Text 5:

The pound has traded in a wide range over the last four weeks in response to uncertainty over Brexit and whether or not the Bank of England (BoE) would kick 2020 off by cutting interest rates.

Through the second half of January speculation of a BoE rate cut drove significant volatility in Sterling, with analysts split roughly 50-50 on whether policymakers would support an immediate cut.

Ultimately the BoE opted not to cut rates, with the Pound rocketing higher at the end of January in response.

However, GBP exchange rates immediately collapsed at the start of February. As the UK made its first steps outside the EU, Boris Johnson sought to strike a hardline as he outlined his vision for a future trade deal with the EU.

Johnson called for a free trade deal, but stated that it could not be based on alignment with EU regulation, stoking no-deal Brexit fears as he warned he would walk away from negotiations if he could not secure such a deal.

In spite of these concerns the pound was able to bounce back again in mid-February, with GBP/EUR even approaching a near two-month high as the resignation of Sajid Javid as Chancellor bolstered hopes the government’s upcoming budget could include even more government spending.

Looking ahead, GBP investors are likely to keep a close eye on Brexit developments in the coming month, particularly with trade negotiations between the UK and EU set to kick off at the start of March.

This could infuse considerable volatility into the pound in the coming weeks, particularly as the UK and EU look set to clash over the terms of their future trade relationship.