

Markets Update

Thursday, 22 October 2026

Key news

- **Sterling extends weekly gains against both euro and dollar** - GBP has outperformed across the board over the past week, with GBP/USD rising from 1.3280 on 15 October to 1.3407 (+0.96%), GBP/EUR advancing from 1.1830 to 1.1922 (+0.78%), and EUR/USD edging higher from 1.1220 to 1.1245 (+0.22%). The dollar's relative softness has been the dominant driver, with EUR/USD's more modest move suggesting broad-based sterling strength rather than euro weakness. Market positioning reflects growing confidence in the UK's relative interest rate advantage, with markets pricing a near-certain BoE hike at the 5 November meeting.
- **Escalating Middle East conflict pushes Brent above \$111** - Brent crude has risen approximately 5.2% over the past week, from \$105.92 on 15 October to \$111.47 today, driven by a series of escalating geopolitical events. Reports have been circulating that the US and Israel have reportedly drawn up plans for potential strikes on Iran following the November midterm elections. Despite the risk premium, Middle East crude flows remain near pre-war levels at approximately 24.6 million b/d for the week to 18 October, and OPEC+ kept November output targets unchanged, leaving markets to weigh supply resilience against escalation risk.
- **UK and eurozone inflation remain above target, consensus sees gradual easing** – Yesterday's UK CPI came in at 3.5% YoY for September, while Eurozone headline CPI printed at 3.8% YoY for the same month — both materially above their respective 2% targets. Economists are currently forecasting a gradual moderation to 3.2% for the UK and 3.0% for the eurozone by full-year 2026, implying limited near-term relief for policymakers. The persistence of inflation above target continues to underpin market expectations for further tightening from both the BoE and ECB.
- **Second tier data day** - It is a quiet day in terms of headline data with only a UK CBI update on orders and business optimism. The highlight in the US will be the weekly jobless numbers.

Market Rates

CCY pair	Market rate at opening
GBP/USD	1.3407
GBP/EUR	1.1930
EUR/USD	1.1236
EUR/GBP	0.8379
GBP/AUD	1.9118
GBP/CAD	1.8792
GBP/CHF	1.1005
GBP/DKK	8.9199
GBP/HKD	10.5142
GBP/JPY	210.67
GBP/NOK	12.5480
GBP/NZD	2.3561
GBP/SEK	13.2709
USD/CNY	6.6736

CONTACT INFORMATION

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