

## Markets Update

Friday, 19 December 2025

- The Bank of England Monetary Policy Committee’s highly anticipated vote unfolded as expected yesterday, with the committee deciding, by a narrow margin of 5-4, to reduce borrowing costs by 25 basis points to 3.75%. This marks the fourth rate cut this year, with Governor Andrew Bailey shifting his stance and casting his vote in favour of the cut.
- The committee indicated that further rate cuts would be introduced gradually, despite slowing inflation and signs of a softer labour market.
- The pound showed resilience after the vote, climbing above 1.34 against the dollar and trading above 1.14 against the euro after being weaker earlier in the day. UK government bond yields also saw an increase following the decision.
- In the euro area, the ECB kept its policy rates unchanged, leaving the deposit facility rate at 2.0% as expected.
- Meanwhile, fresh data this morning revealed a slight dip in UK retail sales last month, with analysts attributing this to broader economic challenges in the lead-up to Chancellor Rachel Reeves’ budget announcement at the end of November. Sales volumes fell by 0.1% in November compared to October, as Black Friday sales didn’t deliver their usual boost to figures.

### Market rates at opening

GBP/USD	1.3372
GBP/EUR	1.1419
EUR/USD	1.1710
EUR/GBP	0.8757
GBP/AUD	2.0242
GBP/CAD	1.8440
GBP/CHF	1.0637
GBP/DKK	8.5316
GBP/HKD	10.4054
GBP/JPY	209.7100
GBP/NOK	13.6138
GBP/NZD	2.3253
GBP/SEK	12.4471
USD/CNY	7.0408

### CONTACT INFORMATION

Foreign Exchange & Treasury deposits: 028 9089 1111 / 028 9089 1100  
Structured Term Loans: 028 9004 9617/028 9004 9602

EMAIL: [markets@danskebank.co.uk](mailto:markets@danskebank.co.uk)

WEBSITE: [www.danskebank.co.uk](http://www.danskebank.co.uk)

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