

Looking beyond the Pound



As the stock markets take a wobble yet again, Jonathan Fry looks at the benefits, and risks, of putting your savings into foreign currency

The recent slump in share prices once again highlights the sound sense extolled in this column on several occasions of putting as much money as possible into the bank. We have frequently said that during a recession the best course of action is to work on reducing debt and building your savings accounts.

However, some shrewd investors are now asking what currency they should be holding in their accounts. With the Pound, the Euro, and the US Dollar all comparatively weak, is it better to transfer your cash into, say, Swiss Francs or Norwegian Krone in order to protect their value as inflation rises and the purchasing power of a comparatively weak currency reduces?

It sounds an attractive and reasonably secure strategy to put some of your cash savings into a foreign currency but my strong advice is that it's not something for the inexperienced investor to do on a whim.

For a start, we all know from travelling abroad that the price you are quoted by the bank or travel agent for buying a foreign currency is considerably higher than the price you will be offered if you want to sell it back when you return home.

Also, the question arises as to which foreign currency to buy, and in making this decision you have to determine how much of a gamble you want to take. Recent performance suggests that the Asian and Emerging



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Markets currencies offer the best prospect of good growth but they are volatile and you could lose as much money as you could make with a dabble on these ‘runners’.

By contrast, the more stable currencies such as the Swiss Franc and the Krone, or the Australian Dollar, may not devalue - although there are no guarantees - and the growth and return they offer may not, in the shorter term, offset

the cost of buying and selling them.

As with almost all investments, a portfolio approach is recommended, mixing the safe with the more adventurous in balanced measure. And, as always, my advice is to seek the advice of an independent financial adviser who has a proven knowledge of the international currency markets before parting with your good old, hard Sterling cash. ■

North East Life's financial columnist Jonathan Fry can be contacted at jonathanfry plc, Gallowfields House, Fairfield Way, Richmond, North Yorkshire. Telephone 01748 825971 or visit www.jonathanfry.co.uk