



I have commented on the US Dollar many times over the past ten years, both on its devaluation and its exposure to excessive volatility as the chart below depicts. In the interests of clarity the chart below shows the Dollar's value measured against a basket of foreign currencies, for example the Japanese Yen and the Euro.

This measure is widely accepted as the bench mark of the Dollar's global trade value. More importantly perhaps is that it displays the true value of this currency in members' bank accounts and with such volatility it's clearly not stable as a protector of one's international wealth.

10 year chart showing the vast fluctuations in the US Dollar index



For those holding US Dollars, it should be considered that gains in Dollar terms might not be as good as thought, with currency fluctuations often eliminating any real profits. So members should note holding US Dollars may not be the best choice for personal wealth preservation- albeit that we are tied to the faltering US Dollar trading standard system that is under pressure.

A look at the chart above is very revealing. A scan of the price action of the US Dollar as an asset demonstrates it is extreme volatility in value, my comment would simply be that this would be more in line with that seen in a speculative investment. Is the exposure wise when you have other options?

Some perhaps may feel that as long as the US Dollar remains utilized by the trading standard system, meaning that almost everything has to be bought in USD, there is no option investment wise. However, there are many options, other hard currencies.

Indeed members may recall that during last summer I pointed out that Sterling would appreciate against the US Dollar and at the time the exchange rate was 1.43 to Pound Sterling. History clearly shows those who took my advice would have profited. Since I had accurately forecast that it would move to above 1.60 before the end of 2013. Today exchange rate is hovering around 1.64.

There are investors who believe currency fluctuations do not affect them, why should they bother to pay attention to the exchange rate? They question how much can a bank account really move up and down in value. The fact is that it can and does massively, as I have said on numerous occasions.

William Gray  
The RIO Club