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## Touchbutton

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### The pound in your pocket

If the politics of the United Kingdom hold little interest for you, this may be the time to take an extended sabbatical. Barring further global atrocity, politics are likely to dominate the newspapers from now until next May, as the countdown to a General Election gets underway.

Although it may be too protracted for some, there can be no denying that it will be a more interesting election campaign than some in the past. The theatre of Boris Johnson and Nigel Farage will mean that there is never a dull moment.

But what will be the impact on markets? Traditionally, equity markets have enjoyed a rally in the run up to an election – often irrespective of the likely result, but the hangover kicks in immediately afterwards as a new government arrives, often delivering stronger medicine than its predecessor. This time, the economic backdrop will almost certainly be rather more benign, so any ‘morning after’ effect could be shortlived. Greater impact, however, is likely to be seen in the foreign exchange markets. In the last few weeks we have already seen sterling slip against the US dollar to a five month low – driven admittedly to some extent by another political event – the Scottish independence vote on 18 September. A vote for independence could trigger a further slide from current levels.

As we move towards the UK’s General Election, there are likely to be plenty more scary moments for the pound. You may only have just returned from holiday, but now may be the time to be buying next year’s holiday money.

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