

## Passing The Bucks

### **As our economy goes, so goes our currency**

If you live, work and shop in the United States, the value of the dollar never varies. It is always worth 100 cents. If you live, work and shop anywhere else in the world, the value of the dollar fluctuates every business day. The dollar and other currencies are traded by banks around the world. There's always someone who wants to sell dollars and buy Euros—or sell yen and buy dollars. Maybe the dollars are needed for a trip to the U.S. Maybe yen are needed by a U.S. importer to buy cameras from Japan.

### **Selling the dollar**

The dollar was “strong”—meaning expensive—against most currencies in the late 1990s, when the economy and the stock market were both thriving. But right now, the dollar is “weak”—meaning cheap—against most currencies because the U.S. economy is struggling. In June 2002, you could buy a Euro—the common currency of European countries—for 95¢. This December '09, one Euro cost \$1.43. In June 2002, it required \$1.46 to buy one British pound. On December 31, 2009, the price was \$1.62.<sup>1</sup>

### **Overseas investors are key**

In practical terms, a weak dollar generally makes investing in the U.S. look less attractive to foreign investors. The absence of foreign investors can hurt U.S. investments. And foreign investing in U.S. stocks is no small thing. A strong dollar attracts more foreign investors. Their spending on U.S. investments helps keep prices high. As the U.S. economy continues, the weakness in the dollar should fade and we should have a currency that foreign buyers will want to have.

<sup>1</sup>Source: Federal Reserve Statistical Release H.10, Foreign Exchange Rates (Weekly). Release dates September, 2002 and December, 2009.