

UK wants September Trade Deal with EU says Frost

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UK Aims for Sept. Brexit Deal - Broader market backdrop supportive for GBP - Growing economic recovery helps

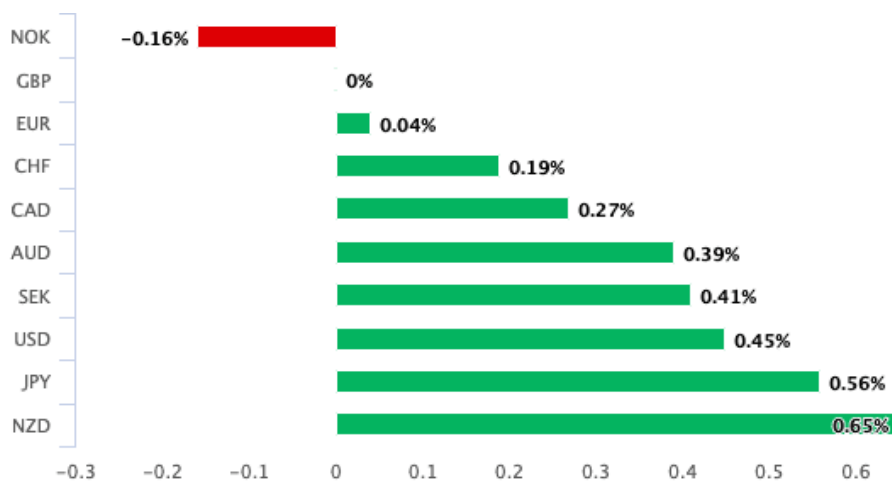


Above: File image. Prime Minister's Europe Advisor and Chief Negotiator David Frost host talks with chief negotiator for the European Union Michel Barnier inside No.10 Downing Street. Picture by Andrew Parsons / No 10 Downing Street

The British Pound outshone the majority of its peers over the course of the past 24 hours as it looked to recover from a shaky start to August, with gains coming against a broadly softer U.S. Dollar, Yen and Franc but also against the Euro which remains one of the better performers in the marketplace of recent weeks.

"The British pound is recording gains versus other major currencies, particularly the Euro, during early Friday trading. Sterling's gains are due to an improvement in risk appetite, with risk related assets in general performing well, and also some optimism surrounding the ongoing Brexit negotiations after David Frost, the UK chief negotiator, said that an agreement with the EU could be possible in September," says Ricardo Evangelista, Senior Analyst at *ActivTrades*.

The broad-based outperformance leaves us feeling there are some idiosyncratic reasons for Sterling's gains; indeed when a currency is outperforming the majority of its G10 peers that is typically a sign that there might be some genuine strength at play:



Above: GBP outperformed the majority of peers on August 13

The Pound-to-Euro exchange rate was only marginally higher at 1.1062 and we note that this is one currency Sterling continues to struggle to find traction against. However, the Pound-to-Dollar exchange rate went higher to 1.3117 in a move that should encourage the bulls to step back into a multi-week rally.

There is no single trigger to the Pound's outperformance, and was the case during July when the Pound outshone its peers, there appear to be a number of factors which we believe could be at play: 1) Improving sentiment on Brexit trade talks, 2) Supportive global markets 3) signs the UK's economic rebound is overtaking that of the Eurozone and U.S.