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Q4 2026

CURRENCY OUTLOOK

Three central banks, one energy shock.

Policy, yields, positioning and technical levels into the year end — and what each means if you have payments to make.

PREPARED	COVERING	PAGES
6 November 2026	Sterling, euro, US dollar	14

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EXECUTIVE SUMMARY

Four things that matter this quarter.

01 **The cycle has turned.** The Fed, ECB and Bank of England have all raised rates since September. An energy shock, not demand, is driving it — euro area energy prices rose **20.8%** in the year to October.

02 **December is priced very differently across the three.** Markets put a further rise at roughly **80% for the Fed** and **72% for the ECB**, but only about **50% for the Bank of England**. Relative pricing, not absolute rates, moves currencies.

03 **Sovereign risk is concentrated in France.** Fitch moved its outlook to negative on 3 November with the 2027 budget still unpassed. That, rather than German coalition politics, is the euro's live risk.

04 **Dollar positioning was long into a dollar-negative event.** Speculative accounts held net long dollars going into midterms that delivered a Democratic sweep, leaving room for a positioning unwind.

Sources: Eurostat, Bank of England, ECB, Reuters, CFTC Commitments of Traders, Fitch Ratings.

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POLICY SCOREBOARD

Where the three central banks stand.

CENTRAL BANK	POLICY RATE	LAST MOVE	NEXT DECISION	MARKET-IMPLIED
Federal Reserve United States	3.75–4.00%	+25bp September; held 28 Oct, two dissents preferring a hike	Dec Post-midterm, yields fell c.10bp	c.80% Probability of a December rise
European Central Bank Euro area	2.50%	+25bp September; held 29 Oct, no pre-commitment	17 Dec Nagel: a rise is “very likely necessary”	c.72% 64 of 73 economists polled agree
Bank of England United Kingdom	4.00%	+25bp 5 November, 8–1; Mann preferred +50bp	Dec Odds rose from c.30% on the day	c.50% The laggard of the three

Currencies respond to the **difference** between these paths rather than the level of any one. On December pricing, sterling is the laggard despite having just moved — a risk to its recent support if the Bank disappoints.

Sources: Federal Reserve, ECB, Bank of England, Reuters polling, money market pricing as at 5 November 2026.

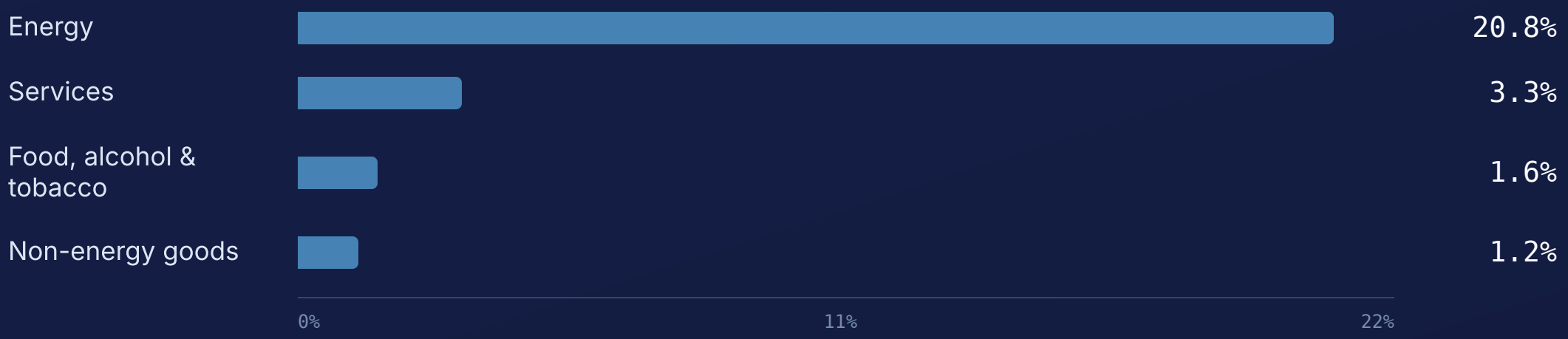
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INFLATION

An energy shock, not a demand shock.

4.0%

Euro area headline inflation, October — up from 3.8% in September and 3.2% in August, and the highest in about three years.



The composition matters more than the headline. Services at **3.3%** and goods at **1.2%** are not the problem; energy is. That distinction shapes how far central banks go, because an external price shock fades from the annual comparison in a way that domestic wage pressure does not. All 21 member economies are now above target, from Lithuania at 6.1% to Malta at 2.3%.

Source: Eurostat flash estimate, 4 November 2026. UK CPI was 3.5% in September and is projected by the Bank of England to approach 5% by mid-2027.

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YIELDS & SPREADS

Gilts now pay more than Treasuries.

United Kingdom 10Y 5.17% · 2Y 4.79%	Yields **rose** after the Bank's hike, with the two-year reflecting near-term pricing. A ten-year gilt now yields more than a ten-year Treasury — an inflation and fiscal risk premium, not a growth signal.
United States 10Y c.4.85–4.90%	Fell as much as **10bp** on the midterm result, read as lower odds of tax cuts and spending, and of renewed military action against Iran, which pulled oil lower with it.
France 10Y below 4.80%	Down from 4.95% on 3 November but falling **less than peers**, held up by domestic fiscal concern. The OAT/Bund spread was around **142bp** in late October.

Rate differentials are the primary driver of currency direction. Two things follow: the carry argument for sterling is stronger than it has been in years, and the euro carries a sovereign risk premium that German politics does not explain.

Sources: Trading Economics, Finimize, Ideal Investisseur (OAT/Bund, 19 October 2026). Yields as at 5 November 2026 and will have moved since.

US DOLLAR

Supported by yields, undercut by politics.

The case for
SUPPORT

US yields remain the highest of the three majors in real terms, and a December rise is the most strongly priced of any central bank at about **80%**. MUFG expects near-term gains and warns yields could overshoot further.

The case against
PRESSURE

The midterms delivered a Democratic sweep. Treasury yields and the dollar both fell on the result, read as a **constrained fiscal outlook** for the remainder of the term.

Into 2027
VIEW

MUFG expects dollar **weakness through 2027** as hike pricing unwinds, citing a two-tier economy, falling consumer confidence and fewer job openings.

For a UK business paying in dollars, the near-term risk is that yields keep the dollar firm into the December meeting, while the medium-term risk runs the other way.

Sources: MUFG Research (October 2026), Reuters, Trading Economics. Directional views attributed to MUFG, not Indigo FX.

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EURO

Hawkish policy against a sovereign risk premium.

Policy SUPPORTIVE	Inflation at **4.0%** has brought a December rise firmly back into view, and officials have said so publicly. Governing Council members expect a pause after December.
France THE RISK	The 2027 budget is **unpassed**, Fitch moved to a negative outlook on 3 November, and a presidential election follows in April 2027. French yields are falling more slowly than peers because of it.
Terms of trade HEADWIND	The euro area is a net energy importer. Energy up **20.8%** is a terms-of-trade shock that classically weighs on the currency even as it lifts inflation.
Leadership FEB 2027	Christine Lagarde departs on 7 February, eight months early and mid-cycle.

Sources: Eurostat, ECB, Fitch Ratings, Reuters, MUFG Research.

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STERLING

Carry improves, but the market may be ahead of the Bank.

Policy SUPPORTIVE	Bank Rate at **4.00%**, the first rise since August 2023, with a hawkish dissent for a larger move and CPI projected to approach **5% by mid-2027**.
Yields CARRY	Ten-year gilts at **5.17%** now pay more than Treasuries. That is supportive for the currency through carry, though it reflects a risk premium rather than strength.
The catch RISK	December is only about **50%** priced, the lowest of the three. MUFG expects roughly two further hikes and cautions the market may be pricing **more than the Bank delivers** — a risk to sterling's recent support.

Sterling has strengthened on rate expectations. If those expectations are trimmed, the support goes with them.

Sources: Bank of England, Finimize, MUFG Research, money market pricing as at 5 November 2026.

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TECHNICAL LEVELS · GBP/USD

Sterling is climbing, but running into a ceiling.

▲	1.3658–1.3676	Next area of interest if that ceiling gives way
▲	1.3591	Top of the recent trading range
▲	1.3503–1.3505	The ceiling. Sterling has stalled here twice
•	c.1.3461	Spot, 5 November
▼	1.3450	First floor below the current level
▼	1.3433	Where the short-term average sits, and rising
▼	1.3400	Where a fall from here would likely run to
▼	1.3372	Bottom of the recent trading range
▼	1.3301	A deeper floor, where the longer-run average sits

DIRECTION
Rising
Each dip has been bought since early autumn

MOMENTUM
Positive
Firm, but not overstretched

RECENT RANGE
1.3372 – 1.3591
Where it has traded in recent weeks

BULLISH TRIGGER
A close above 1.3505 clears the ceiling and opens the way to 1.3591.

BEARISH TRIGGER
A slip below 1.3450 suggests the climb has run out, with 1.3400 the likely stop.

> Levels are published analysis from the source named below, reproduced for information. They are not Indigo FX recommendations, forecasts or trading signals.

Source: IG, 5 November 2026. Levels as published and will have moved since.

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TECHNICAL LEVELS · EUR/USD

The euro is stuck in a range against the dollar.

▲	1.1482	Further ahead, if the move keeps going
▲	1.1426	The step beyond that
▲	1.1370	Next level up
▲	1.1314	First stop if the range breaks
▲	1.1269	Top of the range. This is the level that matters
•	c.1.1210	Spot, 6 November
▼	1.1104	Bottom of the range. Below here the slide resumes

DIRECTION

Drifting lower since August

Though it has stopped falling for now

MOMENTUM

Negative, but easing

The downward push is losing force

NEAR TERM

Steadier

Off the lows, without a clear push higher

BULLISH TRIGGER

Holding above 1.1269 would be the first sign of a genuine recovery.

BEARISH TRIGGER

A drop below 1.1104 and the decline picks up where it left off.

> Levels are published analysis from the source named below, reproduced for information. They are not Indigo FX recommendations, forecasts or trading signals.

Sources: RoboForex weekly outlook for 9–13 November 2026; Vantage (spot, 6 November). Catalysts: US CPI 10 November, PPI 13 November.

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TECHNICAL LEVELS · EUR/GBP

The range is tightening, and a move is building.

▲	0.8380	28 October high
▲	0.8363	2 November high
▲	0.8350	The ceiling of the narrowing range
•	c.0.8344	Spot, 5 November
▼	0.8335	The floor of the narrowing range
▼	0.8320	Recent low, and the level that matters most
▼	0.8315	Late March 2025 lows
▼	0.8250	February 2025 low

PATTERN

Range narrowing

Highs and lows converging — this usually comes before a sharper move

MOMENTUM

Neutral

Neither side in control

RECENT

Down over 3% in five weeks

Driven by sterling, on Bank of England expectations

BULLISH TRIGGER

A close above 0.8350 breaks the range higher, opening 0.8363 then 0.8380.

BEARISH TRIGGER

A close below 0.8320 opens 0.8315 and then 0.8250.

> Levels are published analysis from the source named below, reproduced for information. They are not Indigo FX recommendations, forecasts or trading signals.

Source: Tradingpedia, 5 November 2026. Quoted as EUR/GBP; on a GBP/EUR quote these levels invert, and support becomes resistance.

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POSITIONING & CALENDAR

Crowded dollar longs, and four dates.

Positioning
CFTC, W/E 27 OCT

Traders were **betting heavily on a stronger dollar**, and against the euro, sterling and most other major currencies. When a lot of money sits on one side and the news goes the other way, the unwinding itself moves the market — regardless of the fundamentals.

December
POLICY

ECB on **17 December**, with the Fed and Bank of England the same month. The gap between c.80%, c.72% and c.50% is where the next move is most likely to come from.

France
FISCAL

Passage of the 2027 budget, possibly by decree, and any further rating action.

Energy
THE DRIVER

Named by the ECB as the reason inflation is persisting. Oil fell after the midterms on lower odds of military escalation — a reversal would feed straight back into rate pricing.

Sources: CFTC Commitments of Traders via Newsquawk, ECB, Reuters, Trading Economics.

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WHAT IT MEANS

One question, whichever way the market goes.

Nothing above tells you where a currency will settle, and anyone who claims otherwise is guessing. What it does say is that the range of plausible outcomes is wider than usual: three central banks mid-cycle, an external price shock, a sovereign risk story in France and crowded positioning in the dollar.

The useful question is not direction. It is what a move against you would cost on payments you already know are coming. **A 3% move on £1 million is £30,000** — and 3% in a quarter is unremarkable.

Speak to a dealer

Forward contracts to fix a rate for a future payment, limit orders to target a level, and rate alerts so nothing moves unnoticed.

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