



Chancellor Jeremy Hunt driving Britain's economic growth plan amidst the post-Brexit reality.

SMART CURRENCY BUSINESS

# A TESTING WINTER FOR STERLING AND THE UK ECONOMY

## QUARTERLY FORECAST JANUARY – MARCH 2023

WHICH CURRENCY WILL FARE BEST IN RECESSION?  
EXTREME CURRENCY PREDICTIONS FROM MAJOR BANKS  
WILL INTEREST RATES EASE BEFORE YEAR END?  
IS GROWTH ON THE HORIZON FOR THE UK'S ECONOMY?



Editorial credit: Alamy Stock Photo



Nominated finalists in the  
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# NOTE FROM THE MANAGING DIRECTOR

According to most analysts, the UK is now in recession. Furthermore, as Chancellor Jeremy Hunt said, it is likely to get worse before it gets better. Hunt graces the cover of our first quarterly forecast of 2023, but does he have the policies to keep the recession short and shallow?

Some businesses and individuals will be faring better than others, and there is already light at the end of the tunnel with evidence that inflation has peaked. What this all means for currencies over the next few months we aim to unravel in the following pages.


Some of 2022's themes lie unresolved. The war in Ukraine drags on. Covid-19 still has the power to affect currencies, with China relaxing its 'zero Covid' approach. Central banks continue to wrestle with the conundrum of controlling inflation while encouraging economic growth. Against this background, the major banks have attempted to forecast exchange rates. Read on to see what they predict.

We take the view, based on long experience, that exchange rates are inherently unpredictable and forecasts are little more than educated guesswork. We advocate a proactive, risk management approach for any business exposed to foreign exchange risk. SmartHedge is the ultimate tool to do this. See how it can help you.



The economic calendar of potentially market-moving events in our last quarterly forecast proved popular with readers, so it's repeated this time around. I wish you good health for you and prosperity for your business in 2023. In difficult times, we are here to help.

Alex Bennett, Managing Director, Smart Currency Business

[CLICK HERE TO READ OUR SPECIAL FEATURE](#)

## WHERE WILL YOUR CURRENCY BE BY Q2 OF 2023?

Rate predictions for quarter one of 2023 (January-March) and the possible impact on your budget. If you were exchanging £1 million for USD, the predictions carry a disparity of \$160,000 and for EUR a disparity of €110,000.

CURRENCY PAIRING	MIN. RATE	MAX. RATE	AMOUNT CHANGED	MIN-MAX VARIANCE
GBP/USD	1.10	1.26	£1 million	\$160,000
GBP/EUR	1.11	1.22	£1 million	€110,000
EUR/USD	0.95	1.11	€1 million	\$160,000

Please note, these are the maximum and minimum rates forecast by major banks. How would your profits be affected if the worse outcome did actually happen?

# HOW DO CURRENCY FORECASTS FARE AGAINST REALITY?

Currencies don't just move for no reason. They are governed by economic and political news, trends and data. So, it is tempting for the experts to try and foretell what will affect currencies, why and to what extent. It is also entirely understandable that those invested in such movements take note of them. What they shouldn't do, however, is rely on them for business decisions. After all, racehorse punters also analyse data and predictions, yet the owner of Bet365 is able to pay herself over £200million each year. So, if little more than educated guesswork, how accurate were the predictions in our last quarterly forecast?

## GBP/USD

In our last forecast, the major banks predicted that by 1st January 2023 GBP/USD would be between 1.00 and 1.14. This proved astonishingly inaccurate. On that date the rate actually stood at 1.21, having risen as high as 1.24 and as low as 1.10 during the quarter. While you can understand the analysts' pessimism when, following the mini-Budget, the pound had been down at 1.03, had readers based vital business decisions on such predictions it could have been a ticket to disaster.

## GBP/EUR

The analysts were more accurate with the pound to euro rate, with most being within 1 or 2% of the eventual figure. However, some forecasts were highly pessimistic. The GBP/EUR rate was forecast to be as high as 1.16 or as low as 1.06 by the end of the quarter. It was actually close to the median rate of 1.14, sitting just under 1.13 on 1st January. Up until the interest rate decision on 15th December it had been outperforming expectations, reaching a slightly higher level of 1.17 pre-interest rate decision.

## EUR/USD


Red faces all round for the currency forecasters here. The banks predicted a high of 1.00 and a low of just 0.93, yet you could actually get 1.07 USD for your euro on the first day of 2023. During that quarter the euro had been as low as 0.96 but had largely shaken off parity by the second week of November and did not stray below 1.05 during December. The reason for the euro's strength was the more hawkish noises coming from the ECB in December along with dwindling worries about Europe's factories running out of power this winter.

## WHAT IMPACT WOULD THIS HAVE ON YOUR BUSINESS?

The above is a handful of examples of bank forecasts, being wildly incorrect. For businesses that import and export, or with any currency exposure, basing business-critical decisions on such predictions could be a ticket to disaster.

We advise that profit and loss decisions should instead be based on your own experience and expectations, supported by effective risk-management system SmartHedge.

With most of the bank's predictions for sterling, euro and dollar highs and lows being misaligned, this presents a fine example of why a risk management strategy for your business is vital.



See the calendar on page 4 for the most important, potentially market-moving events this quarter.

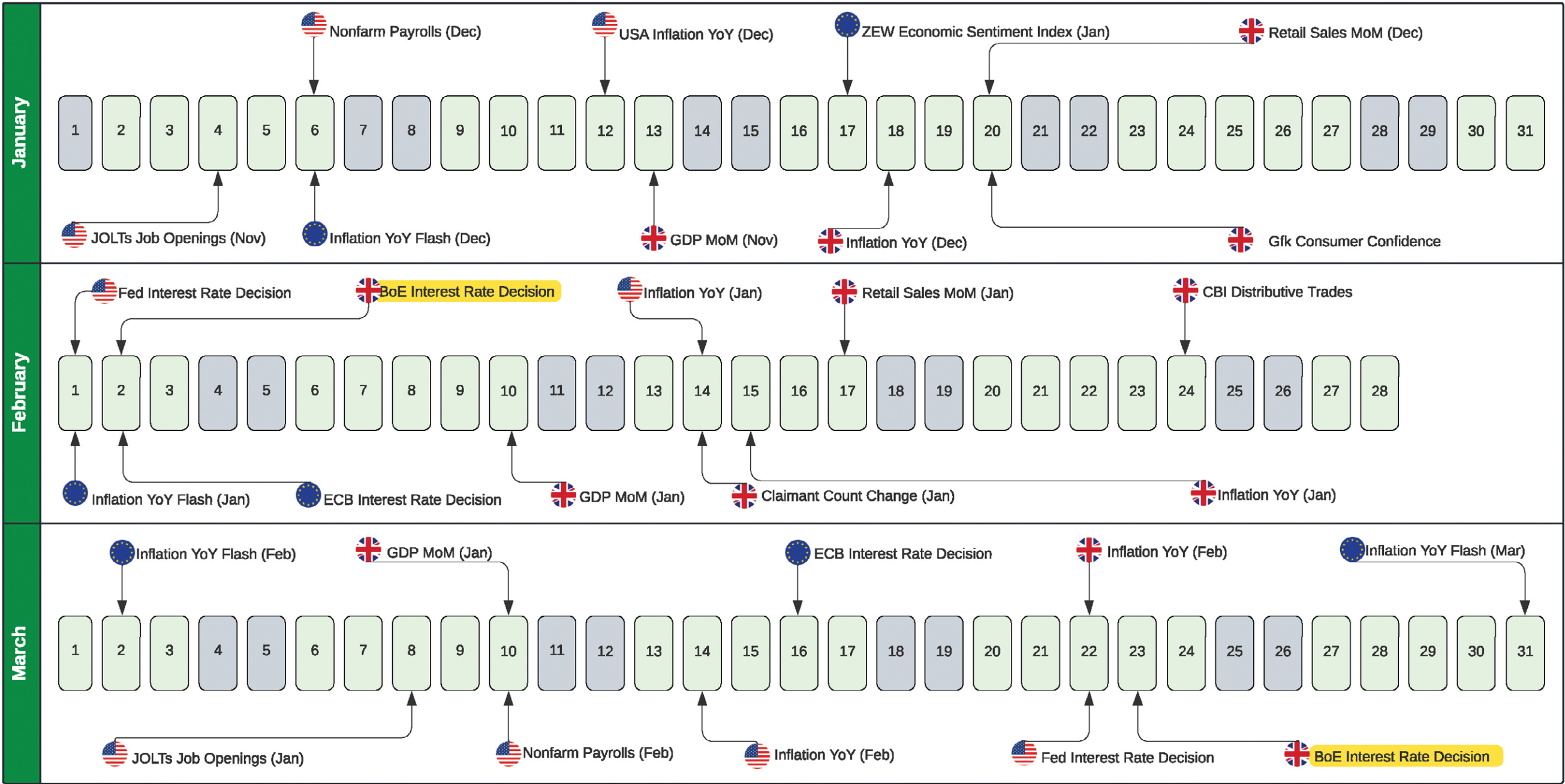
# MARKET-MOVING EVENTS THIS QUARTER

There is no interest rate decision from the Bank of England in January, and a longer-than-usual gap of six weeks between February and March's. However, the data on which the Bank's Monetary Policy Committee (MPC) will be basing their decision will be arriving in the meantime, and exchange rates moving in response to it. Having seen a three-way split from the MPC in December, there will be intense scrutiny on whether they can agree on direction going forward.

The European Central Bank's decisions tend to be sign-posted better in advance and are less likely to move the market. Moreover, with 20 countries' economies and inflation

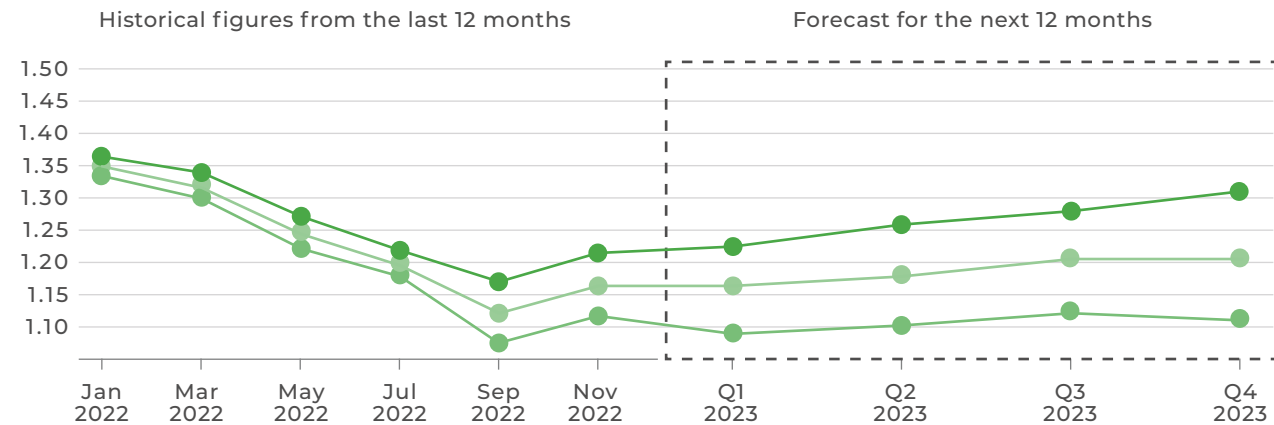
rates to consider, the ECB has a balancing act. Here we include the euro area data calendar, but data from Europe's largest economy, Germany, can be just as influential. Do look out for your daily currency note for those numbers.

There is a plethora of data from the USA, and it can be hard to know what will be most influential. Listed here are the main market indicators and movers. In 2023 inflation is likely to be the most influential. What happens in US inflation has ramifications for the entire world, as well as the strength of the dollar. The unemployment rate is also important. American politics is highly dependent on a feeling of economic wellbeing in the country, so watch out for the most influential jobs data, nonfarm payrolls.

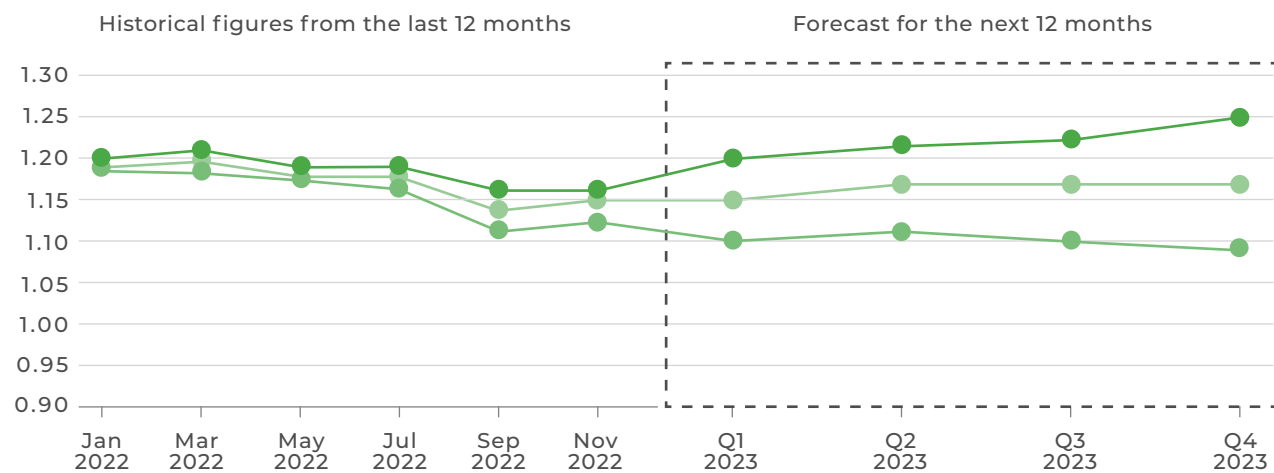




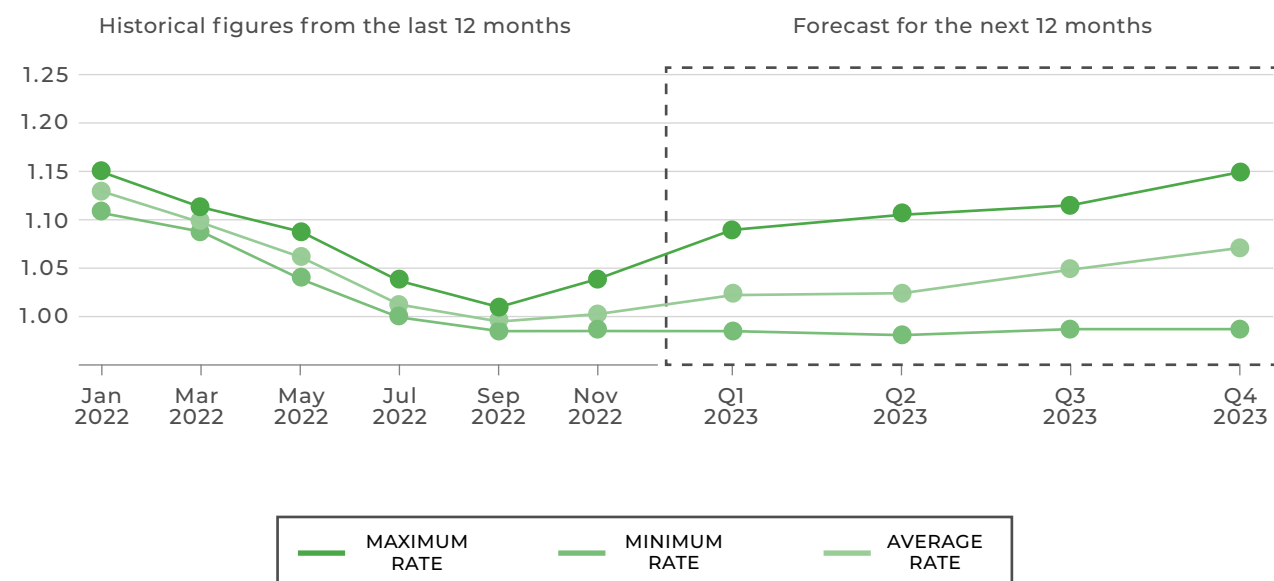
## GBP/USD



## GBP/EUR



## EUR/USD



— MAXIMUM RATE
 — MINIMUM RATE
 — AVERAGE RATE

SOURCE: BLOOMBERG. ACCURATE AS OF 6TH OCTOBER 2022.

## SUMMARY

Soon after publishing our last quarterly forecast, Prime Minister Liz Truss threw her chancellor out of the window and followed him through it shortly after. While Rishi Sunak and Jeremy Hunt quickly got to work raking over the economic furrows left by their predecessors, Britain was hit by strikes in key industries. The rail strikes alone could have cost the economy £1.7billion over the festive period.

The past quarter has seen UK inflation at a 40-year high and the UK as the only G7 country still with a smaller economy than pre-Covid.

Looking at sterling's highs and lows since the last forecast, sterling recovered from 1.11 against the US dollar at the start of October to a high of 1.24 in December. On a transaction of \$1million that's a difference of almost 10%, or around £95,000. How can a business manage its margins, its profitability, its cashflow effectively with such movements?

Against the euro, sterling had a high just under 1.17 and the low was just under 1.13. The Value at Risk for a €1million transaction was approximately £30,000. Please contact us to understand this in more detail.

Sterling's positive autumn reversed following interest rate decisions in the UK, US and eurozone in mid-December. Despite a more positive late autumn, the overall picture for sterling against the euro and US dollar in 2022 was negative. The pound starts 2023 around 5% weaker than this time last year, and more than 10% weaker against the US dollar. And let's be clear, no one has any idea where we will start 2024.

The ongoing battle between central banks and inflation has turned in the banks' favour. The Bank of England, ECB and Fed all

adapting their hawkish stances as they worried about the effect they were having on the overall economy. Following four consecutive 75-basis point (bp) rate hikes, the end of 2022 saw a less-hawkish US Federal Reserve conclude that it is now ready to hike interest rates in smaller increments.

On the edge of Europe, Ukrainian victories stalled and Russia appears content to regroup and bombard Ukraine's power infrastructure. While the eurozone's industry has escaped disruption this winter, so far, already there are fears for next winter's power supplies. Expensive energy imports have eroded the eurozone's current account surplus, making the euro more vulnerable to bad news. Some analysts suggest such risks could push EUR/USD back to parity in 2023.

The US dollar, benefitting from its safe-haven appeal in a bad year for global peace and climate disasters, ended 2022 having strengthened some 5 to 15% ahead of where it started the year against most of its major rivals.

The last year again demonstrates that currency rates are unpredictable and volatile, and it has never been more vital to ensure your margins, budget, profits, cash flows and overall business goals are protected from currency market volatility. We can help.

“The only function of economic forecasting is to make astrology look respectable.”

J K Galbraith

# THE UK ECONOMY

The UK's economy faced a series of blows over the course of the last quarter, including inflation rates not seen for a generation, the highest borrowing costs for 14 years and a series of strikes. The energy price crisis unleashed by the war in Ukraine continues to reverberate both at home and overseas, but at least no-one is talking about power cuts any more. Not this winter anyway.

Chancellor Jeremy Hunt confirmed that Britain had already dipped into recession in his Autumn Statement. However, alongside warnings of belt-tightening and austerity, Hunt highlighted how the UK would navigate its way out of recession via “stability, growth and public services”. Among these are Hunt’s so-called ‘Edinburgh reforms’ for the City.

## NEW LEADERSHIP

Rishi Sunak faces not just the economic threats to the UK, but also a healthcare crisis including nurses on strike for the first time ever. Industrial strikes, meanwhile, are continuing unabated into 2023, hitting transport, mail and customs officers. While there has undoubtedly been more political stability, Sunak will be keen to avoid a new ‘Winter of Discontent’ and reputation for high taxes yet poor public services.

His hands are also tied by factionalism in the Tory Party, which is making, for example, easier planning rules for new homes impossible to implement. In a major speech at the start of the year his promises included halving inflation in 2023, growing the economy and reducing inflation. Plans to abolish thousands of EU rules are ongoing.

On Europe, while Sunak has improved Britain's relationship with France and toned down the rhetoric on the Northern Ireland protocols, the jury is still out on whether we are in a new era of positivity in post-Brexit relations. It was not a great start when the High Court ruled the Home Office EU settlement scheme as “unlawful” at the end of December 2022.



# BANK OF ENGLAND

In its December meeting, the Bank of England’s (BoE’s) rate-setting committee was split three ways. Six members voted for a 50bp rate hike, two voted for no increase and one for a 75bp increase. This lack of unanimity (and dovish stance) triggered sterling to weaken by 1.5 and 2% against the euro and US dollar respectively. It also pushed Britain’s borrowing costs to their highest levels since late-2008.

Bank of England and OBR projections are for inflation to reduce rapidly during 2023, returning to 2% or below in 2024.

## OUR STRATEGIST’S ANALYSIS

After a tumultuous previous quarter for the pound, Rishi Sunak and Jeremy Hunt will be looking to continue to provide some stability, although the economic outlook for the UK is not currently looking strong. An FT poll of 100 economists suggested that UK growth is expected to be below that of its global counterparts.

The BoE’s recent hike of 50bp marked a return to levels seen before November’s hawkish 75bp increase. While there may be an expectation for hiking to continue, these are expected to be smaller hikes than the November one. As always there will be room for surprises at both ends of the scale and while the turbulence has somewhat quietened towards the end of the year, there are plenty of opportunities for volatility to resurge.

ECONOMIC INDICATOR	DATA	REFERENCE
Interest rate	3.5%	Dec 22
Inflation rate	10.5%	Nov 22
Unemployment rate	3.7%	Oct 22
GDP growth rate	0.2%	Nov 22



# EURO ECONOMY

Fears that the Ukraine war would lead to factories grinding to a halt in Europe proved unfounded. Post-pandemic supply chain issues for manufacturers also improved, leading to manufacturing PMI for both Germany and the eurozone improving month-on-month. Unemployment in the eurozone this autumn has fallen to 6.5%, its lowest level in decades. GDP in the third quarter of 2022 was rising in every country except Estonia and Latvia, while it shot up by over 10% in Ireland.

Business confidence improved, with the ZEW economic sentiment index in Germany rising from a low of around -60 in the early autumn, to -23 in December. However, the ECB like all central banks continues to face a juggling act keeping inflation down but growth expanding.

# EUROPEAN CENTRAL BANK

The ECB raised interest rates by 50 bps during its December meeting, marking a fourth rate increase and following two consecutive 75bps hikes. This takes borrowing rates to a level not seen in 14 years.

Policymakers also warned that rates are expected to rise further due to a substantial upward revision to the eurozone's inflation outlook. It has been a mixed picture for eurozone inflation over the last quarter. Spanish and French inflation declined to around 7% at the end of 2022, the eurozone as a whole declining to 9.2% in the first reading of 2023, albeit with 'core' inflation, removing food and fuel, rising to 5.2%. Germany and Italy have higher than average inflation and in the Baltic states it's in excess of 20%.

# WAR IN UKRAINE

Despite worries that the EU would start to weary of supporting the war effort, President Macron has made France the first NATO country to send tanks to Ukraine. European Union



countries managed to cut gas use by 20% between August and November (beating the 15% the EU asked them for and avoiding the need for power cuts) but there are already fears for next winter.

Last year the IMF warned, presciently, that the war would cause disruption to food and power supplies and their latest report is on the 8 million refugees from the country. As they point out, "With the right policies in place, this could be positive for host countries, not least because of labour shortages and aging populations. Many of those who have fled have a different demographic profile than those in past refugee waves, with surveys in Germany, Moldova and Poland showing that most arrivals are children and women under 40."

# OUR STRATEGIST'S ANALYSIS

The euro has fought back valiantly as 2022 closed out and at the time of writing, sits well versus the pound and dollar. Much of this has been driven by the market's expectation that the terminal policy rate (the expected rate that the ECB is aiming to reach and will stop hikes at) will finish much closer to the Fed's than what was expected at the start of 2022.

Additional rate hikes would potentially drive strength for the euro, though may be problematic for some European countries looking to fund themselves through debt. It will be a careful balancing act for the ECB to ensure that growth isn't harmed too much by the increasing rates. This combined with the market's view on the direction of these rate hikes creates significant potential volatility for the euro.

ECONOMIC INDICATOR	DATA	REFERENCE
Interest rate	2.5%	Dec 22
Inflation rate	9.2%	Dec 22
Unemployment rate	6.5%	Nov 22
GDP growth rate	2.3%	Sep 22



# FEDERAL RESERVE

The big story of 2022 may have been the surge in the dollar as the Fed raised interest rates aggressively, but against a background of falling inflation – several straight declines to 7.1% in November – the Fed has been able to reduce the pace of interest rate increases.

The latest rise was 50bp to 4.5%, their highest levels in 15 years, in line with market expectations. Comments on interest rates from the Federal Reserve’s Chairman, Jerome Powell sunk the dollar in the first week of December, triggering a loss of around 1 to 2% against most major rivals. However, positive data on the employment situation has encouraged the idea that interest rate rises will reach 5.1% this year.

# US ECONOMY

The picture for the US economy is mixed. Recession anxieties continue. The US entered a technical recession earlier in 2022, but analysts suggest that this time around, the recession will feel “much more real”.

The US housing market may take a downturn in 2023, triggered by rapid rises in mortgage borrowing costs. If correct, while a necessary correction for buyers who have seen prices rise by 10 to 20% in previous years, it is likely to impact the construction sector which accounts for around 4% of America’s GDP.

It is not all doom for the economy overall, as January’s employment and non-farm payrolls showing slow but steady growth. Employers added 223,000 new jobs in December.

On the manufacturing front, January’s Purchasing Managers Index (PMI) fell to 48.4 in December (anything below 50 represents overall pessimism), the second month of contraction in US factory activity, as Americans look to be shifting spending away from goods to services.



# POLITICS

While Donald Trump’s long shadow over the GOP (Republicans) has begun to fade following the failure of his favoured candidates in the mid-terms, the 2024 election remains all to play for. Most, maybe all, will depend on the state of the US economy. The IMF is projecting a real GDP rise of 1% in 2023, while the Federal Reserve suggests that its monetary tightening policies will lose one million jobs and go from 3.7% in 2022 to 4.6% in 2023 and 2024.

# OUR STRATEGIST’S ANALYSIS

Despite US Bond yields rising into the new year, this has had a limited impact on the dollar as it has remained softer versus the euro and the pound. This is mainly driven by the markets’ expectation for the Fed to cap its rate rises by the middle of 2023, thus limiting the view for additional dollar strength. However, this view leaves significant room for volatility if these market views are incorrect and the proceeding fluctuations could have significant impacts for businesses.

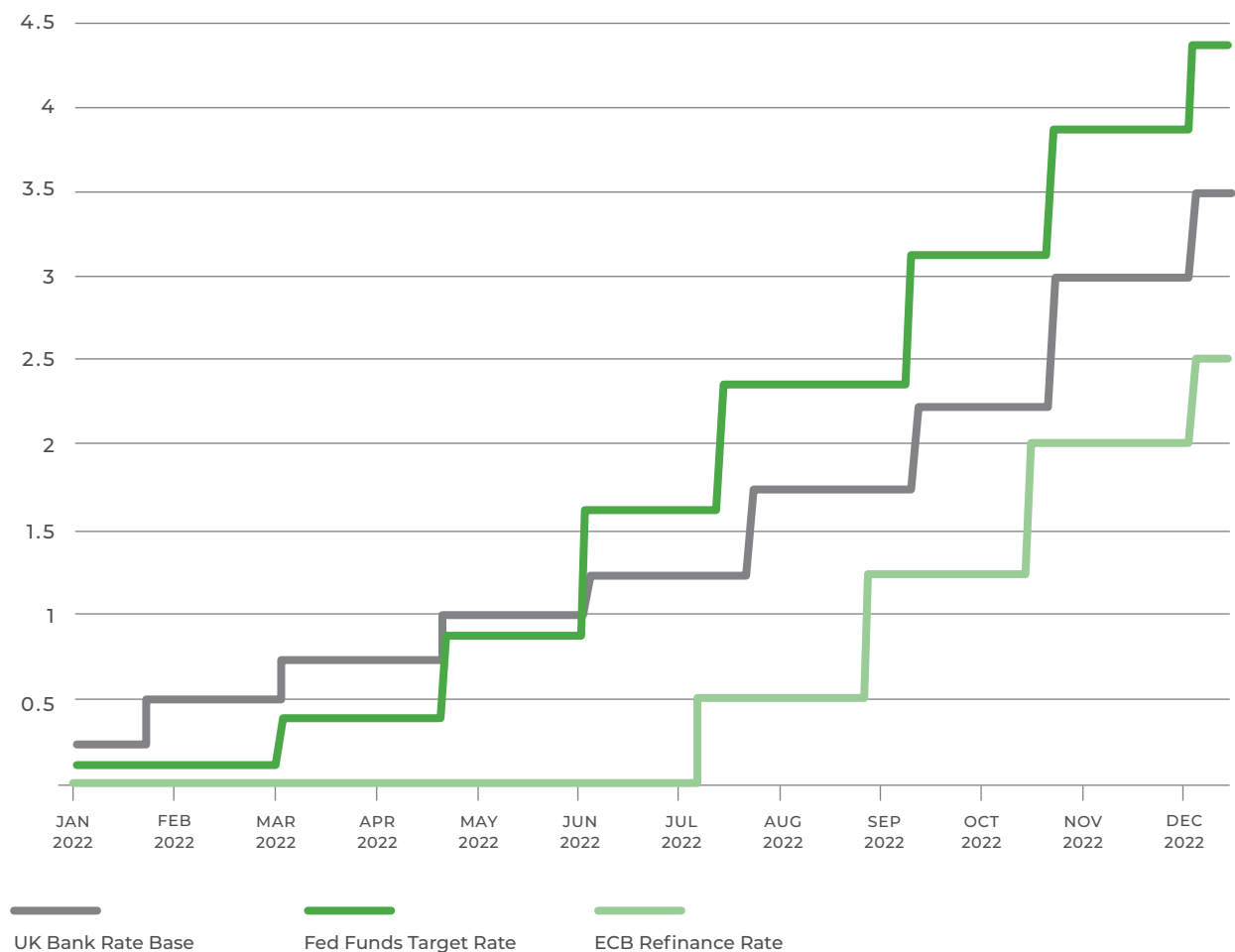
With the start of the new year, as well, the new make-up of the US Senate and House will be felt. The GOP’s small majority in the House will provide resistance to Biden and could potentially impact funding for the administration. Ultimately, this means that there is plenty of uncertainty for the dollar at the start of the year.

ECONOMIC INDICATOR	DATA	REFERENCE
Interest rate	4.5%	Dec 22
Inflation rate	6.5%	Dec 22
Unemployment rate	3.5%	Dec 22
GDP growth rate	1.9%	Sep 22

# OUR STRATEGIST'S KEY CHARTS TO WATCH

## ECB, FED UK INTEREST RATES

SOURCE BLOOMBERG

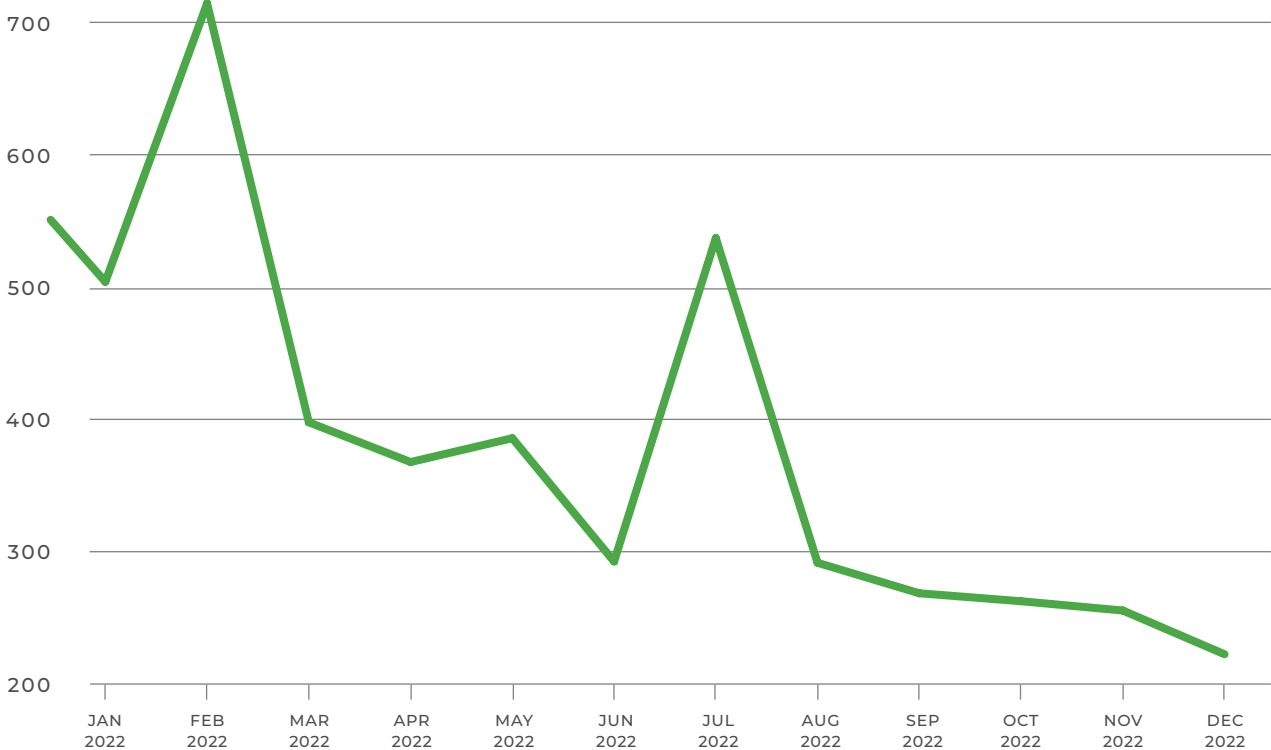


One challenge for currencies over 2023 will be to navigate the markets' expectations of central bank interest rate hikes. The Fed has taken a much firmer stance, which has been a major contributor to the strength of the dollar in 2022, while the ECB and BoE have been more conservative.

Many questions face the banks for the year ahead, with a large focus on if, and by how much, these rates continue to increase. There seems to be a general expectation in the market that rate hikes will slow down or stop by mid-2023. However, the differentiation from expectation here, or in the size of the hikes expected, could provide significant volatility to these currencies. The ECB was slow to initially take up the rate rises while the BoE has raised in smaller increments than the Fed (50 basis points rather than 75). There are also wider economic factors to consider which could further limit or incite rate increases in 2023.

## US NON FARM PAYROLLS

[HTTPS://TRADINGECONOMICS.COM/UNITED-STATES/NON-FARM-PAYROLLS](https://tradingeconomics.com/united-states/non-farm-payrolls)



The US jobs market performed stronger than expected for a second month in a row with the addition of 223,000 jobs in December versus an expected 200,000. In addition, the unemployment rate dropped back to 3.5% from 3.7%.

Despite this positivity other factors, such as wage growth and the ISM survey (an indicator of economic activity), failed to provide support to the dollar and saw it sell off. The failure of some of these economic factors to provide significant support to the dollar demonstrates the lack of predictability with currencies as well as the levels of volatility in the market at the moment.

“History constantly reminds us that in an uncertain world there is no visibility of prospects. Future earnings cannot be predicted with accuracy.”  
David Dreman



# GLOBAL CURRENCIES

## SWEDISH KRONA (SEK)

2022 was not kind to the Swedish krona, which weakened by between 8 and 15% against the US, Australian and Canadian dollars, Swiss franc and euro. Against sterling, the krona saw some peaks but ultimately ended the year close to where it started.

The krona has traditionally been regarded as a safe haven currency, yet it did fall in the aftermath of the Russian invasion of Ukraine. It was further weakened by poor growth outlook in the summer. Sweden’s central bank, the Riksbank, raised Sweden’s interest rate four times in 2022, taking it from 0% to 2.5% now. This included a 100bp hike in the autumn in an effort to beat inflation standing at 11.5% in November.

## CHINESE YUAN RENMINBI (CNY)

Over the course of Q4, the Chinese yuan made gains against sterling and the US dollar however, in the grand picture, the currency lost nearly 8% against the dollar while gaining just over 4% against the pound between January 3rd 2022 and the same day in 2023. This was largely due to covid zero protests which broke out in December, causing dollar safe-haven buying among international investors.

The Covid-restriction unrest in China continues to threaten the global economy therefore, market watchers will be keeping a close eye on how the Chinese economy and yuan perform over the course of this quarter.

## INDIAN RUPEE (INR)

The Indian rupee declined over 10% against the US dollar in 2022, remaining close to its October 19th record-low against the dollar. October’s low was largely due to trade imbalances, comparatively low interest rates, and limited capital inflows.

Additionally, soaring energy prices triggered by the war in Ukraine added pressure to the rupee as the major importer had to sell more of the domestic currency for international contracts. Furthermore, the Reserve Bank of India hiked its key repo rate by 225bps since the start of its tightening cycle in May, which also added weight on the currency’s shoulders.

“Every man’s life lies within the present; for the past is spent and done with, and the future is uncertain.”  
Marcus Aurelius, Roman Emperor

# IN BRIEF: OCT - DEC 2022

GBP/USD RATES 2022		
MONTH	HIGH	LOW
October	1.16	1.09
November	1.21	1.11
December	1.24	1.19
Q3 Average	1.17	

Over the past 12 months, the highest rate for GBP/USD has been 1.37, while the lowest has been 1.04.

EUR/USD RATES 2022		
MONTH	HIGH	LOW
October	1.00	0.96
November	1.04	0.97
December	1.07	1.03
Q3 Average	1.02	

Over the past 12 months, the highest rate for EUR/USD has been 1.14, while the lowest has been 0.95.

GBP/EUR RATES 2022		
MONTH	HIGH	LOW
October	1.16	1.12
November	1.16	1.13
December	1.17	1.12
Q3 Average	1.14	

Over the past 12 months, the highest rate for GBP/EUR has been 1.21, while the lowest has been 1.08.

# MAJOR BANK CURRENCY FORECASTS

2023 MAJOR BANK FORECASTS - GBP/USD				
INSTITUTE	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Danske Bank	1.18	1.15	1.15	1.15
Wells Fargo	1.18	1.19	1.19	1.20
Barclays	1.13	1.15	1.18	1.21
JP Morgan Chase	1.14	1.11	1.08	1.08
Morgan Stanley	1.13	1.14	1.15	1.16
ING Financial Markets	1.07	1.11	1.14	1.25
BNP Paribas	1.09	1.08	1.11	1.14
Median	1.13	1.13	1.14	1.17
Minimum	1.07	1.08	1.08	1.08
Maximum	1.18	1.19	1.19	1.25

2023 MAJOR BANK FORECASTS - GBP/EUR				
INSTITUTE	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Danske Bank	1.16	1.18	1.18	1.18
Wells Fargo	1.12	1.12	1.10	1.09
Barclays	1.15	1.15	1.15	1.15
JP Morgan Chase	1.20	1.16	1.08	1.08
Morgan Stanley	1.11	1.10	1.09	1.08
ING Financial Markets	1.12	1.14	1.14	1.14
BNP Paribas	1.08	1.08	1.08	1.08
Median	1.13	1.13	1.12	1.11
Minimum	1.08	1.08	1.08	1.08
Maximum	1.20	1.18	1.18	1.18

2023 MAJOR BANK FORECASTS - EUR/USD				
INSTITUTE	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Danske Bank	1.02	0.98	0.98	0.98
Wells Fargo	1.05	1.06	1.08	1.10
Barclays	0.98	1.00	1.03	1.05
JP Morgan Chase	0.95	0.95	1.00	1.00
Morgan Stanley	1.02	1.04	1.06	1.08
ING Financial Markets	0.95	0.98	1.00	1.10
BNP Paribas	1.01	1.00	1.03	1.06
Median	1.00	1.00	1.03	1.05
Minimum	0.95	0.95	0.98	0.98
Maximum	1.05	1.06	1.08	1.10

\*SOURCE: BLOOMBERG. WE TOOK A SELECTION OF FORECASTS AND ROUND UP TO TWO DECIMAL PLACES. MINIMUM AND MAXIMUM COLUMNS SHOW THE EXTREMES. ACCURATE AS OF 6TH JANUARY 2023.



### GET REWARDS WITH OUR NETWORKING SCHEME

Do you know a company or individual with exposure to foreign currency? If so, then introduce them to Smart Currency Business. When the person or company you refer makes their first trade, we will send you an **Amazon voucher worth up to £200**. This is how it works:

- Provide us with the contact details of the company or individual you think might benefit from our service
- We will contact them to find out more and see if we can help
- When they make their first trade, we will send you your Amazon voucher

If you know someone who could benefit from speaking to us, contact us now on:  
**020 7898 0500**  
**referral@smartcurrencybusiness.com**

\* Please note that if you refer a company and they make their first trade we will send you a £200 amazon voucher. If you refer an individual and they make their first trade we will send you a £50 amazon voucher.





## OUR RISK MANAGEMENT AND VALUATIONS PLATFORM

We have created an advanced, clear and easy to use platform offering new automated solutions. SmartHedge has been developed and tested to address the specific needs and issues faced by UK SMEs and corporates when managing currency exposures.

Keeping track of your foreign exchange exposure can be a challenge, but SmartHedge makes this easier. Your business will benefit from spending less time processing information and more time making key decisions.

**“Smart are very easy to work with; our dedicated adviser is always available to answer my calls, whether it is to place a trade or answer a query about how to reduce our currency risk.”**

Annwyn Smith,  
Financial Accountant at IOP Publishing



## HOW CAN SMARTHEDGE HELP YOU?

Our platform addresses a variety of challenges through 6 key areas:

### DAY TO DAY USE

#### Valuations

- Do you struggle to manage your ongoing currency valuations?
- Do you find valuing positions at your financial year-end a challenge?
- Do you struggle to manage currency exposure across multiple counterparties?
- Are you fully aware of your margin call risk and how this may impact your business?
- Do you effectively measure against current credit facilities?

#### Reporting

- Do you struggle to keep track of your current hedging?
- Is it a challenge to manage multiple spot and forward deals across different currency pairs?

- Are you able to capture hedging across all of your counterparties in one place?
- Are you effectively managing upcoming option expiries?
- Are you looking to automate this process and move away from error-prone, time-consuming spreadsheets?

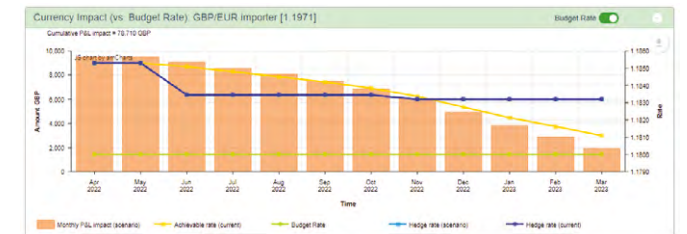
#### Cash flow forecasting

- Is it a challenge to manage your company cash flow on an ongoing basis?
- Do you sometimes feel as though you have a lack of cash flow visibility or struggle to match hedging requirements with upcoming currency forecasts?
- Do you struggle to measure the risk of cash flow exposure given a changing exchange rate?
- Would you like to manage this more efficiently?

## LONG-TERM PLANNING

### FX management & decision making

- Is it a struggle to model all your forecasts and hedging in one place?
- Are you able to clearly quantify performance versus your budgeted rate?
- Do you struggle to back-test previous strategies to help inform decisions?
- Do you struggle to measure and maintain your hedging policy?



### Stress testing & analysing risk

- Do you struggle to assess the impact of a moving exchange rate on your current hedging?
- Do you struggle to quantify the potential profit/loss you could be exposed to?
- Is quantifying current/potential performance versus budget rate a challenge?
- Are you able to account for and prepare for black swan events?
- Do you struggle to model hedging outcomes given a changing exchange rate, especially with options?

FX CashFlow Report (8 Weeks) (8 Apr 2022)								
Value Date	Unit Type	Currency	Notional	Action	Rate	Unit Number	Reference	Counterparty
30 Apr 2022	FX	GBP	-252,831.98	Sell	1.18750	873373	Example Forward 1	Smart
30 Apr 2022	FX	EUR	300,000.00	Buy	1.18750	873372	Example Forward 2	Smart
Total for 30 Apr 2022		EUR	300,000.00					Smart
Total for 30 Apr 2022		GBP	-252,831.98					Smart
31 May 2022	FX	GBP	-252,831.98	Sell	1.18750	873373	Example Forward 1	Smart
31 May 2022	FX	EUR	300,000.00	Buy	1.18750	873372	Example Forward 2	Smart
Total for 31 May 2022		EUR	300,000.00					Smart
Total for 31 May 2022		GBP	-252,831.98					Smart

### Options Modelling

- Is it a struggle to model your full options programme in one place?
- Do you struggle to manage multiple upcoming option expiries?
- Do you struggle with accessing option valuations?
- Is modelling multiple options outcomes at the same time challenging?

**“We will be on hand to provide setup, product demonstration and ongoing support, so please reach out now to arrange your 10-minute product tour to see how SmartHedge can help your business.”**

Rufus Brookman, SmartHedge Product Manager

## DO ANY OF THE CHALLENGES LISTED APPLY TO YOU?

To find out how SmartHedge can address these challenges and help your business, contact us to arrange your 10-minute product tour and/or a demo:

020 3733 7402

[support@smartcurrencybusiness.com](mailto:support@smartcurrencybusiness.com)



## ABOUT US

We are a recognised expert in financial risk management, providing UK companies with tailored currency exchange services. Our experts help businesses mitigate the risk of foreign currency exposure when making international transfers and payments. This can involve creating bespoke solutions that meet the specific circumstances of your business. We are also passionate about working with our clients to help them understand just how important currency risk management can be in these uncertain times, and regularly provide news, insights, guides and white papers to educate businesses. We have been a business since January 2005.

## FURTHER INFORMATION

For further information on how Smart Currency Business can help protect your budget and international transfers and payments, email us at [info@smartcurrencybusiness.com](mailto:info@smartcurrencybusiness.com) or give us a call on **020 7898 0500**

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**Nominated finalists** in the following category at the 2023 Business Moneyfacts Awards:

✓ **Best Business FX Provider**