

WHY THE DOLLAR CONTINUES TO GAIN VALUE



vEcoSys

**Lets understand why the
dollar continues to gain value
despite S&Ps downgrading of
the US bond**



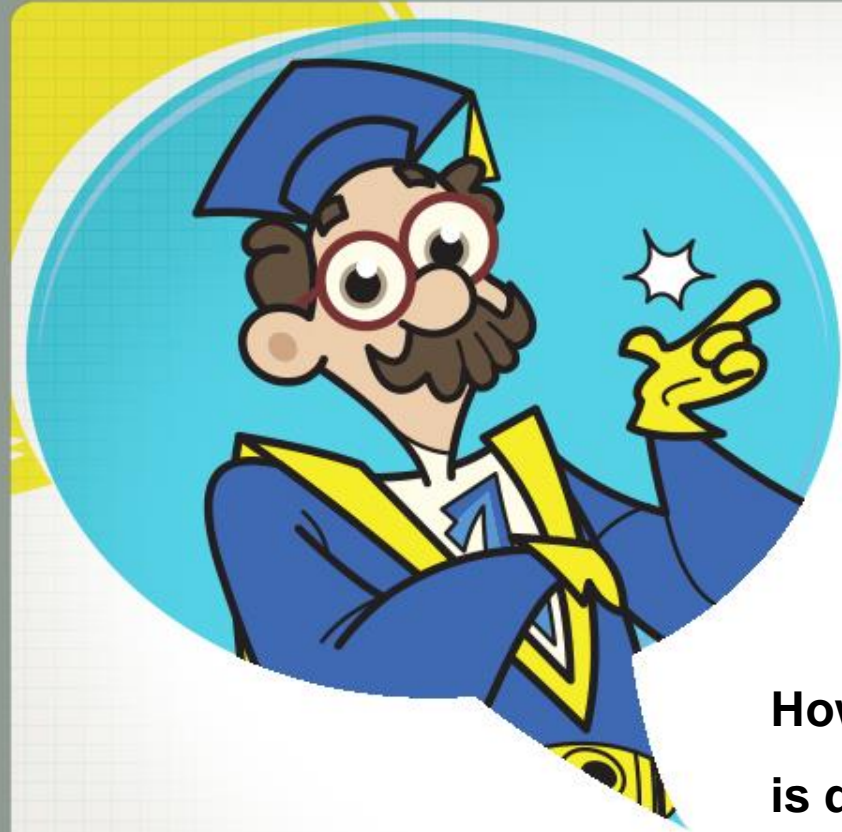
WHY THE DOLLAR CONTINUES TO GAIN VALUE

Recently Standard & Poor a renowned rating agency downgraded the US bond from AAA to AA

Usually one would expect that such a move would adversely affect the value of the dollar (the currency of the country whose bond has been downgraded)



WHY THE DOLLAR CONTINUES TO GAIN VALUE



However what we've been seeing is quite the contrary.

The value of the US dollar seems to be rising .

Why is this happening?

WHY THE DOLLAR CONTINUES TO GAIN VALUE

To get an understanding of this we need understand the global economic context.

Several European countries appear to be on the verge of defaulting on their debts. Hence the “euro” is under pressure.

Emerging economies too are facing high inflationary pressures which is having an adverse effect on growth. Both China and India are expected to grow at a lower rate as compared to the recent past.

Commodity prices too have gone up too fast and appear expensive



WHY THE DOLLAR CONTINUES TO GAIN VALUE

In this environment many investors seem to have maximum faith in the stability of the dollar and are showing the tendency of selling other asset classes and investing the proceeds in US Dollars.

The idea for them is to have enough US Dollars for an opportune investment at a future date.

Investors also expect that the US on account of its rising fiscal deficit and recent downgrading is unlikely to print a large amount of US Dollars and hence they expect the value of the US Dollar will remain strong



WHY THE DOLLAR CONTINUES TO GAIN VALUE

Here one must understand that for an investor sees the US Dollar too as an asset class just like any other asset class.

Thus by staying invested in US Dollars, the investor can gain from the rise in its value.

Secondly when the value of the US Dollar rises it helps the investor to buy other asset classes cheaper at an opportune time in the future.



WHY THE DOLLAR CONTINUES TO GAIN VALUE

These are the reasons for which the value of the dollar has risen despite the recent downgrade of US Bonds



WHY THE DOLLAR CONTINUES TO GAIN VALUE



Hope this story has clarified the reason why the value of the US dollar has been rising despite the recent downgrade of its Bond by S&P



Thinking of Investment

Contact

vEcoSys



DISCLAIMER

The views expressed in this lesson are for information purposes only and do not construe to be any investment, legal or taxation advice. The lesson is a conceptual representation and may not include several nuances that are associated and vital. The purpose of this lesson is to clarify the basics of the concept so that readers at large can relate and thereby take more interest in the product / concept. In a nutshell, Professor Simply Simple lessons should be seen from the perspective of it being a primer on financial concepts. The contents are topical in nature and held true at the time of creation of the lesson. This is not indicative of future market trends, nor is vEcoSys IMF Pvt. Ltd. attempting to predict the same. Reprinting any part of this material will be at your own risk. vEcoSys IMF Pvt. Ltd. will not be liable for the consequences of such action.

**Mutual Fund investments are subject to market risks,
read all scheme related documents carefully.**

