

Markets Update

Thursday, 17 September 2026

- **Fed delivers hawkish hike;** Bank of England expected to hold today. The Federal Reserve unanimously raised interest rates by 25 basis points overnight to 3.75–4.00%, its first increase in more than three years. Updated projections point to at least one further rise this year. The Bank of England announces its decision at 12:00 today, with markets expecting the MPC to hold rates at 3.75%, probably by a 6–3 vote. The statement will be closely watched for signals of a possible November move.
- **Sterling and euro soften as the dollar reaches a seven-week high.** The dollar strengthened following the Fed's hawkish stance, weighing on major currency pairs this morning. GBP/USD is trading near 1.3390 after touching 1.3370 in Asian trading, its lowest level since 30 July. EUR/USD is around 1.1475, close to a seven-week low, while GBP/EUR is steadier near 1.1660. Today's Bank of England decision is the main near-term focus for the cross.
- **Middle East conflict keeps oil elevated despite easing supply concerns.** Brent crude settled at USD 105.83 per barrel on Wednesday, below its earlier four-month high, after reports that Saudi Arabia was offering additional cargoes through ship-to-ship transfers off Oman. However, geopolitical tensions remain elevated as the US–Iran conflict enters its seventh month, with Houthi forces launching drones towards Saudi cities and President Trump saying he hopes the war is “nearing an end”.
- **Eurozone inflation and German orders in focus.** Markets await the final August eurozone HICP release this morning, with consensus forecasts at 3.3% year on year and 2.4% for the core measure. German manufacturing order backlogs reached a record high in July, rising 1.5% month on month, although the automotive sector fell 1.7%. Persistent oil-related inflation pressures may keep expectations of further ECB tightening before year-end in focus.
- **Global rate expectations shift towards further tightening.** The Fed's increase has prompted a broader repricing of monetary policy expectations, with markets now anticipating further tightening by year-end in the US, UK, eurozone, Australia and New Zealand.

Market rates at opening

GBP/USD	1.3390
GBP/EUR	1.1660
EUR/USD	1.1475
EUR/GBP	0.8576
GBP/AUD	1.8812
GBP/CAD	1.8721
GBP/CHF	1.1043
GBP/DKK	8.7196
GBP/HKD	10.5042
GBP/JPY	208.48
GBP/NOK	12.6083
GBP/NZD	2.3338
GBP/SEK	13.1530
USD/CNY	6.7072.

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