Danske Bank Markets in Northern Ireland

Markets Update

Friday, 06 November 2026

Key news

- **Rate hike to 4%:** As expected, the MPC voted 8-1 yesterday to raise the Bank Rate by 25 basis points from 3.75% to 4% — the first increase since August 2023. The sole dissenter, external member Catherine Mann, pushed for a larger 50bp hike to 4.25%, arguing for a more aggressive response to inflationary pressures.
- **Inflation warning:** The BOE upgraded its inflation forecasts, warning that CPI is on track to approach 5% in Q2 2027, driven by elevated energy costs stemming from the ongoing conflict in the Middle East. Governor Bailey described the near-term inflation jump as "quite baked in" due to the energy price cap.
- **Hawkish forward guidance:** The decision was more hawkish than markets had anticipated. The MPC signalled it stands ready to hike again, with Bailey stating a second increase is "more likely than not" if elevated energy costs persist. Traders moved to price roughly a 50% chance of another 25bp hike as soon as December.
- **Market reaction:** Two-year gilt yields rose as much as five basis points to 4.79% following the decision, as the unanimous vote for tightening — with one member pushing for more — reinforced expectations of a faster pace of hikes through end-2027. Sterling was supported by the hawkish outcome.
- **AI Rout Rocks Wall Street Overnight:** US equity markets suffered their steepest one-day decline since April 2025's "Liberation Day" tariff shock, with the Nasdaq tumbling 5.5%, the S&P 500 falling 4.4%. The sharp fall was brought about by markets thinking that the Democratic sweep of both houses of Congress at the midterm elections could bring tighter scrutiny of data-centre expansion. The USD has gained this morning as a result of the equity sell-off.
- **Have a good weekend!**

Market Rates

CCY pair	Market rate at opening
GBP/USD	1.3401
GBP/EUR	1.1978
EUR/USD	1.1189
EUR/GBP	0.8348
GBP/AUD	1.9493
GBP/CAD	1.8847
GBP/CHF	1.0943
GBP/DKK	8.9510
GBP/HKD	10.5061
GBP/JPY	211.511
GBP/NOK	12.5468
GBP/NZD	2.4137
GBP/SEK	13.2046
USD/CNY	6.6698

CONTACT INFORMATION

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