PAYMENTS

WEEKLY FX REPORT

GBP/EUR

Fundamental Analysis

Recent developments

GBP/EUR is now retracing from the overbought conditions that were reached last week, edging lower from the 1.1805 technical level to begin the week. The move probably reflects some profit-taking from speculators who benefited from the big move higher in recent weeks.

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‘Healey was a surprise choice for Chancellor ’

New PM Burnham surprised markets by appointing John Healey as Chancellor. Healey is likely to make bigger commitments to defence spending, and markets will be eager to assess policy announcements in the coming period after some early announcements on cost of living thus far.

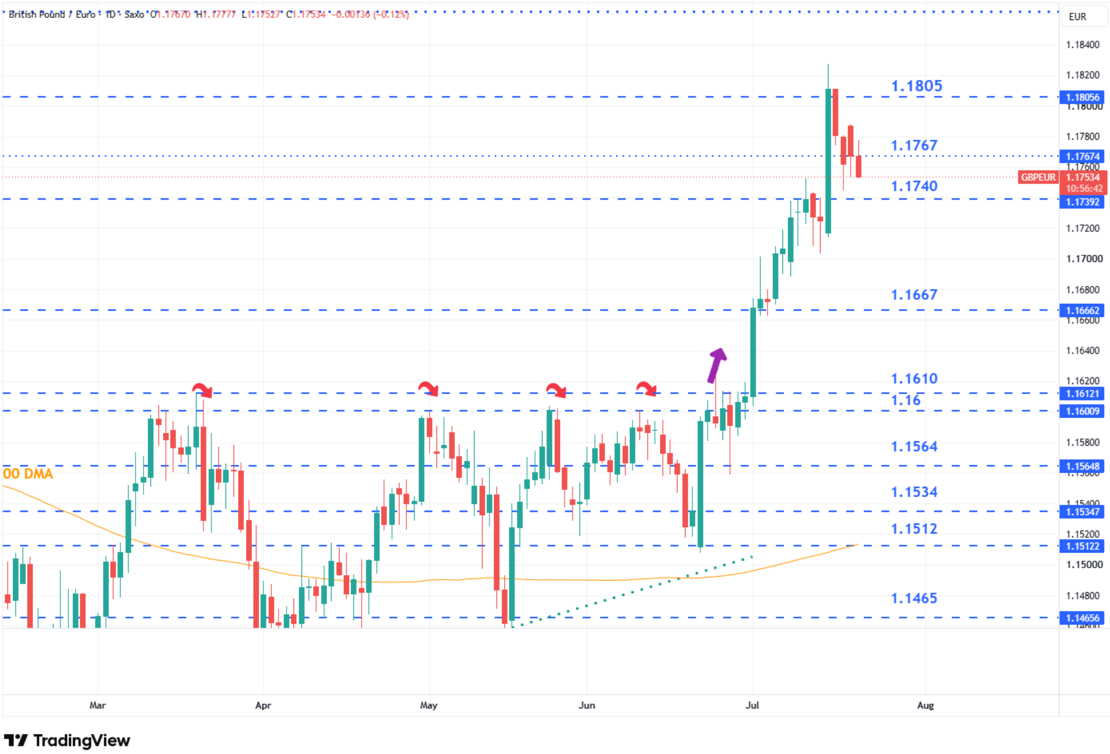
Markets will try to assess whether his defence and re-industrialisation priorities imply a looser spending stance or a reallocation within tight fiscal limits. So far, the announced cut to VAT on electricity bills will be funded by scrapping electronic ID. In essence, there is a very delicate tightrope to be walked, and it is reasonable to assume sterling and gilt volatility could pick up, given Burnham wants to be seen as a 'man of action'. Labour market data this morning came in broadly in line with expectations, with few signs of wage growth. With the BoE in 'wait-and-see' mode with regard to data driving interest rate decisions, tomorrow's inflation data is forecast to moderate slightly to 2.7%.

ECB set to hold rates steady, but Lagarde rhetoric in focus

The ECB meets on Thursday and markets assume there will be no change made to interest rates. However, the recent rise in oil prices of course re-asserts near-term inflation pressures, and because of this, it is reasonable to assume Lagarde will strike a hawkish tone. As it stands, the signals lean towards another hike at the September meeting. Markets currently price for almost 0.5% of hikes between now and year end. With eurozone growth so low, a cocktail of a hawkish central bank bias and low growth has been negative for the euro of late, but downside momentum has clearly faded, although it remains difficult to create a fundamental backdrop that could drive meaningful gains for the euro near-term.

GBP/EUR Daily Chart

IFX Payments created with TradingView.com, Jul 21, 2026 11:03 UTC+1



Market Condition

Daily
Uptrend

Weekly
Consolidation

Technical Analysis

The break out above 1.1610 has been a powerful one and continues to prescribe a constructive bias. As we suggested in our last commentary, a push to the 1.1805 was possible – this has been seen, but the overbought territory of an above 70 Relative strength Index achieved last week has predicated a pullback. The pullback is not changing the uptrend market condition (seen since the breakout above 1.1610) but if the next wave of strength does not break above the recent high of 1.1827, then this pair could be in for a period of consolidation, after such strong recent gains.

Upside

1.1740

Spot price action currently trades around this big price level.

1.1805

The recent move higher broadly failed at this key level.

1.1860

This big chart level would constitute a long-term upside target for GBP/EUR.

Downside

1.17

Some modest support expected here as seen last week.

1.1667

Light technical support here.

1.1610

Huge technical level which will provide technical support if tested.

Looking Ahead

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

GBP

21 Monday	22 Tue	23 Wed	24 Thu	25 Fri
	AM: Claimant count change	AM: CPI (inflation)		AM: Manufacturing / services PMI

EUR

21 Monday	22 Tue	23 Wed	24 Thu	25 Fri
			PM: ECB meeting	AM: Manufacturing and services PMI

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