

## The Future of the U.S. Dollar

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It can't be overstated enough how insane monetary policy has been the past 3 years. The economy was completely shut down and reopened, all while pumping \$5 trillion new dollars into the system. The only time-period we can compare today's environment to is the late 70's, the last time we printed a boatload of money. While history won't repeat itself, it may rhyme. The S&P 500 Index dropped 14% in 1973 and 26% in 1974, anticipating rate hikes to battle sky-high inflation. Similarly, the market dropped about 20% in 2022 with analysts expecting doom and gloom in 2023. Like we predicted, 2023 hasn't been the doomsday scenario experts expected.

So far, the market is up over 7% for 2023, which we think is the upper limit for stock returns this year. It's not to say stocks couldn't rally from here, but we believe the risk/return story favors core dividend growth companies as opposed to pure value or pure growth stocks. As we wrote a few years ago, we still strongly believe in large company leadership because the biggest stocks have pricing power and scale mid and small companies do not. At the same time, we don't want to overpay for a company, no matter how good it appears. Some stocks in the so-called "safe" sectors like utilities and consumer staples are trading for significant premiums which is why we avoided them in our last rebalance. For all the turmoil in the banking sector, many high-quality banks have been oversold and, in our opinion, could be a great buying opportunity for long term investors.

Most recently, the U.S. dollar's dominance has been brought into question. The U.S. dollar has functioned as the world's reserve currency since World War II. According to the IMF, central banks hold 60% of their foreign exchange reserves in dollars. While the U.S. has printed plenty of new dollars into existence the past 100 years, we haven't played currency games like the Chinese or Russians have. While we don't expect the USD to be pushed off the stage any time soon, history hasn't been kind to countries that print money into oblivion...just ask the Romans, Incans or the Brits. Today's interconnected world presents additional challenges as well. When a society has fallen in the past, there are plenty of other countries and currencies in existence to pick up the pieces, in short, there's been country diversification. One concern we have now though, is power has been so consolidated at the top, significant issues could emerge if the dollar loses its dominance.

One major stated goal of the U.N, the World Economic Forum and Klaus Schwab's 2020 book, "The Great Reset," has been a new world currency and digital token system. This isn't a new idea; in fact it's been tried for centuries under the guise of "safety." Marxists and communists like Schwab know a one world government is only achievable with a one world currency, controlled by a world reserve bank. It's why the 5<sup>th</sup> plank of the Communism Manifesto is the centralization of banking.

If history has proven one thing, centralized power never ends well. Even if our politicians pushed us closer to a one world reserve system through the collapse of the U.S. dollar, human nature screams in the opposite direction. Ever since the American Renaissance in the late 1800's and early 1900's, all serious philosophical thought has favored small government and the kind of laissez-faire economic foundation Adam Smith so passionately argued for in "The Wealth of Nations."

The United States is unique from other societies because we were founded by entrepreneurs and revolutionaries. We're optimistic that while we certainly face challenges ahead, the invisible hand will continue guiding our entrepreneurs forward and we'll retain global dominance for decades to come.

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