

## Pound Ends Week Mixed as Traders Adjust Rate Cut Outlook

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The British pound ended the week with uneven performance against major currencies, as a flurry of economic data prompted traders and analysts to revise expectations for interest rate decisions from the Bank of England.

Sterling posted modest gains against the United States dollar on Friday, trading at \$1.3454, up 0.27% on the day, but still recorded a 0.3% decline for the week. Against the euro, the pound stood at 86.57 pence, slightly weaker on the day but marginally stronger over the full week.

A quiet end to the week followed several key economic releases, including unexpectedly high inflation figures on Wednesday and data showing a slowdown in wage growth. This mix of signals led major financial institutions such as Goldman Sachs, Citigroup, and Bank of America to reassess their monetary policy forecasts. While previously expecting interest rate cuts in both August and September, some economists have now dropped the September forecast.

Bank of America commented in a client note that although wage growth is softening and broader economic growth remains sluggish, “the data is not weakening enough for the Bank of England to accelerate cuts.” Markets are currently pricing in a high likelihood of a rate cut in August, with one additional cut seen as likely before the end of the year.

Typically, expectations of fewer rate cuts would support the pound. However, the currency’s momentum has been muted, in part due to concerns over how elevated borrowing costs may strain the United Kingdom’s already pressured public finances.

Monex Europe analysts noted that “the outlook for the UK appears much weaker than other major economies,” suggesting that persistent economic headwinds may continue to weigh on sterling in the near term.