ARGENTEX

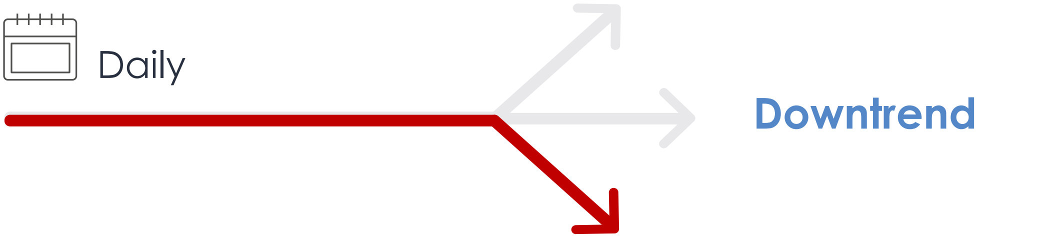
Weekly FX Majors Analysis

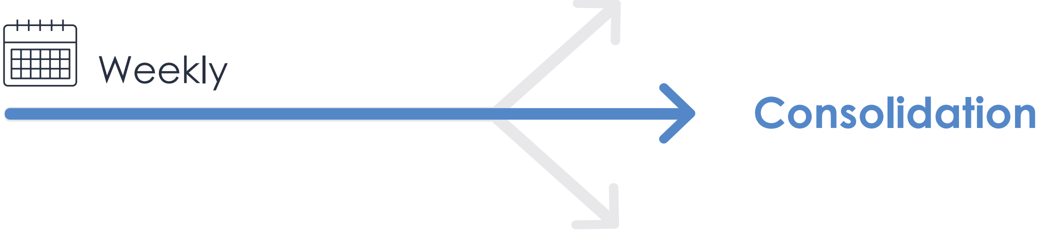
GBP/EUR

7 July 2025

GBP/EUR Daily Chart

Market Condition





Fundamental Analysis

Recent developments

GBP/EUR adhered to the downtrend market condition last week, remaining under pressure as expected. PM Starmer refused to back Chancellor Reeves at PMQs, which drove a rally in Gilt yields and a drop in sterling, as markets reacted to the prospect of a new Chancellor who would be far less likely to operate within the tight fiscal constraints imposed by Reeves. This week is all about the tariff deadline on Wednesday.

'The Reeves wobble and tariffs remain a key focus as scheduled data remains light '

Much of sterling's ascendancy around general election time last year was owed to the 'fiscal responsibility' pledge from Reeves. Sterling will remain sensitive to any developments around a potential change of Chancellor. A change could be a clever ploy to raise fiscal headroom, as opposed to another round of politically unpopular tax hikes. Bringing forward (discreetly) some fiscal rule changes could allow the government to run a small deficit. The tricky balancing act will be not spooking Gilts/FX, as the market is ultra-sensitive to the UK's public finances (muscle memory from the Truss debacle). In any case, the tax rises/fiscal headroom issue will be a long-term sterling headache, whether Reeves remains in her post or not. The tariff deadline on Wednesday could drive some more sterling weakness if the outcome sparks a wider 'risk-off' move, to which sterling is usually more sensitive than the euro.

Euro bulls hope for avoidance of higher tariffs

Eurozone CPI (inflation) came in at 2% last week - bang on the central bank target. With inflation on target and rates already close to the 'neutral rate', Lagarde's comments at the Sintra ECB forum seemed quite hawkish and resistant to the need for further cuts. This has been, and should remain, euro-supportive. The end of the 90-day tariff reprieve comes this Wednesday, which could prompt some euro volatility if they reorient back towards 50%.

US Treasury Secretary Bessent says he has leverage over the EU in the final hours of trade talks. He said he is applying maximum pressure and that Trump is sending letters to trading partners warning that if agreements are not made quickly, tariff levels will 'boomerang' back to the pre-reprieve levels on 1 August. At the margin, any sinister development in the tariff story that leads to a bout of 'risk off' is more likely to drive GBP/EUR lower.

Technical Analysis

As per last week, price action remains in a downtrend on the daily chart timeframe. The downtrend channel is playing out perfectly. Last week's tepid bounce occurred from trendline support but was nothing more than a small counter-trend bounce. Failed at trendline resistance, and the low was initiated from trendline support. For any constructive sentiment to begin, price needs to fail to make a new momentum low, followed by a push up through 1.1805. This looks very unlikely under current fundamental dynamics. Our recent call for a slide to 1.16 has now played out fully.

Upside

1.1606	1.1667	1.1740
Light upside resistance could be seen here.	Technical price point resistance and trendline resides here.	A sustained rally through here would signify major fundamental shift.

Downside

1.1580	1.1533	1.1492
This area was major chart support in 2024.	Last week's low will be a technical reference point for the market.	Very bearish if broken, and illustrative of a major fundamental shift.

Looking Ahead

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

GBP		EUR
	MONDAY	AM: Germany's Nagel speaks
	TUESDAY	AM: German trade balance
	WEDNESDAY	
PM: Breeden speaks	THURSDAY	
AM: GDP MoM	FRIDAY	

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