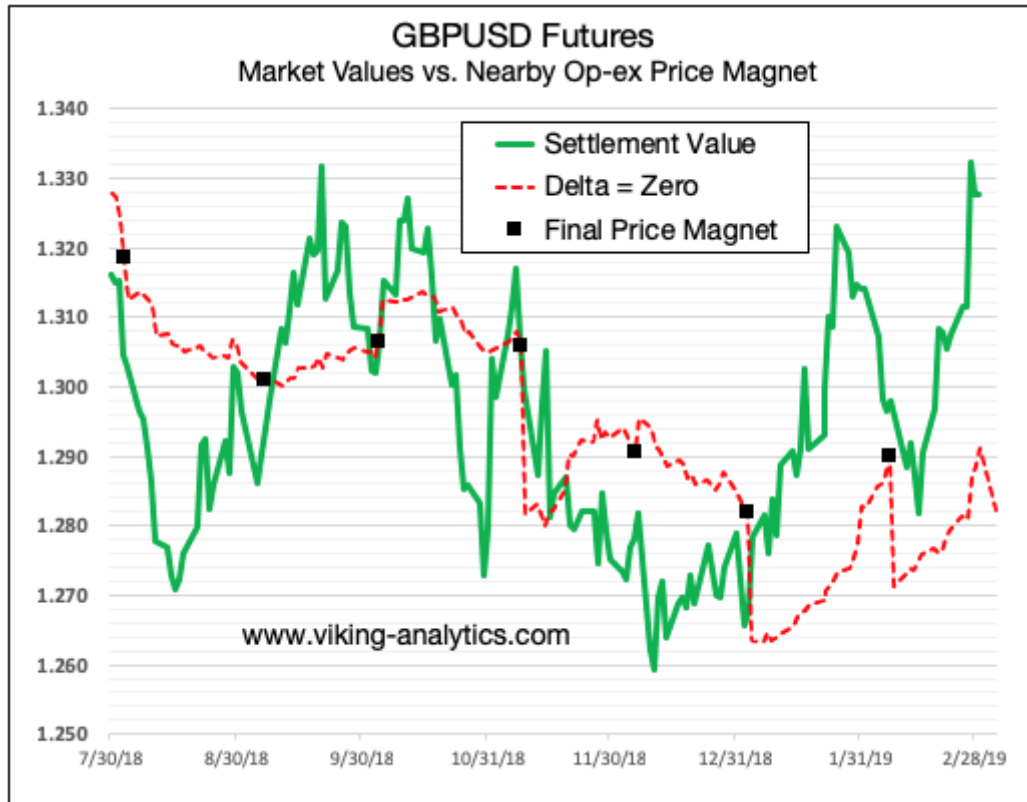


British pound futures have been declining against the US dollar since November 2007. Over that period the pound has fallen from a high of over \$2.10 US dollars per pound to near \$1.32 dollars per pound today. • The Brexit vote in late spring of 2016 pushed the value of the pound below, what was then, the psychologically important \$1.35 level to new lows. • Nevertheless, in the context of the vote and its broad implications, the move lower since Brexit has not been as significant as some expected.



We will leave comments on Brexit politics to the more informed and those who have more of a vested interest in the outcome. • From a technical, longer-term perspective, we see the pound

continuing its decline versus the US dollar. with important resistance at the \$1.35 level, along with



*Sentiment Indicator* is  
A similar over-bought  
advance of February

It is important to note:

- *Perhaps due to the volatility regarding Brexit, the British pound has the highest relative options open interest on the CME futures exchange of any currency futures.*
- *CME futures currency options expire this Friday, March 8<sup>th</sup>.*
- *The CME currency futures active contract will roll from March to June later this month.*

As shown above, our proprietary model and Final Price Magnets have done an admirable job of predicting the options settlement price of GBPUSD in 6 of the last 7 months. Currently, the model is telling us the pound could experience a significant mean-reversion correction this week. Given the news surrounding Brexit, anything is possible. That said we anticipate a good dose of volatility in the British pound this week.