

Implications of a Stronger US Dollar

By Kate Kennedy, J.D. Candidate 2016 | February 3, 2015

The [US dollar](#) is experiencing steady growth: not only has the dollar [steadily improved](#) over the last four years, but it rose thirteen percent in 2014 and an additional five percent in the first part of 2015. This recent strength can be attributed to the implementation of [quantitative easing](#) by the European Central Bank (“ECB”) and aggressive stimuli from central banks around the world including the ECB and the Bank of Japan. These measures place [downward pressure](#) on currencies like the euro and the yen, while allowing the dollar to strengthen. An improving US economy, smaller trade gap, reduced budget deficit, and higher interest rates on US Bonds have also likely contributed to the dollar’s growth.

While a strong dollar is reflective of a strengthening US economy, it has a negative impact on [corporate earnings](#). Although Google announced strong fourth quarter revenues last week, the rising dollar poses a significant concern for [future earnings](#). Large companies like United Technologies, Microsoft, and Procter & Gamble stated that they expect limited growth this year and cited currency issues as the primary reason. US companies are also further hit by the [weakening euro](#). A weaker euro allows European companies to more easily export their products to US consumers while American companies have a more difficult time selling in Europe.

Although the US dollar took a downturn [last Tuesday](#) as both the euro and yen improved, the dollar is expected to remain strong. While this may be problematic for investors, data released on Friday indicates that [consumer confidence](#) in the US economy is at its highest since 2004.