the technical analyst
AWARDS 2011
FINALIST

24th July 2018

Market Update:

UPDATE
Technical
Fundamental

Will Sterling weaken further against the Euro?

Disclaimer

Authorised and regulated by the FSA

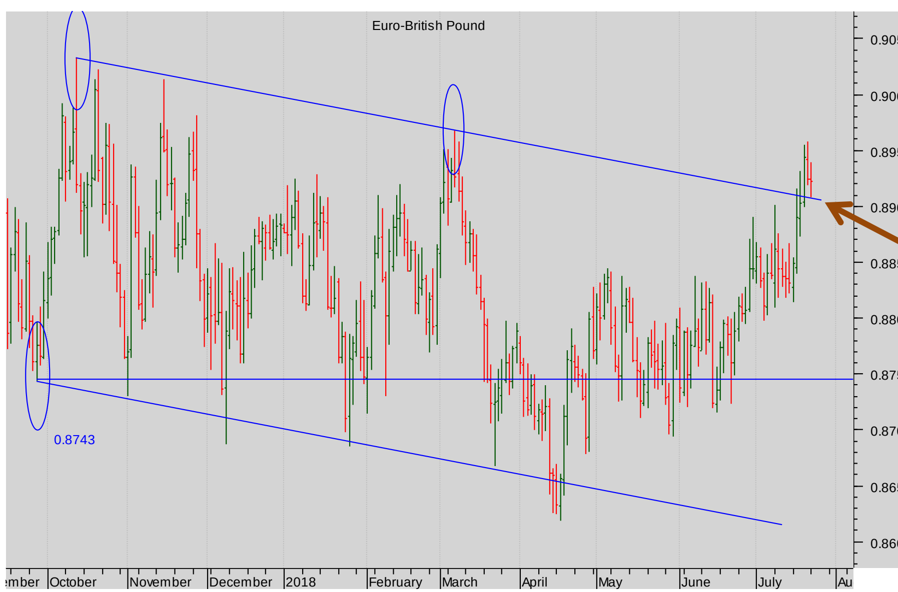
Sterling weakens against the Euro

UPDATE
Technical
Fundamental

WEEKLY CHART

Medium-term Sterling bears and Euro bulls will be focusing closely on the critical Prior High at 0.8969.

Once through that level then the market should power ahead….



DAILY CHART

This chart suggests that the Euro bulls have already go their teeth into Sterling.

A well-defined bull flag has completed…

Disclaimer

More

UPDATE
Technical
Fundamental

FUNDAMENTALS:

Over recent months the Pound has remained within a wide trading range and despite the many ups and downs associated with BREXIT a breakout has never looked likely even when PM May was seemingly struggling to get her fractious government to agree a common position that could be put to the EU.

And although an exit strategy and new relationship proposal has finally been published, it has cost her two senior cabinet ministers and several junior members of government. Yet still she clings to power as there is no viable alternative PM to her in the ruling Conservative party so to force a no confidence motion could herald a left-wing Labour government.

Yet in recent days the Pound has weakened further and is testing the lows made back on March 7, a breakthrough would place Sterling in altogether new territory and probably see it weaken further. What has caused this sudden shift of sentiment?

The BREXIT negotiations have never run particularly smoothly, so why now is the Pound looking vulnerable?

There are a couple of reasons that stand out:

1. Up until quite recently traders had assumed, encouraged by the Bank of England, that monetary policy would soon be tightened, despite the economy's weakness exhibited in Q1 GDP data, as the Bank judged the causes to be transitory, but data released this week has made a near term rate hike look unlikely.
2. Until the recent government meeting at Chequers, the UK government had always maintained it was not planning for a HARD BREXIT, but since Chequers it now is.

UPDATE
Technical
Fundamental

FUNDAMENTALS: CONTINUED

Of the two we sense the shifting expectations of interest rate policy isn't the main reason for Sterling's weakness.

This week's release of retail sales was weaker than expected, but that may very well prove transitory too. The England team enjoyed an unexpectedly long run in the world cup tournament and may be part of the reason for subdued sales, additionally the Country has been gripped by an unusually extended heat wave that may have subdued peoples' appetite to shop.

Add in the release this week of weaker-than-expected CPI data and a rate hike looks off the agenda for the short/medium term, but with "BREXIT" the burning issue traders have their attention elsewhere.

We judge the fact that both the EU and the UK have recently publicly stated that they have stepped up their preparations for a no deal BREXIT has been the main cause of Sterling's weakness against the Euro.

Clearly, if the UK crashes out of the EU with no exit agreement and no new trading agreement in place, there could be very wide-ranging dislocation of every aspect of trade, from imports of food to aircraft apparently being refused permission to fly through EU air space.

While we think that result would benefit neither the UK or EU, until negotiations look like producing a workable outcome, traders will have little else to focus on the growing possibility of that outcome. So the Pound could be in for a period of renewed weakness against the Euro. That means the long-held trading range may be about to break.

UPDATE
Technical
Fundamental

SEVEN DAYS AHEAD
Authorised and Regulated by the FSA
124 REGENTS PARK ROAD LONDON NW18XL
TEL +44 (0) 7849 922573 E-MAIL msturdy@sevendaysahead.com,
jlewis@sevendaysahead.com pallwright@sevendaysahead.com
WEB SITE SEVENDAYSAHEAD.COM

The material and information set out in this research is not intended to be a quote of an offer to buy or sell any financial products. Any expression of opinion is based on sources believed to be reasonably reliable but is not guaranteed as to accuracy or completeness.

The material and information herein is general and for informational purposes only. Although Seven Days Ahead endeavours to provide useful information they make no guarantee as to the accuracy or reliability of the research.
The derivative market comprises volatility and considerable risks. To the maximum extent permitted by law no responsibility or liability can be accepted by Seven Days Ahead, any company or employee within its group for any action taken as a result of the information contained in this presentation. You are requested not to rely on any representation in this research and to seek specific advice from your accountant, legal adviser or financial services adviser when dealing with specific circumstances.

Seven Days Ahead is regulated by the UK Financial Services Authority.