downtrend is near.

Another issue is the poor quality of the alternatives such as the Euro and Yen. The Euro region is as economically stagnant as the US and fragmented by the competing interests of 15 different nations. The yen is even more indebted than the US dollar after decades of economic downturns in Japan followed by government bailouts. The other alternatives like the Chinese yuan and the new proposed Persian Gulf regional currency are unlikely to dominate trade for many more years to come. For better or worse, I expect the US dollar to maintain its dominance in oil trading for now.

The last point I want to make is that the largest trade flow in oil is between Canada and the US. It seems likely that a switch by Middle Eastern oil exporters away from the US dollar will force the US to increase demand from Canada. If such an event were to occur expect investment in the oil sands to increase significantly.

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