

Brexit: How can you hedge Sterling currency risk?

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The Supreme Court this week ruled that the UK government must hold a parliamentary vote before triggering Article 50 to begin the process of leaving the EU. We expect Sterling volatility to continue over the coming quarter with Brexit and the economy remaining key influences.

In addition, other events that are likely to impact Sterling in the coming months, include:

- + Bank of England interest rates announcement – 2 February 2017
- + UK Inflation – 14 February 2017
- + UK Budget – 8 March 2017
- + Article 50 – end March 2017

So what are the solutions available to investors?

Faced with significant currency volatility, investors can utilise currency hedged exposures in order to minimise risk and deliver the return of the underlying equity exposure.

WisdomTree offers [Sterling currency-hedged UCITS ETFs](#) covering equity income strategies on broad US equities and export tilted companies in Japan, the Eurozone and Germany. For UK investors these represent close to 80% of a typical global benchmark that excludes UK equities. In addition, investors may wish to position themselves in similar exposures that are unhedged and WisdomTree's UCITS ETFs potentially provide an efficient solution with unhedged share classes. Overall, investors, looking to manage currency risk as it pertains to equities, could consider Sterling hedged UCITS ETFs as a potentially cost-effective solution.

Investors may also look to implement short-term tactical and risk management positions based on the impact of foreign exchange movements. In this context [WisdomTree's range of Boost ETPs](#) may provide useful portfolio solutions. Since Brexit and Sterling's persistent weakness the FTSE 100 has been driven to record highs based on the expected increase in overseas earnings. Short-term movements in the currency, means that there are opportunities to hedge UK equity exposure using short [Boost FTSE 100 ETPs](#), which are available with a range of leverage factors. Tactical equity positioning can also be achieved through leveraged long Boost FTSE 100 Daily ETPs. Views on a shift in the interest rate environment, together with renewed inflation expectations based on the weakness of Sterling, can be expressed through long or short [Boost UK Gilts Daily ETPs](#).

Through UCITS ETFs and Boost ETPs, WisdomTree offers a range of solutions for managing portfolio risk and positioning in a volatile foreign exchange environment.

You might also be interested in reading:

- + [How to hedge Sterling equity exposures](#)
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- + [Economics trumps politics in Europe: it's bearish bonds, bullish banks](#)
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