



GCU Bulletin

Dear Colleagues and Contacts of GCU,

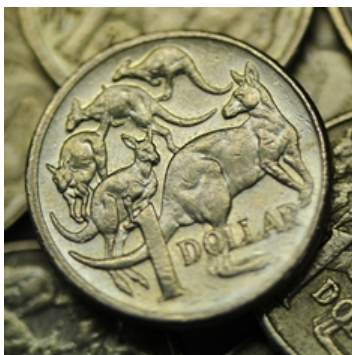
From an exchange rate and monetary event perspective, the past two weeks have been quite interesting. It came as no big surprise when the ECB on Sept. 4 lowered the interest rate to a historic low, [taking a first step towards provoking currency confrontations](#). The euro has now, in just four months, lost more than 7,9% of its value against the USD - obviously an example of adverse volatility for trade. The move from the ECB was followed shortly thereafter, on Sept. 10, by the dramatic step from the Bank of Japan of pushing the [interest rate below zero](#). Having now passed this 'natural barrier', it will be interesting to follow how frequent and how far below zero the BoJ and others will go to motivate inflation and drive down currency values.

Governor Wheeler from the Reserve Bank of New Zealand made his view clear when he stated on Sept. 11 that the [NZD's strength is 'unjustified and unsustainable'](#), and the Reserve Bank of Australia has aired [similar sentiments](#) with regard to the Australian dollar. In South Korea the [strength of the KRW fans export fears](#), and in the Philippines a report was published stating that [their currency is 20%-30% overvalued](#). All such comments could be seen as a prelude to coming monetary moves.

So when the CNBC asks ['Currency wars to return in 2015?'](#) ... it looks like it won't even be that long, and seen in this perspective it just seems even more relevant that Christine Lagarde in May of this year [urged central banks to cooperate on policy moves](#).

These are only observations, but if sustainable growth is the objective, maybe considering a more [stable environment for international trade](#) could seem relevant.

Best regards,
Jesper Toft, [GCU](#)



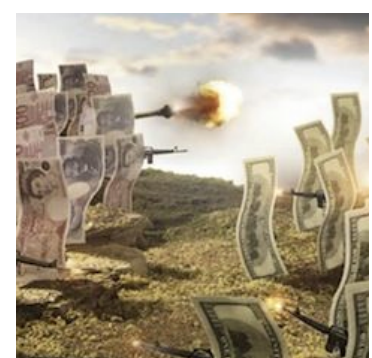
[The Reserve Bank of Australia wants the AUD to stay low to help business](#)

The Australian dollar may have dropped some lately but it still remains above most estimates of its fundamental value and it's going to take more to spur business investment according to the RBA.

[The Mercury](#)

[The return of the currency wars](#)

When seeing slow growth, the standard short-term remedies are to increase government spending, cut taxes or reduce interest rates. When this does not seem to work, the next step is to try pushing down the currency to make exports more attractive to foreigners. This tends to shift demand from one place to another rather than increasing the total. That is a "currency war.", says David Wessel, Director of The Hutchins Center on Fiscal and Monetary Policy.



[The Brookings Institute](#)



NZD strength still 'unjustified and unsustainable', Wheeler says

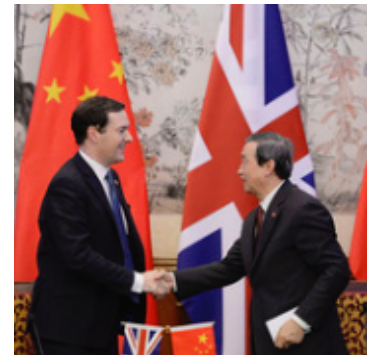
The New Zealand's dollar persistent strength is still "unjustified and unsustainable" after a slump in commodity prices this year, though it should come down as the US Federal Reserve moves away from running a zero interest rate policy, according to Reserve Bank governor Graeme Wheeler.

[The National Business Review](#)

Osborne: RMB could become 'the main global reserves currency'. Britain to include RMB as foreign currency reserve.

British Chancellor of the Exchequer George Osborne announced Friday that the British government intend to issue a Renminbi denominated bond and to use the proceeds to finance the government's reserves of foreign currency.

[Xinhua](#)



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GCU – exchange rates innovated

Study: Overvalued peso makes the Philippines uncompetitive, says Dr. Victor Alba

The peso is currently “overvalued by 20 percent to 30 percent,” a situation that is counterproductive to government efforts to achieve sustained economic growth, alleviate poverty and generate employment, said Dr. Victor Abola, program director of the Strategic Business Economics Program of the University of Asia and the Pacific in his report.

[The Daily Tribune](#)



Weidmann: Monetary policy has 'reached its limits'

Monetary policy alone cannot solve the crisis in the euro area, according to German Bundesbank President Jens Weidmann. This can only be resolved by politicians addressing structural problems. The setting of interest rates has reached its limits - and central bank is venturing into new territory to bring solutions.

[Deutsche Welle](#)

[Japan's negative yields show BOJ's limits, as easing expectations rise](#)

The Bank of Japan has begun paying banks for the privilege of lending them cash in a sign the central bank is reaching the limits of its power to reflate the economy, although it may soon be forced to pump yet more money into the financial system.

[CNBC](#)



[Russia's rouble skids to a historic low](#)

Russian authorities urged people not to panic on Tuesday as the rouble fell to a new all-time low against the US dollar amid concerns about the effect of sanctions on the country's economy.

[BBC News](#)

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