

Euro tumbles to 20-year low and pound slumps as energy fears spook markets

The [euro](#) plunged to a fresh 20-year low and [sterling](#) was at levels not seen since the start of lockdown as [investors](#) fretted about the energy crisis.


With winter looming, [currency](#) traders are nervous about how much government spending will be needed to get [businesses](#) and consumers through – and the effect that might have on debts and interest rate payments on debts.

The euro fell below 99 cents at \$0.988 and the [pound](#) to \$1.14, a price last touched on March 23 2020 when Boris Johnson first ordered the nation to stay at home.

The euro is at its lowest since 2022.

Chris Turner, global head of [markets](#) at Dutch bank ING, said it is “not obvious where the next support level exists” for the shared currency, even with traders looking ahead to an interest rate call this week from the European Central Bank, amid calls for a bigger-than-usual rise.

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“We think a 0.75% hike at Thursday’s meeting is a leap too far for the ECB – we look for 0.50%. This will not help the euro either,” he added.

Wider markets were also jittery in reaction to Russia shutting its Nord Stream gas pipeline indefinitely.

Risk aversion swept across the continent, with European stock markets all down. The FTSE 100 lost 54 points to 7228.10, a drop of 0.7%. .

The state of share and currency markets may not be top of the inbox for the new Prime Minister, but they make it more difficult to fund her energy bail out plans.

Craig Erlam, market analyst at Oanda, said: “The job facing them is enormous, with the economy facing a long recession and eye-watering inflation. Alleviating one while not exacerbating the other will be the first job for the incoming Prime Minister and it won’t be easy, to put it mildly. There’s a huge amount of pessimism around the UK at the moment, as evident by the pound.”

Goldman Sachs last week predicted inflation will hit 22%. Small businesses in particular warn they will not be able to cope, potentially putting millions of jobs at risk.

Clear Treasury said in a note: “Sterling has had a tough month, suffering heavy losses versus both the dollar and euro. This run may be hard to break with the current economic outlook looking bleak and UK data generally disappointing.”

Gas prices surged on wholesale markets in the UK and Europe as the new trading week began, but stayed under the record prices seen in August.

The continent’s main contract, Dutch TTF futures, rose by

almost a third to a €280 per megawatt hour, but off the record just over €300. The UK's, priced in units of heat energy known as therms, rose by 30% on the day to £5.58, having been as high as £7.02 last month.