WEEKLY FX REPORT

GBP/USD

Fundamental Analysis

Recent developments

GBP/USD pushed to 1.3550 last week, on a bout of dollar weakness after a lower-than-expected US inflation number, and reports that Shabana Mahmood would become Chancellor. However, in a big surprise to the market, John Healey was yesterday announced as the new occupier of No.11 instead.

> ‘Markets were surprised to see John Healey announced as Chancellor’

Gilts sold off yesterday as new PM Andy Burnham commented on operating with greater "flexibility within fiscal rules". Markets will be eager to learn more about Healey's plans going forward but, given his history, a bigger commitment to defence spending is almost a given.

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%.

USD buffeted by lower inflation and residual safe-haven demand

The dollar weakened last week as US inflation was far lower than forecast, with month-on-month at -0.4% (versus forecast of -0.1%), and the headline year-on-year printing 3.5%, below the 3.8% forecast. This alleviated some pressure on the Fed to hike rates, and markets ascribe an 85% probability to the Fed remaining on hold at next week's meeting. However, the dollar seems unable to weaken materially in the current volatile geopolitical environment.

Visible tanker traffic through the Strait of Hormuz has slowed dramatically following Iranian attacks on vessels. Oil remains supported but gains are not dramatic, with Brent trading at $89 / barrel, up from $71 two weeks ago. With a light US data schedule, we may expect a rangebound dollar to continue this week.

GBP/USD Daily Chart

IFX Payments created with TradingView.com, Jul 21, 2026 08:21 UTC+1

TradingView

This TradingView graph has been modified to display ‘trendline resistance’ and ‘trendline support’.

Market Condition

Daily
Uptrend

Weekly
Downtrend

Technical Analysis

The failure of last weeks' initial sell off to break downside technical levels (holding the big 1.3342 tech level), and forge a new momentum high, puts the market condition on a daily timeframe, in an uptrend. This keeps the near-term bias skewed to the upside, but some big technical resistance lurks just above where spot trades.

Interestingly, the massive 1.3480 level, which we have highlighted in these pages for many months was yesterday's high. This shows some renewed appetite to fade moves to this level. If price action continues to struggle to break above this 1.3480, then a medium-term downside bias will resume.

Upside

1.3480

Huge long term technical level which may cap gains near term.

1.3557

Last weeks' high will be an upside target should price break above 1.3480.

1.3590

Massive level unlikely to be tested in the short term.

Downside

1.3397

The first downside technical support level below spot.

1.3342

Solid technical support level which held again last week.

1.3140

Massive long term support level which held the recent decline.

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

USD

21 Monday	22 Tue	23 Wed	24 Thu	25 Fri
			PM: Unemployment claims	PM: Manufacturing / services PMI

PAYMENTS

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