

## Markets Update

Wednesday, 06 May 2026

### Key news

- UK borrowing costs are back in the spotlight as the cost of the government to borrow jumped yesterday on worries about the local government elections and the impact of soaring energy prices wreaking havoc on the economy.
- With local elections looming this week, the concern is that the Labour Party is heading for some big losses at the ballot box leading investors to question whether Starmer or his replacement would have to boost government spending to win back votes putting further pressure on delicate UK finances.
- As if that wasn't enough, the UK's reliance on imported energy has left it vulnerable to an economic shock resulting from the conflict in the Middle East. With oil prices firmly anchored over \$100 per barrel, the fear is that inflation will force the BoE to hike interest rates even further. Markets are now pricing in three 25Bps hikes this year, up from two last week.
- Overnight, Trump has announced a pause to "Project Freedom" a naval operation into the Strait Of Hormuz, indicating a potential de-escalation. This along with expectations of a peace deal with Iran has helped the oil price to fall overnight.
- Looking ahead to today, we have service sector PMI from the UK and euro zone. In the UK, markets are pencilling in an unchanged reading from last month while in the Europe, markets are forecasting a drop in the overall index. In the US, ADP will release its monthly estimate of private sector employment growth for May.

### Market Rates

CCY pair	Market rate at opening
GBP/USD	1.3587
GBP/EUR	1.1585
EUR/USD	1.1727
EUR/GBP	0.8631
GBP/AUD	1.8776
GBP/CAD	1.8469
GBP/CHF	1.0615
GBP/DKK	8.6572
GBP/HKD	10.6471
GBP/JPY	212.6170
GBP/NOK	12.5427
GBP/NZD	2.2848
GBP/SEK	12.5691
USD/CNY	6.8173

### CONTACT INFORMATION

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