IFX PAYMENTS

GBP/EUR

Weekly FX Report

Fundamental Analysis

Recent developments

GBP/EUR finally succumbed to domestic political dynamics last week. Initially sanguine despite local elections results for Labour, sterling (and Gilts) reacted strongly to news that Andy Burnham is in the frame to be Labour leader. Burnham is, by far, the individual markets are most concerned about, in part owing to historic comments that the Government should not be "in hock with bond markets". Leadership developments alongside a plethora of UK data – unemployment/Inflation (CPI) and PMI ensures a busy week for the pound.

> 'Sterling weakness reflects market concern over the nascent Burnham leadership challenge'

Fiscal discipline has been at the core of the Starmer/Reeves approach. Markets are highly sensitive to how this could change; a Streeting premiership would probably be the most benign for Gilt/FX markets (retain fiscal responsibility *and* Reeves), whilst at the other end of the spectrum, Burnham is the volatility catalyst. A by-election win for Burnham is also not guaranteed. Streeting is using an unwind of Brexit to try to frustrate the process. A busy week of UK data is inbound – a slightly lower CPI is expected, but is unlikely to be sustained, given ongoing resilience of the oil rally.

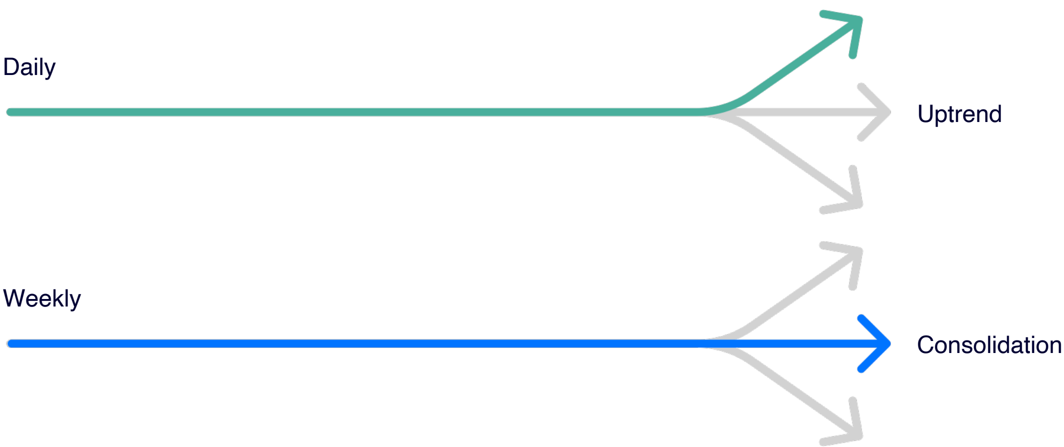
Euro dynamics remain subdued as GBP and USD take the limelight

ECB Chief Economist Lane once again warned of a persistent inflation 'overshoot', driving a need for the ECB's policy response to be more persistent and forceful. Markets will continue to attach a high probability of a rate hike from the ECB at the June meeting, but lacklustre growth for the eurozone and, in particular, Germany leaves the ECB in a difficult place when juggling entrenched upside inflation risks with growth concerns. Eurozone fiscal stimulus for 2026 looks likely to falter, with France, Italy and Spain due to tighten, offsetting expected expansion from Germany. GBP/EUR price action this week is expected to be led by sterling given fast moving political development and a heavy UK data docket, with broad euro outperformance expected to remain.

GBP/EUR Daily Chart

IFX Payments created with TradingView.com, May 18, 2026 11:09 UTC+1

Market Condition



Technical Analysis

Price action remains in a wide consolidation, with long term upside resistance at 1.1610 and support at 1.1385. Last weeks' decline brought price action back into the middle of this range with a slight downside bias. To begin the week, the 1.1465 has held, but bounces look technical in nature and are likely to be faded. The 200 Day Moving Average (200 DMA) is offering some resistance, but if cleared to the upside, a move to 1.1512 is feasible. A further move to the downside should test 1.1439 with more extreme sterling weakness, should it occur, opening the door for a test of 1.1385 over the next few weeks, contingent on domestic political developments.

Upside

1.1490	1.1534	1.1564
200 DMA resistance lies here and is being respected thus far.	The next upside resistance if price breaks above 1.1490.	Resistance level unlikely to be tested this week.

Downside

1.1465	1.1439	1.1385
Solid support in recent weeks and currently holding.	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

18 Monday	19 Tue	20 Wed	21 Thu	22 Fri
			AM: Manufacturing & services PMI	

GBP

18 Monday	19 Tue	20 Wed	21 Thu	22 Fri
	AM: Claimant count change	AM: CPI y/y	AM: Manufacturing & services PMI	AM: Retail sales

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