

Easing in interest rate expectations last week

Last week, encouraging core inflation data in the Eurozone and US, “less hawkish” central bank rhetoric, and signs of softer conditions in the US labour market, led to a marked easing in market interest rate expectations. Against this backdrop, equity markets moved higher on both sides of the Atlantic, with the Euro Stoxx 50 and the S&P 500 rising by 1.1% and 2.5%, respectively. Meanwhile, 2-year sovereign bond yields declined by 5-20bps in Europe and the US.

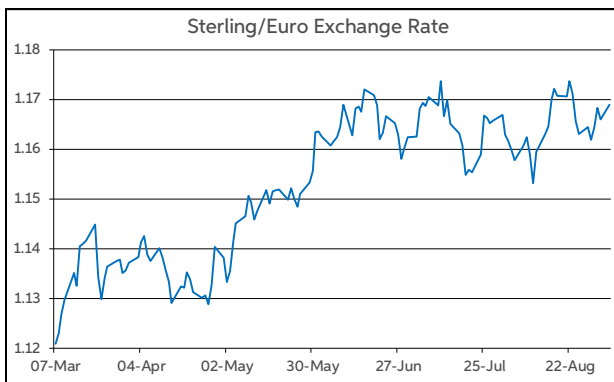
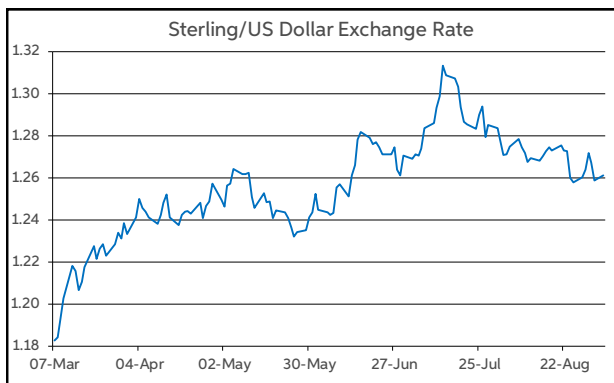
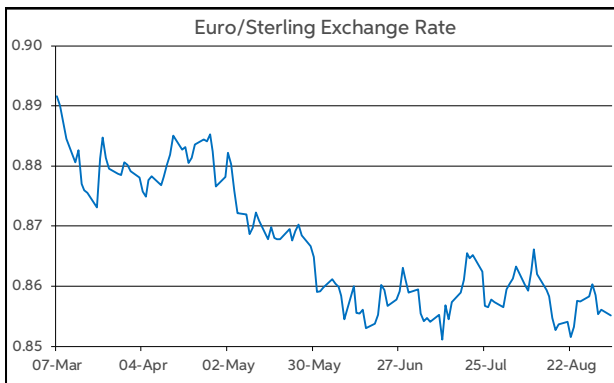
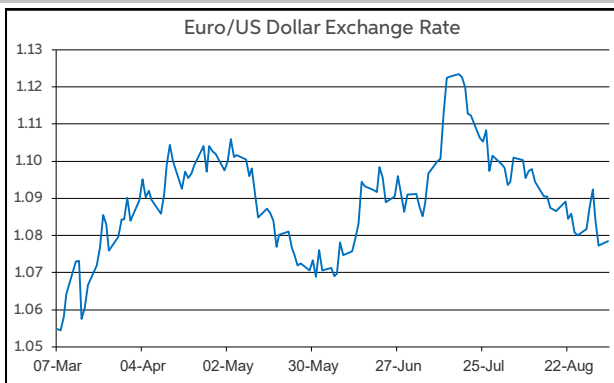
The market has pared back expectations of a rate hike from the ECB at its meeting later this month. Elsewhere, futures contracts pricing indicates that investors have reduced bets that the Fed will raise rates beyond their current level. Similarly, the market now sees a lower peak in UK rates this cycle. Across the board, official interest rates are seen as being 10-20bps lower by the end of next year, compared to the levels that were priced in last Monday.

There was some volatility on currency markets amid the move lower in interest rates. The dollar was holding a slightly firmer tone last week, with EUR/USD falling below \$1.08, and USD/JPY rising to a fresh YTD high of ¥147.3. However, the dollar was unable to hold onto all of its gains as the week progressed. Elsewhere, oil prices rose sharply, with Brent crude up by 4% to \$88 per barrel.

In level terms, EUR/USD opens this morning under the \$1.08 threshold. Meanwhile, EUR/GBP is operating back at the midpoint 85-86p. GBP/USD is in the lower half of the \$1.26-1.27 range.

Turning to this week, there is a very quiet data schedule. However, remarks from a number of central bank speakers throughout the week, including ECB President Lagarde and BoE Governor Bailey may impact sentiment.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0785	-0.55	0.78
EUR/GBP	0.8551	-0.12	-3.31
GBP/USD	1.2612	-0.44	4.26
GBP/EUR	1.169	0.12	3.43
USD/JPY	146.19	0.49	11.50
EUR/JPY	157.69	-0.08	12.39

* 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	5.44	5.66	5.65	5.09	4.37
EUR	4.25	3.64	3.77	3.96	3.65	3.22
GBP	5.25	5.25	5.44	5.71	5.71	5.08

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
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

Monday 04 September 2023
07:16 am



Euro

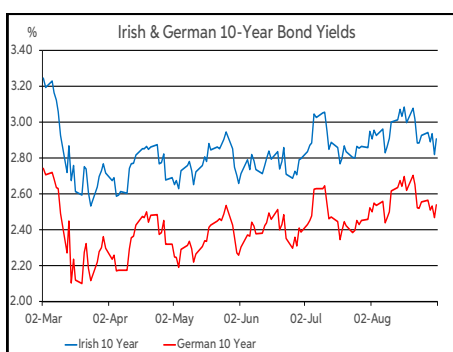
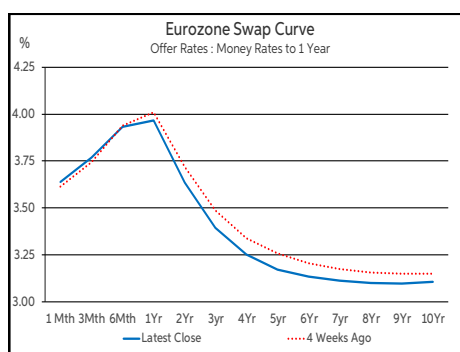
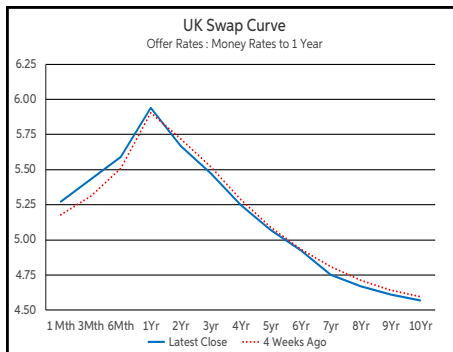
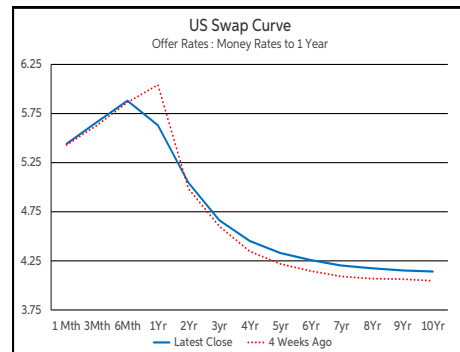
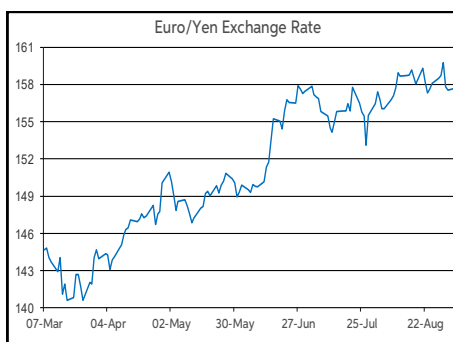
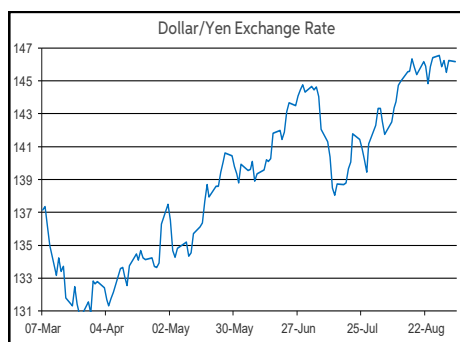
EUR/GBP	0.8551
EUR/USD	1.0785
EUR/JPY	157.69
EUR/SEK	11.8864
EUR/DKK	7.452
EUR/NOK	11.489
EUR/CHF	0.9537
EUR/AUD	1.6653
EUR/HKD	8.4575
EUR/CAD	1.4646

Sterling

GBP/EUR	1.169
GBP/USD	1.2612
GBP/CAD	1.7125
GBP/NZD	2.1168
GBP/JPY	184.37
GBP/SEK	13.8979
GBP/DKK	8.7141
GBP/NOK	13.431
GBP/CHF	1.1153
GBP/AUD	1.9473

Dollar

USD/JPY	146.19
USD/CAD	1.3576
USD/CHF	0.8842
USD/CNY	7.2657
USD/BRL	4.9463
USD/RUB	96.4875
USD/INR	82.735
AUD/USD	0.6476
NZD/USD	0.5956



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.18	+7	+14	+30
Germany	2.54	+7	+0	-2
UK	4.43	+7	+5	+76
Ireland	2.94	+9	-4	-21
Belgium	3.17	+9	-3	-3
France	3.07	+9	-2	-4
Italy	4.24	+12	+3	-47
Spain	3.57	+9	-2	-9
Portugal	3.28	+9	-2	-33
Greece	3.84	+4	-0	-76
5 Year Swap %				
US	4.33	+4	+15	+34
Eurozone	3.17	+5	-8	-6
UK	5.07	+2	-2	+77
2 Year Swap %				
US	5.05	+1	+10	+37
Eurozone	3.63	+2	-7	+25
UK	5.67	-1	-4	+99
10 Year Government Bond Spreads to Benchmark bps				
Ireland	39	+2	-4	-19
Belgium	63	+2	-3	-1
France	53	+2	-2	-2
Italy	170	+4	+2	-45
Spain	103	+2	-2	-7
Portugal	73	+2	-2	-31
Greece	129	-3	-1	-74

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	88.55	+1.95	+2.68	+3.07
West Texas Oil	85.52	+2.36	+3.33	+6.69
Gold \$	1938.8	-0.05	-0.15	+6.27

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.