



Stable

UK Finance guide

Q2- Interest, FX, Lending & Energy



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Foreword



Steve Paul

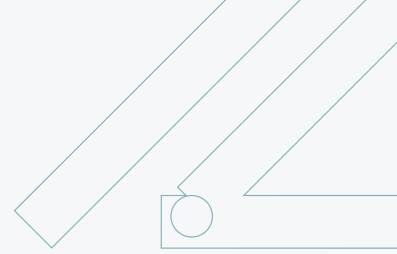
Co-Founder | 15+ Years in Financial Services | TSB Carve-Out at Lloyds |
Equals Money Exit to PE | Chartered Accountant

“As we enter the second quarter of 2026, the economic landscape remains characterised by adjustment rather than stability. Inflation has moderated from the highs seen over the past two years but remains above long-term targets in several major economies. Interest rates, while expected to ease gradually over time, continue to sit materially above the levels businesses became accustomed to during the previous decade.

At the same time, currency markets remain sensitive to differences in growth and monetary policy across the UK, Europe and the United States. Energy markets had begun to stabilise following the extreme volatility of recent years, although recent geopolitical developments in the Middle East have once again highlighted how quickly supply risks can return to the global energy complex.

For finance leaders and business owners, the consequence is straightforward: financial decisions now carry greater immediacy. Movements in exchange rates, borrowing costs, energy prices and liquidity conditions can translate quickly into changes in margins, working capital and financial resilience.

In such an environment, preparation tends to matter more than prediction. Businesses that maintain clear visibility over their exposures, regularly review their financial arrangements and preserve flexibility within their treasury and funding structures are typically better positioned to navigate shifting market conditions.



This guide has been prepared with that objective in mind. It brings together our current perspectives on three themes that influence almost every organisation: foreign exchange markets, the outlook for interest rates and developments across the energy sector. These forces are closely interconnected, shaping the cost of capital, the management of liquidity and the broader operating environment in which businesses plan and invest.

Rather than attempting to forecast markets with certainty, the purpose of this guide is to provide context, perspective and practical considerations for the quarter ahead.

At Stable, our work focuses on helping businesses periodically step back and reassess the financial infrastructure that supports their operations – across foreign exchange, payments, treasury and funding.

In an environment where market conditions can shift quickly, that discipline has become increasingly valuable.

We hope the perspectives that follow help frame the coming quarter with greater clarity.”



Steve Paul

Co-Founder | 15+ Years in Financial Services | TSB Carve-Out at Lloyds |
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Q2 Market Themes & Impact of the Iran War

What business and finance leaders should be watching this quarter

“Markets rarely do what's expected and recently we have seen significant volatility around key global events. Q2 is shaping up to be another quarter where macro headlines move markets quickly, even if underlying trends remain relatively stable.”



Tom Kiddle,
Co-Founder

Three forces are likely to dominate finance decision making this quarter:

1. The timing of interest rate cuts
2. Diverging economic momentum across the UK, US and Eurozone
3. A renewed geopolitical risk landscape centred around Iran and the knock on impact to energy markets

Interest rates: When will they fall?

The key question now is not whether rates will fall- but when, and how quickly

Across major economies;

- **The Bank of England** is expected to cut rates later this year but remains cautious due to sticky wage growth and potential energy market inflation
- **The Federal Reserve** faces a similar dilemma as the US economy continues to show resilience.
- **The European Central Bank** may move earlier as growth across the Eurozone remains weaker.

Key takeaways

Rate cuts could take longer than anticipated

- Borrowing costs could remain elevated for longer
- Refinancing windows will be tight and lender risk models will be hot on any changes
- Bond yields could remain volatile as inflation data surprises markets.

The need for cash flow flexibility is at a premium in Q2.

Currency Markets: Range-bound but volatile?

Currency markets have been relatively muted for much of this year compared with the extreme moves seen in 2022 and 2023.

FX markets are increasingly reacting to small shifts in interest rate expectations and global risk sentiment causing intra week volatility.

This creates a headache for importers and exporters. Markets are trading sideways for long periods before seeing concentrated spikes in volatility. For finance teams managing margins, short term volatility matters more than long term trends. Having an effective hedging plan or margin buffer is extremely important.

Energy markets are back on the agenda

Just as markets were beginning to focus entirely on inflation and interest rates, geopolitical factors have returned to the foreground dominating markets.

Escalating conflict in Iran has caused a surge in Oil prices, with analysts warning we haven't seen the top if disruption persists.

The Strait of Hormuz sits at the centre of the risk. This narrow shipping route connecting the Persian Gulf to global markets handles roughly 20% of the worlds oil supply and a significant share of LNG exports. Disruptions to shipping will have immediate global consequences.

Even if the conflict remains contained geographically, the knock on impact to energy prices will be felt globally.

How could the Iran war impact my business?

A significant risk on energy prices will have downstream impacts on;

- Logistics costs
- Manufacturing inputs
- Heating and utilities pricing
- All having key impacts on importers and exporters.

What this means for your finance team?

The Iran conflict is unlikely to change long term strategy however, it **introduces significant short term volatility.**

Preparing an FX hedging plan, a cashflow management strategy and revisiting existing forecasts will ensure any further disruption doesn't become a catastrophe.



Tom Kiddle,
Co-Founder

FX rate expectations

£ GBP

Sterling goes into Q2 with two completing forces in play. On one side, the UK is still dealing with soft growth and a fragile domestic backdrop. On the other, the recent Iran-related oil shock has pushed markets to scale back near-term Bank of England cut expectations, which has supported sterling.

The bank view is broadly that GBP can hold up, but upside is likely to be measured rather than explosive. ING's Feb FX forecasts showed GBPUSD at 1.36 in one month and in three months, implying a modestly firmer pound versus today's levels. MUFG is a little more cautious near term with GBPUSD at 1.3070 for Q1 end and 1.3330 for end Q2.

Planning implication: Sterling still looks capable of bouncing when UK rate-cut expectations are pushed back, but for importers and exporters this is still a market to tread carefully with news headlines driving market shocks.

\$ USD

The dollar maintains its safe haven appeal being bid up over recent geopolitical risk. Reuters reported on 6 March that the dollar was heading for its steepest weekly gain in over a year, helped by the Iran conflict, firmer oil prices and a pushback in global rate-cut expectations.

That said, the more interesting point for finance teams is that most bank forecasts are not signalling the dollar rally indefinitely. Reuters' latest FX poll showed strategists still expecting EUR/USD at 1.19 in three months and 1.20 in six months, which implies a softer dollar than current war-driven sentiment suggests. ING is in a similar camp, forecasting EUR/USD at 1.20 in three months and 1.21 in six months. MUFG is more conservative in Q2, with EUR/USD at 1.18 for end-Q2, but even that still points to the dollar giving back some strength after the current volatility.

The near term expectation: stronger in the short run if geopolitical stress stays elevated, but not universally expected to keep surging through the quarter. For businesses with large USD payables or debt exposure, that makes this less about calling the peak in the dollar and more about using stronger USD periods to review cover and protect downside.

€ EUR

The euro remains the currency most obviously caught between improving medium-term sentiment and short-term energy vulnerability. The structural argument for EUR has improved over the past year, but Europe remains more exposed than the US to an oil shock from the Middle East, which is why the euro has been under pressure during the latest Iran escalation. Reuters noted this week that major currencies including the euro weakened as markets priced in the region's sensitivity to higher energy costs.

Even with that near-term pressure, the bank forecasts still lean constructive on EUR through Q2 and beyond. Reuters' March poll puts EUR/USD at 1.18 by end-March, 1.19 in three months and 1.20 in six months. ING is slightly more bullish, with EUR/USD at 1.20 in three months and 1.21 in six months. MUFG is more restrained in the near term, forecasting 1.15 at end-Q1 and 1.18 at end-Q2, before moving higher later in the year. HSBC said in its 6 February FX Viewpoint that EUR/USD may go higher over the near term, while also noting EUR/GBP could rise.

Planning implication: the euro still looks supported on a medium-term view, but Q2 could be messy. For businesses trading with Europe, this is a quarter to assume two-way volatility, especially if oil remains elevated and rate-cut timing between the ECB, BoE and Fed continues to shift.

Review of SME lending in 2025: three trends shaping the funding landscape

This article cites research by Spark Finance, an award-winning UK-based finance brokerage founded in 2021, specialising in providing tailored business finance solutions for SMEs and enabled by their leading tech platform that sources offers from over 1,000 bank and specialist lenders. Stable partners with Spark Finance to help connect UK businesses with the right funding options via a single application process.

The UK SME lending market picked up pace in 2025 heading into 2026, but the growth is not evenly spread across the sector. New data from Spark Finance shows that while borrowing activity increased in 2025 compared with 2024, the areas benefiting most from that growth are changing. For business owners and leaders considering borrowing or refinancing this year, the figures suggest a market that remains active but increasingly selective about where capital is deployed.

A Rise in Property Lending

One of the most visible trends is the continued dominance of property-backed borrowing. According to Spark Finance, total debenture registrations rose around 20 percent year on year from to 180,506 in 2025. Much of that growth was driven by property-related lending structures. Debentures associated with Property SPVs increased from 81,308 to 102,887, a rise of 27 percent. Property-backed borrowing now accounts for around 64 percent of all debenture registrations, up from 62 percent the previous year.

For lenders, this reflects a preference for transactions with tangible collateral and clear security, providing a straightforward way to mitigate risk while continuing to lend. For SMEs, the implication is that businesses with commercial property exposure or property-backed structures may find lenders more receptive. Companies seeking unsecured borrowing may still secure funding, but lenders are likely to scrutinise financial resilience and cash flow more closely.

Challengers Eroding High Street Lenders' Domination

A second trend emerging from the data is the continued rise of challenger and specialist lenders. While the High Street banks inevitably remain major players, challenger banks are increasingly competing for SME relationships and succeeding in winning more business. Bank debenture registrations overall increased to 66,137 in 2025, a rise of 14 percent. Challenger banks grew faster than the traditional majors, with registrations rising around 20 percent, from 13,448 to 16,112.

The figures also show challengers attracting a higher share of new relationships. Spark Finance reports that 61 percent of challenger bank debentures represent 'new-to-bank' business, compared with 44 percent for the High Street banks.

For SMEs, the takeaway is that the funding landscape has become more diverse. Many businesses still approach their existing bank first when seeking finance, but a growing proportion of lending now comes from specialist lenders and challenger institutions that may offer different credit appetites, more tech-enabled application processes and/or faster decision-making.

Regulatory Changes Impact Asset Finance

The third shift highlighted in the Spark Finance data is divergence between lending products. SME loan providers continued to expand, with debentures rising from 2,038 in 2024 to 2,229 in 2025, an increase of roughly nine percent. Asset finance activity, however, declined by about ten percent.

Spark Finance suggests the slowdown may partly reflect the commission transparency review affecting parts of the asset finance sector in autumn 2024, which created a period of uncertainty for lenders and brokers. At the same time, other financing structures have grown, such as trade finance debentures, for example.

Looking Ahead

Taken together, the data highlights a lending market that is still growing but evolving. Property-backed lending remains dominant, challenger lenders are gaining influence, and regulatory changes are reshaping certain financing products.

For SMEs planning to borrow in 2026, preparation is key. Comparing multiple lenders, selecting the right funding structure and reviewing existing debt early can significantly improve financing outcomes.

At Stable, we work with Spark Finance to help UK SMEs access funding from a wide panel of banks and specialist lenders, allowing businesses to compare multiple options through a single application process and identify the most suitable financing structure quickly.

Reach out to the team at info@stablepayments.co.uk to learn more and schedule a no-obligation initial consultation call.

Volatility calls for treasurers' trust

This guest article has been written by Nigel Owen, the Head of Corporate Origination at TreasurySpring, Stable's fintech partner whose regulated cash investment platform connects cash-rich firms to institutional borrowers. Nigel examined the impact of volatility on rate expectations in mid-March following the outbreak of war with Iran.

“Across markets we have seen increased volatility since the start of the war in Iran, with significant intraday moves becoming normalised as market participants react to news reports and comments from leaders involved in the conflict. Sometimes, in periods of volatility it is easy to get caught up in the immediate day-to-day movements, without stepping back and looking at the bigger picture and how things have moved over the full period. That’s what we’re going to do here. One caveat: the volatility we are seeing means pieces like this are loaded with the risk prices are materially different between writing and publishing. However, the sentiment will still hold.

The root cause of most of the volatility is energy prices. These two charts show how the price of oil had been in an overall downward trend since the first stages of the Ukraine-Russia war in 2022 and while the spike in response to the start of hostilities in Iran is steep, it peaked around 10% lower than we saw in 2022... for now.

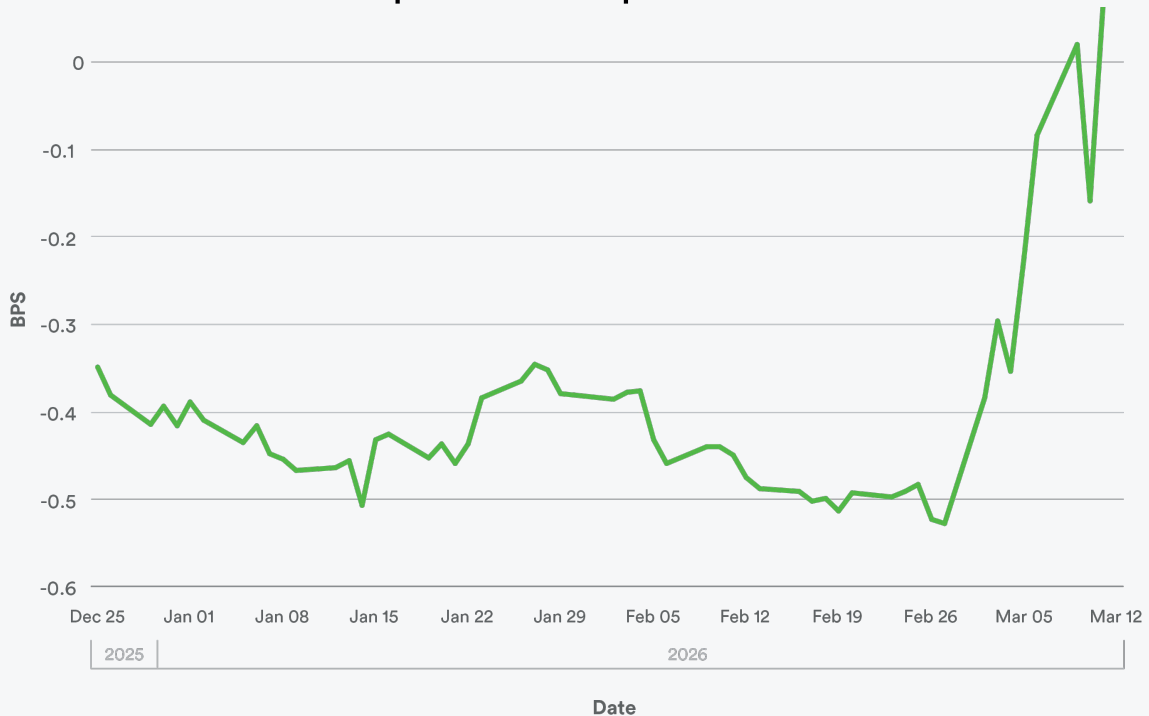




Ten percent intraday trading ranges are now becoming the norm, making exact forecasts for inflation difficult. It can be assumed we are heading for higher inflation, the question is just how much and for how long. David Miles, a member of the Office for Budget Responsibility’s Budget Responsibility Committee, has said previously that Britain’s inflation could end the year at around 3%, rather than around the Bank of England’s target 2% level, which had been assumed before the conflict started. Given ongoing uncertainty, he caveated his predictions at the time with the following: “I’d have given you a different answer probably yesterday morning and by the end of this week it will look different again” (UK Parliament).

This volatility affecting forecasting is also shifting rate expectations quite dramatically too.

Implied rate expectations



Source: Bloomberg

This chart (Implied rate expectations) shows the market implied change in the Bank of England's rate by the end of 2026. Through January the expectation fluctuated between one and two 25bp cuts, before heading towards a full two cuts being priced in by late February. However, the start of the war saw one of those cuts quickly erased, swiftly followed by the second one.

“To show how the volatility is exacerbating moves, the drop in oil price earlier this week as a swift end to the war seemed possible saw one cut back on the table, before it was just as quickly taken off as tankers were struck in the gulf, and the possibility of a hike is being debated.

In Europe, the swing has been just as pronounced, with the market expecting a 40% chance of a cut before year end as February drew to a close, but that has now shifted to pricing in a 25bp hike by July, with an 85% implied chance of another before year end.

In summary, the situation is constantly changing, meaning material market moves are happening throughout the day. These are the times your investment policy was built for, to withstand such unexpected but not unforeseeable risks.

Stay close to the news, trust your investment policy, and try to step back to look at the wider picture, rather than get carried away by intraday moves.”



Nigel Owen

Head of Corporate Origination, TreasurySpring



Oil price charts provided by Barchart.com. Implied rate expectations provided by Bloomberg.

This article is for information and educational purposes only and does not constitute investment advice or a personal recommendation. All figures are illustrative only and do not guarantee future returns. Any investment decision should be based on your own assessment and, where appropriate, advice from a regulated adviser.

Mitigating Business Energy Price Spikes in Q2

The escalation of conflict in Iran has once again pushed global energy markets into a period of heightened volatility. For UK businesses already navigating a challenging cost environment, the implications could be significant. Energy remains one of the most material operating expenses for many companies across Great Britain, and geopolitical instability in key oil and gas producing regions has a direct influence on wholesale prices that ultimately filter down into commercial electricity and gas contracts.

Tensions in the Middle East raise concerns about potential disruption to shipping routes and supply flows, particularly through critical channels such as the Strait of Hormuz, and even the threat of disruption can trigger rapid movements in wholesale energy markets as traders price in potential shortages. As seen during the energy crisis of 2021 and 2022, these shifts can quickly translate into higher prices for businesses purchasing gas and electricity in the UK.

The first week of March 2026 demonstrated how quickly markets can react. Wholesale gas prices experienced sharp intraday swings as news from the region evolved. While the UK sources a significant portion of its energy from domestic production and European imports, global pricing dynamics still play a major role in determining the cost that businesses ultimately pay.

So what options are available for British businesses to help navigate this uncertainty?

Is Your Business Out Of Contract?

One of the most overlooked issues facing UK SMEs today is the number of businesses that are unknowingly out of contract for their commercial energy supply. When a contract expires and no new agreement is put in place, businesses are automatically moved onto deemed rates by their supplier. These rates can be around 40 percent higher than standard contracted prices, meaning companies may be paying substantially more than necessary at a time when energy markets are already volatile.

What Can My Business Do?

The good news is that addressing this can be remarkably simple. Through the partnership between Stable and Tickd, businesses can quickly check their current energy position and secure competitive contracts from a range of suppliers in a matter of minutes. The quoting platform allows companies to enter their renewal date and basic company details, after which the system can automatically locate the relevant meter information and historical consumption data to produce accurate quotes within seconds.

The switching process itself is typically completed in less than a week and includes options from multiple suppliers, including green energy tariffs for businesses looking to improve their sustainability credentials.

With geopolitical risks once again pushing energy markets into uncertain territory, reviewing your energy contract is one of the simplest ways to protect your business from unnecessary cost increases. Businesses can access the Stable and Tickd quoting platform [here](https://stablepayments.tickd.co.uk) and secure fast, competitive energy contracts in just a few minutes: stablepayments.tickd.co.uk

**Review your energy contract
and get a quote here**

stablepayments.tickd.co.uk

Scan me



Final Comment

“2026 continues to be a challenging year in financial markets. AI disruption to traditional working populations, ongoing conflicts in the Middle East & Ukraine and a mounting discourse against Kier Starmer’s government all giving cause for concern. Financial stability for UK Businesses is key to the UKs economic plan. Ensuring you have a strategy on working capital, FX volatility, energy, cards and interest rate yields in Q2 will pay dividends later in the year.

Many of the businesses we have spoken to since inception have one, two or even three of these issues under control however, it is increasingly rare we don’t find elements of risk or cost opportunity across our products. As we strap in for what should be another volatile Q2 financially, Stable are here to help.”



Tom Kiddle,
Co-Founder

If you would like to hear how our team of experts can help you, please scan the QR code below.

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Meet us in-person

✦ Past Event

 **Burnham & Berrow Golf Club** ↗



✦ Upcoming Events

Join us at the next **Golf or Speaker day**

28 Apr
Tuesday

9:30

✦ **Foxhills Golf Day - Hosted by Signet Resources and Stable**

 Foxhills Country Club – Golf Club & Reso
 Limited availability



6 May
Wednesday

9:45

✦ **Hollinwell Golf Day - Hosted by Macildowie in partnership with Stable**

 Hollinwel
 Limited availability

