



## The Pound, Politics and the Trade Weighted Index

The British Parliament is in disarray following the long awaited "Brexit-deal" agreement cobbled together by the UK "*cabinet of ministers*" and the EU's "*appointed negotiation team*."

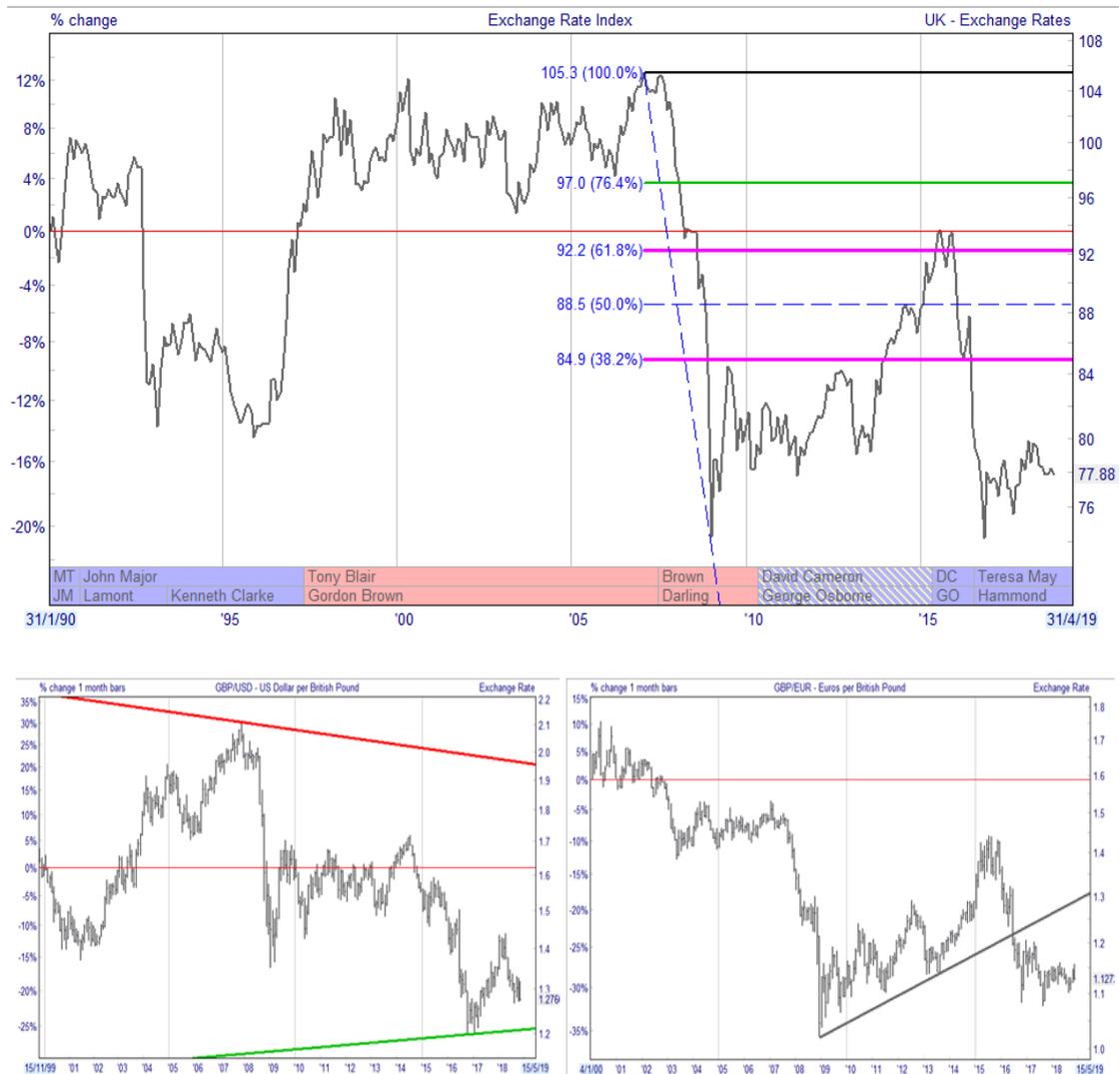
In summary nobody appears to like it, including both "*teams*," hence speculation is in overdrive in respect of political fortunes and the "*uncertainty*" effect on the markets, in particular for the British Pound.

Whilst nothing in life is certain, accepting death and taxes of course, one thing that *is* certain is that the majority of market forecasters will be wrong, as it's a fact that whilst the human species is logical when it comes to matters non-financial it is *not* when forecasting the markets where there is a high tendency to "*herd*" and subconscious uncertainty reigns.

Currencytiming.com is a service dedicated to the analysis of currencies including solutions on how to time or predict the likely direction of a currency, including the British Pound. As such, it is an ideal time to place some facts and observations around the current speculation, so here goes:

The £Sterling trade-weighted index is a gauge of the British Pound's relative strength ***against a basket of currencies belonging to the country's most important trading partners***, which provides a different picture to a comparison of say the £GBP/\$US relationship or that of the £GBP/€:

- Although the trade-weighted chart commences in 1990, some 28-years ago, the lower two charts show the £/\$ and £/€ since 2000, ten less years of history.
- Regardless, you will note that over the period since 2000 all three charts are different, which confirms the importance of market analysis for each and every market, albeit that at times they rhyme.



The main observations in respect of the trade-weighted index are as follows:

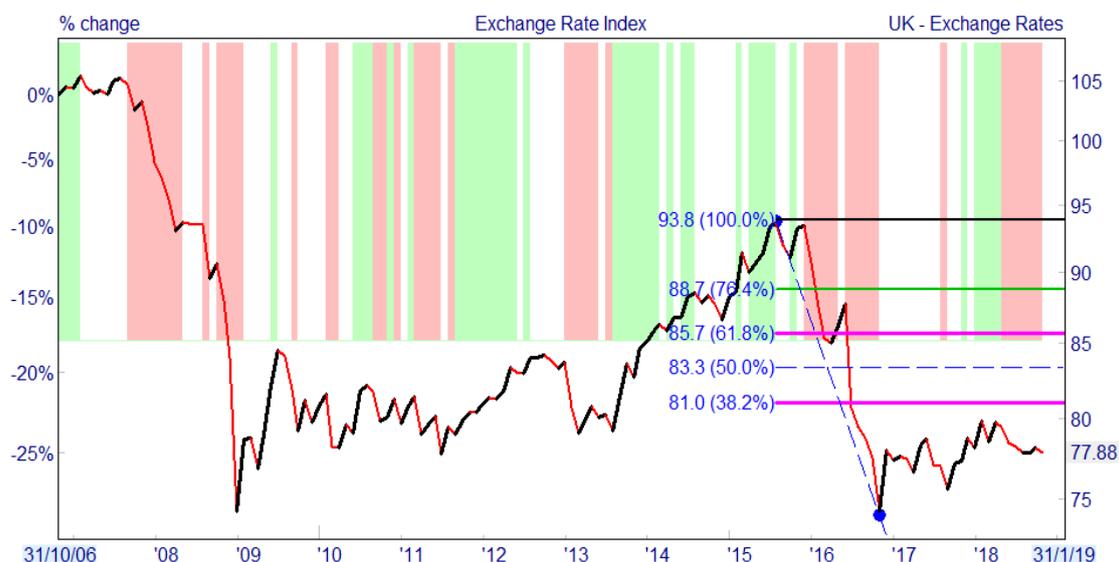
- Its strength and/or weakness has had **absolutely nothing to do with politics**, as can be noted from the lower band which highlights the complexion of UK Government in power including the PM and Chancellor of the Exchequer. **All** have presided over periods of currency weakness and strength.
- Although not shown, there is **no consistent correlation** between the Nation's trade balance and its trade-weighted currency, for some periods they do and others not.

### So What Else Assists Within a Chart?

- A **Fibonacci Ratio** table shows its use of providing likely retracement levels following the 2007/09 £Sterling rout. The trade-weighted index met the expected **61.8% guidance** above, before slipping further.

A closer look at the period since late 2006 to date shows:

- A "possible" double-bottom, see 2009 and 2016, which suggested a trend change for the £Sterling from down to up, currently in train.
- Further use of Mr Fibonacci provides guidance as to possible targets of £GBP strength, which will be negated by any fall through the 75 level.



Other tools are used to assist in the objectives, including Elliott Wave patterns and momentum indicators to name two, but key to this analysis are the colour-coded **Buy**, **Sell** and **Neutral** signal panels that are central to our analysis, plus the Socionomic input gleaned via the [SimplySocionomics](#) sister site and at the Socionomics Institute.

*Material contained within this website is for general information purposes only and is not intended to be relied upon by individual readers in making (or refraining from making) any specific investment decision. Investmentmatters.club and its staff do not accept any liability for any loss suffered by any user as a result of any such decision. Please note that the prices of investments can rise and fall sharply and you may not get back the money you originally invested, particularly where these investments are leveraged.*

*The views and recommendations within this website are based on information from a variety of sources. Although these are believed to be reliable, we cannot guarantee the accuracy or completeness of the information herein.*