

ECB policy decision in focus this week

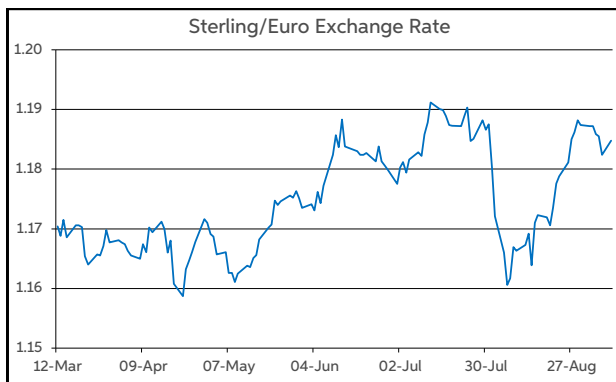
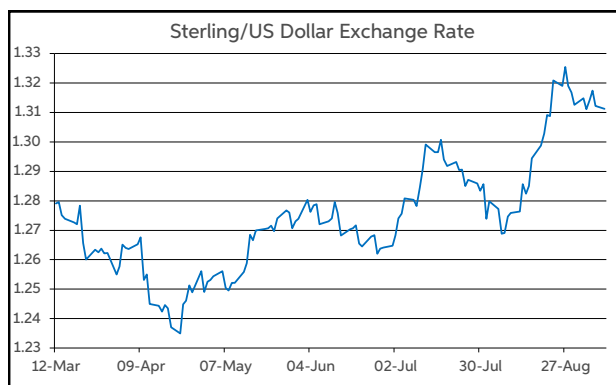
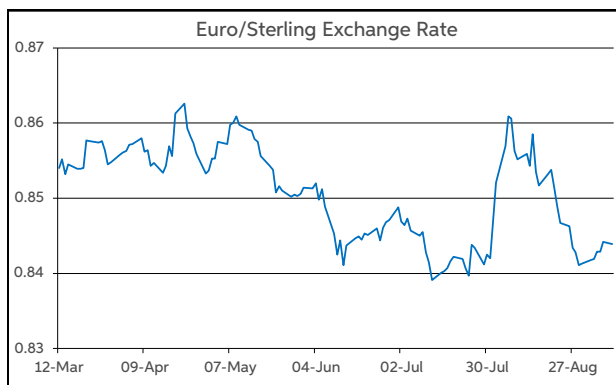
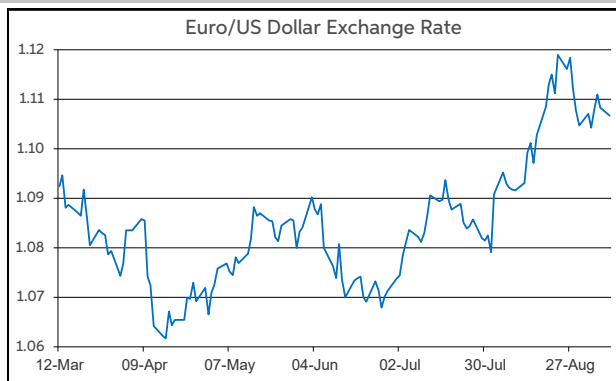
A key focus for markets last week was the US labour market data for August. This was in the context of the data being a potentially crucial factor in whether the Fed will cut by 25bps or 50bps on September 18th. Payrolls disappointed versus forecasts. However, the unemployment rate edged lower, while weekly earnings were slightly stronger than anticipated. Given the mixed results, the data was not a dial mover in terms of September rate cut expectations. Market pricing continues to move between 30-35bps.

There was also no significant immediate impact on the dollar from the jobs data. The currency was holding a modestly softer tone in the lead up the release. However, it did receive some support amid a risk averse mood on markets. Overall, most of the main FX pairs were confined to relatively narrow ranges last week. As trading gets underway this morning, EUR/USD opens in the upper half of \$1.10-1.11. EUR/GBP remains within the lower end of 84-85p.

Ahead this week, the ECB meeting/policy announcement (Thur) will be a key highlight and poses some event risk for the euro. The ECB left rates on hold at 3.75% in July after cutting by 25bps in June. The 'account' of the July meeting suggests that the ECB could cut rates again this week. A 25bps reduction is fully priced-in by markets. Therefore, an important aspect of the meeting will be what guidance, if any, will be forthcoming from President Lagarde on the outlook for Eurozone rates. Futures contracts indicate the market is expecting the Depo rate to end the year near 3%.

In terms of this week's macro data schedule, from a dollar viewpoint the main release will be CPI inflation for August. Meanwhile, for sterling, a busy diary of updates includes a raft of labour market metrics as well as the monthly GDP release (all July).

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2023 |
| EUR/USD | 1.1067 | -0.43 | 0.28 |
| EUR/GBP | 0.8439 | 0.06 | -2.64 |
| GBP/USD | 1.3113 | -0.49 | 3.02 |
| GBP/EUR | 1.1848 | -0.06 | 2.71 |
| USD/JPY | 142.94 | -0.03 | 1.33 |
| EUR/JPY | 158.18 | -0.48 | 1.64 |

* 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 | 5.22 | 5.20 | 4.27 | 3.76 | 3.51 |
| EUR | 4.25 | 3.52 | 3.47 | 2.94 | 2.53 | 2.38 |
| GBP | 5.00 | 4.91 | 4.86 | 4.34 | 4.23 | 3.88 |

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 09 September 2024
07:25 am



Euro

| | |
|---------|---------|
| EUR/GBP | 0.8439 |
| EUR/USD | 1.1067 |
| EUR/JPY | 158.18 |
| EUR/SEK | 11.4298 |
| EUR/DKK | 7.4611 |
| EUR/NOK | 11.8806 |
| EUR/CHF | 0.9364 |
| EUR/AUD | 1.66 |
| EUR/HKD | 8.6278 |
| EUR/CAD | 1.5012 |

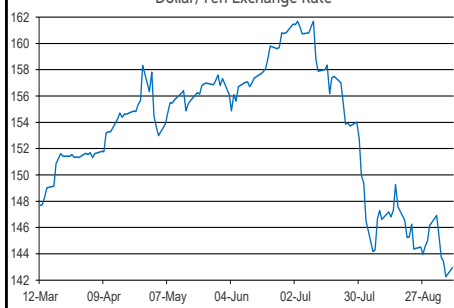
Sterling

| | |
|---------|--------|
| GBP/EUR | 1.1848 |
| GBP/USD | 1.3113 |
| GBP/CAD | 1.7787 |
| GBP/NZD | 2.1291 |
| GBP/JPY | 187.42 |
| GBP/SEK | 13.541 |
| GBP/DKK | 8.8406 |
| GBP/NOK | 14.076 |
| GBP/CHF | 1.1094 |
| GBP/AUD | 1.9668 |

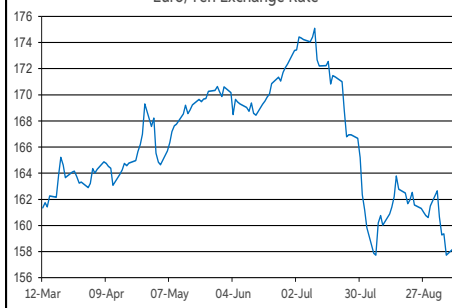
Dollar

| | |
|---------|---------|
| USD/JPY | 142.94 |
| USD/CAD | 1.3565 |
| USD/CHF | 0.8461 |
| USD/CNY | 7.1091 |
| USD/BRL | 5.5988 |
| USD/RUB | 90 |
| USD/INR | 83.9375 |
| AUD/USD | 0.6666 |
| NZD/USD | 0.6154 |

Dollar/Yen Exchange Rate

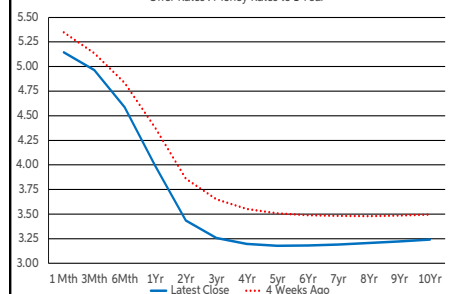


Euro/Yen Exchange Rate



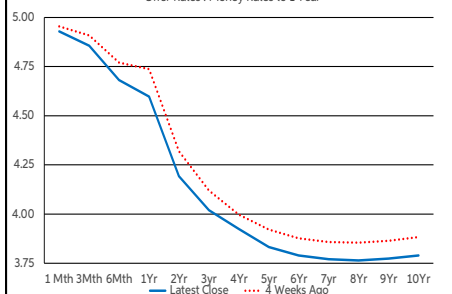
US Swap Curve

Offer Rates : Money Rates to 1 Year



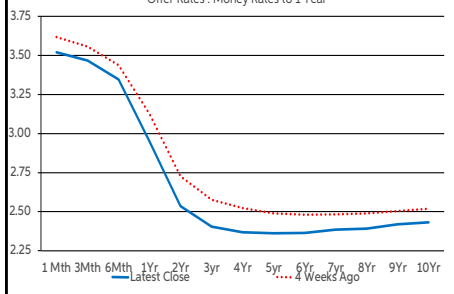
UK Swap Curve

Offer Rates : Money Rates to 1 Year

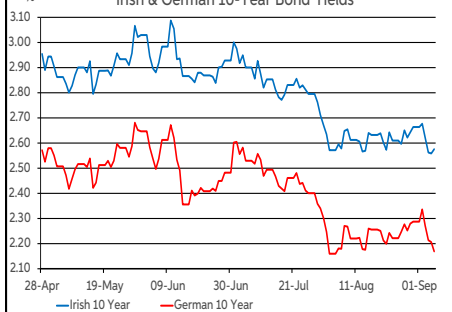


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

| | Close | Change bps | | |
|--|-------|------------|---------|--------|
| | | Day | 4 Weeks | End 23 |
| 10 Year Yield % | | | | |
| US | 3.71 | -2 | -23 | -15 |
| Germany | 2.17 | -4 | -5 | +14 |
| UK | 3.89 | -2 | -6 | +35 |
| | | | | |
| Ireland | 2.58 | -1 | -6 | +22 |
| Belgium | 2.77 | -2 | -6 | +8 |
| France | 2.89 | -2 | -8 | +33 |
| Italy | 3.56 | -1 | -9 | -14 |
| Spain | 3.00 | -2 | -9 | +1 |
| | | | | |
| Portugal | 2.80 | -1 | -7 | +2 |
| Greece | 3.24 | +1 | -10 | +16 |
| | | | | |
| 5 Year Swap % | | | | |
| US | 3.43 | -6 | -32 | -36 |
| Eurozone | 2.36 | -2 | -12 | -7 |
| UK | 3.83 | -4 | -8 | +18 |
| | | | | |
| 2 Year Swap % | | | | |
| US | 3.67 | -10 | -44 | -66 |
| Eurozone | 2.54 | -4 | -18 | -26 |
| UK | 4.19 | -2 | -12 | -7 |
| | | | | |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 41 | +3 | -1 | +8 |
| | | | | |
| Belgium | 60 | +1 | -1 | -6 |
| France | 71 | +2 | -3 | +18 |
| Italy | 139 | +3 | -4 | -29 |
| Spain | 83 | +2 | -3 | -13 |
| | | | | |
| Portugal | 63 | +3 | -2 | -13 |
| Greece | 107 | +4 | -5 | +2 |

Commodities

| | % Change | | | |
|----------------|----------|-------|---------|--------|
| | Close | Day | 4 Weeks | End 23 |
| Brent Oil | 71.06 | -2.24 | -10.80 | -7.76 |
| West Texas Oil | 71.65 | -0.17 | -1.90 | -1.27 |
| Gold \$ | 2497.0 | -0.77 | +2.72 | +21.06 |

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