



GBP/EUR

Weekly FX Report

Fundamental Analysis

Recent developments

GBPEUR rallied last Thursday in the aftermath of both the BoE and ECB central bank meetings whereby sterling was boosted by a BoE dismissing chances of rate cuts, a vote for a hike by chief economist Huw Pill and Governor Bailey who was clearly more open to the notion of hikes depending on which of the banks' three scenarios plays out vis-à-vis duration of energy price shock and inflation impacts. Local elections represent a nascent downside risk factor for sterling this week.



'Hawkish BoE lends support to GBP, but local elections a risk factor'

Governor Bailey has recently fought back against the market assumptions of rate hikes, but last week caved in somewhat. He confirmed rate cuts are off the table. The bank created 3 scenarios around the energy price shock, which could include rate hikes, but he also stated that market pricing, in shifting from 55 basis points (bp) of rate cuts to 65 bp of rates hikes, has *naturally* provided some tightening of financial conditions. Local elections, if a disaster for Labour, opens the door to a *potential* leadership challenge. Rayner / Streeting et al represent a downside risk for sterling if Gilt markets wobble on the potential for less fiscally responsible policies

ECB open to June rate hike, but growth concerns persist

A European inflation survey last week jumped to 4%, an example of the kind of data the ECB will need to monitor, alongside second round effects on wages, prices and expectations. The euro appears to be held back by economic growth concerns, outweighing the potentially supportive implications of rate hikes as stagflation fears take hold. Much of constructive narrative toward the euro coming into 2026 was predicated on growth – this narrative has ebbed away somewhat. The fact that markets price for three rate hikes this year should, all things equal, limit the euro's downside risk versus sterling over the long term. Measures of EURGBP volatility through derivatives currently look very sanguine about upcoming UK political risk which has the scope to meaningfully ramp up !

GBP/EUR Daily Chart

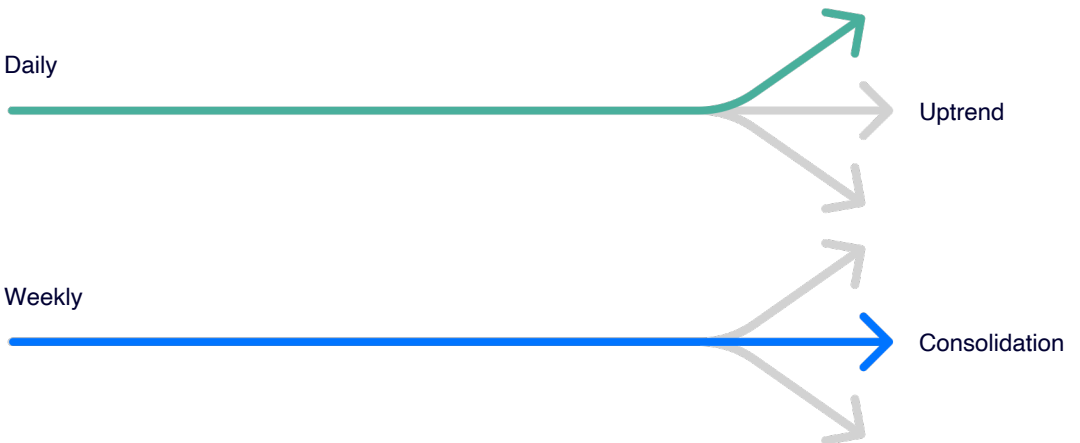
joetux created with TradingView.com, May 05, 2026 10:49 UTC+1

British Pound / Euro · 1D · Saxo O1:15768 H1:15882 L1:15691 C1:15845 +0.00112 (+0.10%)



TradingView

Market Condition



Technical Analysis

Price action remains in a wide consolidation, with a near-term upside bias. Near term price action now trades in a well defined uptrend channel (annotated in chart) but significant long term weekly chart resistance resides at 1.1610 to the upside. If 1.1610 is reached early this week, we feel price action will stall here with some scope for downside should Labour really struggle at the local elections. To the downside, there is trendline support, as well as technical support at 1.1564 and 1.1534.

Upside

1.1610

—
Huge long term
technical resistance
here

1.1667

—
The next upside
resistance if price
breaks above 1.1610

1.1740

—
Huge resistance level in
2023 – will remain
relevant

Downside

1.1534

—
Nearby technical support
evident here

1.1465

—
Consistent, solid
technical support here
in recent weeks.

1.1385

—
Downside target for
the next leg of
technical weakness

Looking Ahead

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

EUR

24 Monday	25 Tue	26 Wed AM: German Factory orders	27 Thu	28 Fri AM: Lagarde speaks
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GBP

24 Monday	25 Tue	26 Wed	27 Thu AM: Lombardelli speaks	28 Fri
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Weekly



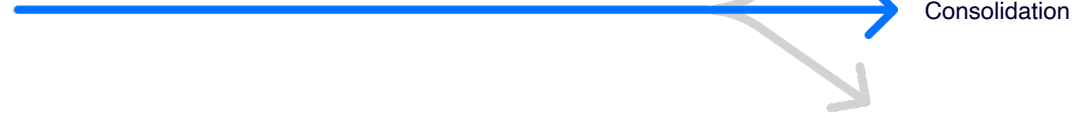
Downtrend

Weekly



Uptrend

Weekly



Consolidation

Daily



Consolidation

Daily



Uptrend

Daily



Downtrend