



Currency News

We said a month ago not to expect much change short term in sterling rates and that has pretty much been the case. Here is an update on its value against the currencies most important in our sector.

US DOLLAR

As of this morning sterling is still below \$1.30 and is only 1 cent above its 35 year low. It has weakened by approximately 1% over the month but has stayed in a pretty narrow \$1.30-1.33 range as it has more or less since the end of June. Today's rate is 16.5% worse than the rate a year ago, and with sterling sticking around \$1.30 for over 3 months we will soon start to see prices go up for imported items in the large retail stores. Most big importers will have hedging in place for at least 6 months and up to 12 months but it is now getting to the stage where 2017 pricing decisions have to be taken – so buy your imported products before the end of the year because prices will be higher in sterling 6 months from now.

EURO

At this morning's rate of 1.156 the euro is just above the 2016 low and 1.6% worse than the rate a month ago. Since Brexit sterling has now fallen 12.5% against the euro and 16.8% over the last 12 months. It is perhaps a little surprising that the euro has stayed so strong post-Brexit, when Europe has an awful lot of problems to deal with and the last thing it needs is a strong currency to make exporting to one of its largest markets more difficult. If it stays like this it will be good news for JLR and other UK car makers.

TRADE WEIGHTED INDEX

Looking at sterling's average value against a basket of international currencies sterling has fallen 10% since Brexit and 17% since August 2015. This reinforces the earlier point that as sterling has now been stable around these levels for 3 months, and shows no signs of breaking out in the near future, then the UK retail prices of imported goods will inevitably rise in 2017 – and higher inflation is just around the corner.

Until the future shape of UK relations with the EU becomes clearer this picture is unlikely to change – although if Trump wins in November then anything could happen to the dollar!!

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