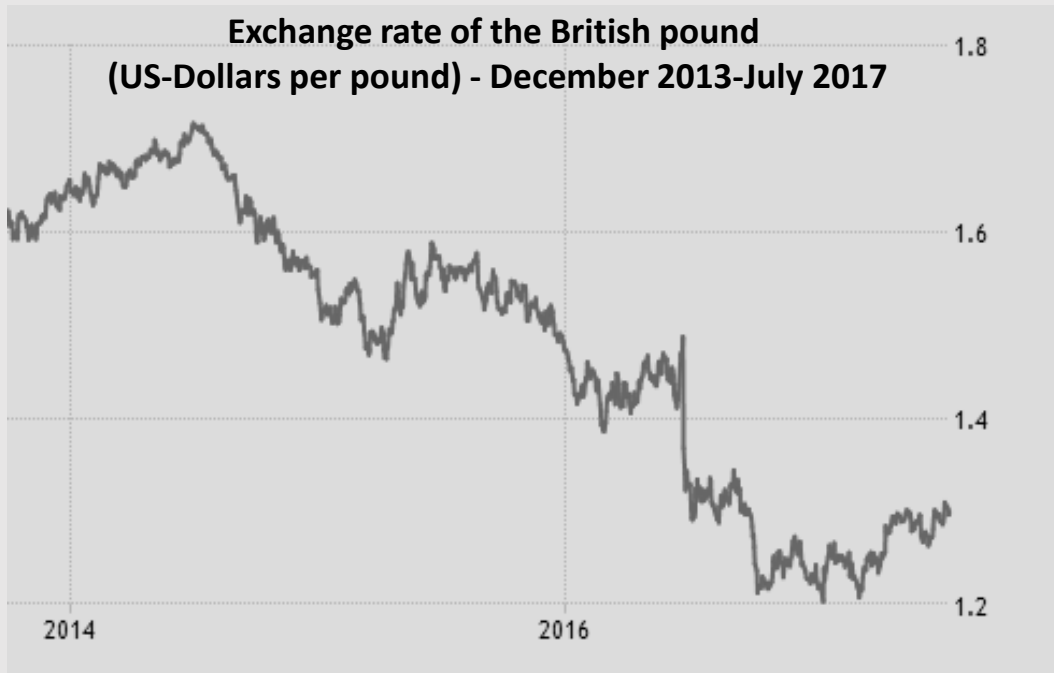


Brexit breaks the Pound



In the wake of the vote on leaving the European Union (EU) in the referendum of June 23, 2016, the British currency experienced a sharp decline that has continued until early 2017. Recently, there has been a slight recovery, yet the failure to obtain a favorable exit agreement with the EU will put further pressure on the pound. The British pound is in decline since the middle of 2014. Against the US-dollar, the British currency fell from 1.7 to 1.2 and currently trades at 1.3 US-dollar per pound. The decline of the pound is even more alarming taking into account that the US-Dollar index has fallen from 103 to 94 since January 2017 and that the Euro has risen from 1.04 in January 2017 to 1.17 dollars per euro in July of this year.

The United Kingdom triggered the process of exiting the European Union – commonly called Brexit – when Prime Minister Theresa May sent the official letter according to article 50 of the EU Lisbon Treaty to Brussels in March 2017. From this date on the official dead line for exit is two years.

In the meantime, it has become obvious that the legal, political and economic issues that come with the separation overwhelm the negotiators. Even worse, the British government called for an early election in June of this year. Yet instead of gaining a clear vote in favor of a "hard Brexit", as the government had expected, the British Conservative Party lost heavily to the Labour Party. As of now, there are no signs of a turnaround of the exchange rate.