

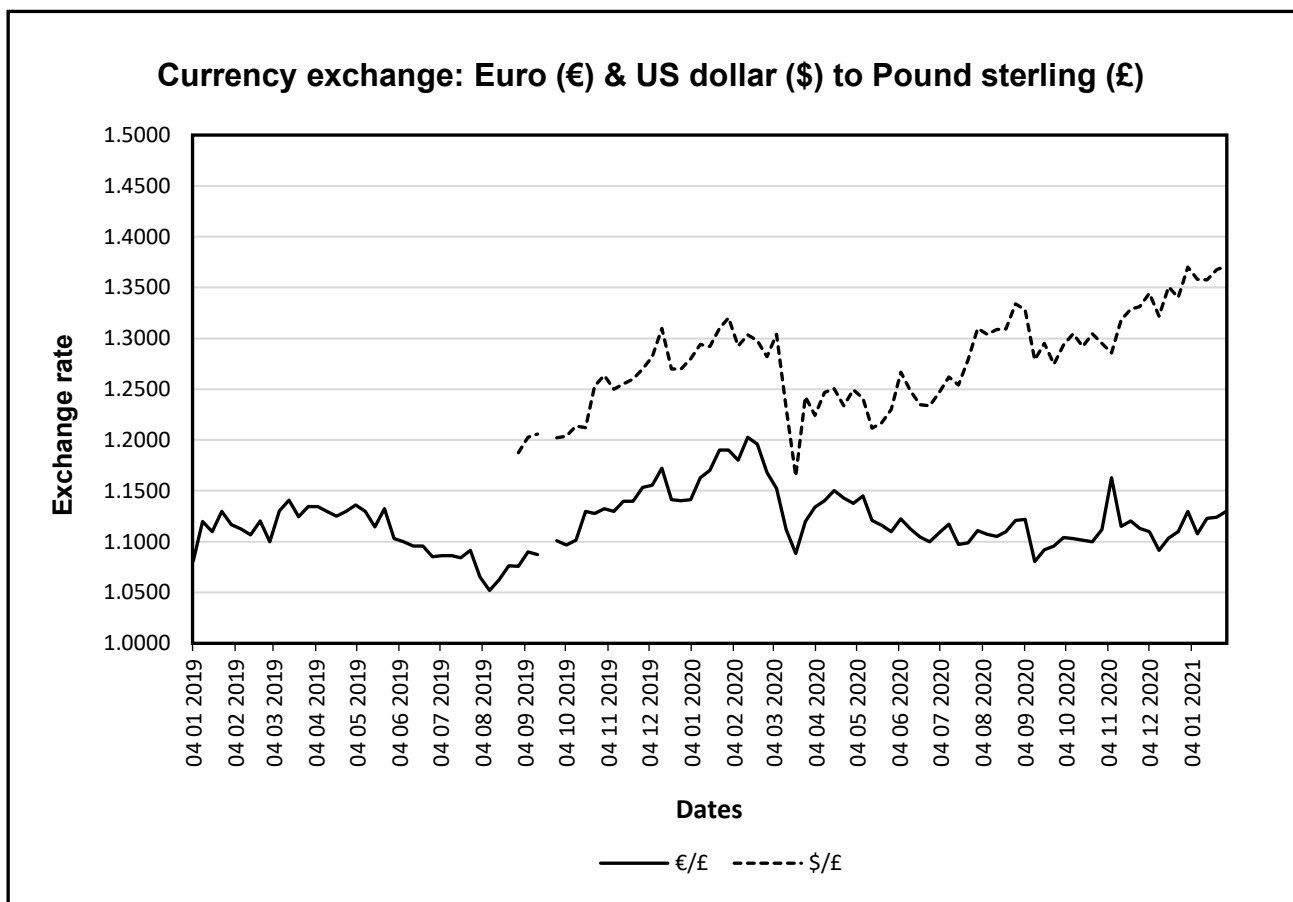
Currency & Exchange Rates

The information contained in this report has been researched and compiled by Knud Møller at KVM Research. If you want to know more please look at my website www.kvmresearch.co.uk, give me a ring on 01782 499384 or send me an email on knudvmoller@gmail.com. © 2021

Introduction

The graphs in the diagram below represent the development of two major currencies, the Euro (€) and the US dollar (\$) month by month from the beginning of 2019 until and including early February 2021, a period of some dramas within the body politics and in the wider community.

The value of each currency at close of trading on the last day of trading each week is recorded and added to the relevant graph. In October of 2019 we can now see that we would need €1.10 to buy £1, but \$1.20 to buy £1. From then on and until February 2020 the Pound Sterling got progressively stronger and more expensive. By the end of the period we would therefore need €1.20 or \$1.30 to buy £1.



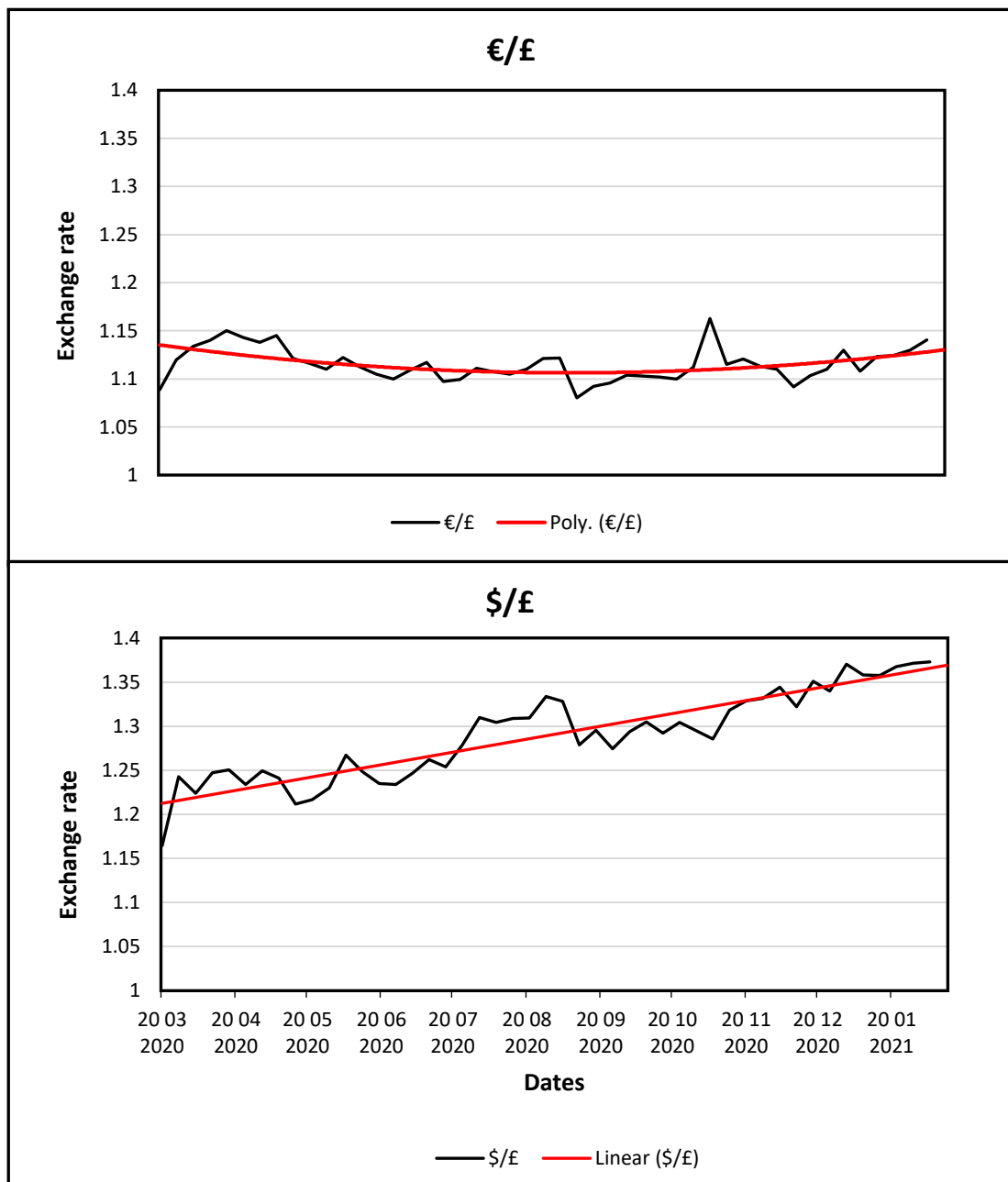
Major events

The value of this exercise lies in a general interest in seeking to illustrate how the value of currencies has changed in response to major political events (Brexit) and other

events that has shaken national governments and the foundations of our societies to the core (COVID-19).

General election was held in the UK in December of 2019 which produced a Conservative government with an unassailable, absolute majority of 80 in the House of Commons. On the 31st of January 2020 the UK finally left the EU, but a Withdrawal agreement had still to be negotiated and agreed so a period of considerable uncertainty was entered into (- and some might say has still not ended!).

Finally in the beginning of March 2020 a so-called pandemic named COVID-19 began to spread within the UK and many other western European countries.



It would be hard to tell whether it was an effect of any one individual of these events or a combination of two or all of them, that at this time caused a considerable slump in the value of Pound sterling. Whatever the reason, after that date an interesting divergence between the value of the Euro and the US dollar has opened up.

From the diagram above it is noted that relative to the Euro (€) the Pound sterling has remained quite stable from the beginning and all through the year 2020 until recently. By contrast the Pound sterling relative to the US dollar has become steadily more expensive so that £1 has increased in relative value from \$1.15 to \$1.35 early in 2021.

The reader will recall that Mr Trump was the de facto president for all of the year 2020 until the 20th of January 2021 even after the election of a successor in November 2020. One will also recall that he pursued some controversial policies which included trade protectionism, tax reforms, dismantling of Wall Street reform and a Consumer Protection Act not to forget engaging in a trade war with China. It will also be true that Mr Trump's involvement in tackling the COVID-19 pandemic that has done so much damage to the US economy was less than half-hearted.

On the 11th of February 2021 the Daily Telegraph carried the headline: "Why sterling is set to hit \$1.45 this year" and commented further: "Sterling has started 2021 with a bang, smashing through the \$1.38 mark against the dollar to its highest level for almost three years with analysts predicting it will keep rising past the \$1.38 mark reached this week." However, on the background of the policies pursued by the USA in recent years and Pound sterling's stability against the euro it would seem more reasonable to attribute this rise to the weakness of the dollar rather than the strength of the sterling.

Whatever the reason for this weakness, it may be advantageous for US exports, but it will be a problem for those who wish for a US-UK trade agreement to partly replace the protection previously offered within the EU.

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