

# *“Interest rates and oil prices rule, OK!”*



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published in Property in Spain August 2005

“Oil and interest rates are driving the currency market and the US Federal Reserve’s 0.25% base rate hike on 9<sup>th</sup> August has done nothing to help the Euro”. So says Alastair Sweetman, a Foreign Exchange Consultant with Halo Financial Ltd.

Alastair’s company provides expert currency exchange services to private clients involved in oversea property purchases and a large part of that service is to make sure the clients buy their currency to pay for their properties at the right time and at the right exchange rate.

“Timing is everything in foreign exchange. No one can make the exchange rate do as he wishes so the only option we have is to forecast expected market moves and catch the exchange rates when they are at their peak” Alastair adds and goes on to explain “At the moment, currency traders are driven by the exchange rate flows resulting from the oil price being at a 22 year high and the search amongst international investors for the best yield on interest rates”.

In Halo Financial’s view, the US interest rate is likely to carry on rising after the US Federal Reserve last hiked their base rate on 9<sup>th</sup> August; a view supported and factored into the US bond markets making them very attractive to international investors. UK interest rates, on the other hand, are easing lower after the Bank of England last cut UK interest rates on 4th August. This should be a deterrent to investors but the fact that the Bank of England is considered to be accomplished at keeping UK inflation in check, is a reassurance and yield seekers are happy to take 4.5% returns in a well managed economic environment.

The European Central Bank is an enigma; they appear to be so concerned that whatever they do will upset one country or another within the 12 country coalition, which may be why they have sat on their hands for 26 months and left the Euro to its own devices. The Euro is likely to strengthen before the end of the year as long as German economic statistics continue to improve and as long as the unemployment numbers stop expanding. Clearly, that also means that if things don’t improve, the Euro is susceptible to a period of weakness. In the short term, the relatively low return on 2.0% interest rates will make the Euro less attractive and that favours the US Dollar and Sterling.

Alastair finishes on a positive note, “ We are expecting to be able to furnish UK based European property buyers with Euros at better than €1.45 to the Pound in the coming month but we are urging clients not to wait for the mythical €1.50 that seems to attract so much attention. It is a far off target that is unlikely to be achieved and when you consider the GBPEUR exchange rate has risen from €1.40 in less than a month, the Euro is a bargain at €1.45 and it is possible to guarantee that exchange rate on a Forward Contract for up to two years ahead”.

***Alastair Sweetman 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](http://www.halofinancial.com)***