

Markets Update

Tuesday, 20 October 2026

Key news

- **Positive UK Employment Data:** This morning's early data has shown that UK unemployment fell to 4.7% in the three months to August, well below the 4.9% consensus. Payrolled employees rose 13k in September, beating forecasts of an 8k drop. The one negative saw job vacancies fall by 21k to 691k in the period, however, that is unlikely to have any impact on market expectations of an interest rate hike by the Bank of England at the start of November (93% chance).
- **Sterling extends gains:** This morning's positive data has furthered bolstered the fortunes of the pound as it edged higher against both the euro and dollar. The pound tested €1.19 yesterday and is back closer to \$1.3350 against the US dollar. Like most currencies in the last week, the pound has taken advantage of dollar softness after its strong run in the week prior. The euro has lagged sterling's recovery, reflecting divergent central bank expectations between the BOE and ECB.
- **BoE and ECB on sharply divergent policy paths** The Bank of England's current Bank Rate stands at 3.75%, with markets pricing a near-certain hike at the 5 November meeting – the implied rate rises to 3.97%, reflecting a 93.7% probability of a 25bp move. The ECB, by contrast, holds its deposit facility rate at 2.50% with its 29 October meeting expected to be a hold (only 8.4% probability of a move, implying 2.46%). By December 2026, markets see the BoE at ~4.10% and the ECB at ~2.67%, a widening rate differential that broadly supports sterling's outperformance against the euro.
- **Limited data scheduled:** There is little in the way of further data today with just a US housing update due. Markets will then begin to position for tomorrow's early release of UK inflation data.

Market Rates

CCY pair	Market rate at opening
GBP/USD	1.3350
GBP/EUR	1.1890
EUR/USD	1.1228
EUR/GBP	0.8410
GBP/AUD	1.9081
GBP/CAD	1.8774
GBP/CHF	1.1002
GBP/DKK	8.8866
GBP/HKD	10.4772
GBP/JPY	211.06
GBP/NOK	12.5281
GBP/NZD	2.3466
GBP/SEK	13.1997
USD/CNY	6.6791

CONTACT INFORMATION

Contact Markets on 028 9089 1111 / 028 9089 1100

We may record or monitor calls to confirm details of our conversations, and for verification and quality purposes. Lines are open 8am to 5pm Monday - Friday except for bank holidays or other holidays in Northern Ireland when the bank is not open for business. Call charges may vary. Please contact your phone company for details. We may record or monitor calls to confirm details of our conversations, and for verification and quality purposes.

EMAIL: markets@danskebank.co.uk

WEBSITE: www.danskebank.co.uk

Issued by Northern Bank Limited trading as Danske Bank (the "Bank" or "We").

So far as the law or regulation allow, We disclaim any warranty or representation as to the accuracy or reliability of the information and statements in this commentary. We will not be liable for any loss or damage suffered from relying on this commentary. This commentary does not purport to contain all relevant information. Recipients should not rely on its contents but should make their own assessment and seek professional advice relevant to their circumstances. This commentary is for information purposes only, is not intended as an offer or solicitation, nor is it the intention of the Bank to create legal relations on the basis of the information contained in it. No part of this commentary may be reproduced without our prior permission.

Danske Bank is a trading name of Northern Bank Limited which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in Northern Ireland (registered number R568). Registered Office: Donegall Square West Belfast BT1 6IS. Northern Bank Limited is a member of the Danske Bank Group.