

Will the Pounded Pound Bounce Back?

Markets are taking it on the chin after Brexit's surprise wallop. In the past 12 months, the exchange rate of the British Pound to the U.S. Dollar averaged about 1.49 dollars to the pound. Now, the conversion rate is trading around 1.32, or 11% lower than its average over the past year. Looking back the past 45 years, the pound/dollar relationship averaged 1.76/1. So called experts point at plunging markets as evidence of Britain's oncoming woes. They say that England is poised for further asset deterioration and inevitably an economic recession. The chart below illustrates that the Brits have seen their Pound pounded before. The Pound, like all currencies, is in a perpetual state of ebb and flow. In 1972, the Pound peaked at 2.64 to the dollar and closed as low as 1.05 in February 1985. The Pound is priced at 1.3193 as I write this brief. The pound exchange to the dollar has not been at this level since August 14, 1984, according to my lookback.

What does this mean for England's housing market, real estate, stocks and the country's economic future? Will England continue to be perceived as a safe haven and its pound a sought after reserve currency? These are a few of the questions that will be answered in the future. As I alluded, the British Pound has been here before. One thing is for sure, with global stock markets down by more than 5 percent since last Thursday's referendum – the summer swoon is underway. I suspect that savvy investors and seasoned pros are already on the prowl looking for bargain basement investment deals.

Is there a "Fixit" or silver lining to this "Brexit"? The answer is 100% yes! For American's travelling abroad, this "summer selloff" looks to be more of a "summer sensation." For those folks lucky enough to be holding on to Dollars, the cost of travelling to Europe, Japan, Canada and Australia, among others, has gotten cheaper in three days. If you are interested in attending the Olympics in Brazil, that's cheaper too. I'd say that in the past 3 days the good ole USA has won a Gold Medal.

