Morning Comment

AIB Treasury Economic Research Unit



Monday 18 September 2023 07:16 am

Monetary policy remains to the fore this week

Last week, investor sentiment was influenced by the ECB meeting, which saw them hike rates by 25bps, and suggest that Eurozone rates have now peaked. Some better than expected US data, soft UK GDP for July, and a further rise in oil prices, with Brent crude now above \$93 per barrel also impacted the mood on markets.

Against this backdrop, futures contracts indicate that Eurozone interest rates have now peaked. Furthermore, Eurozone rates are seen as being cut to circa 3.25% by end 2024, broadly unchanged from before the ECB meeting. Meantime, investors have reduced expectations for rate cuts in the US next year by about 10bps. Markets see UK rates peaking at circa 5.6%, and have built in an additional 10bps of rate cuts in the UK by end 2024.

On bond markets, US Treasury and German Bund yields rose by 6-14bps. In contrast, UK Gilt yields fell by 9bps. Currency-wise, the dollar and the euro were supported by the favourable move in yields. The greenback gained around 1% against the yen and sterling, and 0.5% versus the euro. Meanwhile, the euro's progress was dampened by indications that interest rates have now peaked in the Eurozone. The single currency rose by 0.5% against sterling.

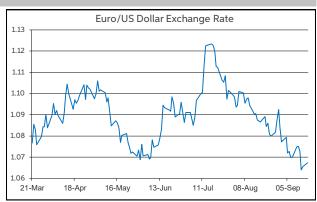
As trading gets underway this morning, EUR/USD is back below \$1.07, having traded to a low of \$1.063 last week. GBP/USD is back at \$1.24. Elsewhere, EUR/GBP is operating just above 86p.

This week, the US Fed, BoE and BoJ policy meetings will be in focus. The Fed and BoJ are anticipated to leave rates unchanged, but their respective press conferences will garner very close attention. The BoE, though, is expected to hike rates by 25bps. Data -wise, the flash PMIs (Sep) in the US, Eurozone and UK are due.

Daniel Noonan, Economist, AIB

Today's Opening FX Rates				
		% Change		
		Day *	End 2022	
EUR/USD	1.0676	0.23	-0.24	
EUR/GBP	0.8608	0.43	-2.67	
GBP/USD	1.2399	-0.23	2.50	
GBP/EUR	1.1613	-0.43	2.74	
USD/JPY	147.62	0.14	12.59	
EUR/JPY	157.61	0.37	12.34	
* v Previous Day's European Open				
See Next Page for More Rates				

Opening Interest Rates						
		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	5.38	5.44	5.66	5.73	5.25	4.56
EUR	4.25	3.76	3.88	4.07	3.80	3.31
GBP	5.25	5.34	5.46	5.61	5.54	4.88









All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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Opening Levels



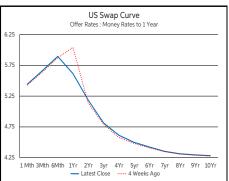
Euro)
EUR/GBP	0.8608
EUR/USD	1.0676
EUR/JPY	157.61
EUR/SEK	11.9319
EUR/DKK	7.4574
EUR/NOK	11.5094
EUR/CHF	0.9564
EUR/AUD	1.6559
EUR/HKD	8.3538
EUR/CAD	1.4414

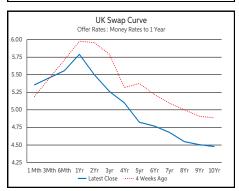
Sterling			
GBP/EUR	1.1613		
GBP/USD	1.2399		
GBP/CAD	1.6744		
GBP/NZD	2.0957		
GBP/JPY	183.03		
GBP/SEK	13.867		
GBP/DKK	8.6619		
GBP/NOK	13.3741		
GBP/CHF	1.111		
GBP/AUD	1.9235		

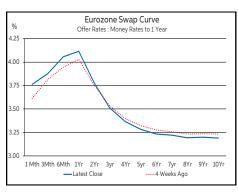
Dollar				
USD/JPY	147.62			
USD/CAD	1.3501			
USD/CHF	0.8959			
USD/CNY	7.2842			
USD/BRL	4.8679			
USD/RUB	96.71			
USD/INR	83.182			
AUD/USD	0.6445			
NZD/USD	0.5915			













	Debt	Markets		
			Change bps	5
	Close	Day	4 Weeks	End 22
10 Year Yield %				
US	4.34	+5	+9	+46
Germany	2.67	+7	+5	+11
UK	4.36	+8	-31	+70
Ireland	3.09	+10	+6	-5
Belgium	3.31	+9	+3	+11
France	3.22	+10	+5	+11
Italy	4.47	+11	+14	-24
Spain	3.74	+10	+6	+9
Portugal	3.42	+10	+5	-18
Greece	4.11	+11	+15	-48
5 Year Swap %				
US	4.50	+3	+6	+50
Eurozone	3.28	+5	-3	+5
UK	4.83	-3	-55	+52
2 Year Swap %				
US	5.18	+0	+9	+51
Eurozone	3.77	+4	+3	+39
UK	5.50	+4	-46	+82
10 Year Governm	ent Bond Spre	ads to Ben	chmark bps	
Ireland	42	+2	+1	-16
Belgium	64	+2	-2	+1
France	55	+2	+0	+0
Italy	180	+4	+9	-34
Spain	107	+3	+2	-2
Portugal	75	+2	+1	-28
Greece	144	+3	+10	-59

Commodities					
		% Change			
	Close Day 4 Weeks			End 22	
Brent Oil	93.93	+0.25	+10.77	+9.34	
West Texas Oil	90.83	+0.78	+11.79	+13.31	
Gold\$	1923.6	+0.69	+1.87	+5.44	

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