

Index

- Abdullah, King, 216
- ADRs. *See* American Depository Receipts
- Afghanistan:
 Soviet invasion and occupation of, 4, 156, 208
 U.S. war in, 67, 69, 169
- Agricultural commodities:
 global financial markets and prices of, 153
 growth rates in developing nations and, 192
 present commodities cycle and, 192
- American Depository Receipts, 244
- American Jobs Creation Act of 2004, 92
- AMM. *See* Asset market model
- Anti-dollar, euro as, 75, 76, 87, 127
- Arab Gulf nations, U.S. dollar and currency regimes of, 108
- Arab-Israeli war, oil embargo of 1973 and, 27
- Argentina, 211
- Asia:
 commodities price moves and, 192
 dietary trends in, 204
 food spending in, 203
- Asian crisis (1997–1998), 89, 110, 119
 OPEC's miscalculation and, 44–45, 157, 232
 world economy's emergence from, 70
- Asset classes. *See also* Bonds; Commodities; Equities; Stocks
 multifaceted, commodities as, 191
 net foreign capital flows into United States by, 174
 percent breakdown in foreign flows, 175
 U.S., rise in net foreign flows in 2000, 61
- Asset market model, 53
- Australia, interest rates, and current account percent of GDP, 115, 116
- Australian dollar (AUD), 54, 71, 137, 221
 aggregate returns on, 1999, 55
 charting against price of gold, 9, 10
 copper prices and boost for, 80, 110
 food/grain return on, 213
 gold, copper and, 220–221, 222
 gold returns in 2000 *vs.*, 13
 gold returns in 2007 *vs.*, 14

- Australian dollar (AUD)
(Continued)
 gold's aggregate annual returns
 against, 11, 12
 gold's correlations with, 15
 gold's recent performance
 against, 10, 11
 metals and growth in, 223
 1999 performance of, 56–57
 2000 aggregate returns, 60
 2001 aggregate returns, 66
 2002 aggregate returns, 72
 2003 aggregate returns, 78, 79
 2005 aggregate returns, 90
 2006 aggregate returns, 95
 2007 aggregate returns, 102
 2000 performance of, 64–65
 2001 performance of, 69
 2002 performance of, 77
 2004 performance of, 89
 2005 performance of, 93
 2006 performance of, 98–99
 2007 performance of, 104
 U.S. subprime mortgage market
 crisis, unwinding of carry
 trades and, 128–129
 volatility index *vs.*, 129
 wheat production and, 211
 Automobiles, fuel-efficient, 215
- Bahrain, dollar holdings in
 currency reserves of, 186
- Baker, James, 245, 246
- Balance of payments:
 components of, 162, 170
 rate of equilibrium and, 53
- Baltic Dry Index, 206
- Bangladesh, food spending in, 203
- Bank of Canada, 64, 68, 91, 101, 103
- Bank of England, 58, 60, 63, 76, 82,
 84, 87, 93, 96, 97, 100, 107
 “black Wednesday” and, 186
 British pound in 1991–1992 and,
 185, 186
- British pound's 2001
 performance and, 68
- euro's 2000 sell-off and
 intervention by, 64
- gold sale agreements and, 5
- inflation and, 233
- Bank of France, 86
- Bank of Japan, 88, 100, 101, 107,
 120, 126, 178
 euro's 2000 sell-off and
 intervention by, 64
- Japanese yen's 2001
 performance and, 69–70
- Basis points, 47
- Bear market, in U.S. dollar,
 2002–2007, 71–110
- Beef, Chinese urban consumption
 of, 209
- Bernanke, Ben, 78, 148
 Greenspan's “conundrum”
 proves to be problem for,
 144–145
 on value of dollar, 2008 speech
 by, 231
- Bhutto, Benazir, assassination of,
 22
- Biofuels revolution, 195, 204–206,
 208
- Blair, Tony, 76, 82
- Blumenthal, Michael, 30, 245,
 246
- BoC. *See* Bank of Canada
- BoE. *See* Bank of England
- BoJ. *See* Bank of Japan
- Bonds. *See also* Corporate bond
 spreads
 carry trades and investments in,
 113
 foreign, net U.S. purchases of,
 182, 183, 184
 Treasury, 132
 yield curves, the economy and,
 138–139
- BOP. *See* Balance of payments

- Bovespa equity benchmark index (Brazil), 214
- bps. *See* Basis points
- Brazil, 198
- biofuels demand in, 204, 205
 - net electricity use in, 200
 - Tupi oil field in, 218
 - yield curve inversion and 1998 market crisis in, 146
- Brazil, Russia, India, and China (BRICs), 199
- Brazilian real, 224
- bull market in soy and corn (2005) and, 212, 213
 - energy and, 218
 - ethanol production and, 211
 - food/grain return on, 213
- Bretton Woods Agreement (1944), xi, 2, 26
- BRICs. *See* Brazil, Russia, India, and China
- Britain, gold standard abandoned by, 2
- British pound, 54, 71, 76, 137
- aggregate returns, 1999, 55
 - euro gains *vs.*, as United Kingdom joins Iraq War, 82
 - falling oil prices, dollar and impact on, 40–41
 - gold measured against, 9, 10
 - gold returns in 2000 *vs.*, 13
 - gold returns in 2007 *vs.*, 14
 - gold's aggregate annual returns against, 11, 12
 - gold's recent performance against, 10, 11
 - 1999 performance of, 58
 - slowing house price growth and drag on, 2004, 87, 88
 - 2000 aggregate returns, 60
 - 2001 aggregate returns, 66
 - 2002 aggregate returns, 72
 - 2003 aggregate returns, 79
 - 2006 aggregate returns, 95
 - 2007 aggregate returns, 102
 - 2000 performance of, 63
 - 2001 performance of, 68
 - 2002 performance of, 76–77
 - 2003 performance of, 81–82
 - 2004 performance of, 87–88
 - 2005 performance of, 93
 - 2006 performance of, 96–97
 - 2007 performance of, 107
 - U.S. dollar's performance against, early 1980s, 36, 37
 - U.S. subprime mortgage market crisis, unwinding of carry trades and, 128–129
- BRL. *See* Brazilian real
- Budget balance, dollar *vs.*, 169, 170
- Budget deficit, 168
- interest rates *vs.*, 166, 167
 - unsustainability and financing of?, 170–171
- Budget surplus (1990s), 169
- Burns, Arthur, 28, 29, 35
- Bush, George W., 47, 71, 245, 247
- American Jobs Creation Act of 2004 and, 92
 - biofuels revolution and, 204
 - election of, 2000, 62, 242
 - “mission accomplished” speech by, 81
 - reelection of, 2004, 89
- Bush administration:
- foreign steel production tariffs and, 47, 72, 74–75, 78, 191
 - Homeland Investment Act and, 7–8
 - Treasury secretaries, dollar performance and, 244–246
 - “Buy-the-Japanese-dip” strategy, 54
- CAC-40 index (France), 122
- CAD. *See* Canadian dollar

- Canada, 198
 - interest rates, and current
 - account percent of GDP, 115, 116
 - natural gas exporting by, 216
 - proven oil reserves in, 217
- Canadian dollar (loonie), 54, 71, 76, 224, 247
 - aggregate returns, 1999, 55
 - charting against price of gold, 9, 10
 - energy and, 216–217
 - food/grain return on, 213
 - gold returns in 2000 *vs.*, 13
 - gold returns in 2007 *vs.*, 14
 - gold's aggregate annual returns
 - against, 11, 12
 - gold's correlations with, 15
 - growth in, since 2002, 219
 - 1999 performance of, 57–58
 - oil-dependent returns for, 218
 - 2000 aggregate returns, 60
 - 2001 aggregate returns, 66
 - 2002 aggregate returns, 72
 - 2003 aggregate returns, 78, 79
 - 2005 aggregate returns, 90
 - 2006 aggregate returns, 95
 - 2007 aggregate returns, 102
 - 2000 performance of, 62–63
 - 2001 performance of, 68
 - 2002 performance of, 77–78
 - 2003 performance of, 81
 - 2004 performance of, 87
 - 2005 performance of, 91–92
 - 2006 performance of, 100–101
 - 2007 performance of, 103–104
 - 2007 record oil and boost in, 102, 103–104
 - wheat production and, 211–212
- Capital account, 53, 162, 170
- Capital flows, 51
 - asset market model and increase in, 53
 - identity shifts and, 177–179
 - interest rate differentials, driving currencies and, 109
- Carry return, 113
- Carry trades, 11, 86
 - bond investing and, 113
 - emergence of, 91
 - foreign exchange markets and
 - growth in, 109, 112–118
 - global, low Japanese rates and, 117, 118
 - hedge funds and, 120
 - heightened, yen weakness fuels
 - advances in equities via, 122
 - intensified risk appetite and use of, 133
- Japanese yen crosses guided by, 104
- Japanese yen's 2007 sales and, 106
- Japan's 1980 bubble burst and, 117, 118
- phases of increased risk appetite and rise in, 125
- profitability and unwinding of, 114
- risk appetites and, 1999–2007, 135
- straightforward nature of, 121
- Swiss franc and funding of, 130
- Swiss franc's 2007 performance and, 106
- U.S. subprime mortgage market
 - crisis and unwinding of, 128–129
- USD/JPY, S&P 500, global
 - equities and, 120
 - into yen and extension of, into other currencies, 128
- Carter, Jimmy, 30, 31, 35
- Central Bank Agreement on Gold, 6
- Central Bank of Kuwait, 186

- Central banks, 51
 - currency reserve diversification and, 185–186
 - gold sale agreements and, 5–6, 26
 - inflationary spiral of 1979–1980 and, 37
 - U.S. dollar and reserves for, 137
- Cheney, Richard, 127
- CHF. *See* Swiss franc
- Chicago Mercantile Exchange, 22, 129
- Chilean peso, 224
 - gold, copper and, 220, 222
 - metals and growth in, 223
- China, 78, 198
 - beef and poultry consumption in, 209
 - copper consumption in, 202, 221
 - copper importing and Australian dollar boost, 80
 - currency reserves in, 49
 - dietary trends in, 204
 - food spending in, 203
 - global commodity demand and, 47–49, 70, 109, 158
 - iron ore consumption by, 199
 - metals and gold market in, 13
 - net electricity use in, 199
 - oil importing by, 214, 224
 - rising gold production in, 16, 17
 - sovereign wealth funds in, 176, 234
 - temporary dollar rebound and oil demand from, 168
 - urban population growth in, 210
 - U.S. Treasuries accumulated by, 178–179, 233–234
- China CSI 300 Index, 122
- Citigroup, 189
- Clinton, Bill, 242, 245
- Clinton administration:
 - elimination of budget deficit and, 166
 - second, strong dollar and, 72
- Coal, China's demand for, 48
- Coffee, 203
- Cold War, 27, 156
- Columbia Pictures, 180
- Commitments of traders, 201
- Commodities:
 - capital shifts and profit from global boom in, 176
 - China's demand for, 47–49, 70, 109
 - current boom cycle in, *vs.* previous cycles in, 193–196
 - dollar correlation with, 207, 208
 - dollar stability and stability in, 232
 - global financial markets and prices of, 153
 - gold's performance and trends in, 22–23
 - growth of, relative to equities, 237–239
 - as multifaceted asset class, 191
 - New Zealand dollar and rise in, 2004, 86
 - number of large booms in, 193, 194
 - rising, realities of new global economy and, 189
 - supercycle in, falling dollar and, 191, 193, 247
 - 2000 rally in, 193, 195
 - U.S. dollar rally in 2005 and, 90–91
- Commodities-oriented funds, investor interest in, 193
- Commodity classes, 196–207
 - biofuels revolution, 204–206
 - copper's growth, 202–203
 - dairy price rises, 206

- Commodity classes (*Continued*)
- food, grains and global appetite, 203
 - fuel price increases, 206
 - gold's multifaceted shine, 199–202
 - Mexico's oil output, 198–199
 - rising middle class in emerging economies, 203–204
 - Russian oil output, 198
 - supply realities, 198
 - tariffs, 206–207
 - weather, 207
- Commodity currencies, U.S. dollar and 2003 returns, 78–84
- Commodity price indexes, U.S. dollar and, 192
- Complacency, exposing, volatility index used in, 124–129
- Congress (U.S.), 240, 242
- Convertible currencies, Bretton Woods Agreement and launch of, 2
- Copper, 202–203
- Australian dollar boost and prices for, 80, 110
 - China's demand for, 48, 221
 - currency plays in, 220–223
 - developing nations and demand for, 193
 - gold outshined by, 202
 - long term fundamentals and, 219, 224
 - price performance in, 196
- Corn, 208
- biofuels revolution and, 204
 - developing nations and demand for, 193
 - net speculative positions in, 205
 - price performance in, 196
 - wheat and soy prices *vs.* prices for, 205
- Corporate bonds, 174
- net foreign capital flows into United States and, 174
 - percent breakdown in foreign flows, 175
 - spreads in, 121, 132–134
- CRB. *See* Reuters/Jefferies-Commodities Research Bureau Index
- Credit market, U.S., subprime mortgage market crisis and, 128, 149, 150
- Credit rating agencies, defaults and, 175
- Credit risk, corporate bond spreads and measurement of, 133
- Crops, rise in, 203
- Currencies. *See also individual currencies*
- Asian crisis (1997–1998) and depreciation in, 45
 - bilateral, 1999 returns on, 55
 - bilateral, 2000 returns on, 61
 - bilateral, 2002 returns on, 73
 - carry trades in, 113
 - elections and, 244
 - food/grain, growth in since 2005, 212, 213
 - food/grain-dependent, return on, 213
 - gold and copper and opportunities for, 220–223
 - gold's multicurrency performance against (2001–2008), 10, 11
 - Gulf nations and inevitability of diversification in, 187–189
 - identifying leaders and laggards, gold used in, 8–11
 - individual, annual performance analysis of, 53–70

- interest rates and nations with
 - positive current account balances, 115, 116
- metal, growth in, 223
- oil-dependent, growth in, since 2002, 219
- presidential elections and, 242–243
- risk appetite used to gauge FX flows and, 121–134
- 2000 aggregate returns, 60
- 2001 aggregate returns, 66
- 2002 aggregate returns, 72
- 2003 aggregate returns, 79
- 2004 aggregate returns, 84
- 2005 aggregate returns, 90
- 2006 aggregate returns, 95
- 2007 aggregate returns, 102
- 2001 bilateral returns, 66
- 2003 bilateral returns, 79
- 2004 bilateral returns, 85
- 2005 bilateral returns, 91
- 2006 bilateral returns, 96
- 2007 bilateral returns, 103
- 2004 global recovery and boost
 - of, against U.S. dollar, 84–90
- valuing via gold, 13–14
- various, gold returns against (2000), 13
- various, gold returns against (2007), 14
- Currency-commodity relationship, gold and, 23
- Currency jawboning, by Japanese authorities (2006), 99, 101
- Currency markets, measures for risk appetite assessment and, 121
- Currency reserve diversification, OPEC, the Middle East and, 185–187
- Current account, 170
 - falling dollar's beneficial impact on, 165–166
 - nation's fiscal balance and, 164
 - as percentage of world GDP, 163
- Current account balances, 51
 - dollar *vs.*, 169, 170
 - inverse relationship between interest rates and, 116
 - subcomponents of, 162
- Current account deficits:
 - financial account surplus *vs.*, 172
 - financing of, with positive income, 181, 182
 - high interest rates and, 125
 - interest rates *vs.*, 166, 167
 - U.S., cost of financing for, 181
 - U.S., old problem, new challenges with, 165–168
- Current account surplus nations, interest rates and, 115, 116
- Dairy products:
 - New Zealand dollar and, 211
 - rise in, 206
- DAX index (Germany), 122
- Debt:
 - personal, British pound's 2007 performance and, 107
 - U.S. public, rise in foreign ownership of, 177–179
- Debtor nations, risk and, 115
- Deficits, twin, in United States, 162–165
- Deflation, Japanese policy makers and, 127
- DEM. *See* Deutsche mark
- Demand and supply. *See* Supply and demand
- Democrats:
 - budget surplus and, 169
 - dollar performance and, 242–243

- Deutsche mark, 185
 - falling oil prices, dollar and impact on, 41
 - Germany's adoption of, 1–2
 - U.S. dollar's performance against, early 1980s, 36, 37
- Developing nations:
 - accelerating growth rates in, 192
 - ripe outlook for food and grains in, 208–210
- Diesel cars, 215
- Dietary trends:
 - Asian, food rise and, 204
 - beef and poultry consumption in China, 209
- Dollar. *See* U.S. dollar
- Dot-com bubble (1999–2000), 19, 46, 60, 214
 - burst of, 46, 65, 153, 191, 195
 - commodity boom *vs.*, 223
 - oil thrives on, 46
 - yield curve signals peak of, 226
- Dow Jones Industrials Index, 236
 - equity/gold ratio, 19, 20
 - pricing of, in gold terms, 16–18
 - U.S. dollar's 2001 performance and, 67
- Droughts, agricultural production and, 207
- Dubai, G7 2003 meeting in, 78, 83
- “Dumb money,” 176
- East Asia:
 - currency reserves and investments by, 181
 - yield curve inversion and 1998 market crisis in, 146
- ECB. *See* European Central Bank
- Economic performance, recessions and, 243
- Economics, international, major theories of, 52–53
- Economy:
 - gold:oil ratio and, 154
 - upward-sloping yield curves and, 139
 - yield curves and, 138–139
- ECU. *See* European currency unit
- Elections:
 - currency effect and, 244
 - currency markets and, 62, 242–243
- Emerging economies, food rally and, 203–204
- Employment, 10-year yield minus fed funds spread *vs.*, 144
- Energy. *See also* Oil; Oil prices; Oil price shocks
 - accelerating growth rates in developing nations and, 192
 - currency plays in, 216–219
 - global financial markets and price of, 153
 - present commodities cycle and, 192
- Environmental factors, risk tolerance and, 112
- Equilibrium, rate of, 53
- Equities. *See also* Bonds; Commodities; Stocks
 - dollar, bipartisan politics, economy and, 241
 - falling VIX highlights excessive optimism in, 125
 - gold and: hard *vs.* monetary assets, 16–18
 - growth of commodities relative to, 237–239
 - net foreign capital flows into United States and, 174
 - as percentage of total net foreign purchases, 176
 - rising risk and drop in, 123

Index

261

- U.S., dot-com boom (1999–2000)
 - and, 46
- U.S., Iraq invasion of Kuwait and decline in net purchases of, 43, 44
- Equity indexes, 121–123
- Equity-to-gold ratios, 19–21, 237
- ERM. *See* Exchange Rate Mechanism
- ETFs. *See* Exchange-traded funds
- Ethanol, 204, 208–209, 211, 215
- Eurodollar market, surge of, in late 1960s, 2
- Euro (EUR), 53, 137
 - aggregate returns, 1999, 55
 - as anti-dollar, 75, 76, 87, 127
 - British pound *vs.* gains in, as United Kingdom joins Iraq War, 82
 - broad strengthening of, 2002–2007, 71
 - charting against gold, 9
 - composition of official foreign exchange reserves and, 185
 - creation of, 1
 - gold returns in 2000 *vs.*, 13
 - gold returns in 2007 *vs.*, 14
 - gold's aggregate annual returns against, 11, 12
 - gold's correlations with, 15
 - growing polarity between U.S. dollar and, 109
 - key \$1.30 level regained by, 98
 - 1999 performance of, 58–59
 - polarity between U.S. dollar and, 75, 76
 - sell-off of 2000, 64
 - as threat to dollar's global reserve status, 189
 - 2000 aggregate returns, 60
 - 2001 aggregate returns, 66
 - 2002 aggregate returns, 72
 - 2003 aggregate returns, 79
 - 2006 aggregate returns, 95
 - 2007 aggregate returns, 102
 - 2000 performance of, 63–64
 - 2001 performance of, 69
 - 2002 performance of, 74–76
 - 2003 performance of, 81
 - 2004 performance of, 86–87
 - 2005 performance of, 93–94
 - 2006 performance of, 97–98
 - 2007 performance of, 105
 - USD-gold inverse relationship and, 7, 8
 - volatility index *vs.*, 2007–2008, 128
- Europe:
 - central banks' gold sale agreements in, 5–6
 - interest rates, and current account percent of GDP, 115, 116
- European Central Bank, 7, 59, 60, 75, 85, 96, 100, 102, 126, 232
- dollar stability, oil price stability and, 233
- euro's 2001 performance and, 69
- euro's 2000 sell-off and intervention by, 64
- European currency unit, 185
- European Monetary Union, Poland and, 214
- European Union, 8, 92
- European Union Constitution, France's rejection of proposal for, 93
- Eurozone, 7, 8, 9, 15, 46, 47, 72, 75, 92, 93, 105
 - British pound's 2001 performance and, 68
 - food spending in, 203
 - gold sale agreements and, 5, 6
 - net debtor status of, 164
 - 1999 performance of euro and, 58

- Eurozone yield spreads, EUR/USD
 vs., 105
- Exchange Rate Mechanism, 97, 185
- Exchange rates, determining, 52
- Exchange-traded funds:
 - Brazilian stocks and currency
 and, 214
 - creation of, 192
 - gold-specialized, 200–201
- Fannie Mae, 174, 176, 177
- FAO. *See* Food and Agriculture
 Organisation
- Farmers:
 - biofuel revolution and, 204, 206,
 208
 - rising fuel prices and, 206
- Farm products, U.S. producer
 price index for, 195
- FDA. *See* Federal Drug
 Administration
- FDI. *See* Foreign direct investment
- Fear index (VIX), 123
- Federal Drug Administration, 111,
 112
- Federal Open Market Committee,
 147, 150
- Federal Reserve, xiv, 25, 84, 126,
 136, 159, 175, 186
 - bottoming formations in
 USD/JPY rate precedes
 tightening cycles from, 229,
 230
 - Burns' chairmanship of, 28, 29
 - conclusion of two-year
 tightening campaign in 2006
 by, 94, 100
 - dot-com boom and rate cuts by,
 46
 - euro's 2000 sell-off and
 intervention by, 64
 - first dollar crisis (1977–1979)
 and, 30, 32
 - flat yield curves, interest rates
 and, 139, 140, 141, 226
 - inflation during 2000 and
 interest rates raised by, 60
 - 1998 yield curve inversion and,
 146, 147, 226
 - normalization of monetary
 policy in 2005 by, 92
 - prolonged interest cuts by, early
 2000s, 78
 - rate hikes by, 2004–2005, 47
 - stable dollar and, 233
 - subprime mortgage market
 crisis and policy priorities
 of, 129
 - tight monetarism in the 1970s
 and, 4
 - 2000 yield curve inversion and,
 147–148
 - 2006–2007 yield curve inversion
 and, 148–153, 226–227
 - U.S. dollar's 1999 performance
 and rate hikes by, 58
 - U.S. dollar's 2004 performance
 and rate hikes by, 89
 - U.S. recession in 2001 and
 aggressive cuts by, 65, 67
 - Volcker's chairmanship of, 35,
 36, 37
- Fed funds rate:
 - market crisis in East Asia,
 Russia, Brazil and, 147
 - 10-year rate *vs.*, 139
 - 10-year Treasury yield and, 142,
 143, 234
 - 2000 yield curve inversion and,
 147–148
 - 2006–2007 yield curve inversion
 and, 150
 - U.S. 10-2 year spread *vs.*,
 227–228
 - USD/JPY *vs.*, 228–230
- Fertilizer prizes, soaring, 206

- Financial account, 53, 162, 163, 170
- Financial account surplus, current
account deficit *vs.*, 172
- Fixed exchange rates, Bretton
Woods Agreement and
launch of, 2
- Flat yield curves, 139, 140
- Food:
currency plays in, 210–214
daily global consumption of, 204
developing world and ripe
outlook for, 208–210
paradigm shift in pricing of, 224
present commodities cycle and,
192
rising middle class and rise in,
203–204
- Food and Agriculture Organisation
(United Nations), 224
- Ford, Gerald, 30
- Ford administration, stagflation
during, 31
- Foreign assets, U.S. residents'
purchases of, 182–184
- Foreign capital, U.S. dependency
on, 171
- Foreign direct investment, 163
annual net, into United States,
180
mergers and acquisitions and,
179–181
- Foreign exchange flows:
asset market model and, 53
gross positions *vs.*, 172
percent asset class breakdown
in, 175
risk appetite used in gauging of,
121–134
- Foreign exchange markets:
carry trades in, 112–118
as central theme in book, xiv
commodities relative to equities,
236–240
dollar stability and, 230–236
risk appetite, carry trades and,
109
U.S. politics, dollar and, 240–247
yield curves revisited, 225–230
- Foreign exchange rates, interest
rates related to currency
trends, values and, 137
- Foreign exchange reserves,
official, composition of, 185
- France:
CAC-40 index in, 122
European Union Constitution
proposal rejected by, 8, 93
- Franco-Prussian war, 1
- Freddie Mac, 174, 176, 177
- FTSE-100 index (United
Kingdom), 122
- Fuel-efficient automobiles, 215
- Funding currencies:
carry trades and, 113
Japanese yen, Swiss franc as,
115
- Futures contracts, interest rate
parity and, 52
- Futures market, gold and, 201
- Gas, developing nations and
demand for, 193
- GBP. *See* British pound
- GDP. *See* Gross domestic product
- G8 nations, dollar stability and
2008 meeting of, 230, 232
- Geopolitical events. *See*
Afghanistan; Arab-Israeli
War; Asian crisis
(1997–1998); Cold War;
Elections; Iraq War; Kuwait;
Middle East
- Germany, 46
DAX index, 122
falling oil prices, dollar and
impact on, 39–41

- Germany (*Continued*)
 first dollar crisis, 1977-1979 and,
 31, 32
 1999 euro performance and,
 58–59
- Gifts, 162
- Global carry trade, low Japanese
 rates and, 117, 118
- Global economy, new, realities of,
 189–190
- Gold. *See also* Gold:oil ratio
 aggregate annual returns against
 eight currencies, 11, 12
 charting against U.S. dollar,
 Swiss franc, Japanese yen,
 and British pound, 9, 10
 commodity trends and
 performance of, 22–23
 copper's outshining of, 202
 at core of commodities rally,
 2001–2008, 200
 currencies valued via, 13–14
 currency plays in, 220–223
 demand-related reason behind
 surge in, 199–200, 224
 dollar correlation with, 1, 207,
 208
 dollar moving in tandem with,
 2005, 7, 8
 dollar's inverse relation to, 6
 end of Bretton Woods system
 and takeoff of, 2–3
 equities and: hard *vs.* monetary
 assets, 16–18
 equity-to-gold ratios, 19–21
 falling production in, 16, 17
 identifying currency leaders and
 laggards against value of,
 8–11
 inflation (U.S.), *vs.*, 4, 5
 inverse relationship between
 dollar and, 1970–2008,
 6, 7
 inverse relationship between
 dollar and, since fall of
 Bretton Woods, 2, 3
 Japanese yen and, 125
 long term fundamentals and,
 219
 most recent performance by,
 against Australian dollar,
 British pound, Japanese
 yen, and U.S. dollar, 10, 11
 multifaceted shine with, 199–202
 percent increase in value of,
 against various currencies,
 9, 10
 price performance in, 196
 recent exceptions to inverse rule
 between dollar and, 6–8
 secular performance of, 11–13
 speculative long/short positions
vs., 21, 201
 speculators and, 21–22
 supply side of, 201–202, 224
 2000 returns *vs.* various
 currencies, 13–14
 2007 returns *vs.* various
 currencies, 14
 U.S. dollar *vs.*, (2002–2008), 47,
 48
- Golden correlations, 14–15
- Gold/equities ratios, fall in, 237
- Goldman Sachs, 245, 246
- Gold:oil ratio, 159, 239, 240
 interest rates tied to, 153–158
 1973–1975 recession, 155
 1980–1982 recession, 155–156
 1985–1986 slowdown, 156
 1990–1991 recession, 156–157
 2001–2002 recession, 157–158
 2007–2008 slowdown:
 recession?, 158
 U.S. dollar and, 153
- Gold sale agreements, central
 banks and, 5–6, 26

- Gold standard, 1
 - Nixon's abandonment of, xi, 2, 26–27
 - from oil standard to (1970s–1980s), 26–32
- Gore, Al, 62, 242
- Grains:
 - currency plays in, 210–214
 - developing world and ripe outlook for, 208–210
 - rise in, 203
- Grants, 162
- Great Society, 35
- Greenbacks. *See* U.S. dollar
- Greenfield investments, 179
- Greenspan, Alan, 64, 144–145
- Gross domestic product, 29. *See also* National GDP; Regional GDP: World GDP
 - Asian crisis of 1997–1998 and, 45
 - current account balance, budget balance, interest rates and, 166–167
 - September 11, 2001 terrorist attacks and worldwide decline in, 46
 - U.S. growth in, 154
 - world, current as percentage of, 163
 - world, net foreign assets as percentage of, 164
- Gross foreign direct investment, 179
- Gross positions, foreign flows *vs.*, 172
- Group of Five, world interventions against strong dollar, 1985–1987 and, 39
- Growth recession, defined, 38
- G7 nations:
 - Australian dollar's 1999 performance and, 57
- Dubai meeting of, 2003, 78, 83
- oil shocks and, 33
- G10 economies, Japanese yen, Swiss franc and, 115
- Gulf Cooperation Council (GCC) group of nations, unified currency and, 185
- Gulf nations:
 - commodities price moves and, 192
 - dollar holdings in currency reserves of, 186
 - dollar peg and, 231–232
 - focus of sovereign wealth funds from, 235–236
 - inevitability of currency diversification in, 187–189
 - inflation and currencies pegged to falling dollar in, 187
 - oil wealth diversification in, 181
- Gulf War (1990–1991), 41–44
 - net foreign purchases of U.S. assets during, 44
- Hang Seng index (Hong Kong), 122
- Hedge funds, 113
 - carry trades and, 120
 - U.S. subprime mortgage market crisis and, 128, 149
- High-yield corporate spreads, 132–134
- Historical producer price index, 195
- Homeland Investment Act, 7–8, 92
- Homeland Security, 169
- Hong Kong:
 - Asian crisis of 1997–1998 and, 45
 - Australian dollar's 1999 performance and, 57
 - Australian dollar's 2001 performance and, 69
 - Hang Seng index, 122

- Housing prices:
- Australian dollar's 2004 performance and slowing in, 89
 - British pound's 2004 performance and decline in, 87, 88
 - British pound's 2007 performance and decline in, 107
 - soaring, run-up in trade deficit of late 1990s and, 166
 - U.S., beginning decline in, 2006, 94, 97, 100, 238
 - U.S., 2007 credit crisis and economic impact of deterioration in, 102, 108, 128
 - U.S., volatility and slowdown in rise of, 127
 - U.S., 2006–2007 yield curve inversion and dislocations in, 148, 149, 152
 - yield curve predictions about slowdown in, 149
- Hurricane Katrina, 136
- Hurricane Rita, 136
- IEA. *See* International Energy Agency
- Implied volatility, 123
- Imports, total, oil's share of, 167, 168
- Index funds, commodity funds, demand for, 224
- India, 199
- dietary trends in, 204
 - food spending in, 203
 - jewelry and gold demand in, 200
 - net electricity use in, 200
 - oil imports of, 214
- Inflation:
- bond prices, yields and, 139
 - dollar and, 231
 - exchange rates and rates of, 52
 - Federal Reserve 2000 rate hikes and, 60
 - global, dollar stability and, 232
 - Gulf States and tackling of, 236
 - oil embargo of 1973 and, 27, 29
 - oil price shocks and boosting of, 27–28, 32, 33
 - in 1970s, 3–5
 - third oil shock, 1980–1984 and, 35–38
 - U.S. annual, *vs.* gold, 4, 5
 - Vietnam War and, 27, 35
- Infrastructure boom, from Gulf nations to Far East, 199–200
- Interest rate differentials, ensuing opportunities obtained from, 117
- Interest rate parity, 52
- Interest rates, 51, 159
- budget deficit and, 169
 - central banks of
 - commodity-based economies and rise in, 2002, 72
 - currency carry trades and, 113
 - current account and budget deficits *vs.*, 166, 167
 - current account balances and, 115
 - double-digit, in the late 1970s, 4
 - first dollar crisis, 1977–1979 and, 31
 - foreign exchange rates related to currency trends and values and, 137
 - high, current account deficits and, 125
 - interest payments to foreign investors and, 181

- inverse relationship between
 - current account balances and, 116
- prolonged cuts by Federal Reserve, early 2000s, 78
- subprime mortgage market crisis and, 129
- U.S. dollar and Japanese yen relative to hikes in, 228–230, 229
- weak foreign financing of deficit and, 189
- world demand for crude oil and, 1978–1988, 35
- yield curve effectiveness in predicting cuts in, 152, 226
- yield curve patterns and hikes in, 227–228
- International economics, major theories of, 52–53
- International Energy Agency, 198, 214, 215
- International Monetary Fund, 193, 201
- Internet bubble. *See* Dot-com bubble
- Inverted yield curves, 141
 - 1998, 146–147
 - rationale of implications with, 142
 - recessions and, 141, 142, 143, 145
 - timing of dollar peak, stocks peak, and rate cuts from start of, 151
 - 2000, 147–148
 - 2006–2007, 148–153
 - U.S. dollar and, 151
- Iran, 155, 187
- Iranian Revolution, 4, 32, 34
- Iran-Iraq war, 32, 34
- Iraq, Kuwait invaded by, 41–44, 87, 156, 157, 242
- Iraq war (2003–), 22, 169, 191
 - British pound and Blair's support for, 76–77
 - broad equity indexes and run-up to, 134
 - Canadian dollar and Canada's vote against, 77
 - euro gains *vs.* British pound as United Kingdom joins, 82
 - oil production disruptions and, 198
 - outbreak of, 78, 158
 - 2003 Canadian dollar performance and, 81
 - U.S. fiscal affairs and, 46–47
- Iron ore, China's demand for, 48, 110
- IRP. *See* Interest rate parity
- ISM Manufacturing Index, 144
- Italy, 1999 euro performance and, 59
- Japan, 46, 78
 - bursting stock bubble in, 1986–1998, 56
 - equity bubble bursts in (early 1990s), 117
 - falling oil prices, dollar and impact on, 39–41
 - first dollar crisis in, 1977–1979, 31, 32
 - interest rates, and current account percent of GDP, 115, 116
 - as net lender nation, 164
 - Nikkei-225 equity index, 122
 - U.S. Treasuries accumulated by, 178–179
- Japanese stocks and bonds, net foreign inflow into, 1996–2000, 57
- Japanese yen crosses, carry trades and guiding of, 104

- Japanese yen (JPY), 53, 71, 76, 109, 133, 134, 136, 137, 158
- aggregate currency returns, 1999, 55
- bottoming formations in rate of, preceding cycles from Federal Reserve, 229, 230
- carry trades, 1980s bubble burst and, 117, 118
- carry trades and unwinding of, 119
- falling, global stocks rally at expense of, 122
- falling oil prices, dollar and impact on, 40–41
- Federal Reserve's interest rate rise (2004) and S&P 500 *vs.*, 120
- Fed funds rate *vs.*, 228–230, 229
- gold measured against, 9, 10
- gold returns in 2000 *vs.*, 13
- gold returns in 2007 *vs.*, 14
- gold's aggregate annual returns against, 11, 12
- gold's correlations with, 15
- gold's recent performance against, 10, 11
- higher global interest rates and effect on, 2002–2006, 95
- high interest in low yield of, 116–120
- net speculative futures positions, *vs.* USD/JPY, 130
- 1999 performance, 55–56
- rising risk appetite and decline in, 125
- stand-out of, 2007–early 2008, 131
- stocks and, 1999: risk aversion, bottom fishing and, 54
- thriving of, during uncertainty, 115–116
- 2000 aggregate returns, 60
- 2001 aggregate returns, 66
- 2002 aggregate returns, 72
- 2003 aggregate returns, 79
- 2006 aggregate returns, 95
- 2007 aggregate returns, 102
- 2000 performance of, 64
- 2001 performance of, 69–70
- 2002 performance of, 77
- 2003 performance of, 83
- 2004 performance of, 88–89
- 2005 performance of, 94
- 2006 performance of, 101
- 2007 performance of, 106–107
- U.S. dollar on opposite side of 2001 return spectrum from, 66
- U.S. dollar's performance against, early 1980s, 36, 37
- U.S. dollar *vs.*, 1975–1978, 30–33
- volatility index *vs.*, 125, 126
- volatility index *vs.*, 2007–2008, 128
- Jewelry, gold demand and, 200
- Jobs slowdown, yield curve predictions about, 149
- Johnson, Lyndon, 35
- Junk bonds, 132
- Kiwi. *See* New Zealand dollar
- Korea:
 - Australian dollar's 1999 performance and, 57
 - Australian dollar's 2001 performance and, 69
- Krona. *See* Swedish krona
- Kuwait:
 - currencies of, tied to basket of international currencies, 187
 - diversification of sovereign wealth funds from, 189

- dollar holdings in currency reserves of, 186
- Iraq's invasion of, 41–44, 87, 156, 157, 242
- Latin America, commodities price moves and, 192
- London, England, terrorist bombings in, July, 2005, 82
- Long-term bonds, carry trades and, 113
- Long Term Capital Management hedge fund, collapse of, 147, 152, 226, 242
- Long-term interest rates, 159
 - Greenspan's "conundrum" and Bernanke's problem related to, 144–145
 - inverted yield curves and, 142
 - recessionary signal and, 146
 - trends in, and predicting turnarounds in stocks, 146
 - weak foreign financing of deficit and, 189
- Louvre Accord (1987), 41, 231
- Low-yielding currencies, rising risk appetite and decline in, 125
- Maquiladora* industry (Mexico), 217
- Market volatility, volatility index and measurement of, 133
- Mergers and acquisitions (M&As), foreign direct investment and, 179–181
- Merrill Lynch, 245
- Metal currencies:
 - growth in, 223
 - returns for, 222
- Metals. *See also* Copper; Gold
 - accelerating growth rates in developing nations and, 192
 - end of Bretton Woods system and ascent in dollar value of, 2–3
 - global financial markets and prices of, 153
 - present commodities cycle and, 192
 - U.S. producer price index for, 195
- Mexican peso:
 - energy and, 217–218
 - growth in, since 2002, 219
 - oil-dependent returns for, 218
- Mexico:
 - Cantarell Field in, 215, 217
 - oil production in, 198–199
- Microsoft, market value of, 218
- Middle class, rising, food rally and, 203–204
- Middle East:
 - currency reserve diversification:
 - OPEC and, 185–187
 - Gulf War (2003) and, 22, 41–44
 - Iranian Revolution and, 32, 34
 - Iran-Iraq war and, 32–33, 34
 - losses in multibillion-dollar stakes in U.S. banks and sovereign wealth funds in, 176
 - net electricity use in, 200
- Milk prices:
 - NZD/USD *vs.*, 212
 - rise in, 206
- Milk production, New Zealand dollar and, 211, 212
- Mining companies, labor issues and, 219, 221
- M-1, inflation in late 1970s and, 36

- Monetary assets, interaction
 - between gold and, 19–20
- Monetary policy. *See also* Federal policy; Interest rates
 - Burns' easing of, and U.S. dollar decline, 29
 - Federal Reserve and management of, late 1970s, 4–5
 - interest rates and, 138
- Mortgage rates, inverted yield curves, short-term interest rates and, 142
- National Bureau of Economic Research, 155, 157, 243
- National GDP:
 - growth in, 51
 - 1999 euro performance and, 59
 - Swiss franc's 2000 performance and, 62
- NBER. *See* National Bureau of Economic Research
- Negative investment position, 163
- Negative-yield spreads, 142
- Net financial flows, U.S. dollar *vs.*, 173
- Net foreign assets, as percentage of world gross domestic product, 164
- Net foreign capital flows, into United States, by asset class, 174
- New Deal, 2
- Newly industrialized Asian economies, 86, 92, 93, 106
- New York Board of Trade, 76
- New Zealand:
 - dairy industry and currency in, 206
 - interest rates, and current account percent of GDP, 115, 116
- New Zealand dollar (kiwi), 54, 71, 224
 - aggregate returns, 1999, 55
 - charting against price of gold, 9, 10
 - dairy production and, 211
 - food and agricultural prices tracked by, 74
 - food/grain return on, 213
 - gold returns in 2000 *vs.*, 13
 - gold returns in 2007 *vs.*, 14
 - gold's aggregate annual returns against, 11, 12
 - gold's correlations with, 15
 - Japanese yen's 2004 decline against, 88
 - 1999 performance of, 59
 - recovery of and gain against greenback, 2002, 73
 - 2000 aggregate returns, 60
 - 2001 aggregate returns, 66
 - 2002 aggregate returns, 72
 - 2003 aggregate returns, 78, 79
 - 2005 aggregate returns, 90
 - 2006 aggregate returns, 95
 - 2007 aggregate returns, 102
 - 2000 performance of, 65
 - 2001 performance of, 68–69
 - 2002 performance of, as greenback sold across the board, 73
 - 2003 performance of, 80–81
 - 2004 performance of, 85–86
 - 2005 performance of, 92–93
 - 2006 performance of, 99–100
 - 2007 performance of, 106
 - U.S. subprime mortgage market crisis, unwinding of carry trades and, 128–129
 - volatility index *vs.*, 129
- NIAEs. *See* Newly industrialized Asian economies

- Nigeria, oil production disruptions and politics in, 198
- Nikkei-225 index (Japan), 56, 122, 124
- Nixon, Richard M.:
Burns appointed by, 28
gold standard abandoned by, xi, 2, 26–27
- Norway, crude oil exporting by, 216
- Norwegian krone, 224
energy and, 216
growth in, since 2002, 219
oil-dependent returns for, 218
- Nuevo sol (Peru), 224
gold, copper and, 221, 222
metals and growth in
- NZD. *See* New Zealand dollar
- OECD. *See* Organization for Economic Co-operation and Development
- Oil. *See also* Gold:oil ratio
commodities price boom and 1973 rally in, 193
commodities race dominated by, 196
crude, world demand for, 35
developing nations and demand for, 193
dollar stability and stability in, 232
end of Bretton Woods system and ascent in dollar value of, 2–3
falling dollar and: boon for non-USD importers of, 39–41
glut and price collapse, 1981–1986, 32–34
gold's performance relative to, 200
Japanese yen and, 125
total world consumption of, China *vs.*, 48
U.S. dollar *vs.*, (2002–2008), 47, 48
- Oil embargo of 1973, 27, 28, 29
- Oil prices:
agricultural inputs and rise in, 206
creation of basket-type currency for, 188
dot-com boom (1999–2000) and, 46
falling dollar and rise in, 167–168, 190
Iraq's invasion of Kuwait and Gulf War (1990–1991), 41–44
Iraq War (2003–) and, 46
strong global growth and, 49
2007 record in, Canadian dollar and, 102, 103–104
U.S. dollar and, 25–26
U.S. dollar index *vs.*, 26
U.S. fuel demand and, 215
volatile Asian growth and impact on, 1990s, 45
- Oil price shocks:
first, 1973–1974, 28–30
global recessions and, 25
inflation boosted and growth hampered by, 32, 33
Iraq's invasion of Kuwait and, 41–44
mounting inflation, falling dollar and, 27–28
of the 1970s, xi
second oil shock (1978–1980), 32, 38, 156
super dollar of 1980–1984 and, 34–38
- Oil standard, from gold standard to (1970s–1980s), 26–32
- O'Neill, Paul, 245, 246

- Organization for Economic Co-operation and Development, 214, 224
- Organization of Petroleum Exporting Countries (OPEC), 155
 - Asian crisis and miscalculation by (1997–1998), 44–45, 157, 188, 199, 232
 - currency reserve diversification: Middle East and, 185–187
 - dollar, oil demand and, 187
 - Iranian Revolution and price hikes by, 32
 - Iran-Iraq war and, 33
 - 1986 oil price plunge and, 34
 - oil embargo of 1973 and, 27, 28
 - price hikes of the 1970s and, 4
 - supply realities, oil environment and, 215
- Paulson, Henry, 231, 245, 246, 247
- Pebble Beach Golf Club, 180
- PEN. *See* Nuevo sol (Peru)
- Pension funds, commodities
 - integrated into, 192, 224
- People's Bank of China, 178, 184
- Pesos:
 - Argentinean, 211
 - Chilean, 220, 222, 224
 - Mexican, 217–218
- Petrobras (Brazil), 218
- Petroleum imports, U.S. trade
 - imbalance and, 49
- Plaza Accord, 208
- Poland, European Monetary Union and, 214
- Polish zloty, food business and, 214
- Politics (U.S.):
 - bipartisan, dollar, equities, economy and, 241
 - U.S. dollar and, 240–248
- Portfolio investments, 163
- Poultry, Chinese urban
 - consumption of, 209
- Pound. *See* British pound
- Purchasing power parity (PPP), 52, 53
- Qatar:
 - diversification of sovereign wealth funds from, 189
 - dollar holdings in currency reserves of, 186
- Quotas, 52
- Rand (South Africa):
 - gold, copper and, 221–223
 - South Africa's falling gold production and, 221–222, 223
- Rate of equilibrium, 53
- RBA. *See* Reserve Bank of Australia
- RBNZ. *See* Reserve Bank of New Zealand
- Real. *See* Brazilian real
- Real estate. *See also* Housing prices
 - Australia's slowdown in, 85
 - Japanese yen and, 125
- Recessions, 159
 - economic performance and, 243
 - gold:oil ratio, interest rates and, 153–158
 - gold:oil ratio and, 154, 239, 240
 - growth, defined, 38
 - historical relationship of gold:oil ratio and, 154–158, 239
 - inverted yield curves and, 141, 142, 143, 145
 - NBER definition of, 155
 - 1973–1975, gold:oil ratio and, 155
 - 1980–1981, inflation and, 37

- 1980–1982, gold:oil ratio and, 155–156
- 1990–1991, gold:oil ratio and, 156–157
- 2001–2002, gold:oil ratio and, 157–158
- 2007–2008, gold:oil ratio and, 158
- U.S. 2001 slowdown and, 65, 67
- Reflationary monetary policy (Federal Reserve), 78
- Regan, Donald, 245
- Regional GDP, growth in, 51
- Renewable fuel, 208
- Renewable Fuel Standard, 208
- Republicans:
 - budget balance and, 169
 - dollar performance and, 242–243
 - election of 2000 and, 62
 - steel production tariffs and Congressional elections, 2002, 72
- Reserve Bank of Australia, 69, 80, 85, 96, 100, 126, 220
- Reserve Bank of New Zealand, 73, 85, 96–97, 100, 106, 126
- Reuters/Jefferies-Commodities Research Bureau Index, 196, 200
 - extends to 12-year lows, 238–239
 - S&P 500 Index *vs.*, 237–238
 - upside to go with, 239
- RFS. *See* Renewable Fuel Standard
- Rice, 206–207, 210
- Rising complacency, volatility index and, 124–129
- Risk:
 - increasing, forms of, 111
 - management of, 111
 - Treasury bonds *vs.* corporate bonds and, 132
- Risk appetite, 111–136
 - carry trades and, 1999–2007, 135
 - corporate bond spreads and, 121, 132–134
 - equity indexes and, 121–123
 - speculators' futures
 - commitments and, 121, 129–132
 - using to gauge FX flows, 121–134
 - volatility index and, 121, 123–129
- Rockefeller Center, 180
- Roosevelt, Franklin D., 2
- Rubin, Robert, “strong dollar policy” and, 230, 245
- Runaway markets, chasing, 130
- Russia, 199
 - currency crisis of 1998 in, 59
 - moratorium on \$70 billion debt declared by (1998), 119
 - natural gas exporting by, 216, 217
 - oil peak in?, 198, 215
 - yield curve inversion and 1998 market crisis in, 146, 147
- Russian ruble, 224
 - energy and, 217
 - growth in, since 2002, 219
 - oil-dependent returns for, 218
- Salomon Brothers, 245
- Sarbanes-Oxley Act of 2002, 244
- Saudi Arabia, 49, 108, 187
 - Al Ghawar field in, 215
 - Iran-Iraq war and oil production by, 32–33
 - proven oil reserves in, 217
- Saudi Arabian Monetary Authority, 186
- Savings and loan (S&L) crisis (1980s), 42, 43, 157, 242
- SEK. *See* Swedish krona

- September 11, 2001 terrorist attacks, 127
 - currency radar screen and, 67
 - declining world GDP growth and, 46
 - dollar rebound in aftermath of, 69
- Shah of Iran, overthrow of, 4, 32
- Shanghai Composite Index, 127
- Short-term bonds, carry trades and, 113
- Short-term interest rates, 159
 - inverted yield curves and, 142
 - recessionary signal and, 146
 - trends in, and predicting
 - turnarounds in stocks, 146
- Silver, gold's performance relative to, 200
- Silver standard, abandonment of, 1
- Simon, William, 245
- Singapore:
 - Asian crisis of 1997–1998 and, 45
 - Australian dollar's 1999 performance and, 57
 - Australian dollar's 2001 performance and, 69
 - sovereign wealth funds in, 234
- SNB. *See* Swiss National Bank
- Snow, John, 89, 245, 246
- Soros, George, 186
- South Africa, gold mining
 - production declines in, 16, 17, 201, 219
- South Korea, Asian crisis of 1997–1998 and, 45
- Sovereign wealth funds, 188–189
 - commodities integrated into, 192
 - global capital flows shaped by, 234
- Soviet Union, Afghanistan invaded by, 4, 156, 208
- Soy, 203
 - corn and wheat prices *vs.* price of, 205
 - developing nations and demand for, 193
 - net speculative positions in, 205
 - price performance in, 196
- Speculation, 111
 - commodities-oriented funds and, 193
 - in grains, 205–206
- Speculators:
 - futures commitments of, 121, 129–132
 - gold and role of, 21–22
 - gold price surge and, 201
- S&P 500 Index, 124, 152, 158, 236, 243
 - CRB index *vs.*, 237–238
 - equity/gold ratio, 19, 20
 - equity indexes and, 121
 - extends to 12-year lows, 238–239
 - pricing of, in gold terms, 16–18
 - upside to go with, 239
 - U.S. dollar/Japanese yen *vs.*, 120
 - U.S. dollar's 2001 performance and, 67
 - volatility index *vs.*, 123, 125
- Steel production tariffs, Bush administration and, 47, 72, 75, 78, 191
- Sterling. *See* British pound
- Stock indexes, pricing of, in gold terms, 16–18
- Stock market crash of October, 1987, 123
- Stock market performance, dollar performance and, 243
- Stocks:
 - foreign, net U.S. purchases of, 182, 183, 184
 - net foreign capital flows into United States and, 174

- percent breakdown of, in
 - foreign flows, 175
 - U.S., Iraq invasion of Kuwait and decline in net purchases of, 43, 44
- StreetTRACKS' gold ETF, ranking of, 201
- Structural imbalances, schools of economic thought and progression of, 161–162
- Subprime mortgage market (U.S.), 22
 - hedge funds and, 128, 149
 - unwinding of carry trades and, 128–129
 - U.S. credit crisis (2007) and, 102, 108, 128
- Supply and demand:
 - commodities-oriented funds and, 193
 - gold's dependency on, 6, 9, 16
- Swedish krona, 76
- SWFs. *See* Sovereign wealth funds
- Swiss franc (“swissy”), 14, 54, 71, 133, 134, 136, 158, 247
 - aggregate returns, 1999, 55
 - carry trades funding and, 130
 - gold measured against, 9, 10
 - gold returns in 2000 *vs.*, 13
 - gold returns in 2007 *vs.*, 14
 - gold's aggregate annual returns against, 11, 12
 - 1999 performance of, 59
 - rising risk appetite and decline in, 125
 - stand-out of, 2007–early 2008, 131
 - thriving of, during uncertainty, 115–116
 - 2000 aggregate returns, 60
 - 2001 aggregate returns, 66
 - 2002 aggregate returns, 72
 - 2003 aggregate returns, 79
 - 2006 aggregate returns, 95
 - 2007 aggregate returns, 102
 - 2000 performance of, 62
 - 2001 performance of, 68
 - 2002 performance of, 74
 - 2003 performance of, 83
 - 2004 performance of, 86
 - 2005 performance of, 94
 - 2006 performance of, 99
 - 2007 performance of, 106
- Swiss National Bank, 5, 14, 62, 68, 83, 86, 94, 99, 100
- Switzerland, interest rates, and current account percent of GDP, 115, 116
- Taiwan:
 - Asian crisis of 1997–1998 and, 45
 - Australian dollar's 1999 performance and, 57
 - Australian dollar's 2001 performance and, 69
- Taliban, U.S. war against, 67
- Tariffs, 52
 - currency depreciations and, 72
 - food-trade protectionism and, 206–207
 - steel production, Bush administration and, 47, 72, 75, 78, 191
- Tax cuts, U.S., Iraq War and, 46
- Taxes, 52
- Technology bubble (1999–2000). *See* Dot-com bubble (1999–2000)
- Tehran, Iran, hostage crisis at U.S. Embassy (1979), 4, 32
- 10-2 spread, 139
- 10-year Treasury auctions, foreign participation in, 234, 235

- 10-year Treasury yields:
 - effective Fed funds rate and, 142, 143
 - Fed funds rate *vs.*, 227–228, 234
 - minus Fed funds spread *vs.* employment, 144
- TICS. *See* Treasury Information Capital System
- Trade balance, 162
- Trade deficit, dollar depreciation and, 166
- Trade gap, 163
 - dollar decline and, 189
 - oil's share of total imports and, 167, 168
- Traders' futures commitments, 129–132
- Treasury bonds, 132
- Treasury Information Capital System, 174
- Treasury secretaries, value of dollar and, 245
- Treasury securities:
 - dollar performance and, 244–246
 - foreign holdings of, as share of public debt, 177–179
 - Japan's and China's
 - accumulation of, 178, 233–234
 - net foreign capital flows into United States and, 174–175
 - percent breakdown in foreign flows of, 175, 176
- Trends, ends of, 114
- Trichet, Jean-Claude, 86, 87, 97
- Twin deficits, in United States, 162–165
- 2-year Treasury auctions, foreign participation in, 234, 235
- 2-year Treasury yields, Fed funds rate *vs.*, 227–228
- UAE. *See* United Arab Emirates
- Uncertainty, Japanese yen, Swiss franc and, 115–116
- Unemployment:
 - Carter's economic policies and, 31
 - inflationary spiral of 1979–1980 and, 37
- United Arab Emirates, 108, 186
- United Kingdom:
 - food spending in, 203
 - FTSE-100 index, 122
 - interest rates, and current account percent of GDP, 115, 116
- U.S. Treasuries accumulated by, 178
- United Nations, 44
- United States:
 - Afghanistan war and, 67
 - annual net foreign direct investment into, 180
 - ethanol production in, 204
 - food spending in, 203
 - GDP growth in, 154
 - global economic growth and, 137
 - gross external debt of, 181
 - interest rates, and current account percent of GDP, 115, 116
 - as net debtor nation, 164, 171
 - net foreign capital flows into, by asset class, 174
 - net international investment position of, 170–171
 - twin deficits in, 162–165
 - world oil supply and, 49
- University endowments,
 - commodities integrated into, 192, 224
- Upward-sloping yield curves, 139, 140

- Urbanization, in China, 210
- U.S. current account deficit, as
 - percentage of world GDP to that in Eurozone, Japan, emerging Asia, and oil-exporting nations, 163
- U.S. Dollar Index, 150, 240, 248
 - commodities groups and, 207–208
 - decline in, 2002–2008, 231
 - euro's dominance in, 76
 - in late 1970s, 31
- U.S. dollar stabilization, 230–236
 - global inflation and, 232
 - globally coordinated support for, 230
 - inflation in Gulf states and, 236
 - reducing Fed policy dilemma and, 233
 - reinstilling confidence in U.S. markets/assets and, 233–236
 - relieving pressure on ECB policy and, 233
 - stability in oil and other commodities, 232
- U.S. dollar (USD), 161
 - aggregate returns, 1999, 55
 - beginning of dollar bear market, 2002, 71–72
 - bottoming formations in rate of, preceding cycles from Federal Reserve, 229, 230
 - budget and current account balances *vs.*, 169, 170
 - bull market for oil and bear market for, 49
 - Burns' easing of monetary policy and decline in, 29
 - Bush administration's benign neglect policy and, 71, 78
 - central bank reserves and, 137
 - central banks' gold sale agreements and, 5–6
 - commodities supercycle and fall in, 191, 193, 247
 - commodity price indexes and, 192
 - commodity prices soar alongside, 2005, 90–91
 - composition of official foreign exchange reserves and, 185
 - correlation of, with various commodities, 207, 208
 - currencies' change *vs.*, during falling oil, 41
 - dot-com boom (1999–2000) and, 46
 - drop to bottom of currency returns in 2002, 72
 - end of Bretton Woods system and devaluations of, 2–3, 28
 - end of bull market in, 1995–2001, 191
 - equities, economy, bipartisan politics and, 241
 - euro's polarity with, 74–76
 - falling, and beneficial impact on current account, 165–166
 - falling, oil and: boon for non-USD importers, 39–41
 - falling, rising oil prices and, 167–168
 - Federal Reserve rate cuts, 2001, and boost for, 67
 - Federal Reserve's interest rate rise (2004) and S&P 500 *vs.*, 120
 - Fed funds rate *vs.*, 228–230
 - first dollar crisis (1977–1797), 30–33
 - gold and, 1
 - gold and oil prices *vs.* (2002–2008), 47, 48
 - gold measured against, 9, 10

- U.S. dollar (USD) (*Continued*)
- gold moving in tandem with, 2005, 7, 8
 - gold returns in 2000 *vs.*, 13
 - gold returns in 2007 *vs.*, 14
 - gold's inverse relation with, 6
 - gold's recent performance against, 10, 11
 - growing polarity between euro and, 109
 - inverse relationship between gold and, 1970–2008, 6, 7, 14
 - inverse relationship between gold and, since fall of Bretton Woods, 2, 3
 - Japanese yen on opposite side of 2001 return spectrum from, 66
 - Japanese yen *vs.*, 1975–1978, 30–33
 - kiwi-related currency pairs
 - returns, 2002, as greenback sold across the board, 73
 - milk prices *vs.*, 212
 - net financial flows *vs.*, 173
 - net yen speculative futures positions *vs.*, 130
 - new secular bear market in, 2002, 191
 - 1999 performance of, 58
 - oil prices and, 25–26, 167–168, 190
 - oil price shocks and falling value of, 27–28
 - recent exceptions to inverse rule between gold and, 6–8
 - recession favors, Federal Reserve cuts and, 65, 67
 - reflationary monetary policy and, 78
 - sharp fall in, after Iraq invasion of Kuwait, 42, 43
 - stock market performance and, 243
 - strength in value of (1999–2001), annual performance analysis of currencies and, 53–70
 - third oil shock and, 1980–1984, 34–38
 - tight Fed, soaring foreign flows in 2000 and, 59–60
 - trade deficit and depreciation in, 166
 - trade gap and erosion of, 189
 - Treasury secretaries and value of, 245
 - 2000 aggregate returns, 60
 - 2001 aggregate returns, 66
 - 2003 aggregate returns, 79
 - 2006 aggregate returns, 95
 - 2007 aggregate returns, 102
 - 2004 global recovery boosts currencies against, 84–90
 - 2000 performance of, 60, 62
 - 2001 performance of, 66–67
 - 2003 performance of, 83–84
 - 2004 performance of, 89–90
 - 2005 performance of, 92
 - 2006 performance of, 100
 - 2007 performance of, 107–108
 - U.S. politics and, 240–248
 - volatility index *vs.*, 125, 126
 - world intervenes against, 1985–1987, 39–41
 - yield curve inversions and, 150–151, 226
 - U.S. Energy Independence and Security Act of 2007, 208, 215
 - U.S. Gold Reserve Act, 2
 - U.S. government bonds, 132
 - U.S. markets/assets, reinstilling confidence in, 233–236
 - USD. *See* U.S. dollar

*Index***279**

- Venezuela, 187
- Vietnam War, 2, 27, 35
- Volatility, franc and yen
 - speculative sentiment driven by, 131
- Volatility index (VIX), 121, 123–129, 132, 136
 - corporate risk *vs.* market risk: spreads *vs.*, 133
 - EUR/JPY *vs.*, 2007–2008, 128
 - high-yielding Australian dollar, kiwi *vs.*, 129
 - rally of, during all major risk-triggering events, 124
 - S&P 500 index *vs.*, 125
 - USD/JPY *vs.*, 125, 126
 - using to expose complacency, 124–129
- Volcker, Paul, 4, 35, 37, 156, 243
- Wall Street Journal*, 201
- Washington Agreement on Gold, expiration of, 6
- Weather, agricultural production and, 207
- Wheat, 203
 - Australian dollar and production of, 211
 - Canadian dollar and production of, 211–212
 - corn and soy prices *vs.* price of, 205
- World GDP:
 - current account as percentage of, 163
 - growth in, 51
 - net foreign assets as percentage of, 164
- World War I, 2
- World War II, 208
- Yen. *See* Japanese yen
- Yield curves, xiv, 159
 - economy and, 138–139
 - effectiveness of implications with, 142–143
 - flat, 139, 140
 - flat, turning into normal shape, 139, 140
 - interest rates hikes and, 227–228
 - inverted, 141, 142
 - 1998, 146–147
 - timing of dollar peak, stocks peak, and rate cuts from start of, 151
 - 2000, 147–148
 - 2006–2007, 148–153
 - U.S. dollar and, 150–151, 226
 - jobs and housing slowdowns predicted by, 149
 - short, middle, and long ends of, 138
 - types of, 139–141
 - weakness signalled by, better than equities, 149
- Yield risk, 121
- Zloty. *See* Polish zloty

