



The British Pound was sold off yesterday following the optimistic outlook announced by The Bank of England. Their remarks certainly did not meet the rate hike expectations which had been building up ahead of yesterday's policy meeting.

I was not surprised by the Bank's statement as it married up to the UK economist's expectation reported ahead of the meeting.

The Bank basically declared that they are in no rush to raise interest rates. Following the meeting they reiterated that in the policy setter's view the current rise in inflation is temporary. That was certainly a disappointing outcome for the currency market as many were looking for more urgency.

Looking back over the quarter, as March ended the rate stood at 1.370, Sterling then rallied through most of May and as a result I took the opportunity to sell, securing gains for those invested. I sold on 1st of June at 1.421, the 4th of June at 1.4118 and the 7th of June at 1.417. The last trade selling Sterling to Dollar was made on the 16th of June at 1.421 by which point I had reduced the amount of Sterling retained by this account to a meager 5%.

I was eager for a chance to average back in, and when the opportunity to do so was quickly presented on the 18th of June, I acquired Sterling at 1.387 and bought again at 1.383 on 21st of June.

The good news is that Sterling remained in recent range despite the announcement, yesterday's negative move in Sterling may be short lived and there is the very real potential for the currency to regain the knee-jerk loss over the near-term.

Having sold 30% of USD previously held to acquire the Pound I expect to be able to reverse 50% of this trade at 1.40 and 1.405.

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