

SEPTEMBER REVIEW

POUND STERLING

The Pound struggled to hold any meaningful gains throughout September.

A positive inflation rate reading from the UK did little to offset concerns surrounding the UK's economic recovery from Coronavirus, as worries mount over a potential fourth wave of the virus heading into autumn and winter. The Pound did, however, continue to find support against risk-correlated currencies like the Australian Dollar on the back of a prevailing sour global market mood.

The UK central bank, the Bank of England (BoE), kept interest rates unchanged at 0.1% during their latest policy meeting. This news comes as the bank chose to downgrade economic growth projections for the third quarter of the year on the back of ongoing supply chain issues across the country.

Despite the change in economic growth projections, the Pound pushed higher across the board as investors became more hawkish that the BoE could raise interest rates as early as March 2022 to tackle rising inflation costs.

Recent retail sales figures from the UK revealed a further contraction in spending during August, as consumers turned their attention towards services rather than goods with supply problems continuing to limit the volume of shoppers. More so, preliminary PMI figures from the UK for September had shown that growth in the UK economy has fallen once again, as the Services PMI again came in at 54.6 points – the slowest growth rate in seven months.

By the end of September pressure remained on the Pound, on the back of a deepening UK energy crisis, and concerns over the stagnation of the global economic recovery from Coronavirus.

A slowdown in vaccination rates paired with the beginning of the flu season has caused traders to become more cautious that a fourth wave of Coronavirus could derail the progress made in the UK's economic recovery so far.

EURO

The Euro found itself fighting for traction against the US Dollar during September, as the negative correlation between the pairing saw the single currency left on the back bench for much of the month.

A risk-off mood propelled investors towards the safe-haven US Dollar on concerns over the global economic recovery from Coronavirus.

However, a weaker Pound allowed the Euro to remain broadly appealing for much of the month before a range of disappointing economic data from the Eurozone caused a slide in the Euro towards the end of the month.

Eurozone inflation remained at 3% during September (way above the European Central Bank's (ECB) target of 2% target) as the latest interest rate decision from the bank saw monetary policy kept unchanged; though, policymakers choose to slow the pace of its bond-buying programme, a move that ECB President Christine Lagarde insisted was not tapering.

Analysts believe however, that tapering of the Eurozone's Pandemic Emergency Purchase Program (PEPP) could begin as soon as December, provided that Coronavirus remains relatively contained.

The GBP/EUR exchange rate remained steady for the first half of the month around the €1.16 level, the second half of the month saw the pairing trending in a mixed range, before settling around the €1.17 level as September began to close.

The results of the German general election threw the Euro into further disarray, following the revelation that a three-party coalition would need to be formed.

The GBP/EUR exchange began September at a rate of €1.16 and strengthened to €1.18 in the second half of the month, before falling back again to €1.16 by the close.

UNITED STATES DOLLAR

The US Dollar held onto most of its positive footing during September despite weaker economic data from the US.

The 'Greenback' found most of its support from a more cautious global market mood as investors flocked towards the safe-haven currency. The latest policy meeting from the Federal Reserve towards the end of September gave an insight that the bank could be looking to raise interest rates as soon as next year.

Fed Chair Jerome Powell also signalled at the policy meeting that the bank will begin to taper its bond-buying programme in November.

Whilst the bank continues to take a more cautious approach to the economic recovery in the US, investors are becoming increasingly optimistic following comments from policymakers that the economy continues to expand, albeit at a slower pace.

In US economic news, there were some disappointing jobs statistics published at the start of September. It was revealed that only 374,000 positions had been created in August – a figure that was below market expectations of 613,000. This was further evident in non-farm payroll figures which revealed that only 235,000 job roles were filled in August, the lowest in 7 months.

Annual inflation in the US softened to 5.3% during August from a 13 year-high of 5.4% the month previous.

Retail sales in the US unexpectedly rose during August by 0.7% despite the prevalence of the delta variant of Coronavirus across the country.

The GBP/USD exchange rate began September at a rate of \$1.37 before rising to \$1.38 mid-month, falling back to a rate of \$1.37 at the end of the month.

KEY DATES IN OCTOBER

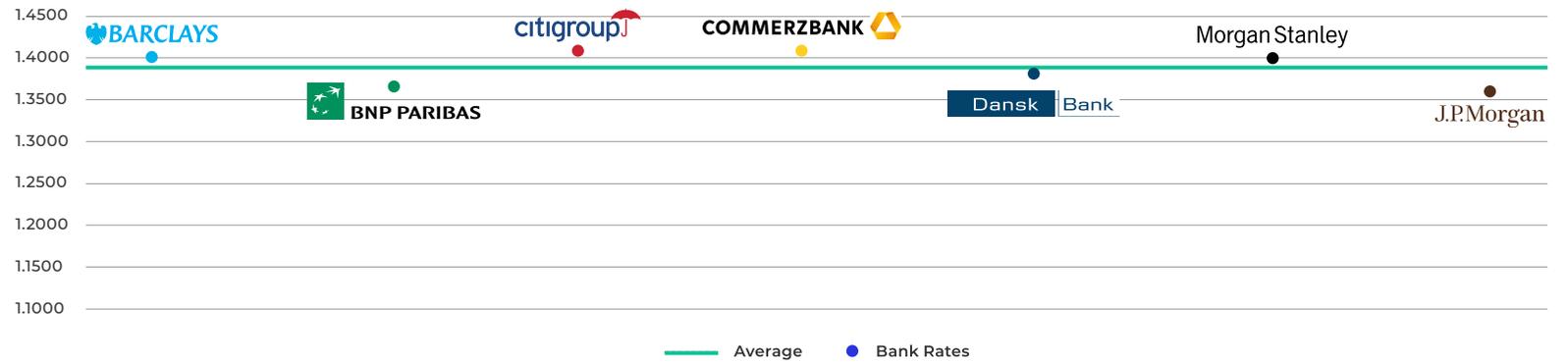
UNITED KINGDOM	
1 October	Markit Manufacturing PMI
11 October	Industrial Production
12 October	Unemployment Figures
20 October	Inflation Rate
22 October	Retail Sales Data
22 October	Markit Services PMI Flash

EUROZONE	
1 October	Markit Manufacturing PMI
5 October	Markit Services PMI
14 October	European Council Meeting
20 October	Inflation Rate
28 October	ECB Interest Rate Decision
29 October	GDP Growth Rate

UNITED STATES	
5 October	Markit Services PMI
8 October	Non-Farm Payrolls
12 October	JOLT Job Openings
13 October	Inflation Rate
13 October	FOMC Minutes
18 October	Industrial Production

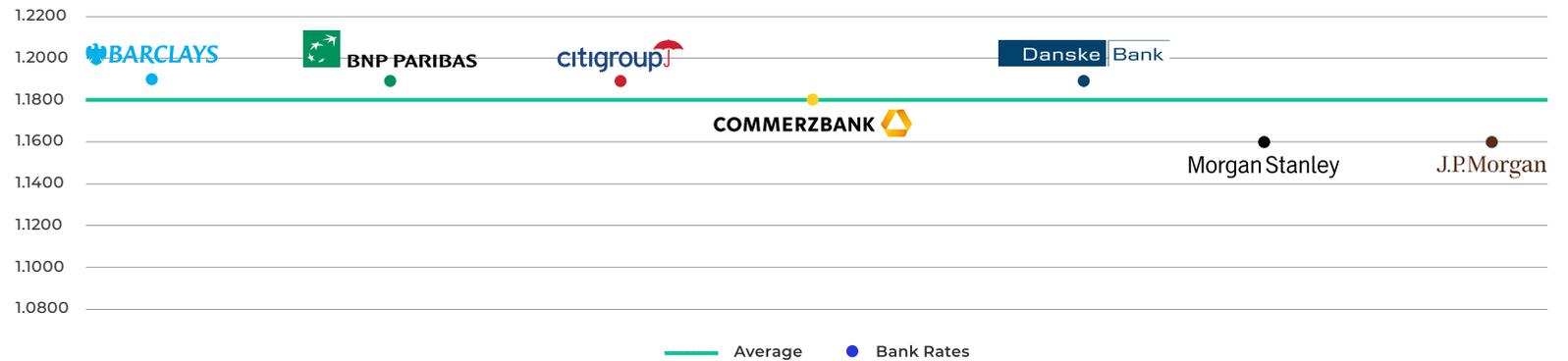
GBP/USD TOP BANK FORECASTS

BANKS	Q4
Barclays	1.4000
BNP Paribus	1.3700
Bank of America	N/A
Citigroup	1.4100
Commerzbank	1.4100
Danske Bank	1.3800
JP Morgan	1.3600
Morgan Stanley	1.4000



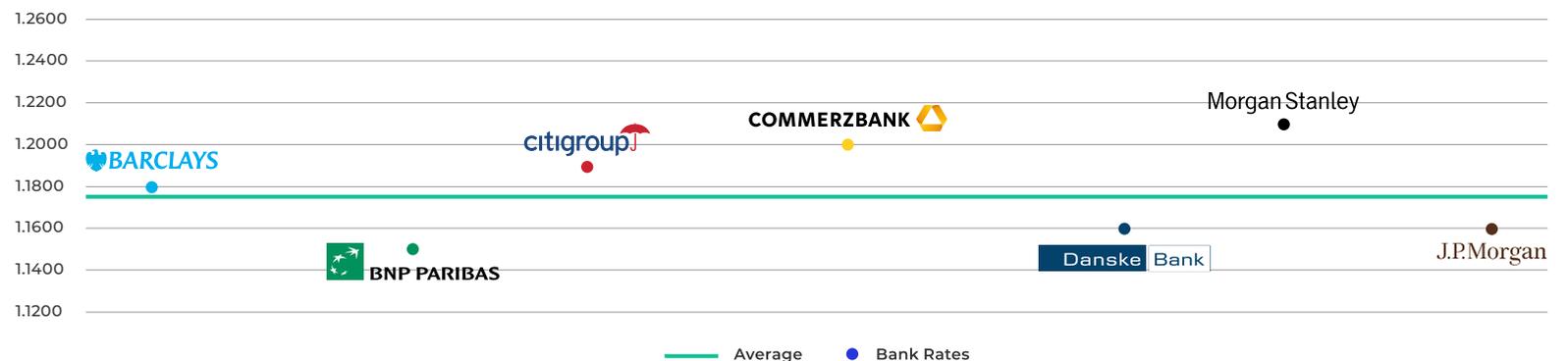
GBP/EUR TOP BANK FORECASTS

BANKS	Q4
Barclays	1.1900
BNP Paribus	1.1900
Bank of America	N/A
Citigroup	1.1900
Commerzbank	1.1800
Danske Bank	1.1900
JP Morgan	1.1600
Morgan Stanley	1.1600



EUR/USD TOP BANK FORECASTS

BANKS	Q4
Barclays	1.1800
BNP Paribus	1.1500
Bank of America	N/A
Citigroup	1.1900
Commerzbank	1.2000
Danske Bank	1.1600
JP Morgan	1.1600
Morgan Stanley	1.2100



OCTOBER RISK EVENTS AND KEY THEMES

UNITED KINGDOM

Energy crisis: The ongoing energy crisis in the UK has started to worry investors, as around 1.5 million households look set to pay higher bills. Seven different energy companies have failed in the past six weeks alone.

Soaring gas prices are threatening the viability of all but the biggest firms, as long-term high prices look to stunt economic growth and raise questions on how the BoE will react in the coming months.

Supply chain issues: Supply chains remain weak as further warnings of Christmas disruption look to punish consumers.

Supermarket giant, Tesco, has told the government it fears panic-buying in the run up to the Christmas period as a shortage of HGV drivers causes further concerns.

A spokesperson for the Road Haulage Association and Logistics UK has estimated that there is a need of 100,000 new drivers.

GBP/USD bank averaged forecast: 1.37

EUROZONE

Covid-19 pandemic: The Euro looks to remain reactive to any Coronavirus developments across the Eurozone during October.

Much like the UK, as the winter months approach in Europe, investors and markets will be looking towards any indication that a fourth wave of the virus could cause havoc across the bloc, as the more infectious delta variant of the virus persists as dominant.

Eurozone inflation: Following the latest interest rate decision from the ECB, investors will be keeping all eyes focused on the latest inflation figures from the Eurozone towards the end of October.

If inflation rises further - or stands above the ECB's inflation target of 2% - investors may begin to question the ECB's view that rising inflationary pressures are simply transitory.

GBP/EUR bank averaged forecast: 1.16

UNITED STATES

FOMC meeting minutes: Towards the middle of October the latest Federal Open Market Committee (FOMC) meeting minutes will be published. Investors will focus on the tone and content of the minutes to see if there is any indication that the Federal Reserve will look to raise interest rates sooner than expected.

If policymakers have reiterated that the speed of the US's economic recovery has slowed, and could begin to contract, then the US Dollar could begin to shed some of its gains made throughout September.

Risk appetite: The global market mood will continue to dictate movement in the US Dollar for much of October. The prevalence of the Delta variant of Coronavirus will be eyed by markets.

If the global economic recovery from the virus slows, or becomes stagnant, many traders will look to flock towards the safe haven 'Greenback'. However, if the global economic recovery speeds up, the US Dollar may begin to struggle across the board.

GBP/USD bank averaged forecast: 1.37

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