

Pound Rises as US Tariffs Trigger Investor Confidence in UK Markets

July 8, 2025

— Categories: Economics



The British pound advanced on Tuesday as markets reacted to US President Donald Trump's decision to impose new 25% tariffs on imports from Japan and South Korea. With the United Kingdom notably absent from the latest round of protectionist measures, investors pivoted toward sterling, viewing the UK as a comparatively stable economic environment. As of Tuesday's trading session, the pound was up around 0.3% against

the dollar, hovering near \$1.36, and trading close to ¥199 against the yen.

This uptick contributes to what analysts say may be sterling's strongest quarterly performance since 2022. Over the past six months, the pound has appreciated by approximately 9.1%, reflecting increased investor confidence in Britain's resilience amid global economic uncertainty. The pound's recent momentum has been fuelled in part by a weakening US dollar and growing disquiet in Asian markets following Washington's escalating trade measures.

Britain's relative distance from the trade frictions affecting major manufacturing economies in Asia has enhanced its appeal. With no new tariffs targeting the UK, sterling assets are increasingly seen as a safe haven by global investors navigating heightened volatility. Financial analysts observed that sterling markets have remained comparatively calm compared to the turbulence faced by Japan and South Korea, leading to increased capital flows into UK-based holdings.

Despite this optimism, the UK is not without domestic headwinds. Concerns about the country's public finances persist, following warnings from the Office for Budget Responsibility (OBR) over mounting debt levels and fiscal pressures. A delay in proposed welfare reforms last month briefly dented confidence in UK gilts and the pound. However, the currency's rebound this week suggests that investors are placing greater weight on international trade dynamics than short-term domestic uncertainty.

Economists have urged a cautious outlook. Some warn that sterling's strength could be short-lived if the UK's underlying fiscal position fails to

improve. Others suggest that future tax increases or more aggressive monetary tightening by the Bank of England may be necessary to maintain credibility, although such measures risk slowing economic recovery.

Nonetheless, Britain's strategic positioning outside the current US tariff crosshairs provides a tangible, if temporary, edge in global markets. As trade negotiations and exemption deadlines continue to unfold, investors will be closely monitoring whether the UK can sustain its current trajectory or if the recent rally in sterling will be undermined by renewed fiscal and economic challenges.