The New York Times

The dollar spent a year trading in a tight range against the euro before it fell 7 percent in the course of a month, beginning in April. Myriad factors affect share prices, and mild currency fluctuations usually provoke shrugs among investment advisers, but a move as steep and swift as this one is hard to ignore.

Conventional wisdom holds that a strengthening currency hurts exporters and helps companies that derive much of their business domestically. But it gets more complicated in an increasingly globalized and fussily analyzed world. Investors eager to inoculate their portfolios against a soaring euro must do more than just sell the first type of stock and buy the second.

They need to consider a company's customer base, for one thing. A Spanish utility is not so Spanish if most of the lights it turns on are in South America; a strong euro may not be much help.

The source of a company's production must be taken into account, too. A German carmaker that sells in the United States may seem at a disadvantage when the euro strengthens, but not if the cars it sells are also built there.

One company that has its manufacturers and customers in the right places is Puma, said Francis Claro, co-manager of Evergreen Global Opportunities, a fund focusing on smaller companies. The German sneaker maker sources much of its production in emerging markets and gets a big portion of its sales in Europe.

Another favorite of his is The Game Group, a retailer of video games and consoles in its home base of Britain, as well as in France and Spain. The companies whose hardware and software it sells tend to be based in the United States or Asia, so Game Group can buy in dollars and yen and sell in euros and sterling, Claro said.

Providers of temporary staffing in Europe also stand to benefit from a strong euro, in his opinion, because they generate almost all of their revenues in euros. More than that, a strong euro reduces inflation because import costs are lower. In the long run, Claro said, pressure on interest rates should fall and economic growth should rise with demand for temporary workers.

Claro's favorite company in this sector, and the biggest holding in the fund, is USG People, a Dutch company that does big business in Germany. Claro noted that the German value-added tax would rise by three percentage points next year, a development that could result in "frontloaded" growth, and a bulge in hiring, this year.

A recent study of the impact of a stronger euro on European business by Standard & Poor's talked up the prospects of suppliers of consumer staples like household goods and food and drink. These companies generate a middling proportion of their earnings in currencies other than the euro, compared with other sectors, but they rank near the top when it comes to consistency of earnings. S&P analysts contend that investors will seek that out as the dollar weakens and attention shifts toward safety and away from strong growth.

Three of their five favorite strong-euro stocks among European blue chips are purveyors of consumer staples: the French beverage company Pernod Ricard and two of the world's largest food producers, Nestlé in Switzerland and Unilever, a Dutch-British company.

Their two other picks - the French media conglomerate Vivendi and the German auto parts maker Continental - are in sectors that are expected to fare poorly if the euro strengthens. The analysts consider them relatively immune, however, and their inclusion allows investors to maintain exposure to industries that their fear of a soaring euro might otherwise leave them out of.

S&P analysts are anticipating further dollar weakness, but no law says they have to be right. In fact, the lopsided shunning of the dollar suggests to Max King, a strategist at Investec Asset Management, that the currency may improve.

One sector that he likes regardless of currency movements is financial services, and it happens to be one of the two in Europe with the least overseas exposure.

Investec's preferred financial-service stocks include Deutsche Bank; the German insurer Allianz; BBVA in Spain; Credit Suisse, and Fondiaria in Italy.