

EUR/USD up near \$1.06

There was a cautious mood on markets yesterday, as US rate hike expectations hardened and bonds yields rose, following stronger than anticipated US data. Both the Euro Stoxx 50 and the S&P 500 finished flat for the day.

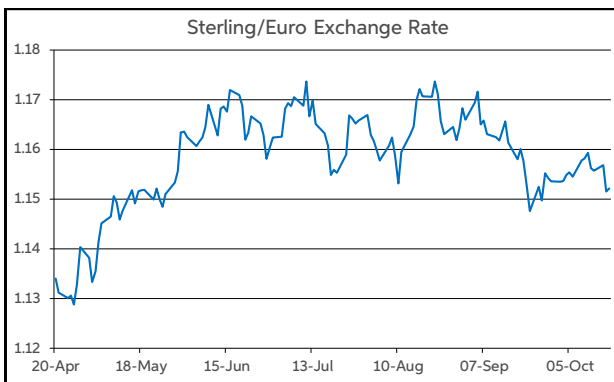
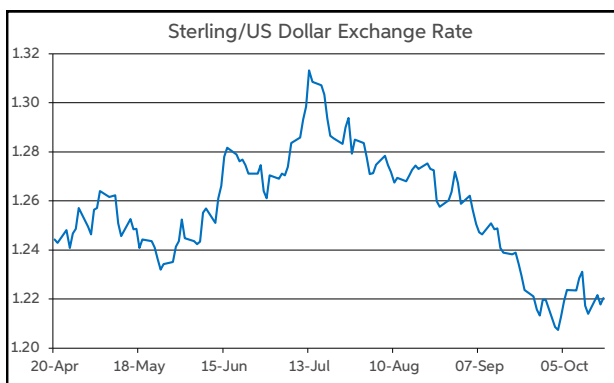
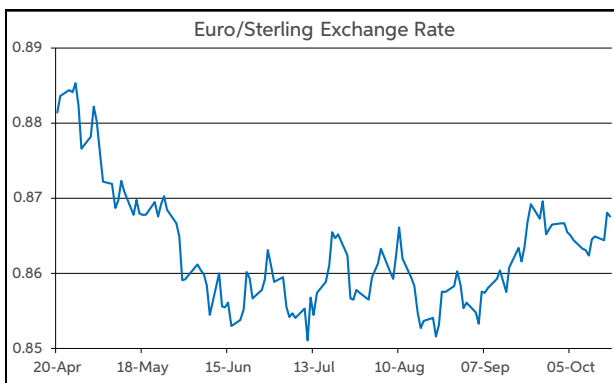
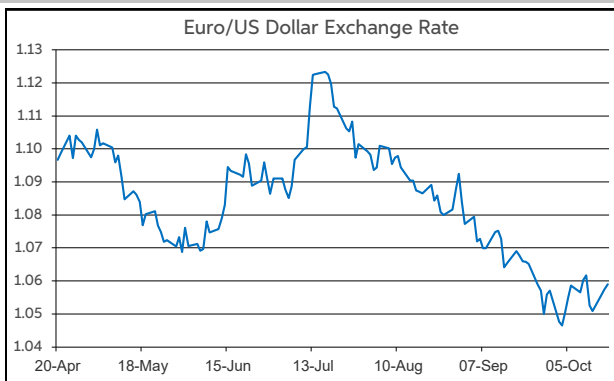
US retail sales rose by 0.7% in September, more than double the 0.3% forecast. The control group, a key measure of core retail sales rose by 0.6% m/m also, well above the consensus, which was for stagnation. Meantime, US industrial production expanded by 0.3% in September, beating expectations for output to flat-line. Overall, the data indicate the US economy maintains very solid momentum.

Against this backdrop, futures contracts now suggest the market is attaching a 55% chance the Fed will raise rates by 25bps. Fewer rate cuts are priced in for 2024 also. Firmer US rates placed upward pressure on bond yields, with US Treasury yields moving 3-14bps higher. Similarly, German Bund yields rose by 5-10bps yesterday. In the UK, the 2-year Gilt yield declined by 4bps as wage inflation slowed, but medium to longer-term yields moved up by 1-5bps.

Currency-wise, somewhat surprisingly, the dollar was not in the ascendancy, despite the hardening in US market rate expectations. Instead, the euro was holding a firmer tone. However, there was no obvious catalyst for the move. In level terms, EUR/USD opens this morning up near \$1.06. EUR/GBP is operating in the upper half of 86-87p. Meantime, GBP/USD is just above the \$1.22 threshold.

Already today, headline UK CPI inflation printed at 6.7% (vs. 6.6% f'cast) in September. The core rate fell to 6.1% (vs. 6.0% f'cast). The data have not impacted sterling in early trading though. Later on, remarks from a number of Fed speakers will garner some interest.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0591	0.42	-1.04
EUR/GBP	0.8675	0.35	-1.91
GBP/USD	1.2206	0.07	0.90
GBP/EUR	1.1521	-0.35	1.95
USD/JPY	149.63	0.05	14.13
EUR/JPY	158.49	0.49	12.97

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
Base Rate	Money Market			Swap Rates		
	1-Mth	3-Mth		1-Yr	2-Yr	5-Yr
USD	5.38	5.45	5.66	5.70	5.37	4.92
EUR	4.50	3.86	3.98	4.15	3.84	3.45
GBP	5.25	5.21	5.27	5.38	5.35	4.87

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Wednesday 18 October 2023
07:17 am



Euro

EUR/GBP	0.8675
EUR/USD	1.0591
EUR/JPY	158.49
EUR/SEK	11.5478
EUR/DKK	7.4598
EUR/NOK	11.5951
EUR/CHF	0.9505
EUR/AUD	1.657
EUR/HKD	8.2874
EUR/CAD	1.4435

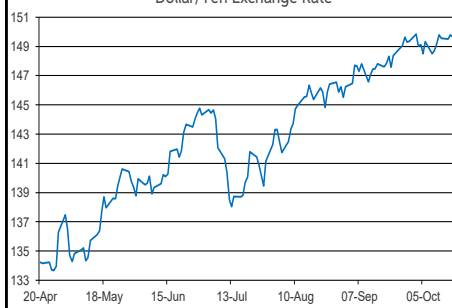
Sterling

GBP/EUR	1.1521
GBP/USD	1.2206
GBP/CAD	1.6637
GBP/NZD	2.0626
GBP/JPY	182.64
GBP/SEK	13.3052
GBP/DKK	8.5954
GBP/NOK	13.355
GBP/CHF	1.0956
GBP/AUD	1.9101

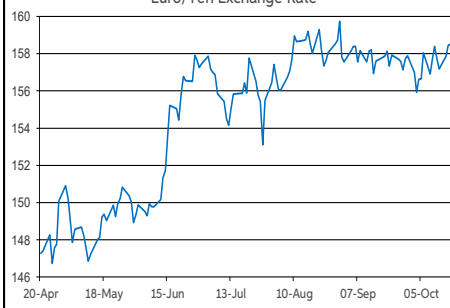
Dollar

USD/JPY	149.63
USD/CAD	1.3628
USD/CHF	0.8974
USD/CNY	7.3082
USD/BRL	5.0382
USD/RUB	97.5575
USD/INR	83.244
AUD/USD	0.6388
NZD/USD	0.5916

Dollar/Yen Exchange Rate

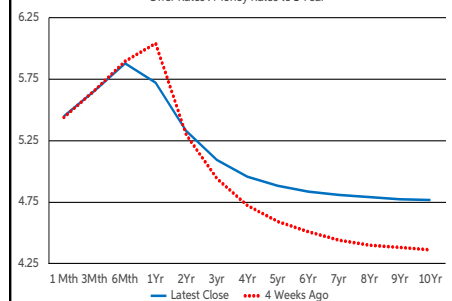


Euro/Yen Exchange Rate



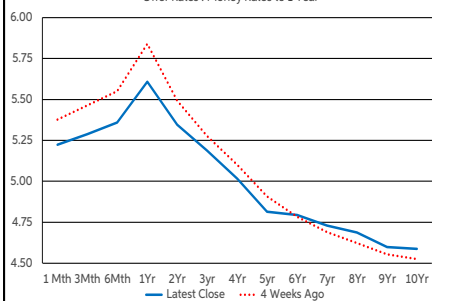
US Swap Curve

Offer Rates : Money Rates to 1 Year



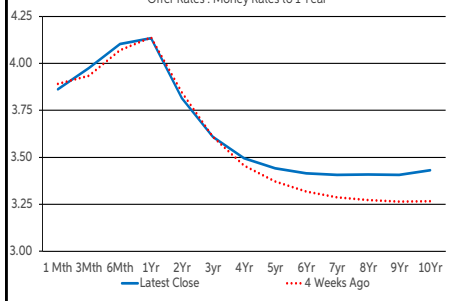
UK Swap Curve

Offer Rates : Money Rates to 1 Year

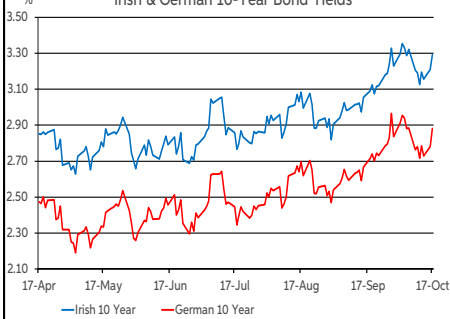


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.84	+14	+47	+96
Germany	2.88	+10	+14	+32
UK	4.51	+3	+17	+84
Ireland	3.32	+9	+17	+18
Belgium	3.55	+9	+18	+35
France	3.50	+9	+22	+39
Italy	4.89	+11	+37	+19
Spain	4.00	+9	+21	+35
Portugal	3.61	+10	+13	+1
Greece	4.37	+4	+21	-22
5 Year Swap %				
US	4.88	+15	+33	+89
Eurozone	3.44	+9	+8	+21
UK	4.82	+0	-9	+51
2 Year Swap %				
US	5.33	+9	+7	+66
Eurozone	3.82	+7	-2	+43
UK	5.35	-2	-14	+66
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	-1	+3	-14
Belgium	67	-1	+4	+3
France	62	-1	+8	+7
Italy	201	+1	+23	-13
Spain	112	-1	+6	+3
Portugal	72	-0	-1	-31
Greece	149	-7	+7	-54

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	89.9	+0.28	-4.71	+4.64
West Texas Oil	86.66	+0.01	-4.94	+8.11
Gold \$	1923.1	+0.19	-0.41	+5.41

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