Policy Rates on Hold

BANK OF ENGLAND - BASE RATE: 3.75%

- The MPC left rates unchanged at the April meeting in line with market expectations (last cut Dec 2025). The vote was split 8:1, with one member (Huw Pill) voting for a 25bps rate hike.
- Middle East conflict driving geopolitical uncertainty, with the UK particularly vulnerable to energy shock risks and second-round inflation.
- MPC more cautious on inflation and markets now see possible rate hikes, not cuts, in 2026. First hike expected in June (50% probability), with at least one further hike later this year.
- Data is mixed - increased inflationary pressures vs weak growth, higher unemployment and a downgraded economic outlook.

EUROPEAN CENTRAL BANK - DEPOSIT RATE: 2.00%

- The Council unanimously left rates unchanged at the April meeting (last cut June 2024) in line with market expectations.
- Middle East conflict and US/ EU tensions driving geopolitical uncertainty, with the EU particularly vulnerable to energy shock risks and second-round inflation.
- Markets now see possible rate hikes, not cuts, in 2026. First hike expected in June (70% probability), with up to two further hikes by year-end.
- Data is mixed - increased inflationary pressures and lower unemployment vs weak growth.

FEDERAL RESERVE - FED FUNDS: 3.50%-3.75%

- The FOMC left rates unchanged at the April meeting (last cut Dec 2025) in line with market expectations.
- Middle East conflict and US trade policy are driving geopolitical uncertainty, weighing on economic activity and inflation.
- Markets now see rates remaining unchanged, with a possible cut in H2 2026, followed by another in 2027.
- Data is mixed - increased inflationary pressures and slower wage growth vs robust economic growth and low unemployment.
- The meeting carried significance as it was the last FOMC press conference for Fed Chair Jerome Powell, with new Fed Chair, Kevin Warsh, to become his successor by the next meeting in June.

MARKET IMPLICATIONS

Middle East conflict and elevated oil price continue to weigh on sentiment with increasing risks of a global energy crisis in Europe.

Central banks struck a more hawkish tone and rates are expected to remain elevated this year.

Forward curves imply flat or rising rates market, creating opportunities for term positioning.

Geopolitical uncertainty and rising credit losses highlight the need to diversify bank exposures and reduce concentration risks.

INDICATIVE RATES

CURRENCY	GBP	EUR	USD
Same Day	3.51%	1.73%	3.45%
One Month	4.12%	2.33%	4.04%
Three Month	4.27%	2.48%	4.19%

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