



GBP/USD

Weekly FX Report

Fundamental Analysis

Recent developments

GBP/USD volatility picked up last week, initially trading softer in line with the wider 'risk off' market tone, before staging a sizeable one-day rally in the aftermath of Thursday's BoE meeting. The nine member MPC all voted to hold rates, and, crucially, the meeting commentary was laser focused on inflation. This led to a major re-engineering of rate policy expectations. Markets have not only removed all cuts, but price in more than two 0.25% hikes this year, with a growing chance of a hike as early as the April 30th meeting.



'Major shift in rate policy expectations as inflation risks tilt higher'

Notable at the BoE meeting was the fact that staunch policy 'doves', such as Dhingra, are willing to accept there could be an inflation outcome necessitating a rate hike. While the more hawkish outlook led to a sterling rally, longer term we should remain cognizant that the UK is *not* an economy that would welcome rate hikes. A possible ousting of Starmer post May local elections has got markets considering the policies of candidates such as Angela Rayner (who has been on a charm offensive in the city of late). Her *less fiscally prudent* stance, and higher spending desires represent a potential landmine for sterling and Gilt markets over the longer term.

Dollar softens as rate divergence creeps in, but downside could remain limited

The dollar has enjoyed bouts of strength in recent weeks as energy market induced volatility has sparked wider 'risk off' moves. The persistence of such dynamics naturally lies in the longevity of the Iran conflict, and of course the wild swings in Oil. The fact that BoE and ECB expectations have shifted so materially toward hikes, left the Fed looking comparatively more dovish last week, without the same rate hike expectation. This can change, but we should remember that the Fed has a 'dual mandate' of aiming for 2% inflation *and* maximum employment, whereas other central banks have a predominantly inflation-based mandate. This means that the Fed may not just hike rates based on inflation, if the labour market remains weak. One more poor Non-Farm payrolls number could put them under pressure to cut rates. Tuesday's PMI for UK & US is a focus this week, alongside UK inflation on Wednesday, but gyrations in Oil and deadlines/meetings over the Strait of Hormuz remain the focus.

GBP/USD Daily Chart

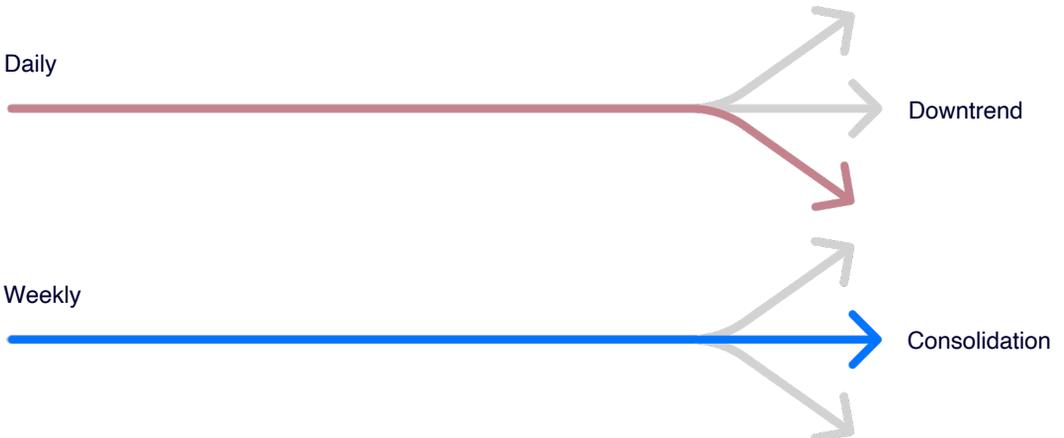
IFX Payments created with TradingView.com, Mar 23, 2026 07:48 UTC

British Pound / U.S. Dollar - 1D - FXCM O1.33098 H1.33433 L1.32815 C1.33032 -0.00362 (-0.27%)



TradingView

Market Condition



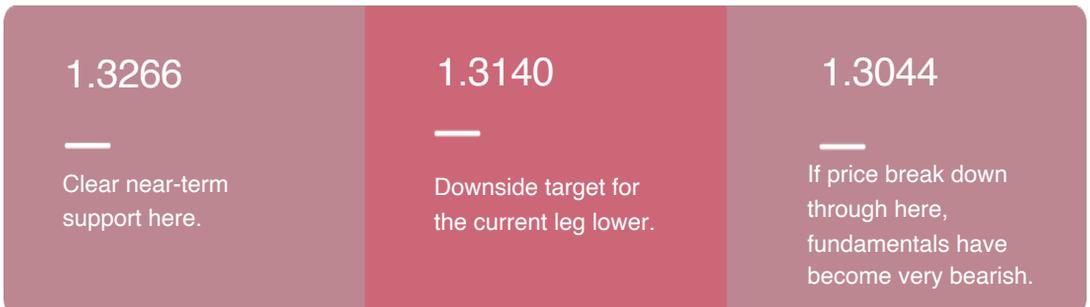
Technical Analysis

The downtrend market condition remains as such, although recent momentum to the downside has reduced, with repeated support evident at the 1.3260 level. The bias for rallies to be faded remains clear, as evidenced by last weeks' dramatic post BoE rally failing at our 1.3437 level which is also where the heavily monitored 200 Day Moving Average sits (200 DMA). One can only become technically constructive on this pair if a close above 1.3480 is seen. The downside technical target should remain 1.3140, but developments over Iran this week will be the determining factor over whether either of these levels can be tested.

Upside



Downside



Looking Ahead

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

GBP

23 Monday	24 Tue AM: Manufacturing & services PMI	25 Wed AM: CPI (inflation)	26 Thu	27 Fri AM: Retail sales
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USD

23 Monday	24 Tue PM: Manufacturing & services PMI	25 Wed	26 Thu PM: Unemployment claims	27 Fri
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