

Markets Update

Friday, 16 October 2026

- **FX snapshot: Sterling and euro extend gains against the dollar** - GBP/USD is around 1.3310, extending yesterday's 0.64% gain from Wednesday's 2026 low of 1.3137. EUR/USD is near 1.1240 after a 0.56% rise from an 18-month low. GBP/EUR is broadly unchanged around 1.1850 as both currencies gained against the dollar.
- **US PPI and retail sales: Hot data, weaker dollar** - September headline PPI rose 1.3% m/m and 6.3% y/y, while core PPI increased 0.7% m/m. Retail sales gained 0.8% m/m, and jobless claims remained below 200,000 at 199,000. Despite the strong data, the dollar index fell 0.45% to 101.99 as safe-haven demand lowered the US 10-year Treasury yield by around 12bp to 5.08%, amid concerns over AI-sector debt.
- **UK GDP surprise supports sterling** - The UK economy grew 0.1% in August, while the trade deficit was narrower than expected. Gilt yields fell around 10bp, easing recent fiscal concerns, while sterling also benefited from a broader rotation out of US technology shares. After several strong months for UK services, industrial production was the key driver of the modest pickup this month. Attention now turns to UK CPI on 21 October and the Autumn Budget on 28 October.
- **Fed rate path: Markets favour an October hold** - Despite stronger-than-expected CPI and PPI, fed funds futures indicate a 73% probability of no change at the 27-28 October meeting, according to CME FedWatch. Cleveland Fed President Hammack said further tightening may be needed if inflation expectations deteriorate, while Chicago Fed President Goolsbee called the data "discouraging" but potentially temporary. Markets continue to price a 25bp increase by year-end, with timing split between October and December.
- **Today's data and event risk** - Today's releases include final euro area CPI, euro area trade data, US import prices and US industrial production, which is forecast to rise 0.4% m/m. Fed Chair Kevin Warsh, ECB President Lagarde and BoE Governor Bailey are due to speak at the IMF/World Bank meetings in Bangkok.

Market rates at opening

GBP/USD	1.3312
GBP/EUR	1.1847
EUR/USD	1.1236
EUR/GBP	0.8440
GBP/AUD	1.9145
GBP/CAD	1.8866
GBP/CHF	1.0995
GBP/DKK	8.8557
GBP/HKD	10.4466
GBP/JPY	210.2900
GBP/NOK	12.5706
GBP/NZD	2.3540
GBP/SEK	13.2026
USD/CNY	6.6871

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