

What happened to the Sterling exchange rate panic?

Oh dear – the sky will fall in if we leave the EU. That was the message we were given when the pound fell in value against the US dollar, following David Cameron's return from Brussels and the date for the referendum being announced.

Quite apart from the fact that, as was pointed out by John Redwood, the pound was much lower against the dollar in January 2012 when there was no imminent referendum, it has since recovered most of the ground it lost.

On 17th February, when Mr Cameron was still "battling for Britain", the pound stood at \$1.426

On 20th February, the day the referendum date was set, it stood at \$1.44

On 22nd February, when Boris Johnson announced he would be supporting the "leave" campaign, it fell to \$1.388

On 7th March, however, it had recovered most of the lost ground and stood at \$1.427, higher than the exchange rate on 17th February.

Has the recovery in sterling received **any** press coverage? Not to my knowledge and certainly not in connection with the EU debate.

What is more, the pound will actually buy you more euros now than at any time since the referendum date was announced. Today (9th March), £1 was worth €1.297. As with the dollar, the exchange rate did fall on 20th February, but in the period immediately before the referendum date was set, the pound's highest rate was a mere €1.294.

Much ado about nothing, in other words and a foretaste of what

is likely to happen in the event of Brexit – a sudden fall in the value of sterling as lily-livered traders panic, but after the realisation that armageddon hasn't happened and that the UK economy remains basically sound, the losses will quietly be reversed. Fears of massive price hikes are totally unfounded.

Photo by HowardLake 