

Markets Update

Friday, 02 October 2026

- FX snapshot: Dollar strength pressures GBP/USD and EUR/USD.** GBP/USD trades near 1.3210 after closing at 1.3199, its lowest level in months, with the 2026 low of 1.3140 in focus. EUR/USD is around 1.1260 after reaching a 16-month low of 1.1215, while GBP/EUR has firmed to around 1.1735 (inverse: 0.8520) as the euro underperforms amid European fiscal concerns and EUR/GBP selling.
- Bond yields retreat as expectations of near-term Fed tightening ease.** The US 10-year Treasury yield rose to 5.34%, its highest level since 2002, before retreating to around 5.24%, while the two-year yield recorded its largest one-day fall since August 2025. Markets now price a 28.2% chance of an October Fed rate increase, down from 68.6% a week ago, following softer US inflation data and dovish comments from Fed Vice Chair Jefferson. However, Dallas Fed President Logan called for “50 basis points or more” of further increases.
- European inflation and US payrolls lead a data-heavy session.** September eurozone CPI and the US employment report are due today and could influence EUR/USD and GBP/USD. US payrolls are forecast to rise by 90,000, down from 162,000, with unemployment unchanged at 4.1%; a stronger result could add pressure to EUR/USD. In Europe, energy-driven inflation supports the ECB tightening narrative, although French fiscal concerns cloud the outlook.
- French fiscal concerns weigh on the euro.** The 10-year OAT-Bund spread widened to its highest level since 2012 following France’s 2027 budget, reviving concerns about European sovereign debt. The Swiss franc reached a six-week high against the euro.
- Higher oil prices add to inflationary pressures.** Brent crude settled 4.4% higher at USD 102.31 per barrel after China suspended oil-product exports and Middle East supply disruptions continued. Bank of England rate-setter Catherine Mann said the Bank’s response to the Middle East shock may have tightened financial conditions unnecessarily, while 30-year gilt yields tested levels above 6%. Energy-led inflation may limit the scope for a dovish shift from the Bank of England or the ECB, leaving sterling and the euro exposed to further dollar strength.

Market rates at opening	
GBP/USD	1.3211
GBP/EUR	1.1735
EUR/USD	1.1257
EUR/GBP	0.8520
GBP/AUD	1.9043
GBP/CAD	1.8786
GBP/CHF	1.0954
GBP/DKK	8.7725
GBP/HKD	10.3657
GBP/JPY	208.5500
GBP/NOK	12.7180
GBP/NZD	2.3540
GBP/SEK	13.2548
USD/CNY	6.7044

CONTACT INFORMATION

Contact Markets on 028 9089 1111 / 028 9089 1100

We may record or monitor calls to confirm details of our conversations, and for verification and quality purposes. Lines are open 8am to 5pm Monday - Friday except for bank holidays or other holidays in Northern Ireland when the bank is not open for business. Call charges may vary. Please contact your phone company for details. We may record or monitor calls to confirm details of our conversations, and for verification and quality purposes.

EMAIL: markets@danskebank.co.uk

WEBSITE: www.danskebank.co.uk

Issued by Northern Bank Limited trading as Danske Bank (the “Bank” or “We”).

So far as the law or regulation allow, We disclaim any warranty or representation as to the accuracy or reliability of the information and statements in this commentary. We will not be liable for any loss or damage suffered from relying on this commentary. This commentary does not purport to contain all relevant information. Recipients should not rely on its contents but should make their own assessment and seek professional advice relevant to their circumstances. This commentary is for information purposes only, is not intended as an offer or solicitation, nor is it the intention of the Bank to create legal relations on the basis of the information contained in it. No part of this commentary may be reproduced without our prior permission.

Danske Bank is a trading name of Northern Bank Limited which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in Northern Ireland (registered number R568). Registered Office: Donegall Square West Belfast BT1 6JS. Northern Bank Limited is a member of the Danske Bank Group.