

## Markets Update

Friday, 03 July 2026

### Key news

**Softer US Data weakens the dollar** – the key US nonfarm payrolls number came in yesterday at just +57k, well below the market expected 113k. The unemployment rate fell to 4.2%, though this was accompanied by a plunge in labour force participation. The weakening picture has continued the slip in the fortunes of the US dollar in the last couple of days.

**Broader dollar context** – The dollar had surged around 2% in June, driven by hawkish commentary from Federal Reserve officials as they cited concerns over inflationary pressures. A less hawkish update at the recent Sintra forum by Fed chair, Kevin Warsh, combined with yesterday's softer payrolls data has largely unwound the dollar rally.

**BOE hawkishness** – The pound continued to rally yesterday against both the dollar and euro after MPC member, Catherine Mann, signalled her readiness to make an "activist" rate hike if inflation expectations deteriorate in the second half of the year. In a speech she indicated her support for currently holding interest rates at 3.75% but warned that inflation could become embedded in prices.

**Market positioning** – money markets are currently pricing approximately 19bps of BOE hikes, down from 23 bps earlier in the week. The divergence between a hawkish leaning BOE and a dollar facing softer data is the core driver of the recent GBPUSD move.

**Today's key events** – it's the Independence Day market holiday in the US today so activity could be curtailed. Some UK & Eurozone PMI data is due later this morning, but the second-tier nature of the data may have little impact.

**Have a great weekend!**

### Market Rates

CCY pair	Market rate at opening
GBP/USD	1.3365
GBP/EUR	1.1682
EUR/USD	1.1450
EUR/GBP	0.8566
GBP/AUD	1.9251
GBP/CAD	1.8948
GBP/CHF	1.0722
GBP/DKK	8.7248
GBP/HKD	10.4848
GBP/JPY	215.08
GBP/NOK	13.1157
GBP/NZD	2.3364
GBP/SEK	12.895
USD/CNY	6.7825

### CONTACT INFORMATION

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