



## Greenback Taking The Shine Off Gold?

In recent times, it seems the only ones after gold are the athletes in Beijing. The traditional safe haven investment in periods of inflation has had quite a run in 2008. A weak US dollar and inflationary fears in the first quarter of 2008 sent gold prices soaring over \$1000 per troy ounce in early March. The Exchange Traded Fund (ETF) that tracks the price of gold bullion is aptly known as GLD. The chart below shows the year-to-date performance of GLD.



The circled area shows the high of GLD at \$100 reflecting the high of gold prices at that time. Interesting to note the spike in traded volume in the bar chart below that coincides with the high.

One point to consider is the relative strength, or weakness of the US dollar against GLD. There is an ETF tracking the US dollar run by Deutsche Bank that comprises a basket of long futures contracts on the greenback. Holders of this ETF are effectively long the US, i.e. one expects the US to strengthen against the Japanese Yen, Euro, Sterling, Canadian dollar, Swedish krona, and the Swiss Franc. The ticker for this ETF is UUD, the Deutsche Bank Long US Dollar Index Bullish.

The graph below shows UUP for the same period as GLD above and it should be little surprise that the low at \$22.00 occurred in early March, the same period that GLD made its high. Conversely, there also exists a bearish US dollar ETF, UDN, which is the exact opposite of UUP. Investors in this ETF are expecting a decline in the value of the US dollar against major currencies.



The chart of UDN below indicates that UDN reached \$30.00 during the period of interest, early March 2008 as indicated by the circled region.



The long, and short, of this scenario is that rather than play commodities or currencies directly, where an investor can be literally stripped of cash in a short period, the suggestion is to play Exchange Traded Funds. The ETF's are easy to trade and offer less volatility. The above example shows the correlation between a commodity and the US currency that can be monitored so that an investor can better manage a trade through more efficient entry and exit.

***\*Edgar Pariagh does not currently hold any positions in the currency or commodity markets.***

### ***Current Happenings in Local and International Markets:***

- Declines on TTSE send indices lower
- T&T's credit rating moves up: upgraded by S&P to A/Stable from A-/ Positive
- Neal and Massy on track for 2008 – EPS growth of 30% in third quarter

- Delistings of Courts (Barbados) and RBTT hit Barbados stock market
- Jamaica: Year-over-year inflation hits 26.2%
- Jamaican economy loses ground - Declines 0.2% in second quarter
- Sovereign, Midwest Battered By Fannie, Freddie Preferred Stock
- U.K. Economic Growth Stagnated in Second Quarter
- London Real Estate Shakeout Means REITs Lose 50% on Attrition
- U.K. Retail Sales Increased Unexpectedly in July

**Table 1: Regional Market Performance (as at 21 August 2008)**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	1,142.38	-0.84	-2.31	16.04	24.80
All Trinidad	1,537.16	-0.44	-1.28	27.40	34.38
JSE Index	107,824.72	0.29	-1.77	0.29	16.97
JSE Select	2,998.40	0.84	-2.76	3.13	17.86
All Jamaica	108,983.47	0.53	-2.51	2.95	16.47
BSE Composite	1,071.68	0.08	-0.20	4.17	12.69

**Table 2: International Market Performance (as at 21 August 2008)**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,277.72	-1.18	1.41	-11.71	-11.71
Nasdaq Composite	2,380.38	-2.99	4.42	-8.78	-5.59
Dow Jones Industrial	11,430.21	-1.60	-0.32	-12.37	-12.69
German Dax	6,236.96	-3.19	-2.92	-21.54	-16.00
FTSE 100	5,370.20	-2.31	-0.63	-16.31	-11.76
Nikkei 225	12,752.21	-1.58	-0.40	-16.69	-19.80
Hang Seng	20,392.06	-4.68	-9.50	-26.01	-6.15
Eurostoxx	3,248.92	-3.21	-2.55	-25.13	-22.18

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