Danske Bank Markets in Northern Ireland

Danske Bank

Markets Update

Friday, 18 September 2026

- **GBP/USD, EUR/USD and GBP/EUR: dollar dominance weighs on both sides of the channel.** GBP/USD is trading around 1.3370 and EUR/USD near 1.1485, both hovering at seven-week lows following the Fed's hawkish rate hike earlier this week. GBP/EUR is relatively steadier around 1.1640.
- **Fed delivers first hike in three years; markets pricing roughly even odds of another in October.** The Federal Reserve unanimously raised rates by 25 basis points to 3.75-4.00% on Wednesday - its first increase since 2023 and many analysts believe another is forecast for October. The Bank of England held at 3.75% in a 6-3 vote yesterday but warned inflation could exceed 4% in early 2027, markets pricing implying approximately 39bp of BoE tightening by December and 96bp by end-2027.
- **Middle East conflict drives oil supply risks; Brent eases but remains above USD 100.** Brent crude settled at USD 104.82/bbl on Thursday, down nearly 1% . Markets believe the conflict-driven risk premium in energy prices remains a core driver of global inflation expectations and central bank hawkishness heading into Q4.
- **US data paints a mixed picture; labour market firm but housing slumps.** US initial jobless claims unexpectedly fell to 196,000 last week - an eight-week low - and the Philadelphia Fed manufacturing index came in well above expectations at 37.8 versus 30.5 forecast, reinforcing the picture of a resilient economy. On the other side, housing starts dropped to 1.275 million (versus 1.309 million expected) with elevated mortgage rates continuing to weigh on the sector. The Atlanta Fed's GDPNow model is pointing to 5.1% growth in Q3.
- **UK Retail Sales Stronger than expected.** UK retail sales for August 2026 came in this morning significantly stronger than expected, with volumes rising +0.5% month-on-month, defying the Reuters consensus forecast of a -0.2% decline. Year-on-year, sales volumes grew +2.4%, up from +1.6% in July. The surprise upside reversed July's -0.5% drop and added to signs of consumer resilience despite the backdrop of the Middle East conflict and rising fuel prices.

Market rates at opening	
GBP/USD	1.3370
GBP/EUR	1.1640
EUR/USD	1.1485
EUR/GBP	0.8591
GBP/AUD	1.8755
GBP/CAD	1.8705
GBP/CHF	1.1022
GBP/DKK	8.6993
GBP/HKD	10.4812
GBP/JPY	210.26
GBP/NOK	12.6163
GBP/NZD	2.3363
GBP/SEK	13.1087
USD/CNY	6.6978.

CONTACT INFORMATION

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