



Currency News

The pundits were predicting that a Trump victory would see a sharp fall in the US dollar, but that isn't how the currency markets have reacted to the prospect of the new Presidency. Here is our update on the currencies that matter to the fenestration industry:

US Dollar

The dollar has remained strong after the Presidential elections contrary to many expectations. In sterling times it is at approx. $\$1.24 = \pounds 1$ which is only slightly different from the October average of $\$1.2375$. This may have more to do with sterling (and the euro) not being particularly attractive either so investors have stuck with the dollar for now. So it looks like sterling will stay weak against the dollar at least until interest rates go up in the UK or the post-Brexit deal becomes clearer, and we all need to adjust to an exchange rate of $\$1.20$ rather than $\$1.50$. This will put up sterling costs by approx. 25% and we are starting to see the effects in the high street. To repeat our previous advice – buy any big ticket imported items now because they will be significantly more expensive next year.

Euro

The euro has also remained strong against sterling but one of the features of the last few weeks has been that investors looking to get out of dollars are not keen on investing in euros – it is still seen as relatively risky (but less so than sterling). The sterling exchange rate has been steady at around 1.10-1.15 euros per $\pounds 1$ and although sterling: euro rates have been at these levels in the past most importers of euro denominated products were expecting sterling to be stronger in 2016 and again we can expect prices of European goods to increase in 2017. Compared to Nov 2015 sterling is 25.2% weaker against the euro – which is a massive shift. Again the euro has many problems of its own but whilst the German economy stays strong they can be kept at bay, even if it means throwing more cash at Greece or Portugal. In fact throughout the Eurozone problems the euro has fared pretty well so it is not likely to collapse any time soon and in the UK we are likely to see sterling remain weak until the post-Brexit settlement becomes clear.

China

Although most Chinese product is priced in US dollars all the local costs are in in Chinese Yuan, which in the last year has fallen by approximately 7% against the US dollar – so although in the UK we are complaining about more expensive Chinese imports in China's biggest export market (USA) the cost of imported Chinese products will be falling slightly. This clearly makes life tougher for American manufacturers and it seems that new President wants to do something about it – either by tariffs or by getting China to revalue its currency. If it is the latter then in the UK we will see further price rises on Chinese made goods, so the outcome of the Trump/China discussions are likely to matter to us.

In general the two surprise poll results in the UK and USA are now behind us – and no one is sure what the longer term consequences of either vote will be. The markets seem to think that Trump will be less of a problem than Brexit – we will see!!

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