Danske Bank Markets in Northern Ireland

Danske Bank

Markets Update

Thursday, 03 September 2026

- **Sterling under pressure as fiscal concerns and the global bond sell-off weigh on the pound.** GBP/USD is trading around 1.3490 and GBP/EUR around 1.1625 this morning, with sterling approximately 0.2% lower against the US dollar overnight. The pound remains influenced by resilient UK economic activity, higher long-dated borrowing costs, and uncertainty ahead of the October Budget. EUR/USD is broadly unchanged near 1.16.
- **Andy Burnham's first weeks as Prime Minister bring the fiscal debate into sharper focus for sterling.** Bank of England rate expectations remain notably different from those of other major central banks. Markets believe the BoE is expected to leave rates unchanged this month, while a 25-basis-point increase in November is close to being fully priced, with two further moves expected by mid-2027.
- **UK long-term interest rates rise to nearly 20-year highs amid a global bond sell-off.** The 10-year gilt yield closed at 5.23% on Tuesday, its highest level since 2008, having risen from 5.03% a week earlier. The move reflects a combination of the global bond sell-off, oil-related inflation concerns and UK-specific fiscal uncertainty. Higher UK borrowing costs may affect mortgage pricing and the wider economy, while increasing focus on the government's fiscal approach in its first Budget.
- **US–Iran escalation keeps oil near USD 96 and adds to inflation concerns across FX markets**. Geopolitical developments remain a key consideration for currency markets. Brent crude settled at USD 95.63 per barrel on Wednesday, up 1%. Safe-haven assets also strengthened, with gold rising 1.3% to USD 4,386 and the Japanese yen gaining 1%.
- **Central bank divergence and key data ahead set the stage for EUR/USD and broader FX moves.** The monetary policy outlook remains mixed across major economies. Wednesday's ADP private payrolls report recorded an increase of 38,000, below the 48,000-consensus forecast. Attention now turns to Friday's non-farm payrolls report. Today's August services PMIs from the eurozone, the UK and the US may provide a further indication of activity.

Market rates at opening	
GBP/USD	1.3489
GBP/EUR	1.1623
EUR/USD	1.1605
EUR/GBP	0.8603
GBP/AUD	1.8825
GBP/CAD	1.8649
GBP/CHF	1.0918
GBP/DKK	8.6884
GBP/HKD	10.5775
GBP/JPY	212.1600
GBP/NOK	12.5607
GBP/NZD	2.3032
GBP/SEK	12.9485
USD/CNY	6.7177

CONTACT INFORMATION

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