Danske Bank Markets in Northern Ireland

Danske Bank

Markets Update

Wednesday, 02 September 2026

- **Sterling remains under pressure as dollar demand and gilt yields influence markets.** GBP/USD is trading around 1.3490, below last week's six-month high of 1.3675. Market participants have cited higher gilt yields, UK fiscal uncertainty and oil-related inflation expectations as factors affecting sterling. EUR/USD has moved below 1.1600 and is trading near 1.1570.
- **UK gilt yields remain in focus amid global and domestic factors.** The 30-year gilt yield closed at 5.858% yesterday after reaching 5.904%, its highest level since 1998. The 10-year yield rose by 12 basis points from Friday's close to 5.26%, its highest level since June 2008. Although the sell-off has been global, UK fiscal uncertainty may also be contributing. Attention now turns to Parliament's return and any further detail on government funding plans ahead of the October budget.
- **Geopolitical developments support oil prices and safe-haven demand.** Further military action involving the United States and Iran has increased geopolitical uncertainty, while reported retaliatory strikes have added to regional concerns. Brent crude rose by 4.6% to settle at USD 94.65 per barrel. Higher oil prices may affect inflation expectations, while periods of heightened risk can increase demand for the US dollar.
- **GBP/EUR remains sensitive to diverging interest-rate expectations.** Sterling is trading around 1.1660 against the euro, below 1.1700. Market pricing continues to reflect the prospect of a 25-basis-point ECB rate increase at the 9–10 September meeting following higher eurozone inflation. The Bank of England is widely expected to leave Bank Rate unchanged at 3.75% on 17 September. Changes in these expectations, alongside UK gilt and fiscal developments, may influence the cross.
- **Upcoming data may influence rate expectations and GBP crosses.** US ISM manufacturing PMI eased to 54.6 from 55.6, below the 55.2 consensus. Today's releases include US ADP private payrolls and the Bank of Canada and Reserve Bank of New Zealand policy decisions. Friday's US non-farm payrolls report will be among the final major data points ahead of the 16 September Federal Open Market Committee decision and may influence GBP/USD and EUR/USD positioning.

Market rates at opening	
GBP/USD	1.3491
GBP/EUR	1.1662
EUR/USD	1.1568
EUR/GBP	0.8574
GBP/AUD	1.8894
GBP/CAD	1.8786
GBP/CHF	1.0973
GBP/DKK	8.7176
GBP/HKD	10.5790
GBP/JPY	215.4300
GBP/NOK	12.5882
GBP/NZD	2.3114
GBP/SEK	13.0027
USD/CNY	6.7231

CONTACT INFORMATION

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