IFX PAYMENTS

WEEKLY FX REPORT

GBP/EUR

Fundamental Analysis

Recent developments

Starmer has just resigned as PM at time of writing. A degree of inevitability to this had been in place since Burnham's by-election win last week. Sterling is higher on the news in initial market reaction.

The BoE meeting last week provided the outcome we expected; rates on hold but a 7 – 2 MPC vote split within the MPC showing 2 members advocating for hikes. The central bank suggested inflation was less onerous than a month ago, and that it would monitor 'second round effects'.

> **'Sterling firmer as Starmer stands aside'**

The Starmer resignation paves the way for Burnham, which markets have been nervous about. He is clearly cognizant of keeping gilt markets and FX markets in check… the appointment of no less than three economic advisors (including former BoE chief economist Andy Haldane) was a very clear attempt to calm markets last week, so we can assume there will be no panic for sterling in the near term. Longer term, we should remember that what he is telling markets at this time to keep volatility in check, and what he actually needs to do longer term to achieve political goals could be quite different. Perhaps sticking to the fiscal rules will be tough and more sterling volatility could come in Q4!

Euro struggles with stagflation headwinds

The stagflation narrative is likely dogging the euro currently. The ECB are hiking rates due to inflation remaining above target, but economic growth remains tepid at best. The combination of higher rates into a low growth environment does not make for positivity toward a currency. Of course, the ECB are on a more aggressive rate hike path than the BoE currently, but the expectations of another hike in July have dissipated. Markets currently assume a hike in September and if the ECB simply meet with market expectations, then there should not be material impact on the euro. As ever, the escalation / de-escalation in the Iran conflict broadly impacts sterling and the euro in a similar fashion, hence volatility in this pair remains fairly muted. Expect current price action ranges to remain intact this week.

GBP/EUR Daily Chart

TradingView

Market Condition

Daily
Consolidation

Weekly
Consolidation

Technical Analysis

Price action remains in both a daily and weekly consolidation, meaning there is no prevalent trend in place, and price action trading sideways, oscillating between upside resistance and downside support. Once again, long term upside resistance is evident at 1.1610 and we see very little probability that this upside level will be breached in the short or medium term. To the downside, price action has held key technical support this morning at the 1.1512 level, and major technical support also lies below at 1.15 which is where the 200 day moving average lies. We should expect some further modest upside to begin the week.

Upside

1.1585

The first upside level to offer resistance

1.1610

Massive upside resistance level - one of the biggest in G10 FX right now

1.1667

A break above here would be a major bullish development.

Downside

1.1564

Recent intra-day support seen here

1.1512

Medium term downside support very evident here

1.1465

Major long term technical support here, unlikely to be tested any time soon

Looking Ahead

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

GBP

24 Monday	25 Tue	26 Wed	27 Thu	28 Fri
	AM: Manufacturing and services PMI	PM: Breeden speaks		

EUR

24 Monday	25 Tue	26 Wed	27 Thu	28 Fri
	AM: Manufacturing and services PMI			

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Daily
Uptrend


Weekly
Uptrend


Daily
Downtrend


Weekly
Downtrend


Daily
Consolidation


Weekly
Consolidation