pressat

MarketsSoft Analysts: The Future of GBP is Uncertain

Monday 30 December, 2019

The recent UK elections and the one-sided victory of Boris Johnson saw the GBP experience a quick surge. However since then, there are two key factors that have influenced the Sterling's fall. The first is the end to the Brexit melodrama, with plenty of people simply wanting to move on. The second reason is a result of a pickup in the economy overall. MarketsSoft experts believe that following the UK Prime Minister's decision to seek a hard line on the country's transition period after Brexit, the Pound Sterling is on its way down rather than up.

The Pound Sterling has been in a steady upward trend since August, ever since it first became clear that the UK would avoid a "no deal" Brexit scenario. **It now appears that the currency will find it more challenging to extend its advance in the near-term**, especially since it's set to become less volatile now that the period of pivotal event risk has passed. Now that global investors have started buying UK assets again, following the Conservative Party win, and are in the process of bidding up the value of the currency, **2020 looks to be the year that the GBP will start reacting to economic fundamentals once more**.

MarketsSoft analysts believe that the immediate future of the GBP is unclear. On the one hand, chances are that if Boris Johnson's deal is passed, we can expect another short rally in the Pound. However, as the UK enters the new and equally challenging phase of negotiating its future trading relationship with the Euro bloc; currency strategists expect the GBP surge to be contained, which means the Pound may enter a new phase of uncertainty.

With the currency's landscape over the next 3 months looking less certain, and heavily dependent on the January 31st Brexit deadline, the Sterling might be able to drift higher over the coming months, as sidelined investors re-engage in UK assets. Accoring to MarketsSoft experts, considering that markets will be fully aware that the deadline for extending the transition period beyond the end of the year will be on July 1st, there's little room for the currency to rally beyond 1.40, given continued uncertainty about the next stage of Brexit negotiations.

The Pound's value against the Euro might be affected

MarketsSoft's experts are examining how Brexit will effect the Euro. Since the Euro is structurally overvalued, and the Euro Area will have to deal with a "fist to the face" in the form of the UK's exit from the EU, this will more than likely have an impact on the exchange rates versus the USD, GBP, and most importantly, the CNY. As a result, the Pound's value against the Euro might be affected.

While options markets are showing few signs of concern, if Brexit goes badly, the Euro currency could take a real beating. Because the Euro has its own issues, at under $1.10 to the USD, it is feeling the weight of renewed easing from the (ECB) European Central Bank and a generally dire environment for global manufacturing that particularly hurts Germany.

Going back to the options market, which is used to speculate or hedge against exchange-rate shake ups, MarketsSoft's analysts suggest that the three-month implied volatility for the Euro (a measure of how much the market thinks the currency will move in either direction) is now at around 5.6%, the lowest end of the range that has prevailed so far this year. As it is quite safe to say that many investors simply do not anticipate such a sharp knock-on effect on the Eurozone, everyone is fully aware that we are dealing here with an unpredictable situation with unpredictable outcomes.

MarketsSoft is a world-renowned financial services provider offering a range of investment products, including CFDs (contract for differences), FX and Cryptocurrencies. The high-tech trading platform offers clients across the globe an opportunity to invest in over 1,000 world-class assets including forex, stocks, commodities, indices and cryptocurrencies.

Related Sectors:

Business & Finance ::

Related Keywords:

GBP :: UK :: Elections :: Boris Johnson ::

Scan Me:

Company Contact:

_

MarketsSoft

E. marketssoft.mail@gmail.com
W. https://www.marketssoft.net/

View Online

Newsroom: Visit our Newsroom for all the latest stories:
https://www.marketssoft.pressat.co.uk