



Long GBP/USD

Currently 1.3921, 6 month target 1.45

Overview

- Massive fiscal spending in the U.S (\$1.9 trillion).
- US is further behind in recovery stages (less manageable populous).
- Built up cash reserves looking to be spent once economy reopens.

Thesis

- We are long on the pound due to the UK's incredible vaccination rate at 31% of the total population compared to the United States at 23%.
- Magnitude of the Biden administration stimulus packages put the US at greater inflationary risks compared to those in the UK.
- With a quicker path to recovery we expect the pound to outpace the dollar in the following two quarters.

Valuation

- Approaching significant three year resistant level at 1.4380 (April 2018).
- We forecast the exchange rate to reach 1.45.

Catalysts

- Quicker UK reopening schedule.
- 1.9 trillion US dollar stimulus package.
- Historically high forecasts for consumer spending following reopening.

Risks & Logistical Concerns

- Decrease in exports due to transportation problems and additional costs caused by Brexit.
- Unexpected pound inflation due to large government spending and low rates.
- Uncertainty of Brexit, 43% of exports & 52% imports were to EU, 52% imports from EU in 2019.
- Consumer spending levels fall short of expectations.
- Vaccine proves unsuccessful against COVID-19 Brazilian and South African variants.

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Information

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