Let's stop worrying about sterling. It's the € that should really scare us

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The UK Treasury didn't get much right in its pre-referendum assessment of the immediate economic impact of a vote for Brexit, but on one thing it was pretty much spot on; sterling would fall by between 12pc and 15pc, it said.

And indeed it did, in one of its sharpest ever devaluations. At its most extreme, the pound's trade weighted value was off around 16pc on pre-referendum levels. It has recovered a bit since, particularly against the dollar, but the effective fall remains firmly stuck in double digits.

The over-riding judgment markets are making in giving sterling such a pounding is that Brexit will be bad for trade, making exports harder and more costly. Output would suffer accordingly. It follows that to compensate, sterling has to be lower, cancelling out the tariff and non-tariff barriers to trade that threaten to emerge once Britain leaves the EU.

For the moment, of course, the UK is in a bit of sweet spot. As Ben Broadbent, deputy governor of the Bank of England, pointed out in a recent speech, UK companies enjoy both the benefits of a lower pound, in terms of more competitive pricing against foreign rivals at home and abroad, and the fact that for the time being the trading relationship with the EU is … unimpaired.

MICHAEL PROBST/AP PHOTO

… the last quarter, it's a view which is beginning to be challenged.

To be sure, sterling's recent rebound is almost entirely a dollar weakness story, rather than a matter of sterling strength. The dollar has fallen against virtually all currencies. Even so, there seems to be a wider reappraisal under way which I would expect to gather pace in the months ahead.

In an interview last weekend, Lord King, former governor of the Bank of England, articulated an opinion which I've come to think of as probably correct – that in the long run, Brexit is actually not going to make a great deal of difference to the UK economy one way or the other.

"My belief", he said, "is that 30 or 40 years down the road, if you give people a chart of British GDP and ask them to point to where we left the EU, … able to see it."

… quoted in the survey said that the high credit quality of the UK, the liquidity of the gilt market and the diversification benefits of holding sterling made it an attractive currency regardless of Brexit.

Ahead of the referendum, one fear that loomed large was that a vote for Brexit could lead to a "sudden stop" in funds from overseas investors to pay for Britain's yawning great current account deficit. In such circumstances, the Government might struggle to fund itself in debt markets, causing interest rates to rise precipitously.

Neither of these things have happened. To the contrary, foreign demand for UK assets seems to be strengthening, a perhaps natural response to the plunge in sterling, which makes them seem cheap to a foreign buyer. We no longer have to rely on "the kindness of strangers" – a phrase coined by Mark Carney, …

Underlying flaws in the euro's design are still largely unaddressed, making it quite likely that it will break up in the next really serious crisis

'Devaluation can be a helpful adjustment …

… devaluation on overseas earnings. Arithmetically, they become worth more in sterling terms when the pound falls. Nonetheless, things do finally seem to be moving in the right direction.

Any further strengthening in the pound could kill this as yet still nascent rebalancing of the UK economy away from imports and consumption to exports, putting us back to square one.

Possibly, but equally, any economic strategy that relies on currency depreciation to achieve its aims will always ultimately fail. Devaluation can be a helpful, even necessary adjustment mechanism, but in itself it's no answer to Britain's structural economic weaknesses. These are only solved through the much more challenging route of underlying improvements in competitiveness and productivity.

The idea that Brexit won't in practice have much effect necessarily relies on reaching satisfactory trading arrangements with the EU. This must ultimately be a matter of faith, but I see no reason why pragmatism shouldn't eventually prevail. No deal would be a very negative outcome for all involved.

But there are other factors that might support sterling in the meantime. One is that Bank Rate would plainly be quite a bit higher but for Brexit. As markets and businesses become more comfortable with the idea of Britain's departure from the EU – if for no other reason than Brexit fatigue over the months ahead – the pressure will grow on the Bank of England to raise rates.

What's more, the HSBC survey of central bankers found a high degree of scepticism about prospects for the euro. Negative interest rates and political instability in the eurozone were their top concerns, deemed far more important than Brexit.

It's hard to disagree. The eurozone …