

Markets Update

Tuesday, 12 May 2026

- The UK PM Keir Starmer's future hangs in the balance this morning as the Labour party revolt against him continues. His cabinet is currently split between those who believe he should set out a timetable for his departure and those who believe he should fight on. The weekly cabinet meeting takes place today and analysts are unsure of Sir Keir's mindset or his next move. The uncertainty has pushed UK borrowing costs higher, with 30-year gilts up 9 basis points in yesterday's session.
- GBP is under pressure in the FX markets with sterling down against both USD and EUR. GBP/USD sits lower end of 1.3500 this morning and GBP/EUR is on a downward trajectory and may test the resistance levels around 1.1500.
- With fading hopes of a Middle East peace deal, Oil prices remain above \$100 a barrel and the USD is starting to regain safe-haven strength. EUR/USD is lower this morning around 1.1750 and with US inflation figures due at 13:30 today, the USD could continue its charge as higher inflation may compound the Hawkish view of some US Fed members.
- US Treasury Secretary Scott Bessent met with his counterparts in Tokyo, stating that the United States and Japan maintain "constant and robust" coordination in combating undesirable, excessively volatile currency moves. Market analysts believe that his comments suggest that Washington support Japan's recent round of yen-buying intervention aimed at propping up its sagging currency. Markets were poised to see if the US had changed their stance, but with little change the markets have moved to a risk-off strategy, hence the USD strength.
- US inflation is the main economic data due today, but political updates in London may be the main driver in early trading today.

Market rates at opening

GBP/USD	1.3535
GBP/EUR	1.1519
EUR/USD	1.1750
EUR/GBP	0.8681
GBP/AUD	1.8750
GBP/CAD	1.8536
GBP/CHF	1.0560
GBP/DKK	8.6065
GBP/HKD	10.5962
GBP/JPY	213.1300
GBP/NOK	12.4401
GBP/NZD	2.2766
GBP/SEK	12.5423
USD/CNY	6.7959

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