

UOB Investment Insights

FX Insights

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GBP continues to appreciate on multiple tailwinds

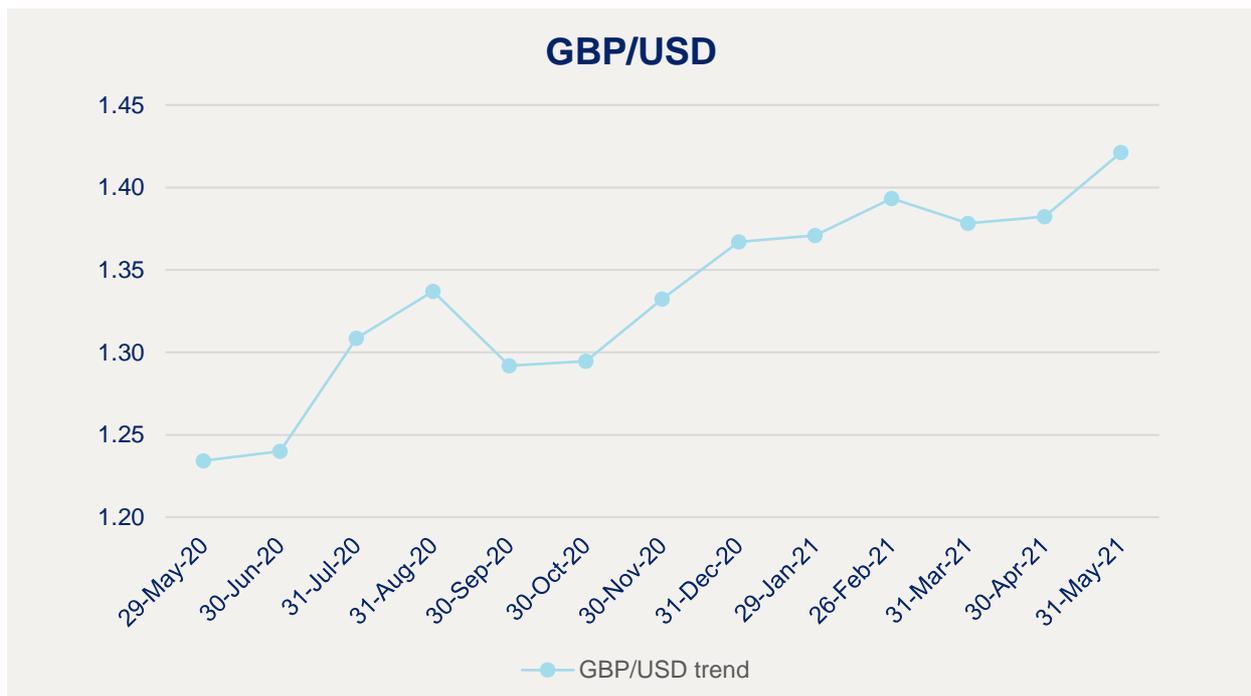
- GBP appreciates further in May 2021 as COVID-19 risks recede
- Despite uncertainties surrounding Brexit, GBP's valuation is still attractive
- We maintain a bullish view on GBP/USD

The Sterling Pound (GBP) is the best performing currency among the G10 currencies in May 2021 – GBP/USD gained over 2.0% to 1.41 as a result of a successful vaccine rollout that helped flatten UK's COVID-19 curve and hasten the reopening of its economy.

UK's economic data has also picked up strongly, reporting its highest manufacturing Purchasing Manufacturing Index (PMI) since 1994. The Bank of England also started to dial back part of its monetary stimulus by reducing the pace of its weekly bond purchases.

From a valuation perspective, the GBP still appears attractive given that it has underperformed in the past couple of years due to Brexit uncertainties. GBP/USD was trading above 1.45 and GBP/SGD above 1.90 before the Brexit referendum on June 2016.

Overall, we maintain our bullish view on GBP and expect the GBP/USD to appreciate towards 1.44 by end-2021.



Source: Bloomberg. Data as at 31 May 2021.



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