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“The Silver Fern should be upgraded to Gold”

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At the time of writing, the New Zealand Dollar is hovering near a 23 year high against the US Dollar and is sitting on the lowest level we have seen against the Pound in 8 years. Now I have no wish to dampen your enthusiasm for your move to New Zealand; in fact, having watched Billy Connolly's recent shows, I am very tempted to come with you but I would strongly urge caution on the exchange rate.

The problem is that a very strong currency does the economy a whole heap of harm. One third of the Kiwi economy is derived from exports and, when those goods are so expensive for buyers in other countries, sales will understandably fall. It also means that imports become very cheap and these twin effects create a burgeoning gap between import and export volumes – hence the growing balance of payments deficit.

Things are so worrying for the NZ government that one MP, Richard Prebble, is pushing for them to drop the NZ Dollar in favour of the US currency. With the US Dollar so weak at the moment, that may be a 'grass is greener' reaction but it is a measure of the concern felt by all New Zealand authorities.

Since October 2004, the GBP-NZD exchange rate has hit this NZD2.60 level 7 times and each time it has bounced higher. This might make you think 'Oh, no worries - it'll come back up then' but the problem is that each bounce has been less convincing than the last and now the exchange rate has settled into a narrow band between NZ\$2.60 and NZ\$2.66 but is looking ominously like it should fall.

The other problem is that the currency market is driven by speculators and they are mostly poised to take advantage of the next bounce. If the Reserve Bank of New Zealand raises interest rates again, which it may well have done by the time you read this, the NZ Dollar may be so attractive to international investors that it will fall below NZD2.60 to the Pound and the next really strong level of NZ Dollar selling interest doesn't appear on the charts until NZD2.20 or thereabouts. Such a 40 cent fall could happen very rapidly as automated orders trigger more and more NZ Dollar buying to take advantage of or reduce their risk from the drop. More importantly, it would cost over £18,000 for every £100,000 transferred and no one in their right mind wants to lose that kind of hard earned money.

There are alternatives though. One technique which would avoid the risk of a hard fall is to buy your NZ Dollars on 'Forward Contracts'. Not only will this protect you against the risk of a market fall, you also won't be required to find all your funds straight away. Most people have their funds tied up in property, investments, long term interest accounts and other non-liquid forms. For a small deposit (usually 10%) specialist currency dealers will be able to fix an exchange rate for you until the date when your funds are available and/or needed in New Zealand.

This takes the worry out of exchange rate fluctuations and allows you to tick another item off the reams of lists you probably have (or is that just me?). It also means that you can sleep easy without watching the unfolding drama of the falling Kiwi Dollar exchange rate; mind you, it probably beats Eastenders, the Archers and Hollyoaks for suspense.

I do apologise for being a bit doom and gloom but, unless every one of my migrant clients is aware that unless they protect themselves, they could arrive 'Downunder' with less spending power than they planned and I wouldn't be doing my job. But, as Erica Jong said, "Advice is what we ask for when we already know the answer but wish we didn't".

David Johnson is an FX Consultant with Halo Financial Ltd, a specialist foreign exchange company providing expert currency exchange services to both companies and private individuals. If you are at the start of buying an overseas property or in the process of buying currency to migrate, it is never too soon or too late to save money on foreign exchange. Halo Financial can be contacted on +44 (0)20 7350 5474 and their website can be viewed at www.halofinancial.com