

## “An Update on Burgernomics”

By Tommy Williams, CFP®

Around the world in a few paragraphs...



Tommy Williams

The post-election adrenaline rush may be over in the United States. *Barron's* reported:

*“The new year began with high hopes, with the bulls expecting the rally that began with Donald J. Trump’s election victory to continue into 2017, while the bears salivated at the opportunity presented by a market that had gotten way ahead of itself. Instead, the market has failed to break up or down... At a recent conference, Trump covered a lot of ground... But he didn’t cover the three subjects investors especially wanted to hear about –*

*namely taxes, fiscal policy, and infrastructure. As a result, some of the primary beneficiaries of the Trump trade stalled: The S&P 500 Financials index declined 0.1 percent, while the energy sector dropped 1.9 percent.”*

Investors in the Asia Pacific region were less optimistic last week, too. Disappointing economic and international trade data from China unsettled markets, as did uncertainty about the global trade policies the new U.S. administration will pursue. National indices for Australia, Japan, China, Indonesia, Malaysia, and the Philippines finished the week lower.

In the United Kingdom, the FTSE 100 gained for the 14th consecutive day, closing at an all-time high for the 12th time in as many days, according to *Trading Economics*. *Bloomberg* reported European shares managed a gain for the third straight week. Financials led the way after a large

industry firm reported better-than-expected profits, inciting optimism about fourth quarter’s earnings season.

Meanwhile, back on planet earth, Burgernomics: here’s a Big Mac index update. *The Economist* invented the Big Mac index in 1986 as an entertaining way to assess whether currencies were at the “correct” levels. The index reflects the idea that countries’ exchange rates should balance so the same product (in this case, a hamburger) costs the same in two different countries when the price is denominated in the same currency. After updating the index on January 11, 2017, *The Economist* reported the “all-meaty” dollar was stronger than usual:

*“The dollar is now trading at a 14-year high in trade-weighted terms. Emerging-world economies may struggle to pay off dollar-denominated debts. American firms may find themselves at a disadvantage against*

*foreign competition. And, American tourists will get more burgers for their buck in Europe.”*

A Big Mac in the United States cost about \$5.06 last week. In the Euro area, the price was about \$4.06 and in Britain \$3.73. A Big Mac is cheapest in Russia (\$2.15) and most expensive in Switzerland (\$6.35). Here are the prices of a Big Mac (a.k.a. the Maharaja Mac in India) in a few other locales:

Norway	\$5.67
Sweden	\$5.26
Brazil	\$5.12
Japan	\$3.26
China	\$2.83
India	\$2.49
Mexico	\$2.23

It should be noted the Big Mac index is not a perfect measurement tool. The price of a burger should be less in countries with lower labor costs and more in countries with higher labor costs. When prices are adjusted for labor

(using gross domestic product per person), the Brazilian real is the world’s most overvalued currency, followed by Pakistan and Thailand. The most undervalued currencies include Egypt, Malaysia, and Hong Kong. And, for my fellow Pulp Fiction enthusiasts, the question remains: What do they call a quarter pounder in Paris?

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. This material was prepared in part by Peak Advisor Alliance.

Visit us at [www.williamsfa.com](http://www.williamsfa.com). Tommy Williams is a CERTIFIED FINANCIAL PLANNER™ Professional with Williams Financial Advisors, LLC. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through RFG Advisory Group, a registered investment advisor. RFG Advisory Group, Williams Financial Advisors, LLC, and Peak Advisor Alliance are separate entities from LPL Financial. Branch office is located at 6425 Youree Drive, Suite 180, Shreveport, LA 71105.