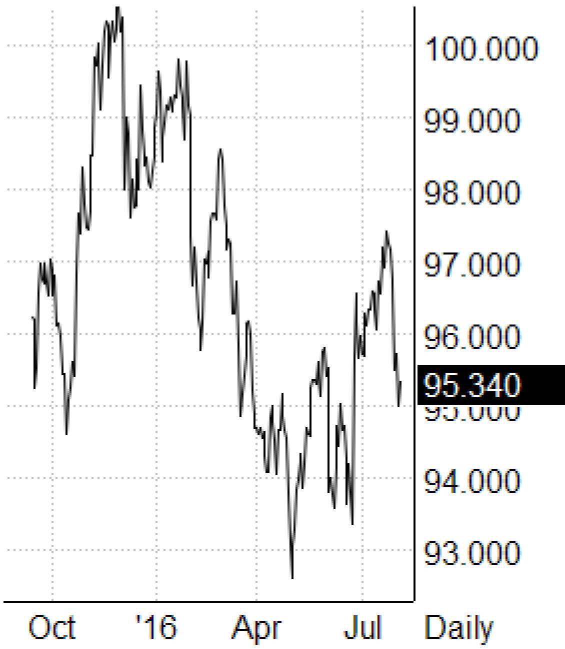
Have you been watching the recent gyrations in the U.S. dollar?

By Brian Shaw Aug 5, 2016 Mackie Research Campbell River



Here in Canada our perception of the U.S. dollar is that it is a relatively stable currency because the exchange rates between it and the Canadian dollar rarely move more than a cent a week, but a look at the U.S. dollar compared with a basket of other world currencies shows there have been a series of sharp peaks and deep valleys in recent weeks.
Prior to and just after the Brexit vote on June 23 (in which the U.K. narrowly voted to exit the EU) the U.S. dollar index (also known as the Dixie) climbed from about 93 to 96, fell back to almost 93, leapt over 96, fell back a bit, climbed over 97 then in recent days plunged to 95.

Such sharp shifts reflect how the U.S. dollar was seen as a safe and stable haven around the Brexit uncertainty and so the U.S. dollar and other currencies rose in price, as did Gold – which was a rarity to see both gold and the U.S. dollar rise in tandem – and naturally the North American stock markets rose too.

But now the love affair is over and world stock markets are starting to return to pre-Brexit patterns and some of those same flighty investors are now leaving the U.S., which is mainly why the Dixie went down to 95 (though there also may have been some early flights away from the uncertainties inherent in the Trump vs. Clinton presidential vote on Nov. 8).

Interestingly Gold is still rallying, perhaps buoyed by some money leaving a paper currency and getting in to bullion. Stocks in gold producers also have been strengthened recently.

If money continues to leave the U.S. we can expect the recent gains in U.S. stock markets to be trimmed but Canadian stock markets will be supported by the resurgence in Gold. We also can expect to see continued support in the BRIC markets (Brazil, Russia, India, China) and it could be interesting to watch Brazilian markets while that country hosts the Olympics for the next few weeks. Venture investors seeking to play those situations can ask me to suggest some ETFs for them.

But the common theme in all of these market shifts is that many large investors continue to seek safe havens for their funds, which is partly why some governments are able to set negative interest rates for their bonds!

Meanwhile there also has been a significant disappointment in the oil patch, with the benchmark WTI price having fallen back to $40/barrel and the resurgence in oil stocks having been tempered, which has added to overall stock market declines.

There is some view that the decline in oil may be temporary because world demand for oil is still rigorous and will remain so for several decades yet despite climate alarmists trying to push radical off-oil policies, but oil supplies vary widely by cost of production so there will always be a somewhat fluid market.

The recent wild fire in Fort McMurray was illustrative because when the tar sands plants were shut down the WTI price briefly jumped because Alberta syncrudes now supply about 20 per cent of North American demand and their break-even floor price is about $40 a barrel, but the syncrude plants are back on stream and the WTI has fallen back down to that level.

Nonetheless the current low price of oil may be an opportunity for venturesome investors to climb onto the next phase of an oil rebound, especially when the American heating season will return about the same time that Americans will be voting in a pivotal Presidential election.

Investors seeking more detailed analysis of their investment options are welcome to contact me directly or attend one of my regular seminars in Campbell River.

Brian Shaw offers investment seminars

Campbell River-based investment advisor Brian Shaw has developed a series of free seminars to help local investors develop new strategies to deal with the increasingly volatile financial markets.

“The sudden and steep drop in some stock exchange indices following the Brexit referendum is a good example of how all investors need to have strategies ready to cope with rapidly-changing market conditions,” said Shaw, branch manager of the local Mackie Research Capital Corporation outlet in Campbellton.

“World markets are under increasing pressure due to many stresses such as wars, terrorism and climate changes and more instability is likely from the impending U.S. Presidential election in November and the difficult negotiations for the United Kingdom to leave the European Union. Even conservative investors need to be ready to react to unforeseen changes,” said Shaw, who has been a licensed investment adviser for more than 30 years and recently also became a licensed insurance advisor.

Shaw’s focus now is on using leading-edge information technologies to identify attractive trading opportunities and then use insurance products to take better advantage of them, especially for business owners approaching retirement. But as always he also offers his full range of services to individuals of various means, tailoring his services to each investor’s unique needs.

“My new seminars are free because I genuinely want to help people cope better with complex and rapidly-changing circumstances,” said Shaw, inviting people to contact his office at 250-287-8807 for reservations or appointments or by email to bshaw@mackieresearch.com.

The next seminars will take place beginning at 2 p.m. on Monday July 25 and Thursday July 28, plus other times by appointment.