

Markets Update

Thursday, 03 July 2025

Key news

- UK Government borrowing costs jumped along with a sell-off in the pound yesterday as markets speculated on the future of Labour Chancellor Rachel Reeves.
- Bond yields rose across the board after the Chancellor was seen visibly distressed in the House of Commons during PMQ's. These market moves are the biggest market reaction yet to the Labour government which investors and economists alike said will struggle to meet its own fiscal rules after yet another major U-turn by Keir Starmer on his planned cuts to the welfare state.
- The government has committed to balance day to day spending with tax revenues within the next 5 years, despite having very little headroom as a buffer against the challenging target. Some analysts question whether tax rises will need to be announced to get the sums to add up and whether Rachel Reeves will be replaced as the PM refused to be drawn on whether he supported his Chancellor.
- Looking at the currencies this morning, the pound picks up where it left off yesterday and is currently worth approx. €1.1575; versus the dollar, cable is circa \$1.3665.
- Looking ahead to today, attention will now turn to the US nonfarm payrolls data, a day earlier than usual due to US Independence day tomorrow. The data is expected to show hiring slowing down and the highest unemployment rate since 2021 as trade and immigration policies from the Trump administration start to bite.

Market Rates

CCY pair	Market rate at opening
GBP/USD	1.3671
GBP/EUR	1.1577
EUR/USD	1.1808
EUR/GBP	0.8637
GBP/AUD	2.0771
GBP/CAD	1.8578
GBP/CHF	1.0810
GBP/DKK	8.6377
GBP/HKD	10.7300
GBP/JPY	196.4290
GBP/NOK	13.7650
GBP/NZD	2.2479
GBP/SEK	13.0319
USD/CNY	7.1618

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