

The Financial Butterfly

what happens anywhere in the world matters to you - wherever you are

The other day, my grand-daughter's boyfriend asked me about Britain's exit from the EU. He wanted to know how it might affect us here in Australia. I was quite surprised because young people generally have no interest in foreign affairs nor, for the most part, in anything that happens outside their private bubbles. Although I try to encourage anyone who will listen to stay in touch with the latest news, I am usually left with the feeling that my words have fallen on deaf ears. So, in this instance it was refreshing to discover that a young man who has only just reached the tender age of 21 was actually thinking about his future in respect to events occurring in a country half a world away. A butterfly had flapped its wings in the United Kingdom, and at least one Australian had felt the breeze on his face.

This is the way of all things, especially when it comes to trade and finance. For the average person living somewhere other than the USA, the presidential elections are treated merely as a glitzy side-show that can have no bearing on their lifestyle whatever. They might imagine that some small fall-out will reach them, once the dust has died down and the new President is sworn in; what they fail to realise, however, is that the ripples have already begun to spread. In fact, this particular butterfly was in flight even before the candidates had been nominated. The money-moguls knew it would be and were already anticipating, hedging bets, trading currencies. They were making profits while ordinary mortals were still in bed. This kind of monetary juggling impacts on us all.

In an attempt to explain this mercenary influence on everyone's life I'll use a practical example. My wife and I were born in England and worked there for some years before emigrating to Australia. As a consequence and now in retirement we are entitled to an Australian age pension as well as a part one from the UK. This is deposited into our account every four weeks and, being calculated in Pounds Sterling, the amount we receive depends on the exchange rate between the two countries at the precise moment of transfer. This can fluctuate from day to day, so we are never quite sure how much we will be getting when the next payment is due; which, in turn, affects a compensating adjustment to our Australian pension. Needless to say, we watch the money-market like hawks to get some idea of whatever money is likely to be at our disposal.

Recently, this has been a worrying factor; and all thanks to politics, both local and International. Everything was fine until the Brits had their referendum on the EU issue. This caused uncertainty in the UK pound, driving it lower against the Aussie currency. In effect, where 48p used to buy one dollar, the cost started creeping up to the 60p mark; so our pension from the UK was considerably reduced during the exchange process. Another element had also slipped into the equation: Australians were going to the polls to vote on a federal election. Presumably, this was a worry for global financiers and as a result our dollar dropped against many other currencies; except for the UK pound which continued to founder. At the same time in the USA, a presidential election campaign was being waged; yet, unlike the Australian equivalent, the greenback remained strong. I guess that was to do with the general consensus of opinion that the US dollar continues to be the benchmark for international currency values since America became a financial giant.

Obviously, there is nothing we mere plebeians can do to sway the machinations of the manipulators. We are just left with individual choices on our lower level. With these,

however, we can voice a subliminal message which is bound to ruffle the feathers of the money-jugglers and make them take notice. The power is in decisions made - at the polls and in referendums; in the supermarket with respect to what we buy, or not; whether we take our next vacation overseas, or spend it at home. Consumers decide whether prices are fair and if they are prepared to pay them; if not, a personal boycott may be irrelevant, but when more jump on the band-wagon it's a different story. I recall a friend telling me that the inflated price of sugar had to be drastically reduced because people declined to buy any. That's people power. Like it or not, the financial-leaders can't ignore our cries. If they want to remain profitable, the best they can do is bow to the wishes and idiosyncrasies of the common people.

Shock, horror! Is this a short one, or not? It needs to be, friends. The moral is too basic to drag out: the world is a very small place in terms of cause and effect. When you feel just a hint of breeze drifting through your neck of the woods, a butterfly has taken flight somewhere else; and whatever that slight puff carries, financial or otherwise, it may well be important to you; so you'd best be ready for it.

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