



## Weakening Dollar Makes Some Investments Attractive

The US dollar is on a persistent downward slide. *Investopedia* notes that the greenback has broken a technical support level and could fall a lot more. The **dollar's plunge** is, however, good for other investment opportunities.

*The U.S. dollar Index has broken a critical technical support level that could lead to a sharp decline, according to a technical analysis, falling as much as 13 percent from current levels. That retreat promises to boost stocks, oil, gold and affect other asset classes.*

*This is a dramatic turnaround from a few months ago when U.S. Treasury yields and the dollar jumped following the election of Donald Trump as President on November 8. Back then, investors anticipated an accelerated expansion of the economy at a pace of 3-to-4 percent yearly. But optimism has faded that Trump can achieve this goal anytime soon, if at all. [You can] couple that with the Fed's plans to scale back the pace and size of rate hikes, which has caused yields, and therefore the dollar, to reverse.*

Investments that go up in dollar value in this case are ADRs (American Depositary Receipts), gold and other precious metals, oil and oil stocks and US multinationals who gain much of their income from sales offshore. And for those with the capital and know how **foreign direct investment** becomes attractive.

*Follow the money is age old advice for knowing why something is happening. In this case we would like to follow the money that goes into foreign direct investment. Foreign direct investment is done by folks with lots of money and the intention to stay a course and make a profit. If you are looking for offshore investment ideas, take a look at where foreign direct investment goes year after year after year.*

The article is from 2014 but the **World Bank** has a current version.

*Foreign direct investment, net inflows (BoP, current US\$)*

*International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.*

You can invest offshore and simply take advantage of business opportunities in a growing economy or you can take advantage of exchange rates. Years ago we suggested that one might **invest in Colombia and the peso**. What we wrote then is still true today as the dollar weakens.

*If ever the famous Baron Rothschild "blood in the streets" quotation about investing were to apply in the later 20 th and early 21 st century, it would apply in Colombia. Colombia is emerging from a three generation long period of civil strife. The civil war in Colombia began in the 1950's. Rebels demanded land reform and the return of confiscated property to poor farmers. In more recent years surviving rebel groups had been linked to cocaine trafficking and kidnapping. In the last decade or so rebels have been largely driven from the cities and peace talks have started. It could be that the time has come to invest in Colombia and the peso.*

Since we wrote this article in 2012 two things have happened. First, and most important for the people of Colombia, peace between the government and rebel groups has been achieved. Secondly the price of oil has fallen. The Colombian peso is closely tied to the price of oil. Thus the peso trades at about 60% of its usual value versus the dollar. If you invest in a country like Colombia when its currency is weak you can sell your investment when the currency is strong and profit first and foremost on the improved exchange rate!

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