

Pound Hobbles to Second-Straight Weekly Loss in a Month on Brexit, Virus Jitters

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By Yasin Ebrahim

Investing.com – The pound suffered back-to-back weekly losses against the greenback for the first time in more a month, and experts warn the rout is far from over as the risk of a no-deal Brexit and the potential for a second Covid-19 hit to the economy will offset monetary stimulus from the Bank of England.

GBP/USD fell 0.52%, to \$1.2360, and remains on track to post a second-straight weekly loss for the first time since May 10.

The pound is likely to continue to cede ground to the dollar as the Bank of England's recent actions may not be enough to offset the economic impact from virus and the risk of a no-deal Brexit, said ActivTrades.

The Bank of England decided earlier this week to slow the pace of its bond-buying program from the current £10-to-11 billion run rate per week.

The sour turn in sentiment on sterling followed better-than-expected U.K. retail sales, released earlier today, that sparked some hopes that the economy was on the mend following reopening measures.

"The country is affected by the deadliest coronavirus outbreak in Europe, its shell-shocked economy may soon be facing a no-deal Brexit and potentially a second wave of the disease," ActivTrades analyst Ricardo Evangelista said.

The weakness in cable was also exacerbated by an uptick in demand for safe-haven following a rise in Covid-19 cases in the U.S., China and other parts of the world.

Against the backdrop of rising infections, and without the prospect of a vaccine anytime soon, some are worried the economic recovery is likely to stall.

"If there is a second wave, I would expect the unemployment rate to climb again. I think the real number today is around 20%," Federal Reserve Bank of Minneapolis President Neel Kashkari said on Twitter.