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"Halt the slide and save money"

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"I can see the Pound falling; what's happening?" The question is an example of the confusion that recent moves in the Sterling–Euro exchange rate have had on UK buyers of European properties. It is a cry for help that is often heard when new clients call the dealing room of Halo Financial, a currency broker specialising in the provision of foreign exchange for private clients investing in overseas property.

The first five months of 2005 saw the Sterling-Euro exchange rate rise in a fairly orderly fashion, peaking at \$1.5150 and presenting those property buyers who had the assistance of a currency specialist with the chance to get their Euros at the top of the range and book their currency Forward to cover stage payments and delayed completion dates.

That upward movement came to a shuddering halt in June as the US Dollar became more dominant in the market and the UK economy started to show distinct signs of a slowdown. The slide in retail sales and manufacturing output has left the Bank of England with few options other than to lower interest rates at some stage in the hope that this move will stimulate consumer activity and recharge the economy.

Then, on 7th July, Londoners suffered at the hands of brainwashed murderers and the market became very nervous of holding Sterling in any form. Understandably, the Pound fell again but found buyers at €1.4460 and did a neat balancing act on this price for a week or so.

Unfortunately, the Pound had another jolt when, on 19th July, the full merger of the Shell and Royal Dutch oil companies was announced. In order to list the company on the London stock exchange, a huge but unspecified amount of Euros had to be bought to settle the Amsterdam listing. This pushed the GBPEUR exchange rate below the strongly supported buying level; further reducing the buying power of those with a French or Spanish property in mind.

Just 24 hours later we realised how far the Bank of England had moved towards lower interest rates when the minutes of their last meeting were published. The 9 strong Monetary Policy Committee voted 5-4 in favour of leaving rates on hold at 4.75% but the 4 dissenters wanted an interest rate cut. Traders immediately seized on this as the signal that UK interest rates will fall in August and sold the Pound across the board; a move that didn't stop until it hit €1.4340.

The Pound can perhaps claim that it has merely suffered a 'deferred success', the pseudonym preferred by UK teachers who abhor the word 'fail'. The fact is that, for now, the Pound is out of favour but that may change in a month or so as the European Central Bank is coming under increasing pressure to lower Eurozone interest rates and the fall in UK interest rates is now fully factored in to the currency markets.

There are no guarantees that another piece of unexpected news won't unsettle the Pound but, with so many concerns over the unemployment in Germany, excessive borrowing in Portugal and Greece, recession in Italy and president Chirac in France, the Euro won't have it all its own way in the months ahead.

What this means for those in the throes of a European property purchase is that there will be spikes and troughs in the Pound-Euro exchange rate and that a specialist dealer, such as Halo Financial, will be able to guide you through the melee to get the exchange rate you need.

Sophie Stride 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