

Convert to Dollars and Watch Overseas Stock Rallies Disappear

2014-09-25 15:37:09.464 GMT

(For more Market Line insights, see NI MKTLINE.)

By Michael P. Regan

Sept. 25 (Bloomberg) -- While it hasn't been a great quarter for stocks around the world, at first blush the national benchmark indexes for developed markets do not look disastrous.

Japan's Topix is leading the way with an 8 percent gain.

Israel's Tel Aviv 25 Index is almost 5 percent higher, while benchmark gauges from Ireland to the Netherlands to New Zealand have risen more than 2 percent since the end of June. Of 24 developed markets, 13 are up for the quarter.

Here's a neat parlor trick, however: Convert the indexes to U.S. dollars and almost all of those gains disappear. The U.S.

currency has been on a tear, so the Bloomberg Dollar Spot Index is poised for its best quarter in three years with a gain of almost 6 percent. The American currency is stronger against all

16 major peers this quarter. The reasons are well known -- bets that the Federal Reserve will tighten monetary policy with interest rate increases while other central banks stay loose or get looser.

So say on June 30 that you converted dollars into euros, or yen or shekels or Swiss francs or British sterling or New Zealand kiwi or whatever, and used the local currency to buy the stock indexes of that country. Then hypothetically you sold the stocks today and converted your euros and kiwis back into dollars, here's what you'd be looking at: Down more than 5 percent in New Zealand and Finland and even Japan's rally is turned into an almost 1 percent drop.

Conversion Test

In fact, you can't find a European benchmark that's down less than 2 percent since the end of June. Excluding the U.S., only Hong Kong's rally survives the conversion test of the 12 developed markets currently posting gains.

Of course, it gets even worse for the benchmarks not showing gains for the quarter. Portugal's 16 percent loss turns into a 22 percent slide. Roughly 10 percent declines in Austria and Greece turn into 17 percent tumbles.

The story is similar with emerging markets. The 1.6 percent gain in South Korea's Kospi Index turns into a 1.5 percent loss.

The almost 6 percent advance in Brazil's Ibovespa becomes a 2.8 percent decline.

There is one eye-popping rally that withstands the conversion test: A 54 percent surge is only trimmed to a 49 percent rally in Argentina. So don't cry for them.

For Related News and Information:

Market Line Columns: [NI MKTLINE <GO>](#)

Developed Markets View: [DMMV <GO>](#)

World Stock Indexes: [WEI <GO>](#)

S&P 500 Market Map: [SPX <Index>](#) [IMAP <GO>](#) Top Stories on Stocks: [TOP STK <GO>](#) Equity Screening: [EQS <GO>](#)

Graphing: [GRAPH <GO>](#)

Feature Stories on Stocks: [TNI STK GREET <GO>](#)

To contact the reporter on this story:

Michael P. Regan in New York at +1-212-617-7747 or mregan12@bloomberg.net To contact the editors responsible for this story:

Lynn Thomasson at +1-212-617-0506 or

lthomasson@bloomberg.net