

Events causing volatility in the value of sterling

A number of events can cause market movements. Here are a few examples of some of the major moments, and how currency was affected, over the last two years.

January 2019

Parliament rejected May's Brexit deal and the EU celebrated the 20th anniversary of the central currency. Trade tensions and a government shutdown had little impact on the US dollar.



May resigned as leader of the Conservative party. The unexpected possibility of fiscal stimulus from the ECB pushed the euro lower.

August 2019

PM Johnson prorogued Parliament in an effort to focus on Brexit negotiations. The European Council President confirmed that the Irish backstop was "non-negotiable". Analysts kept a close eye on the G7 meeting in Biarritz.

December 2019

PM Johnson won the UK General Election and vowed to "get Brexit done." Confidence wavered in Europe as Christine Lagarde took the helm at the ECB and stated that the ECB would be "resolute" in price stability. The US President signed of in principle on phase one of a trade deal with China.







July 2019

Boris Johnson was elected leader of the Conservatives, and committed to the 31st October Brexit deadline. The election of Kyriakos Mitsotakis in Greece lessened the risk to the euro as the downturn continued. Trade tensions between the US and China and the EU escalated.





October 2019

The Brexit deadline was extended to 31st Jan 2020, raising hopes of avoiding a no-deal departure, benefitting sterling and the euro, although the picture in Europe remained downbeat.

Impeachment proceedings had little impact on the US dollar.

April 2019

The Brexit deadline was delayed until 31st October 2019, and there were early signs of a slowdown in Europe as output and confidence measures dropped. The US dollar benefited from rising hopes of a trade deal with China.

April 2020

PM Boris Johnson was hospitalised and taken into intensive care while monthly GDP in the UK fell by 20.4%. The US unemployment rate rose to a record high of 14.7% as businesses closed across the United States.

June 2020

Fears over Covid-19 briefly subsided and markets reverted to risk-on mode. The start of the month saw increased dollar selling, with sterling recovering over 3% at the start of the month and the euro struggling as the ECB tried to reach an agreement over a recovery package.

October 2020

Trump, Covid-19 and Brexit once more caused movements.
Sterling had an easy ride at the start of October considering the impending Brexit deadline and a new tiered approach to restrictions aimed to quell the pandemic. The US election dominated currency ups and downs, with the US dollar shaky in the lead up to November 3rd.

December 2020

The UK and the EU finally agreed a trade deal on Christmas eve, with sterling going from zero to hero. However, new tighter restrictions to curb a new transmittable variant of Covid-19 resulted in France closing borders with the UK for 48 hours, and over 40 countries blocking arrivals. Millions more were placed under Tier 4, making it inevitable that another lockdown in January and potentially a recession in the first quarter of 2021 is on the cards.



March 2020

The Bank of England cuts rates to an all-time low of 0.1% to address coronavirus pandemic. Rishi Sunak announces a package of up to £300bn to help bolster the economy.

May 2020

UK industry continued to suffer following April's fall in GDP with data across the board pointing towards difficult times ahead. Sterling continues to struggle with Brexit remaining in the headlines.



July 2020

August 2020

GBP/USD hit 1.32 as the US

failed to get the virus under

control and the November

election came into focus.

Rumours of an imminent agreement with the EU on fishing rights gave sterling a boost as investors turned from the US dollar amid uncertainty on many fronts.



September 2020

Boris Johnson proposed a controversial bill to override parts of the Brexit agreement. The EU began legal action against the UK after claiming the bill breaks international law. Sterling saw a sharp drop with a surge in volatility. USD capitalised on this and climbed against both the pound and euro.



November 2020

Fallout from the US election dragged the US dollar down before Biden was officially declared as the next president.

Another lockdown for the UK and continued Brexit uncertainty also affected sterling.



January 2021

Sterling saw fresh highs against the euro and US dollar, climbing to its highest level against the euro since May 2020, and against the US dollar since May 2018. Joe Biden became President, and all eyes are on his spending plans, with expectations of more economic stimulus in the States.

GBP/EUR

Sterling has made gains against the euro, reaching its highest level since May 2020 as a Brexit deal swooped in and vaccination rollout is well underway. However, new post-Brexit border arrangements caused a few sticking points.

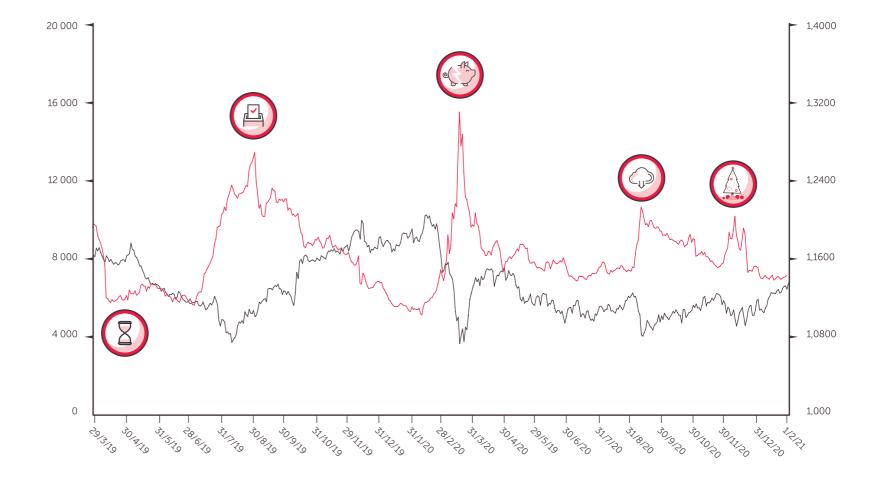
SPOT VS. 3M VOL

SPOT

The spot rate is the exchange rate at any given point in time.

3M VOL

The 3M Vol refers to the changing 'Volatility' measure of the currency pair, a calculation of how much it is currently moving, up or down.





GBP/USD

The GBP/USD exchange rate was mostly categorised by ongoing weakness until the pandemic brought the previously unassailable US dollar in check. Sterling saw a fresh high against the dollar, not seen since May 2018. As we see Joe Biden sworn in as president, new spending plans and further economic stimulus is expected.

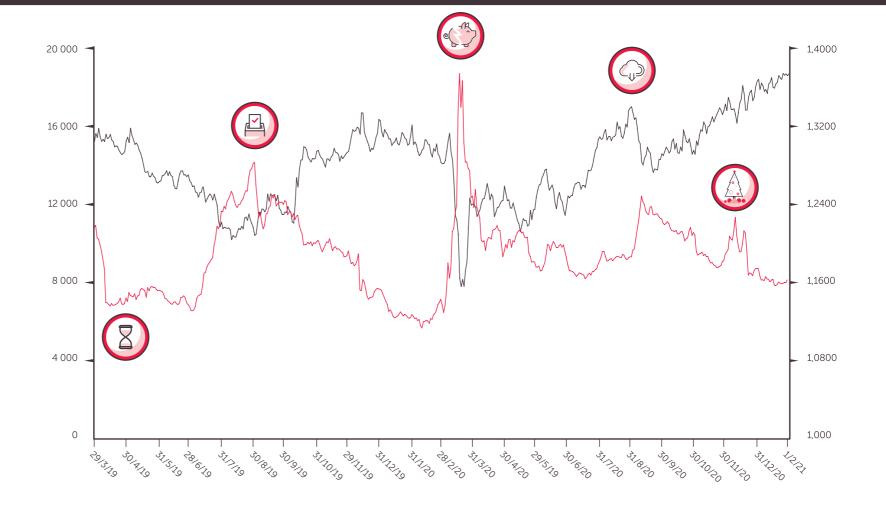
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