

US DOLLAR GAINING MOMENTUM



Summary: *Despite concerns from other countries, the US dollar continues to increase in strength as the Federal Reserve contemplates raising interest rates.*

Thirty years ago this month, the US dollar was powerful enough to get the country out of a harmful trade imbalance. The Plaza Accord took everyone by surprise, especially the financial markets. Now the US dollar is bouncing back to one of its highest points whether anyone wants it to or not.

The Federal Reserve consideration to raise interest rates paired with weak currency stimulus from other central banks may just enough of a risk with the strong dollar to crimp US inflation and corporate earnings. Raising rates has to be carefully considered. Doing so will affect foreign markets and US exporters.

The yen and euro have been floundering next to the dollar for the last few years. The International Monetary Fund warns that allowing the US dollar to get too far ahead will hurt economic growth and create a global imbalance. If the dollar becomes too valuable, there will no longer be the need for competition.

The concern now is if the G-20 and other committees need to get together to stop the US dollar or let it play out. Weakening a currency that seems likely to continue growing no matter what may seem like an impossible feat but the G-7 was able to support the euro in 2000 and weaken the yen in 2011 when it was needed.

Source: <http://www.bloomberg.com/news/articles/2015-09-15/dollar-gaining-like-1980s-evokes-plaza-accord-angst-before-fed>

Photo: cnbc.com