

Date: 18th Nov 2025

## Trade Ideas EMEA

### Trade Idea: Sell GBPCAD Spot

**Entry level: 1.8450**

**Take profit: 1.8100** (+1.90%)

**Stop Loss: 1.8565** (-0.63%)

#### Rationale

- **UK vs Canadian Fiscal Outlook:** GBP sentiment remains weak pre-budget on sustained policy uncertainty as the labour government flip-flops on tax hikes, undermining market confidence in the fiscal consolidation narrative. Here, we continue to see scope for GBP weakness through the budget, exacerbated by strong outflows from cross-border investors in Gilts (Fig 2), while Carney's recent success in passing the 2026 budget paves the way for growth-inducing expenditure in trade infrastructure, defence and housing, which we expect will be viewed as market positive, given Canada's ample fiscal headroom.
- **BoE vs BoC policy divergence:** The recent BoE 5-4 split decision and softening UK labour dynamics justify a December BoE rate cut in our view (currently 78% priced) with unemployment approaching 5% and wage growth closer to 4%, while recent BoC remarks suggest an end to the cut cycle outside of a sharp deterioration in activity/inflation data below forecasts. This should keep GBPCAD downside pressure intact if continued weakness in UK labour data drives deeper concerns about a more material slowdown in jobs growth and overall economic weakness.
- **Technical:** having pulled back sharply from its YTD highs just shy of 1.90, price action is exerting pressure on the lower bound of the bull channel structure established in March (fig1) with a downside break opening a potential retest of the 1.81-1.80 support zone. Price action has also struggled to reclaim the 1.85 level, above the 200dma, signalling stronger near-term bearish momentum which we see resolving to the downside.

#### Risks to the trade

- UK VAT increases risk creating upside inflationary risks, alongside stickier upcoming labour and inflation data - creating stagflationary conditions and limiting the BoE's ability to cut rates.

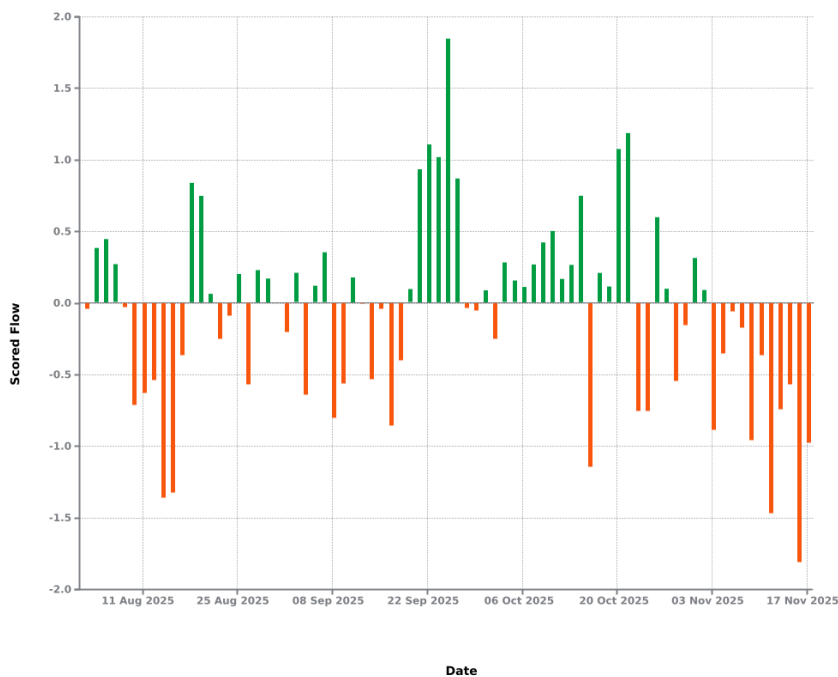
**Figure 1: GBPCAD Bearish Techs Building into UK budget**



Source: Bloomberg

**Figure 2: iFlow shows strong liquidation of cross-border Gilt holdings pre-budget**

### FI Scored Flow



Source: BNY, WM/Refinitiv

FI  
SUBCLASS  
SOVEREIGN BONDS

Scored Flow

INVESTOR BASE DATE TAC  
CROSS BORDER TOTAL

United Kingdom Daily

DATE RANGE: 08.01.2025 — 11.17.2

MEAN -0.07

STANDARD DEVIATION +0.66

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