



CURRENCY NEWS

Currency update – Here’s the Winlock currency trends update

WOW!! Not many people saw that election result coming a month ago – and neither did the currency markets hence the drop in sterling on Friday. Here is an update on what has been happening to the currencies that matter most to our industry.

DOLLAR - Sterling averaged around \$1.29 in May which is it’s best average for over 6 months but in the last 2 days it has slipped back to \$1.27 on the back of a hung Parliament. This is a relatively modest correction and sterling is still higher than it was between November 2016 and mid-April. However to put it in context, it is still 18% below the pre-referendum level and we have seen this devaluation in the price of many imported products in 2017 so far and it has driven inflation up to almost 3%. This will be a “one-off” rise in inflation providing sterling doesn’t fall back even further. At the moment it looks steady but the prospect of another General Election in the near future would almost certainly send it south.

EURO - Whilst sterling strengthened against the dollar in May it steadily fell against the euro and today sits at €1.136. With market favourable election results in France, good polls for Merkel and stronger EU growth numbers recently the euro is getting talked up somewhat. There are still horrendous challenges for the euro, particularly in Greece and Italy, but the euro is strengthening despite these issues. Compared to the pre-referendum level of the euro the £ is now worth approximately 14% less.

CHINESE YUAN - The Yuan , like the euro, has been strengthening against the £ over the last month even before the election result and it now sits at 8.67 per £1, an effective devaluation of approximately 13% compared to the pre-referendum rate. It has strengthened 2% or so against the dollar in the last 2 weeks which indicates that China is sufficiently positive about economic growth to let the currency appreciate a little - in China these things don’t happen by chance!! It still means Chinese products in dollars are about 3.5% cheaper than a year ago.

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