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Americans Are Everywhere—and Taking Their Strong Dollars With Them

The U.S. currency has surged thanks to higher interest rates and a strong economy

By *David Uberti* [Follow](#)

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U.S. tourists are flooding foreign locales from Japanese temples to Hungarian thermal baths at an opportune moment: The American dollar is soaring.

An economy that is outrunning many peers is pulling investment stateside, driving the value of the dollar near its highest levels of the year. The U.S. currency has gained 15% against the yen and 2.3% against the euro since the end of 2023. In Argentina and Vietnam, the buck has never gotten so much bang.

The dollar's ascent reflects America's economic dynamism, as well as interest rates higher than those of many rich counterparts. A rising dollar boosts Americans' relative purchasing power by making imports cheaper. At the same time, it generally hurts exports—except the type who carry luggage.

Kyle Kawakami, a chef from Hawaii, shelled out for knives and cutting boards during a June vacation to Japan. “I couldn't help myself,” said Kawakami, whose family ate its way through Tokyo, including fresh sea urchin at one of the city's famed fish markets and a 15-course meal at an exclusive Wagyu restaurant.

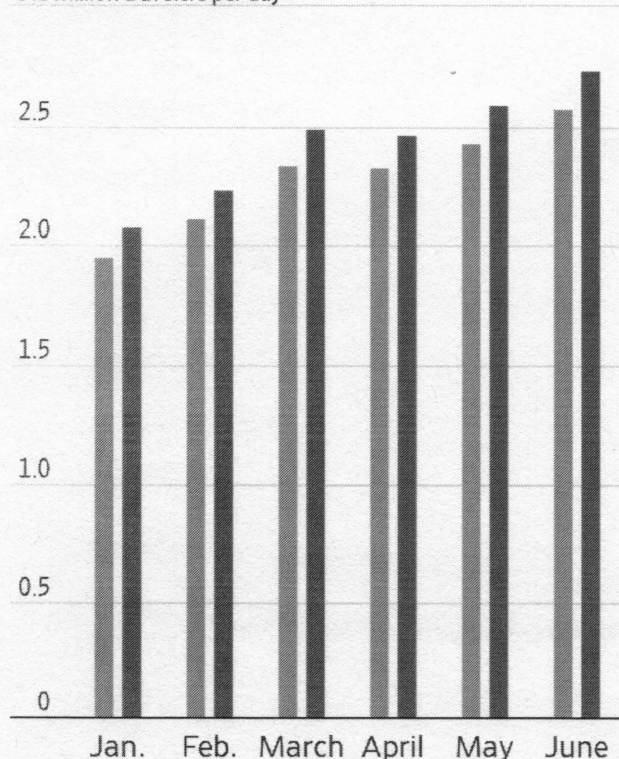
“After you finish [paying], you get out the door and look at the conversion, and it's like, ‘Wow,’” Kawakami said.

With bigger paychecks and record investment income in their pockets, Americans are piling onto planes abroad, propping up economies and shaking up housing markets in Europe and beyond. Nearly three million air travelers passed through Transportation Security

Daily U.S. airport screenings

■ 2023 ■ 2024

3.0 million travelers per day



Note: Monthly averages of daily totals

Source: Transportation Security Administration

Administration screenings on June 23, an all-time high. The agency expects a record-setting summer season could peak over the July Fourth holiday.

Americans traveling abroad are sparing little expense, extending trips, ramping-up luxury excursions and hauling extra suitcases across oceans to load up on souvenirs.

The U.S. dollar hasn't reached the same heights it touched in 2022, when the Federal Reserve began raising rates to slow inflation. That lifted bond yields, luring investors from around the world to the safe returns of U.S. debt.

At the start of this year, investors bet on as many as a half-dozen rate cuts by the Fed in 2024, a shift that could weaken the dollar. But inflation has lingered and the Fed has held policy steady, even as the European Central Bank and others have begun to pull back.

Dollar-denominated assets such as stocks and bonds are still providing outsize returns, Goldman Sachs told clients recently, making the dollar “a high bar to beat” for investors. When weighed against a basket of foreign currencies in the WSJ Dollar Index, the U.S. currency is more valuable than at almost any other point in the past 20 years.

U.S.-Japan exchange rate

275 yen per dollar



Source: FactSet

Off Wall Street, the interplay between economic growth, monetary policy and investment flows has meant tangible gains for camera-wielding Americans: cheaper hotels and tours.

Deborah Izenberg hops abroad often to scout out potential locations for clients of her boutique consulting firm, GeoLuxe Travel. Last year, she jetted to South Africa, where a dollar buys about 30% more rand than it did in 2019, weighing down the cost of safaris and wine tastings. Next up are Australia and New Zealand, where local dollars have also weakened against their U.S. counterpart.

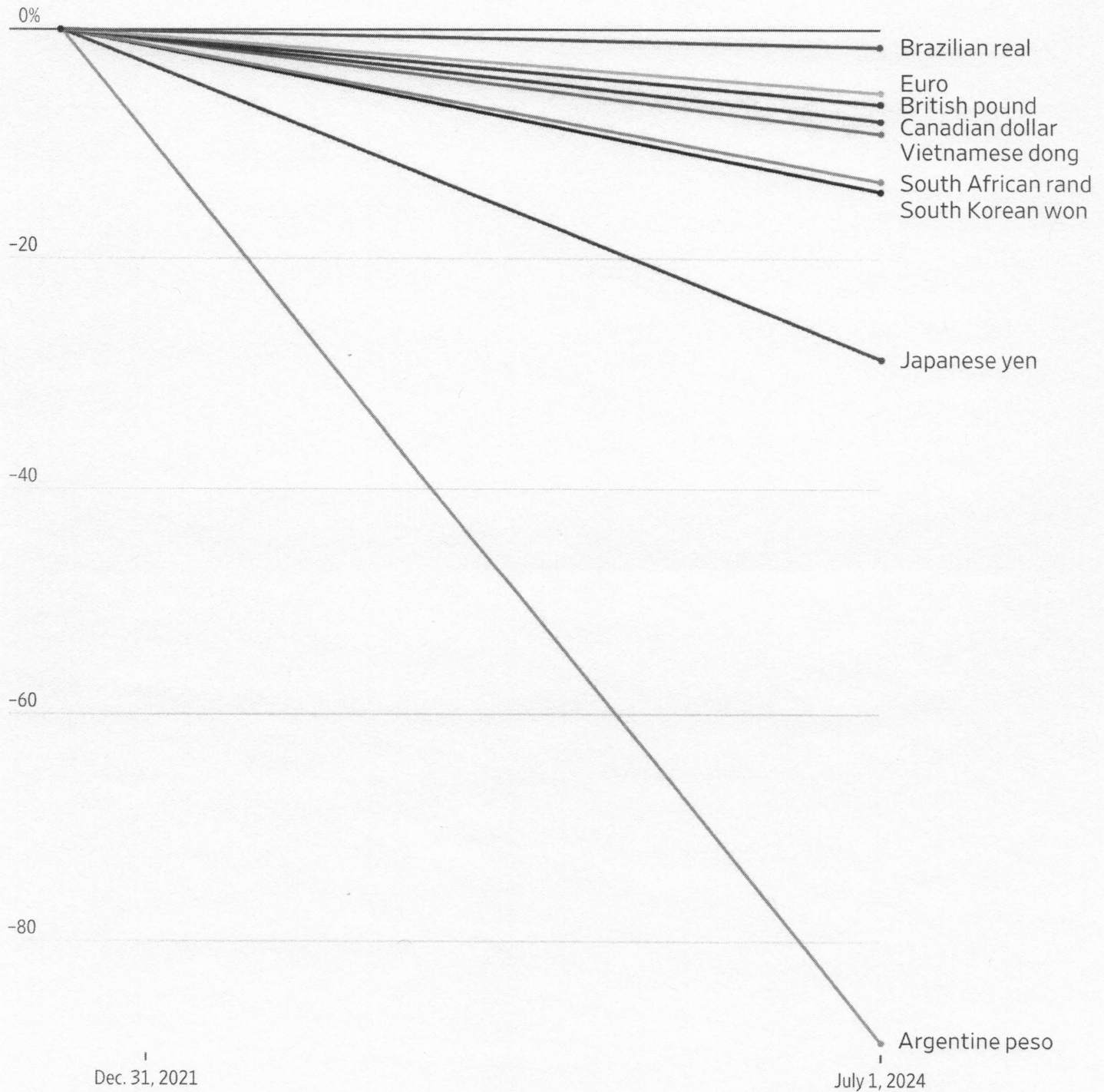
Izenberg said favorable exchange rates have contributed to overcrowding and pushed local vendors to bump up their own prices. As many countries in the eurozone have experienced a tourism boom as the pandemic has waned, she has advised some customers to look to Eastern Europe and elsewhere for their culinary and architectural fixes.

“There are so many places in South America that remind people of Europe—and you can get far more for your dollar,” Izenberg said, noting the buck’s strength relative to the Argentine

peso and Peruvian sol. “I have people who say to me, ‘I have no budget.’ Everybody has a budget.”

As Kawakami’s family learned, budgets have stretched further even in Japan, where the yen recently fell to its weakest level against the dollar in 38 years. That exchange rate—as high as 161.69 yen per dollar on Wednesday—underscored the two economies’ diverging fortunes.

Change in value against the U.S. dollar since the end of 2021



Source: Tullett Prebon

For the better part of a decade, Japanese central bankers kept interest rates negative in an unorthodox attempt to shake off years of stagnation. The Bank of Japan nudged borrowing costs slightly above zero in March, but recent economic data suggest that a weakening currency has whittled down consumers' spending power.

That has reinforced investors' view that the interest-rate gap between the U.S. and Japan is likely to remain wide. Tokyo has recently stepped in to prop up its currency, buying tens of billions of dollars' worth of yen in recent months and saying that it will throttle back bond purchases. The yen has continued to falter.

"Intervention is not going to work in the long run," said Jim Bianco, president of the macro consultancy Bianco Research. "You need to strengthen your economy."

In Hawaii, where Kawakami runs the Maui Fresh Streatery food truck, the resulting ripple effect from the foreign-exchange market might be hitting home as well. While the number of foreign visitors to Japan in May was up nearly 10% from five years ago, according to the Japan National Tourism Organization, overseas travel by Japanese tourists was down 35%.

"Because the dollar is so strong and the yen is so weak, we don't see the Japanese tourists anymore," Kawakami said. "They can't afford to come to Hawaii."

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