



FIRST CAPITAL  
FINANCIAL

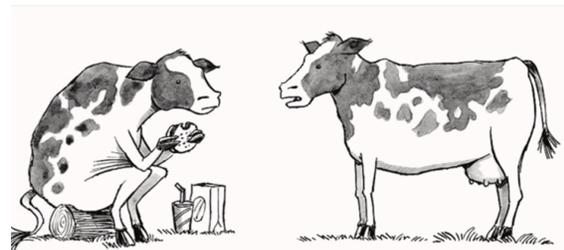


WORLD SOURCE  
FINANCIAL MANAGEMENT INC.  
Sponsoring Mutual Fund Dealer



2026.02.04

According to an economic principle known as **purchasing-power parity (PPP)**, a currency's value should reflect the amount of stuff it can buy. If it takes Harry Potter one galleon to buy a basketful of goods in the wizarding world and \$7 to buy the same goods in America, then a galleon has seven times the purchasing power of one greenback. The exchange rate between the two should therefore be about \$7 to the galleon. If the actual market rate differs from that, the currencies are misaligned.

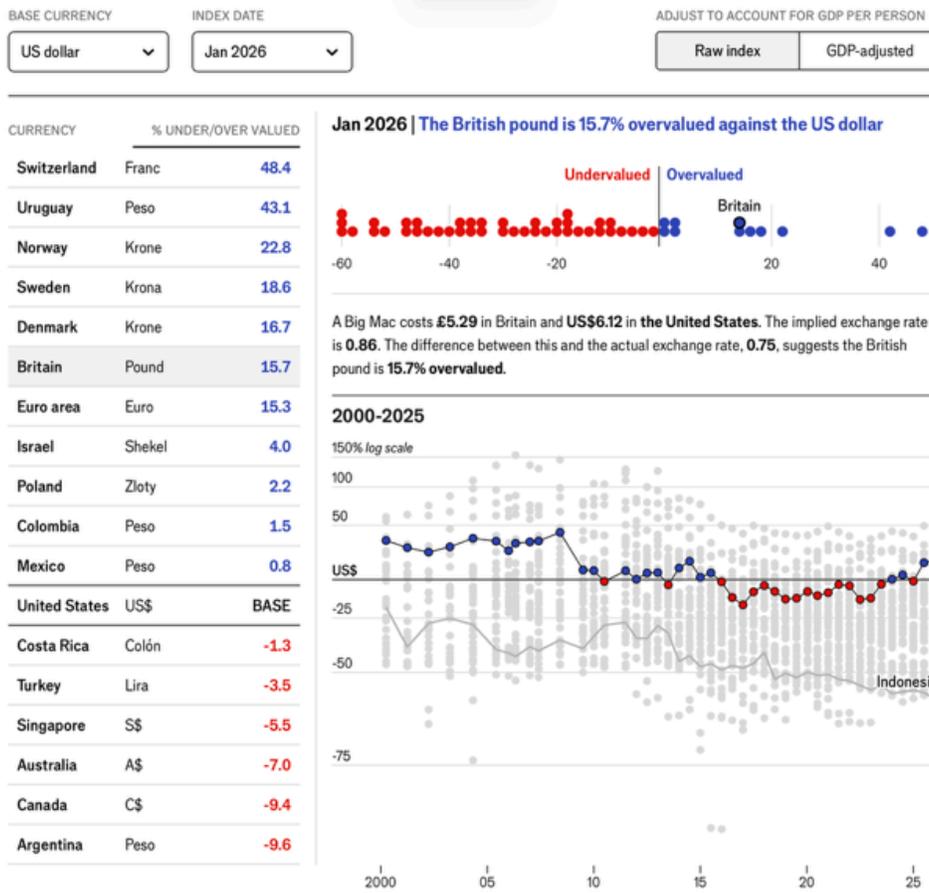


*"I don't care if it's plant-based, you're creeping everyone out."*

Any application of this principle runs into practical difficulties. What should be included in the basket? And what ensures the items are truly the same in each country? One answer is the International Comparison Programme, led by the World Bank, which prices hundreds of items, each fastidiously defined to ensure they are comparable across borders. It is one of the world's largest statistical initiatives.

There's a simpler approach. Since 1986 the Economist magazine has compared the price of one item, the Big Mac, across the globe. To ensure the sameness of the product across countries, they have relied on the zealous commitment to consistency of the McDonald's Corporation.

We agree that this is a useful metric for determining whether a currency is over or under-priced. In turn, this is important because currency is often used for managing trade between countries. Exporting powerhouses including Japan and China have used currency debasement to run trade surpluses. More recently, the United States is looking to revitalize its manufacturing base by pursuing a weak dollar policy. But the Greenback is anything but weak when measured by the Big Mac index, and suggests that the dollar may have further to fall before reaching a **PPP** equilibrium with many of the world's major currencies (see below).



The short to medium term impact of a soft dollar on the Markets is a factor which we consider when constructing our model portfolios. The wealth management companies we partner with do too, and will hedge currency when required, or over or under-weight US securities to mitigate the effects of currency depreciation. But over the long term, currency has a way of balancing itself and finding an equilibrium that reflects parity on goods and services, Big Macs included.

Thanks for reading!

Martin

1-519-546-5088

Source (including graph): The Economist

MARTIN WEILER, FINANCIAL ADVISOR  
 FIRST CAPITAL FINANCIAL / WORLDSOURCE FINANCIAL MANAGEMENT INC  
 50 CORESLAB DR. DUNDAS, ON L9H 0B2  
 P: 519-829-1331 F: 833-869-8042  
 MARTIN@FCFCORP.CA

Mutual Funds and some Segregated Funds provided by the Fund Companies are offered by Martin Weiler, a representative, through Worldsource Financial Management Inc., sponsoring mutual fund dealer. Other Products and Services are offered through First Capital Financial Corporation. This email and any attachments are intended only for the recipient(s) named in this email and may contain personal and/or confidential information. If you have received this email in error, please email the sender immediately, and delete the original email. Dissemination, distribution, or copying of all or any part of this message by anyone other than the intended recipient(s) is not authorized. The information provided in this email and/or attachment/s is solely for general and educational purposes and is based on the perspectives and opinions of the owners and writers. It is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting, or professional advice. Please consult an appropriate professional regarding your particular circumstances. References to third party goods or services should not be regarded as an endorsement of those goods or services. All information provided is believed to be accurate and reliable, however, we cannot guarantee its accuracy. Commissions, trailing

commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and/or the fund facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

[SEND TO A FRIEND](#)

[WEBSITE](#)

[BLOG](#)