



Great British Pound

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British Pound History

Early Currency in Britain

With its origins dating back to the year 760, the Pound Sterling was first introduced as the silver penny, which spread across the Anglo-Saxon kingdoms. In 1158, the design was changed and rather than pure silver the new coins were struck from 92.5% silver and became to be known as the Sterling Pound. Silver pennies were the sole coinage used in England until the shilling was introduced in 1487 and the pound, two years later, in 1489.

British Pound Notes and the Gold Standard

The first paper notes were introduced in 1694, with their legal basis being switched from silver to gold. The Bank of England, one of the first central banks in the world, was established a year later, in 1695. All Sterling notes were handwritten until 1855, when the bank began to print whole notes. In the early 20th century, more countries began to tie their currencies to gold. A gold standard was created, which allowed conversion between different countries' currencies and revolutionized trading and the international economy. Great Britain officially adopted the gold standard in 1816, though it had been using the system since 1670. The strength of the Sterling that came with the gold standard led to a period of major economic growth in Britain until 1914.

Overview

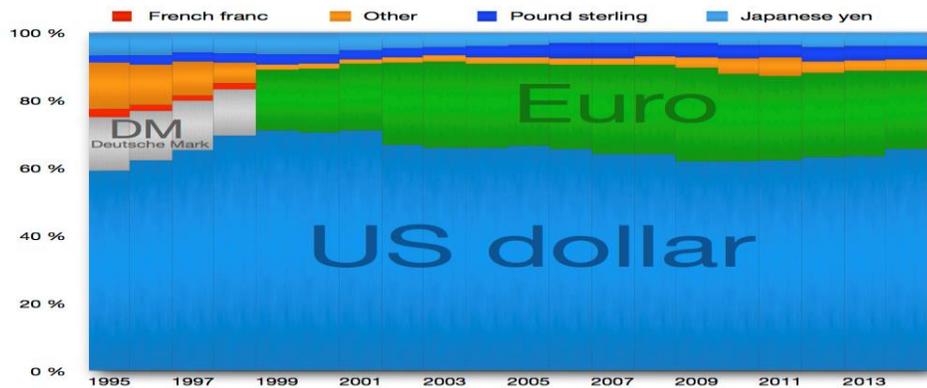
The official currency of the United Kingdom is the British Pound (GBP), which is used in Great Britain, British Overseas Territories, the South Sandwich Islands, and the British Antarctic Territory, as well as Tristan de Cunha. The Pound is divided into 100 pence. The symbol for the Pound is £.

The United Kingdom's central bank is the Bank of England. As the fourth most traded currency, the British Pound is the third most held reserve currency in the world. Common names for the British Pound include the Pound Sterling, Sterling, Quid, Cable, and Nicker.

Importance of the British Pound

The British Pound is the oldest currency still in use today, as well as one of the most commonly converted currencies. It is also one of the highest valued among the major currencies. The Falkland Islands, Gibraltar, and Saint Helena are all pegged at par to the GBP.

Sterling is used as a **reserve currency** around the world and is currently ranked 4th in value held as reserves. The percentile composition of currencies of official foreign exchange reserves since 1995 is as follows:



Most traded currencies by value

Currency distribution of global foreign exchange market turnover^{[43][44]}

Rank	Currency	ISO 4217 code (Symbol)	% daily share (April 2013)
1	 United States dollar	USD (\$)	87.0%
2	 Euro	EUR (€)	33.4%
3	 Japanese yen	JPY (¥)	23.0%
4	 Pound sterling	GBP (£)	11.8%
5	 Australian dollar	AUD (\$)	8.6%
6	 Swiss franc	CHF (Fr)	5.2%
7	 Canadian dollar	CAD (\$)	4.6%
8	 Mexican peso	MXN (\$)	2.5%
9	 Chinese yuan	CNY (¥)	2.2%
10	 New Zealand dollar	NZD (\$)	2.0%
11	 Swedish krona	SEK (kr)	1.8%
12	 Russian ruble	RUB (₽)	1.6%
13	 Hong Kong dollar	HKD (\$)	1.4%
14	 Norwegian krone	NOK (kr)	1.4%
15	 Singapore dollar	SGD (\$)	1.4%
16	 Turkish lira	TRY (₺)	1.3%
17	 South Korean won	KRW (₩)	1.2%
18	 South African rand	ZAR (R)	1.1%
19	 Brazilian real	BRL (R\$)	1.1%
20	 Indian rupee	INR (₹)	1.0%
	Other		6.3%
	Total^[45]		200%

Buying power of one British pound compared to 1971 GBP

Year	Equivalent buying power								
1971	£1.00	1981	£0.271	1991	£0.152	2001	£0.117	2011	£0.0900
1972	£0.935	1982	£0.250	1992	£0.146	2002	£0.115	2012	£0.0850
1973	£0.855	1983	£0.239	1993	£0.144	2003	£0.112	2013	£0.0826
1974	£0.735	1984	£0.227	1994	£0.141	2004	£0.109	2014	£0.0800
1975	£0.592	1985	£0.214	1995	£0.136	2005	£0.106	2015	£0.0780
1976	£0.510	1986	£0.207	1996	£0.133	2006	£0.102		
1977	£0.439	1987	£0.199	1997	£0.123	2007	£0.0980		
1978	£0.407	1988	£0.190	1998	£0.125	2008	£0.0943		
1979	£0.358	1989	£0.176	1999	£0.123	2009	£0.0952		
1980	£0.303	1990	£0.161	2000	£0.119	2010	£0.0910		

The smallest coin in 1971 was the ½p, worth about 6.4p in 2015 prices.

The British Pound and the Sterling Area

The British Pound was not only used in Great Britain, but also circulated through the colonies of the British Empire. The countries that used the Pound became to be known as the Sterling Area and the Pound grew to be globally popular, held as a reserve currency in many central banks. However, as the British economy started to decline the US Dollar grew in dominance. In 1940, the Pound was pegged to the US Dollar at a rate of 1 Pound to \$4.03 US Dollars and many other countries followed, by pegging their respective currencies. In 1949, the Pound was devalued by 30% and a second devaluation followed in 1967. When the British Pound was decimalized and began to float freely in the market, in 1971, the Sterling Area was terminated. Following, the British Pound experienced a number of highs and lows.

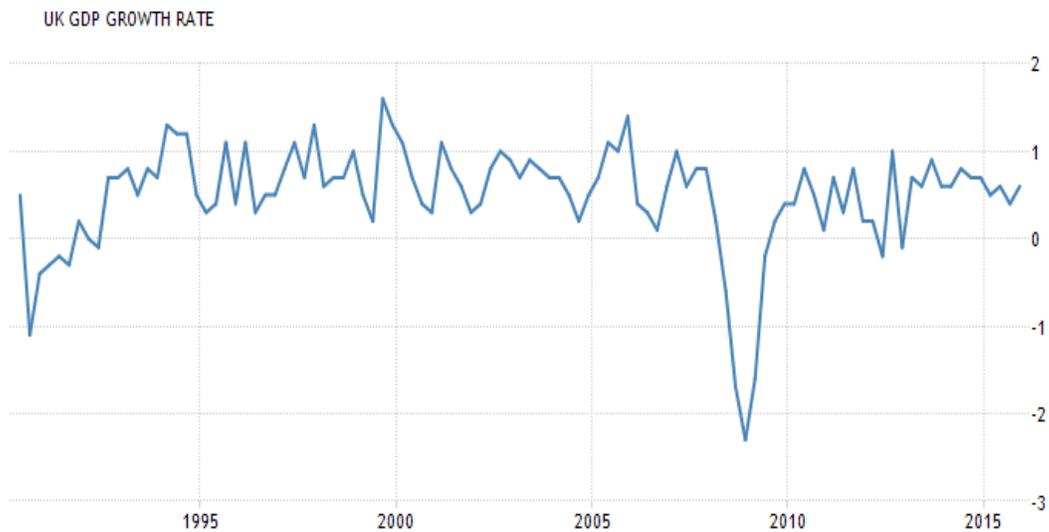
- 1976: A sterling crisis arose and the UK turned to the International Monetary Fund for a loan
- 1988: The GBP started to shadow the Deutsche Mark
- 1990: The UK joined the European Exchange Rate Mechanism, though withdrew from it two years later
- 1997: The control of interest rates became the responsibility of the Bank of England

Although the United Kingdom is a member of the European Union, it has yet to adopt the euro as its currency.

United Kingdom | Major Economic Indicators

Overview	Last	Reference	Previous	Range	Frequency	
GDP Growth Rate	0.6 %	15-Dec	0.4	-2.7 : 5	Quarterly	
Unemployment Rate	5.1 %	16-Jan	5.1	3.4 : 12	Monthly	
Inflation Rate	0.3 %	16-Feb	0.3	-0.1 : 8.5	Monthly	
Interest Rate	0.5 %	16-Mar	0.5	0.5 : 17	Daily	
Balance of Trade	-3459 GBP Million	16-Jan	-3699	-5467 : 2946	Monthly	
Government Debt to GDP	88.6 %	15-Dec	87.3	31.3 : 89.4	Yearly	

The British economy advanced 0.6 percent on quarter in the last three months of 2015, higher than a 0.5 percent estimate earlier released and compared to a 0.4 percent growth in the previous quarter. Consumer demand remains the main driver of growth. GDP Growth Rate in the United Kingdom averaged 0.61 percent from 1955 until 2015, reaching an all-time high of 5 percent in the first quarter of 1973 and a record low of -2.70 percent in the first quarter of 1974. GDP Growth Rate in the United Kingdom is reported by the Office for National Statistics.



British jobless rate came in at 5.1 percent in the three months to January of 2016, the same as in the previous two periods, staying at the lowest in nearly ten years. Pay growth including bonus went up 2.1 percent and excluding bonus it went up 2.2 percent, above expectations. Unemployment Rate in the United Kingdom averaged 7.17 percent from 1971 until 2016, reaching an all-time high of 12 percent in February of 1984 and a record low of 3.40 percent in November of 1973. Unemployment Rate in the United Kingdom is reported by the Office for National Statistics.



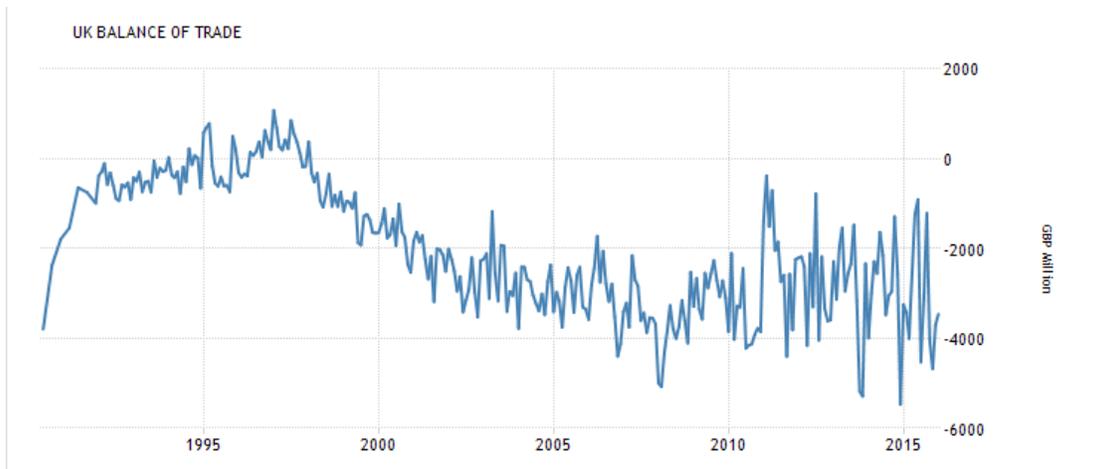
Consumer prices in the United Kingdom went up 0.3 percent year-on-year in February of 2016, the same as in January and below market expectations of 0.4 percent. On a monthly basis, consumer prices rose 0.2 percent, rebounding from a 0.8 percent decline in the previous month. Inflation Rate in the United Kingdom averaged 2.64 percent from 1989 until 2016, reaching an all-time high of 8.50 percent in April of 1991 and a record low of -0.10 percent in April of 2015. Inflation Rate in the United Kingdom is reported by the Office for National Statistics.



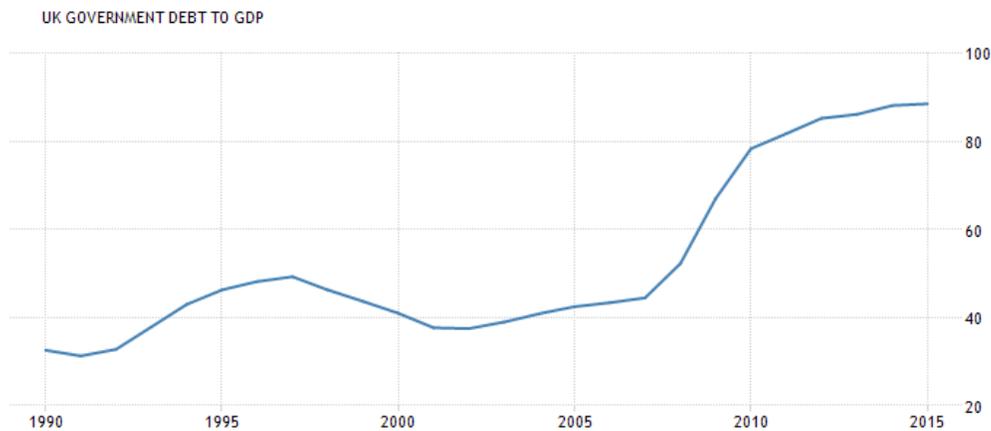
The Bank of England Monetary Policy Committee voted unanimously to maintain the Bank Rate at 0.5 percent and leave the stock of purchased assets at £375 billion on March 17th, 2016 as widely expected. Policymakers said inflation remains weak and noted that the uncertainty surrounding the referendum on UK membership of the European Union may delay spending decisions and depress growth. Interest Rate in the United Kingdom averaged 7.86 percent from 1971 until 2016, reaching an all-time high of 17 percent in November of 1979 and a record low of 0.50 percent in March of 2009. Interest Rate in the United Kingdom is reported by the Bank of England.



British trade gap narrowed to GDP 4.84 billion in February of 2016 from an upwardly revised GBP 5.2 billion deficit in the previous month as exports recovered and imports were flat. However, the trade in goods deficit was the widest ever for a February month and the trade gap with the European Union increased to a fresh record high of GBP 8.6 billion. Balance of Trade in the United Kingdom averaged -1408.82 GBP Million from 1955 until 2016, reaching an all time high of 2946 GBP Million in March of 1981 and a record low of -5467 GBP Million in December of 2014. Balance of Trade in the United Kingdom is reported by the Office for National Statistics.



Government Debt in Germany is expected to rise to 88.6 percent of GDP in 2015 from 88.2 percent in 2014, according to European Commission's Winter 2016 Economic Forecast. Government Debt to GDP in the United Kingdom averaged 49.48 percent from 1980 until 2014, reaching an all-time high of 89.40 percent in 2014 and a record low of 31.30 percent in 1991. Government Debt to GDP in the United Kingdom is reported by the Eurostat.



Historical data	Last	Highest	Date	Lowest	Date
GDP Growth Rate	0.6 %	5%	1973	-2.70%	1974
Unemployment Rate	5.1 %	12%	1984	3.4	1973
Inflation Rate	0.3 %	8.50%	1991	-0.10%	2015
Interest Rate	0.5 %	17%	1980	0.50%	2009
Balance of Trade	-3459 GBP Million	2946	1981	-5467	2014
Government Debt to GDP	88.6 %	89.4	2014	31.3	1991

United Kingdom Markets	Last	Previous	Highest	Lowest	Unit
Currency	1.42	1.43	2.86 /1973	1.05 /1985	
Stock Market	6083.5	6165	7103.98	427.5	points
Government Bond 10Y	1.35	1.43	16.09	1.3	percent
30 Year Bond Yield	2.35	2.32	4.73	2.04	percent
2 Year Note Yield	0.35	0.4	0.74	0.35	percent
5 Year Note Yield	0.84	0.82	13.58	0.45	percent

Fundamental Analysis

The GBP/USD pair has lost almost 18 percent of their value since mid-2014, after it had reached its highest in nearly six years at 1.7191 amid the increasing possibility that the British central bank would raise the interest rate. The GBP dropped down after the Central British members modified that decision. Moreover, the pair has been strongly affected by the strength of the USD after U.S. federal authority stopped the monetary easing program. After that, they raised interest on the US dollar that gave it greater strength. The pair GBP/ USD fell sharply and hit its lowest level since nine years at (1.3835) amid the fears of British exit from the European Union.

Possible scenarios

- Waiting for the U.S. Federal decision regarding the interest, and any other increase in the rates might prompt the pair further down.
- The expected voting on June which will have the greatest impact on the pair's exchange rate in case they agreed on Britain's exit from the European Union. We might see a sharp drop in the pair's exchange rate to reach 1.3 or maybe more. On the other hand, if the result of voting was the permanence of Britain in the European Union we might see the surge of the pair again at 1.6.

Technical overview

As we note from the graph below, which has a daily frame, the pair GBP/USD continued to drop in the past months. The high prices that were witnessed at the end of last week trading days are considered as a corrective wave. We can clearly notice from the weekly graph that the pair is relatively far from exiting its current downward trend.

Major trend	Down trend				
Support	1.4120	1.4080	1.4050	1.4000	1.3940
Resistance	1.4180	1.4205	1.4230	1.4280	1.4320

MACD indicator: The indicator shows the continuity of trends, in this case a downward trend.

RSI indicator: The indicator shows some of neutrality.

Daily chart for GBP/USD since October 2014





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Sources

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