

USD pressure on Sterling

Saturday, 14 March 2009

Last week saw further selling pressure on Sterling as it tested support below the 1.4000 level against the US Dollar. We initially saw significant resistance to crossing the 1.40 barrier, with Cable remaining stagnant just above the key support level. US Non-Farm payroll data showed that unemployment in the USA now stands at 8.1% which briefly undermined the US currency.

Over the weekend, the UK government announced it was increasing its stake in the Lloyds Banking Group to 65% in exchange for insurance on £260bn of toxic debt assets. We saw Sterling take heavy pressure against all currencies following the announcement, and it slipped over 3 points, breaking through the 1.40 barrier with ease on Monday morning.

This week we have very little in terms of data releases from both sides of the Atlantic, with the only data likely to have a significant impact being the monthly Retail Sales figures on Thursday from the USA. The graph below shows how the GBP/USD cross has dropped alarmingly over the past year, and although the UK has now caught up in the interest-rate cycle, it remains to be seen whether this will halt the slide suffered by Sterling over the past few months, with one week in October seeing a 15-point drop.

Speak to your Account Manager to ensure that you make the most of your currency purchases in this volatile market.