

## Lost confidence in GBP

The pound's under pressure, yet again. Here's what else is happening in the currency markets



### ➔ USD: Global FX markets eye calm before the G20 central bank meeting storm

Before a busy week of G20 central bank meetings – stretching from Canada to Turkey – gets fully underway, global FX markets will have a bit of time to reflect on recent market dynamics including geopolitics, rising oil prices, a weaker CNY and higher US rates. We will hear from three Fed speakers today – Kashkari (1430 BST), Bostic (1830 BST) and Kaplan (1915 BST). Our US team still looks for a further rate hike in December – though notes that we should expect a more modest set of interest rate rises in 2019 (three hikes spread out over the first three quarters of 2019). All our latest on global central banks is found [here](#).

### ➔ EUR: Italy-EU budget deadlock to keep the single currency on the defensive

As ING's Paolo Pizzoli [writes](#), the current Italy-EU budget developments point to little willingness to

substantially amend the draft budget – and with the 2019 elections looming, the risk of a challenging attitude by the Italian government continuing looks elevated. Given this, expect the EUR to stay on the defensive. On the data front, we'll get Oct Eurozone consumer confidence and analysts expect to see little bounce back in terms of European animal spirits, with sentiment likely to have worsened over the past month (-2.9 to -3.2). EUR/USD to stay sub 1.15.

## ➔ **GBP: Another false start on Brexit**

While a Brexit Withdrawal deal may be inching closer to completion, whispers of a growing number of governing Conservative MP rebels losing their patience with Prime Minister Theresa May – with rumours of 'centrist' Tory MPs also having submitted their vote of no confidence in the PM to the 1922 Committee – have put the risks of a lengthy UK political impasse and a Brexit policy mistake (exiting the EU without a deal) back on the table. May is due to appear in front of the 1922 Committee tomorrow (Wed) – and weekend reports suggest we're perilously close to the 48 Tory letters required to trigger a vote of no-confidence in the PM.

We think this noise is likely to keep the pound on the back foot this week – although we note that we have heard these no-confidence threats plenty of times before and the fact that Tory rebels only have one shot at ousting the PM over the next twelve months means that we could still be some way away from an actual leadership contest (not least as Brexiteers do not currently have a viable replacement lined up). If this is indeed another false start in terms of UK political risks, then we see GBP/USD below 1.30 which may look attractive to some. We see limited risks of EUR/GBP moving back to 0.90 with Italian budget noise offsetting Brexit woes.

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