

Markets Update

Tuesday, 27 October 2026

- **Central bank week caps ranges** - GBP/USD is trading around 1.3325, GBP/EUR around 1.1940 and EUR/USD around 1.1160. Markets believe sterling remains rangebound between its 10-day moving average support at 1.3326 and the 100-day moving average resistance at 1.3389, with the UK Autumn Budget on Wednesday and the FOMC decision capping conviction on either side.
- **US Fed & ECB: Markets think both will hold, December hikes priced** - The FOMC begins its two-day meeting today and markets are pricing only a 10% chance of a hike on Wednesday, with the policy rate expected to remain at 3.75%-4.00%; however, the probability of a December hike exceeds 70. The ECB is also expected to leave its deposit rate unchanged at 2.50% on Thursday, with a hike probability of roughly 10%, though markets believe President Lagarde's commentary on France's fiscal stress and the passthrough of energy prices to core inflation will be closely watched.
- **BOJ: Hawkish hold expected, December hike in play** - The Bank of Japan is set to keep its policy rate at 1.25% at its meeting concluding Friday, with markets anticipating a hawkish pause rather than back-to-back hikes. Markets believe the BOJ will declare victory over deflation in its quarterly outlook report and revise its inflation forecast higher, while stressing that financial conditions remain accommodative, leaving a December rate hike at roughly 57%-60% probability. Japan's core CPI returned above the 2% target in September at 2.1% year-on-year.
- **RBNZ & RBA: Antipodean policy divergence** - The Reserve Bank of New Zealand is widely expected to deliver a 25-bps hike to 3.00% on Wednesday - its third straight increase - with many analysts expecting a further hike in December. Markets think NZD reaction may be limited given how fully the hike is priced, with focus instead on whether guidance validates the December move. The Reserve Bank of Australia does not meet until 02-03 Nov, but markets are pricing a 65% probability of a hike at that meeting; and Wednesday's Q3 CPI release will be pivotal.
- **Key Data Releases This Week** - Thursday brings the first estimate of US Q3 GDP alongside September PCE inflation, both of which markets believe will reinforce the case for a December Fed hike. In Europe, flash Q3 GDP and preliminary October HICP inflation figures for France, Spain, Germany and Italy arrive on Friday, with eurozone GDP growth expected at 0.2% q/q. In Japan, September unemployment, industrial output, retail sales and the closely watched October Tokyo CPI round out the week, feeding into the BOJ's assessment of whether underlying price pressures have become sustainably entrenched around its 2% target.

Market rates at opening

GBP/USD	1.3325
GBP/EUR	1.1938
EUR/USD	1.1162
EUR/GBP	0.8375
GBP/AUD	1.8987
GBP/CAD	1.8681
GBP/CHF	1.1030
GBP/DKK	8.9232
GBP/HKD	10.4527
GBP/JPY	210.1900
GBP/NOK	12.4071
GBP/NZD	2.3408
GBP/SEK	13.2672
USD/CNY	6.6679

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