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The State of the Union Investment Strategy

I watched President Obama present his State of the Union address with pen and paper in hand looking for subtle clues for possible future investments themes.

Our government has pulled out all of the stops, and seems to have brought us back from the brink of Armageddon, but with a hefty price tag. Last year's federal deficit was \$1.3 trillion dollars and this year's forecast is to pile on another \$1.2 trillion at a minimum, and some estimates go as high as \$1.8 trillion. One of the unfathomable supports came in job creation. Our government spent nearly \$300,000 for every job created in 2009, while over the past couple of years the unemployment rate has jumped from the low of 4.3% to 10%, leaving 8 million more now unemployed. That math doesn't make much sense me.

In his State of the Union Address, President Barack Obama outlined his plan for future job creation, "Over the next five years exports will double, creating two million jobs for American workers". So how do you create these jobs without a huge cost? As the value of the U.S. Dollar falls against other countries currencies, our goods become cheaper to the foreign consumer and in turn should stimulate demand for our goods and services boosting exports.

So as investors how do we take advantage of a weaker U.S. Dollar? In stock investing, companies that have international sales benefit, the more international the better. Coca Cola is a great example with 75% of their sales coming from overseas. U.S. investors that include international investing will also benefit. Petro China is headquartered in Beijing where the local currency is the Chinese Yuan (AKA the renminbi). It has been estimated that if the Chinese completely un-pegged the Yuan to the Dollar, the value of the U.S. Dollar should decline by 40% versus the Chinese Yuan to represent fair value. If Petro China's stock price didn't change on the Chinese exchange, a U.S. investor would enjoy a 40% gain on the currency translation if that revaluation occurred. An investor can also include international bonds and again take advantage of same potential decline in the Dollar.

The U.S. Dollar has already been declining for years and nothing ever goes in a straight line. But, if this downtrend continues the positives can help us through probably the toughest economic period any of us will ever witness.

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