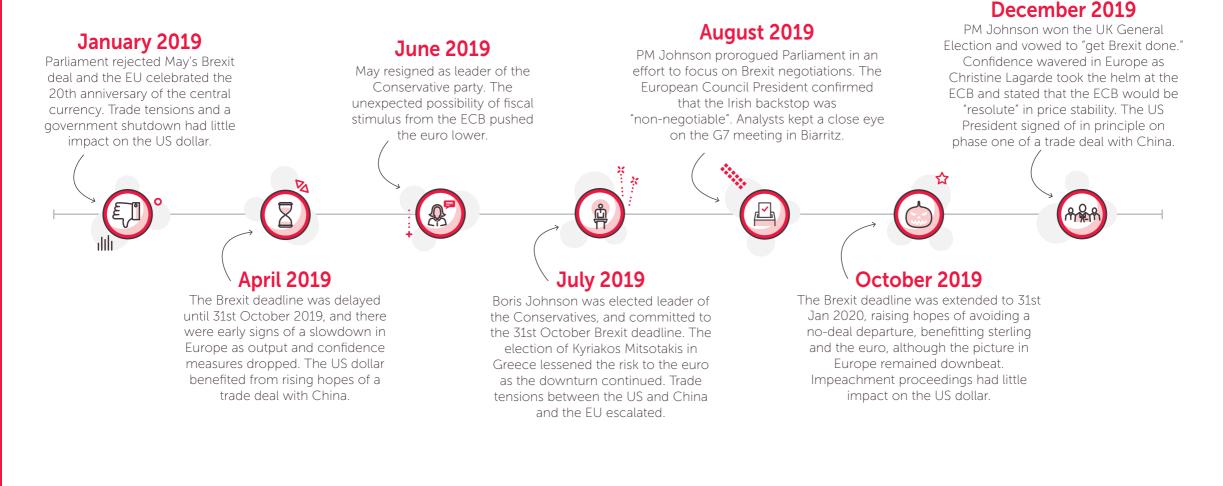




Currency volatility happens during periods of economic and/or political uncertainty. The value of the pound may fluctuate in response to unexpected economic results and in the run-up to a General Election. Recently, the effects of volatility have been compounded by the major issues of Brexit, the Pandemic and US elections. The more unpredictable the world becomes, the more volatile the currency market is, which can lead to higher FX costs even if the market moves suddenly in your favour.

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.



Fears over Covid-19 briefly Trump, Covid-19 and Brexit once The UK and the EU finally agreed a trade **April 2020** subsided and markets reverted more caused movements. deal on Christmas eve, with sterling going PM Boris Johnson was to risk-on mode. The start of Sterling had an easy ride at the from zero to hero. However, new tighter hospitalised and taken into the month saw increased start of October considering the restrictions to curb a new transmittable intensive care while monthly dollar selling, with sterling August 2020 impending Brexit deadline and a variant of Covid-19 resulted in France GDP in the UK fell by 20.4%. recovering over 3% at the start new tiered approach to closing borders with the UK for 48 hours. GBP/USD hit 1.32 as the US of the month and the euro restrictions aimed to quell the and over 40 countries blocking arrivals. The US unemployment rate failed to get the virus under struggling as the ECB tried to pandemic. The US election Millions more were placed under Tier 4, rose to a record high of 14.7% control and the November reach an agreement over a dominated currency ups and making it inevitable that another lockdown as businesses closed across the election came into focus. United States. recovery package. downs, with the US dollar shaky in January and potentially a recession in the first guarter of 2021 is on the cards. in the lead up to November 3rd. -September 2020 November 2020 May 2020 July 2020 March 2020 Boris Johnson proposed a Fallout from the US election UK industry continued to suffer Rumours of an imminent The Bank of England cuts rates controversial bill to override parts dragged the US dollar down following April's fall in GDP with agreement with the EU on to an all-time low of 0.1% to of the Brexit agreement. The EU before Biden was officially data across the board pointing fishing rights gave sterling a address coronavirus pandemic. began legal action against the UK declared as the next president. boost as investors turned towards difficult times ahead. Rishi Sunak announces a after claiming the bill breaks Another lockdown for the UK and from the US dollar amid Sterling continues to struggle

uncertainty on many fronts.

October 2020

international law. Sterling saw a

sharp drop with a surge in

volatility. USD capitalised on this

and climbed against both the

pound and euro.

December 2020

continued Brexit uncertainty also

affected sterling.

June 2020

with Brexit remaining in the

headlines.

package of up to £300bn to

help bolster the economy.

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

January 2021

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.

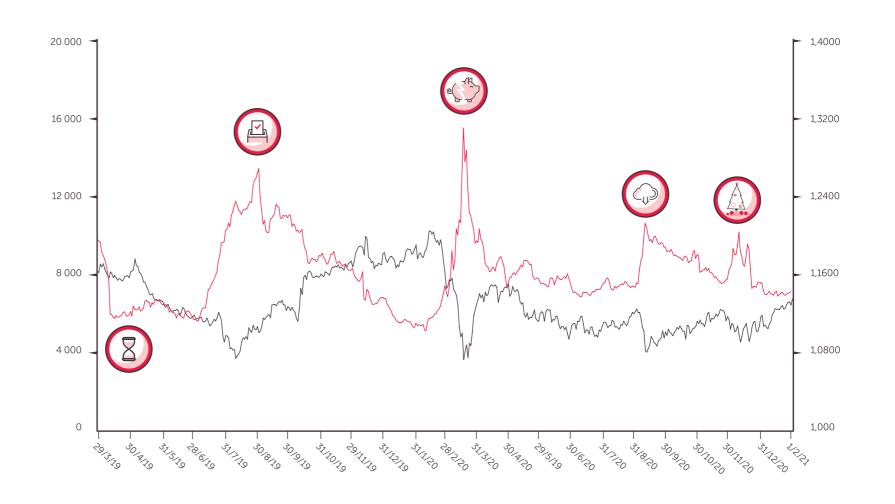
SPOT VS. 3M VOL

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.

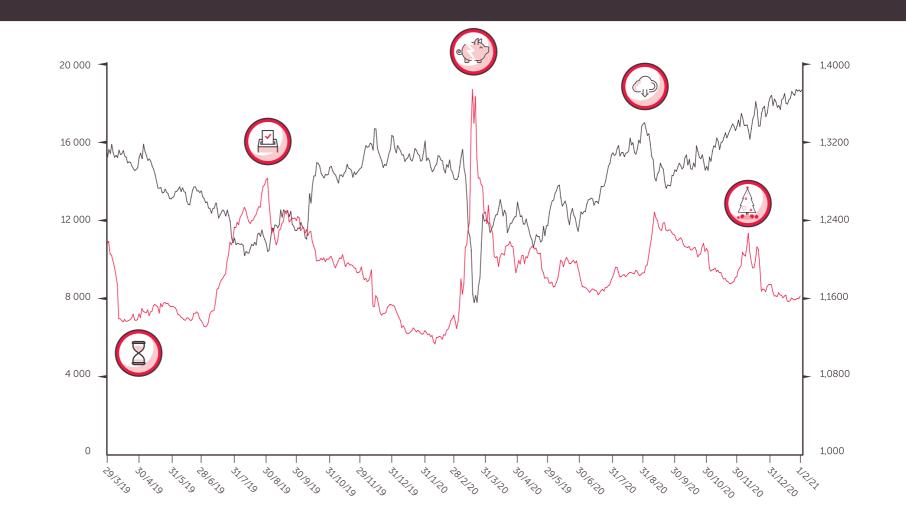
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Managing FX transactions and currency risk



Invaluable expertise

Movements in the currency market can have a significant impact on your bottom line. In a rapidly changing world, it can be difficult to keep up to date with market movements. That's why we work closely with our clients to ensure they have the latest insights and guidance on the range of tools available to businesses. In partnership with our clients we create a bespoke FX strategy that helps to mitigate the risk of currency transactions. Our expert team is always on hand to help you make the most of overseas revenue and minimise your costs abroad.



Currency tools

Spot Contracts apply the exchange rate on the day of purchase and can be a high risk approach because of the unpredictable nature of the FX market.

Market Orders allows you to target a specific rate. There are no guarantees, so there is some risk, but it is possible to specify maximum and minimum rates to limit potential losses.

Forward Contracts fix a prevailing exchange rate for a set period of time. This may ease pressure on margins and prices but presents some risk if the value of the pound improves and may require a deposit.

Currency Options provide the opportunity but not the obligation to exchange a specified amount on a particular date at a set rate. These regulated investment products carry a higher level of risk and may require an upfront premium.



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Contact us

If you want to review your FX strategy or plan to make use of currency tools to address FX market volatility, our expert team is happy to help.

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