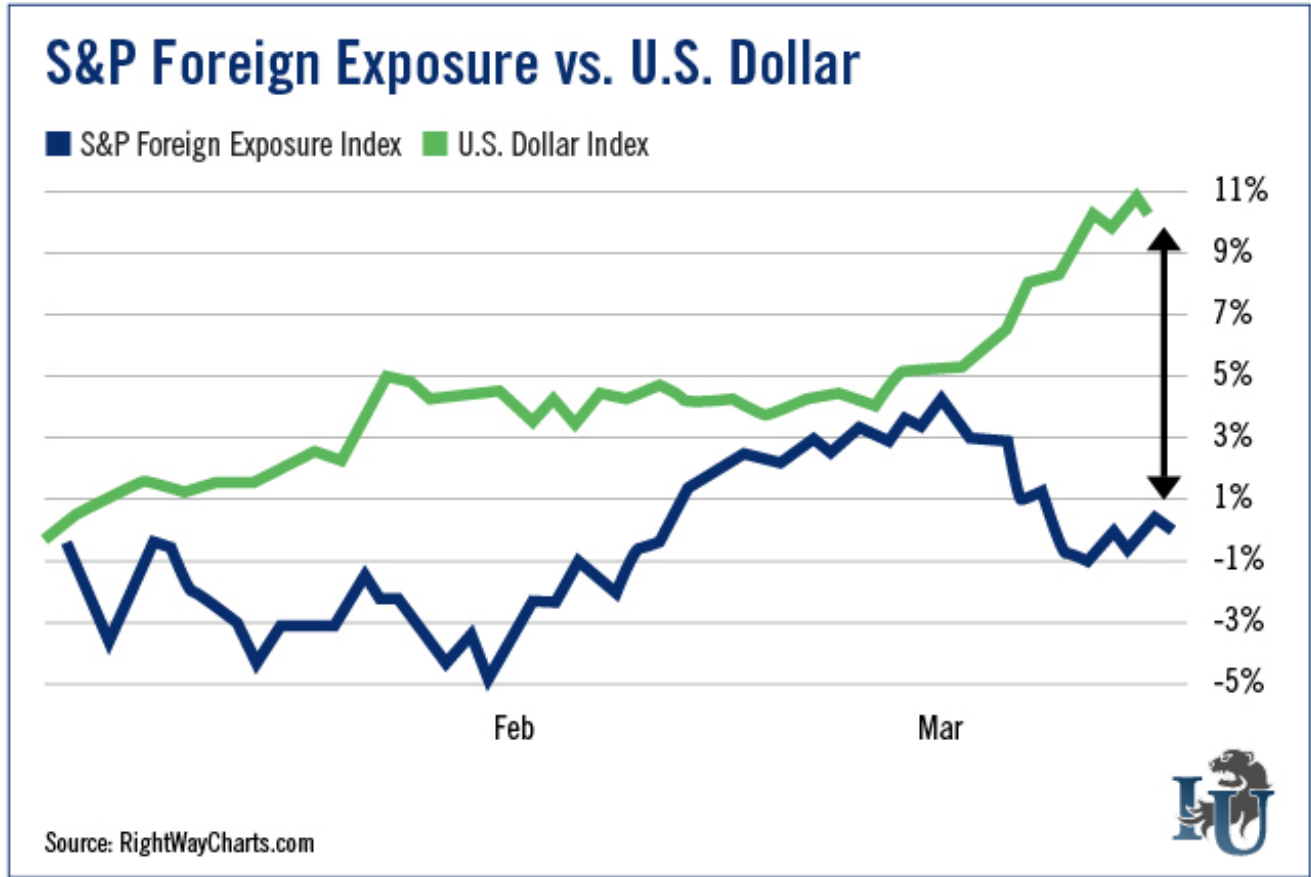


Could a Strong Dollar Crash the S&P?

by Rachel Gearhart, Managing Editor

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Everyone knows the dollar is strong right now. But what's shocking is how much the strong dollar can hurt U.S. companies bringing in revenue from overseas.

Roughly 30% to 35% of total revenue for all S&P 500 companies comes from outside the U.S. As a result, earnings estimates are falling and guidance is getting shakier as the dollar climbs.

This week's chart compares the U.S. Dollar Index, which measures the dollar against a variety of global currencies, to an index (we call it the Investment U Foreign Exposure Index) of 47 S&P 500 companies that derive 50% or more of their revenue from foreign markets.

As you can see, the gap between these two indexes is widening. If this trend continues, the drop in our Foreign Exposure Index could very well start weighing down the entire S&P 500.

"We are in a midst of an ugly contest to see whether the eurozone, Japan or Canada can depreciate the most against the U.S. dollar," said Campbell Harvey, a professor of finance at Duke University.

Investment U contributor and editor of *The Non-Dollar Report* Eric Fry thinks the eurozone will win. **In a**

recent essay, he said that as money printing ends in the U.S. and starts in Europe, investors should switch gears as well. His recommendation? "Sell U.S. stocks and buy European stocks..."

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