

The pound faces 'perfect storm' despite UK Johnson's narrow win

The British pound - already showing 'emerging market' traits - faces a difficult time ahead amid political storms in the UK, warns the chief executive officer of one of the world's largest independent financial advisory, asset management and fintech organisations.



Source: [Flxabay](#)

The warning from Nigel Green of deVere Group comes despite sterling holding gains against the dollar and euro as Boris Johnson survived a No Confidence Vote on Monday.

It also follows Bank of America Corp. strategists last week urging investors to hedge for an “existential” sterling crisis as the British currency faces struggles usually seen in emerging markets.

Nigel Green says: “Johnson may have won the No Confidence Vote, but only by a small margin; it was not a convincing win – 41% of his own MPs voted against him.

“Modern history teaches us that his time in office is likely to be coming to an end. It now seems more unlikely that he will get the opportunity to fight the next general election.”

When his predecessor Theresa May faced a confidence vote in 2018, she secured the support of 63% of her MPs – but

was still forced out within six months.

When Michael Heseltine challenged Margaret Thatcher's leadership in 1990, he won 40.9% of the vote. The contest had to go to a second round because she did not achieve the 55% required for an outright victory. She would fight on but ultimately the "men in grey suits" persuaded her to resign.

"If Johnson is, in effect, a dead man walking, investors need to prepare for potentially choppy times ahead for the British pound.



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"While sterling has not yet been immediately negatively affected by the latest twists and turns in Westminster, we believe that it is likely that there will be a leadership challenge before the next election," says the deVere Group chief executive officer.

"When names are put into the ring to become the next leader, and policy agendas of the frontrunners are known, the pound can be expected to become highly volatile – just as it did during the testy Brexit negotiations.

"The issues laid bare by Johnson's possible successors that will impact the pound would include the UK's relationship with the EU and single-market access, fiscal stimulus and the Northern Ireland protocol, among others."

He goes on to add that a leadership contest "combined with well-flagged, international and domestic concerns" that the Bank of England is in danger of losing its mandate as it struggles to contain inflation, which is at its fastest rate in four decades, could create the "perfect storm for the pound."

Nigel Green concludes: "Johnson has suffered a major Tory rebellion. Despite him narrowly winning the No Confidence Vote, and now, under current rules, being immune from a leadership challenge, he's clearly in political hot water.

"The already beleaguered pound will likely become, yet again, an important bellwether of political events. Investors should brace themselves and position their portfolios accordingly."

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