

Inflation & Interest Rate Report Analysis – UK, 20 March 2025

Executive Summary

UK inflation rose in January 2025; the annual rate climbed from 2.5% in December 2024 to 3.0%. Citing continuous global economic uncertainty, the Bank of England (BoE) opted to keep its base interest rate the same at 4.5% during the March conference despite this increase. As a result, the British pound (GBP) saw a slight depreciation against major currencies. Given this backdrop, a short-term bearish outlook on the GBP is recommended, accompanied by careful risk management.

Data & Economic Context

Indicator	January 2025	December 2024	October 2022 Peak
Consumer Prices Index (CPI)	3.0%	2.5%	11.1%
Bank of England Base Rate	4.5%	4.5%	-

- The CPI increase is largely attributed to rising transport and food prices.
- Inflation had been declining steadily from its 11.1% peak in October 2022 to 2.5% by December 2024.
- The recent 3.0% inflation rise signals a possible reversal.
- In response, the BoE's Monetary Policy Committee (MPC) voted 8-1 to maintain the base rate at 4.5%, emphasizing global uncertainties.

Market Reaction & Forex Trading Impact

Market Response	Impact
BoE Holds Interest Rate	Slight depreciation of GBP
Investor Sentiment	Reduced demand for GBP
Forex Market Reaction	Traders adjusted positions, anticipating a delay in rate cuts

- The BoE's decision caused a modest weakening of the GBP.

- Forex traders interpreted the central bank's stance as cautious, signalling possible economic headwinds.
- Many traders reduced GBP exposure, expecting potential delays in future rate adjustments.

Trading Strategy & Conclusion

Recommendation	Details
Position	Short-term bearish on GBP vs. USD/EUR
Risk Management	Stop-loss at key support levels
Monitoring Focus	Upcoming economic reports, global developments

- A short-term bearish position on GBP is advisable.
- Utilise stop-loss orders to mitigate downside risk.
- Stay alert to any major UK economic announcements or global shifts that could influence BoE policy and GBP movements.