

## Long GBP/EUR

Rate: 1.1465/ Target: General Increase

Tenor: 6 months

### Overview

UK among leading countries in world rolling out vaccines – 25% of adults have received first shot. This puts the UK on track for a strong Q2 economic bounce back, strengthening sterling.

### Macro Factors

- Inflation
  - Expectations that UK inflation to slip back to 0.5% from 0.6%, core prices set to decline from 1.4% to 1.3%.
- Interest Rates
  - Bank of England voted unanimously to hold benchmark rate at 0.1% for next 6 months.
- Economic Growth/ Consumer Confidence
  - UK hit vaccination target of 15m a day ahead of schedule, fueling hopes for easing of restrictions.
  - Improved economic outlook with strong recovery/growth expected in coming months.
  - Boost to market sentiment.
  - EU-UK Agreement provides more confidence around trade.

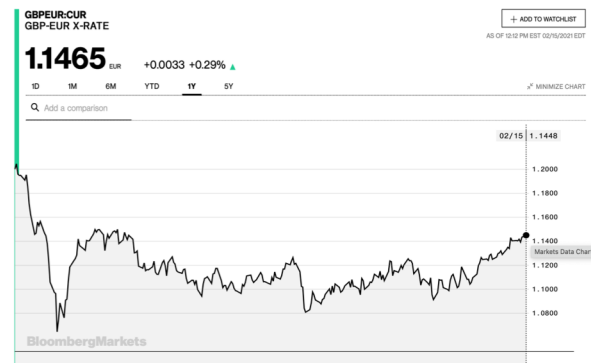
### Risks

- Expectations of BoE setting negative rates in future months may depreciate sterling
  - Pound has historic sensitivity to rate differentials.
- New variants of Covid may affect easing of restrictions
  - Astra-Zeneca vaccine shown to be ineffective against South African variant
- EU yet to ratify Brexit trade deal and expected to seek extension beyond February to April. Tensions between EU and UK may negatively impact Sterling.

1

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GBP/EUR over last 12 months, with an upward trend indicating recovery from March 2020 drop