



It's important to stipulate that this account was launched in October 2018 to take advantage of the volatility in Sterling due to the ongoing Brexit fiasco. It has to date recorded two consecutive gaining quarters, and produced a net gain of 6.76%.

The account trades Sterling/Dollar/Sterling positions only. One reason being that the British Pound against the US Dollar is one of the oldest currency pairings in the world. The pair is often called 'The Cable', as the first transatlantic communication cable run across the floor of the Atlantic, connecting Great Britain with The United States, was used to transmit currency prices between the two economies. It was no mistake that RIO elected to trade The Cable as it remains a favorite of currency traders today, the pair accumulates massive interest worldwide, and as such offers real potential to profit from today's market position.

#### **Recent trades**

This month as we entered the last few days of April, Sterling had opened the week with a gain on the US Dollar. On Monday the Pound-to-Dollar exchange rate stood at 1.293. I knew that should positive news emerge from the ongoing cross-party talks between the Conservative and Labour parties then Sterling would likely rally, I also knew, that there would be some speculation which may drive Sterling higher prior to any good news on talks. This was proven to be the correct strategy and I was able to take profits for those invested on the 30th, as Sterling rallied.

Looking ahead, the focus will be Thursday's (2 May) *Bank of England* meeting. If the predictions from the majority of economists are on target then the Pound-to-Dollar rate may benefit from an announcement by the Bank on a coming rate rise this year. Most economic data suggest that the *Bank of England* (BoE) may feel compelled to announce such a rise, and that they are considering a rate hike for summer. Importantly, analysts seem to concur with this, as they too are warning in increasing numbers that the Bank of England will not be able to ignore the solid economic data that has emerged from the performance of the UK economy during recent months. It is also worth noting that The Bank of England has said repeatedly that, assuming a so-called no deal Brexit is avoided, it will need to raise UK interest rates steadily over the coming years in order to ward off inflation pressures that are building in the economy.

All the above is positive for Sterling, but a negative threat remains. To date the British government has struggled to find a way forward in talks with the opposition Labour Party, simply failing to reach a compromise on the Brexit deal position.

This situation potentially could create a trading opportunity, should there be a breakthrough in talks this would almost certainly shock the market and produce a significant upside for Sterling.

It is obvious that the current market expectation for a breakthrough in talks at present remains very low. That's exactly why a surprise, and arguably unexpected breakthrough would produce a substantial market reaction and push the pound higher.

Conversely should the talks fail, it is also relevant that the market is already expecting this result, meaning that most of the currency downside risk has been already priced in. Personally I do not see any significant downside impact on Sterling should there be an end to the talks.

In summary, the current talks pose minimal downside risk, but they have potentially a sizeable upside for the British Pound.

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