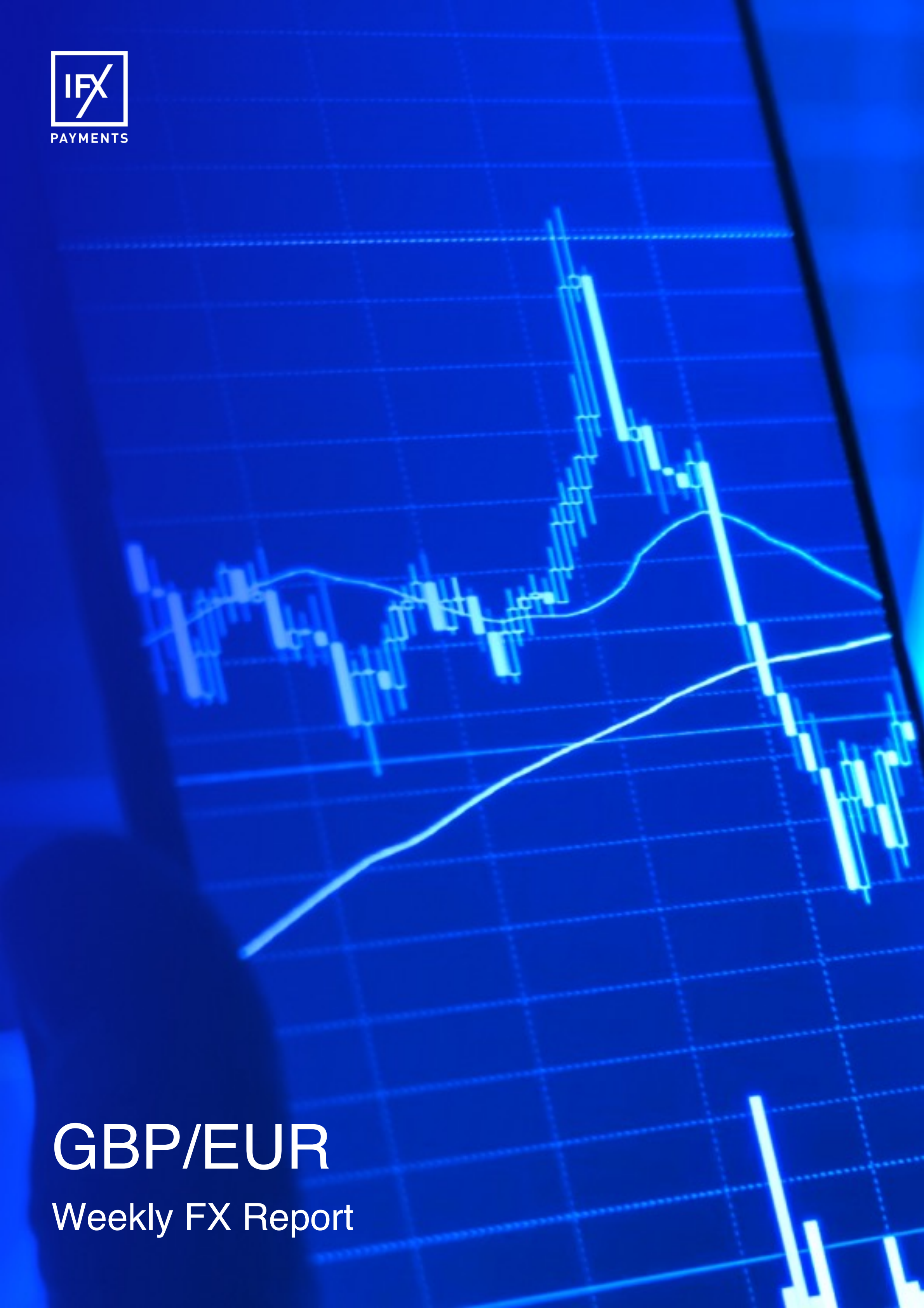


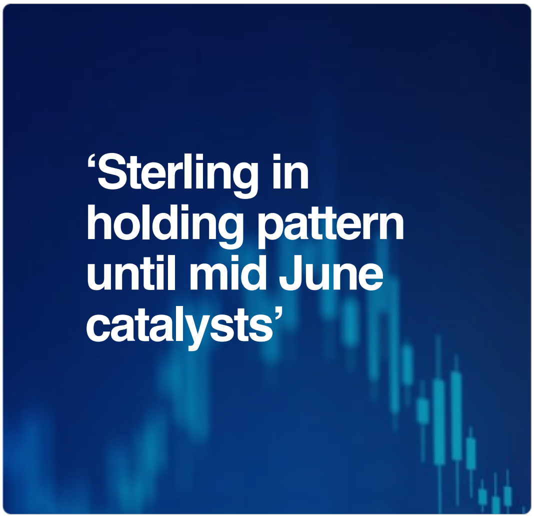
GBP/EUR

Weekly FX Report

Fundamental Analysis

Recent developments

GBP/EUR once again met resistance just shy of 1.1610, a level we have highlighted in these pages for many, many weeks and surely one of the most respected technical levels in G10 FX at this time. Some soft UK data and looming political risk keep sterling gains broadly in check, whilst for the euro, an imminent rate hike on 11 June (with scope for another in July) retains some embedded support for the single currency. Tuesday's eurozone inflation data is the scheduled highlight this week.



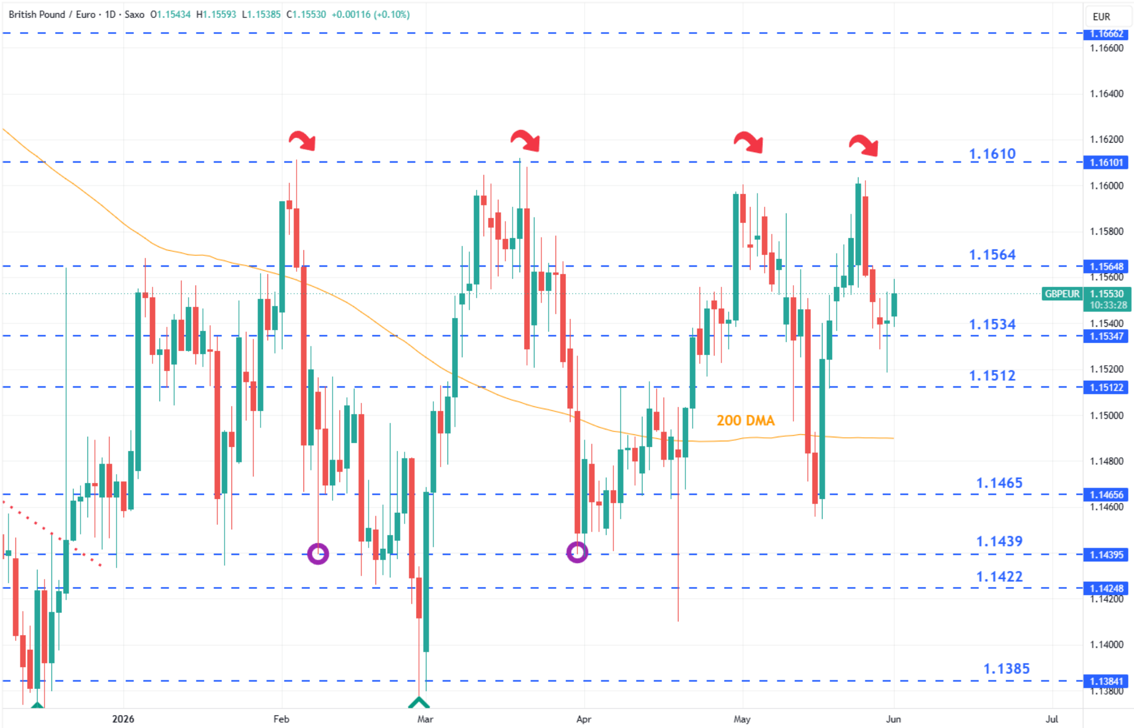
Recent UK data has tested broad sterling resilience; April retail sales fell 1.3% (double the forecast), led by a fall in fuel sales amidst high prices. Rising budget deficit data and the recent fall in inflation (if just a one-off) allow markets to expect the BoE to remain on hold in coming meetings. The broad fundamental mix does not foster a particularly constructive sterling view, but clearly any definitive US/Iran 'deal' is the upside risk to a bearish view. Bailey speaks this week, but is unlikely to deviate from comments made last week, stating "you'd have to be much more confident the energy shock is not long-lasting before considering a rate cut."

Euro hawks driving rate hike narrative

The ECB remains in an inflation versus growth trap, but the growing chorus of ECB policy hawks looks to be gaining traction. Stournaras and Kazaks last week stated an interest rate hike on 11 June is the "most likely scenario". Such policy timing leaves a broad downside skew for GBP/EUR. Expectations for tomorrow's eurozone inflation to hit 3.3% y/y (up from 3% last time) may embed the hawkish narrative. The ECB have stated their data dependency approach with regard to policy, but the inflation figure would need to print well below 3% this week to cause markets to remove the risk of a rate hike from the ECB next week. Markets will also begin to assess whether the subsequent hike will be a July or September move, but much of this will revolve around the 'second-round inflation' effects that the ECB members have so often made reference to.

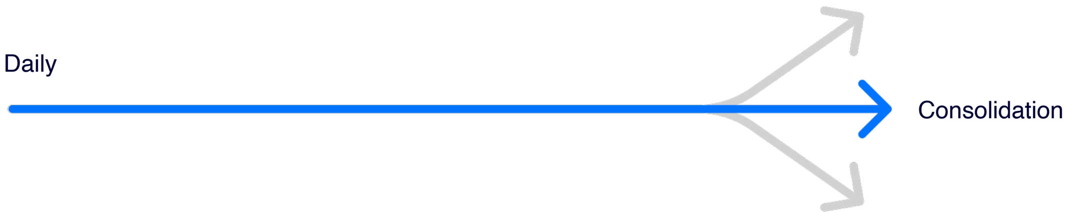
GBP/EUR Daily Chart

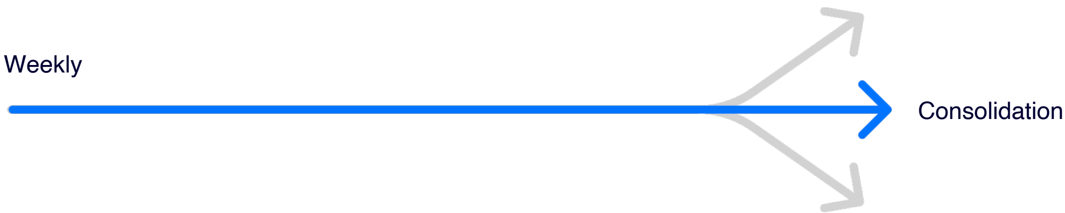
IFX Payments created with TradingView.com, Jun 01, 2026 11:26 UTC+1



TradingView

Market Condition





Technical Analysis

Price action remains in a wide consolidation, with long term upside resistance at 1.1610 and support at 1.1385. The lower end of the range is unlikely to be tested imminently, but scope for a move into the upper 1.14's is possible in the next few weeks given some fundamental drivers (GBP – political risk / EUR – rate hikes). For sure, the major technical development would be a break above the huge 1.1610 level, but we see no imminent scope for such a break.

Upside

1.1564	1.1610	1.1667
Light technical resistance here.	Massive upside resistance level seen over the last few months.	Target if 1.1610 can finally break to the upside.

Downside

1.1465	1.1439	1.1385
Solid support in recent weeks.	Solid technical support here in Feb & March 2026.	Downside target for the next leg of technical weakness.

Looking Ahead

A look ahead to the key scheduled data releases for the week

EUR

01 Monday	02 Tue	03 Wed	04 Thu	05 Fri
	AM: CPI (inflation)		AM: Lagarde speaks	

GBP

01 Monday	02 Tue	03 Wed	04 Thu	05 Fri
	PM: Bailey speaks		PM: Bailey speaks	PM: Bailey speaks

PAYMENTS