# Sterlings Ascent is Hampering Against the Euro by Kevin Cook

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Today despite the debt crisis hanging over Europe, demand from UK importers and euro zone exporters to buy euros and sell sterling could make the pound's ascent against the single currency a slow grind. Recently, investors have sought shelter from the euro zone crisis in UK government bonds and property, thatâ€™s why sterling has strengthened. However, the pound has stayed in a range against the euro since mid-January and has stuck below an early January high of 82.22 pence per euro.

At the moment, UK runs a trade deficit with the euro bloc, its main trading partner which tends to push the euro higher against the pound. Although these trade flows are a relatively small part of the foreign exchange market. Some traders and analysts say that they are limiting the pound's rise. The Bank for International Settlement's 2010 triennial foreign exchange survey showed non-financial customers, which includes corporations and governments, made up 13 percent of the $4 trillion (2.5 trillion pound) a day Global Forex market.

Now, UK companies tend to focus on the sterling/euro rate rather than the euro/sterling rate which is more commonly used among other market participants. Since the beginning of the year, sterling has pivoted around 1.20 euros, prompting bouts of euro buying by UK importers above that level, which equates to 83.33 pence per euro. The level of 1.20 is attractive, given the average sterling/euro rate for the past 12 months is around 1.16 euros per pound. Recently, the euro hit a one-month low of 82.83 pence, equivalent to 1.2072 euros. Even if it falls further, corporate demand is likely to resurface towards the 80 pence mark which is equivalent to 1.25 euros. Need cash apply with payday text loans and get quick payday cash for you.

In January, Britain imported 13.863 billion pounds in goods from the euro zone, against 11.656 billion pounds exported. Importers who buy foreign products are natural sellers of their own currency, while exporters are natural buyers, the latest UK trade data showed. The necessity to cut the deficit leaves UK finance minister George Osborne little room for growth-boosting measures in this week's budget and steps to encourage companies to invest are expected to have limited impact. However, trade flows may be one reason why those in the market who had expected sterling to gain more quickly due to the euro zone debt crisis and an improving UK economy have been disappointed the market.

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