

FOREIGN EXCHANGE

Pound Falls Against Dollar Amid Brexit Fears

Sterling's sharp drop precipitated in part by new polls showing gains for Conservative Party, say analysts



A stack of British one pound coins sit on an arrangement of U.S. dollar banknotes. The pound's latest drop added to the currency's declines since former Prime Minister Theresa May said she would quit two months ago. PHOTO: JASON ALDEN/BLOOMBERG NEWS

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TEXT

Rising fears about a no-deal Brexit pushed the British pound further downward on Monday, reflecting a shift in tone from the U.K. government under new Prime Minister Boris Johnson.

The pound fell 1.3% against the dollar to \$1.2217, its lowest close since March 2017.

Analysts said the pound's sharp drop was precipitated in part by new polls that showed gains for the Conservative Party after Mr. Johnson won the race to lead the party last week, replacing former Prime Minister Theresa May.

Some investors and political analysts think Mr. Johnson could call an early election before the U.K. is scheduled to withdraw from the European Union on Oct. 31.

Such a move could potentially allow Mr. Johnson to build a majority in Parliament that would support his efforts to leave the EU with or without an agreement that would soften the economic blow of a departure.

Though Mr. Johnson has said that he would prefer to reach a deal with the EU, he has also described a previous agreement struck by Mrs. May as unacceptable and signaled that the U.K. must step up preparations for a so-called hard Brexit.

“Our base case is that there will be an early election,” said Petr Krpata, chief EMEA FX and IR strategist at ING. “Under this situation, sterling will go below \$1.18 against the dollar.”

The pound’s latest drop has added to the currency’s declines since Mrs. May said she would quit two months ago, prompting traders to rethink assumptions about Brexit scenarios.

Buoyed in part by the dollar’s gains against the pound, the WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, rose 0.1% to 90.91.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.056%, compared with 2.081% Friday. Yields fall when bond prices rise.

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