‘Textbook short squeeze’ for the pound — analysts assess May’s Brexit plans

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Prime Minister Theresa May on Tuesday said the U.K. will seek a bold new trade deal with the European Union and leave the bloc’s single market, as she delivered a much-anticipated speech that confirmed a so-called hard Brexit is in the works.

The British pound [**GBPUSD, -0.9828%**](http://www.marketwatch.com/investing/currency/gbpusd?mod=MW_story_quote)  is [trading more than 2% higher](http://www.marketwatch.com/story/pound-rallies-as-may-vows-to-put-final-brexit-deal-to-parliamentary-vote-2017-01-17) after her remarks. One analyst said sterling’s surge comes “as concerns about an uncontrolled Brexit diminish,” while another saw “a textbook short squeeze.”

Below are some of the initial reactions from analysts:

• “The tone of the speech, conciliatory in nature towards her EU counterparts, was also quite savvy, in that in coming across as measured and reasonable she has occupied the moral high ground to some degree. ... Currency markets certainly liked the sound of the speech, with the pound rallying hard in the aftermath, reversing all its declines from Sunday night as concerns about an uncontrolled Brexit diminish.

“In reality, the seeds of today’s sterling rally were sown late last night, when the outline of the speech made its way into the mainstream.”

— *Michael Hewson, chief market analyst at CMC Markets*

• “We’re seeing a textbook short squeeze in the pound today following Theresa May’s press conference ... . The one revelation that stood out though was the intention to put any deal before parliament, which in theory should tip the balance slightly further away from a ‘hard Brexit,’ even if May acknowledged that we will not be seeking access to the single market. This triggered a rally in the pound which in turn was the catalyst for the short squeeze that followed.”

— *Craig Erlam, senior market analyst at Oanda*

• “Theresa May’s speech began with caution and a heavy dose of sympathy for euroskeptics, but a desire to use this ‘moment of change’ to reach beyond Europe’s borders and recall a British culture that is ‘profoundly internationalist’ gave the rhetoric a grandeur and a sense of optimism. At times it was just rhetoric, with talk of ‘certainty at every stage’ somewhat hollow in light of no graspable plans, yet the commitment to a vote on May’s final strategy in both houses of Parliament will provide no end of hope to the ‘Remain’ camp.

“Two percent gains for sterling confirm a directional change that could mark a shift in Brexit sentiment.”

— *Richard de Meo, managing director at Foenix Partners*

• “The speech meticulously outlined the 12 objectives to a Brexit, with Theresa acknowledging that a transitional deal would be probable in a bid to avoid a Brexit ‘cliff edge’ for business. Although Theresa also proposed to remove the U.K. from the EU’s customs union in the pursuit of a clean Brexit, this will be replaced with a new customs agreement with the EU.

“A key talking point and comment that played a critical role in the sterling’s resurgence was how Theresa promised a parliamentary vote on Britain’s deal to leave the EU.”

— *Lukman Otunuga, research analyst at FXTM*

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