

Sterling weakens as BoE leaves rates unchanged

Risk appetite soured yesterday, as markets continued to digest the “hawkish hold” from the Fed late on Wednesday. The Fed left policy unchanged, but updates to the interest rate dotplot show the median projection is still for one more rate hike this year. Rates are also projected to be 50bps higher at the end of 2024 and 2025, than previously anticipated. As a result, futures contracts are now pricing-in fewer rate US cuts next year. Against this backdrop, Both the Euro Stoxx 50 and the S&P 500 fell by circa 1.5%.

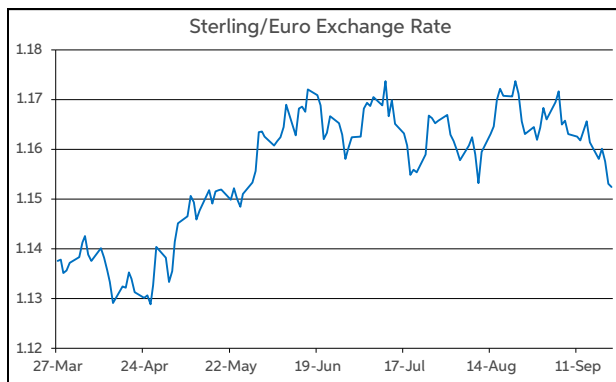
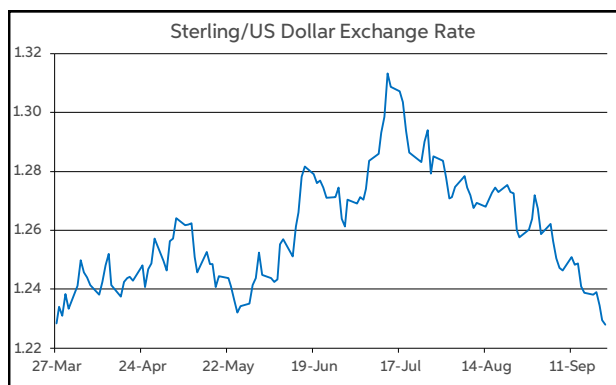
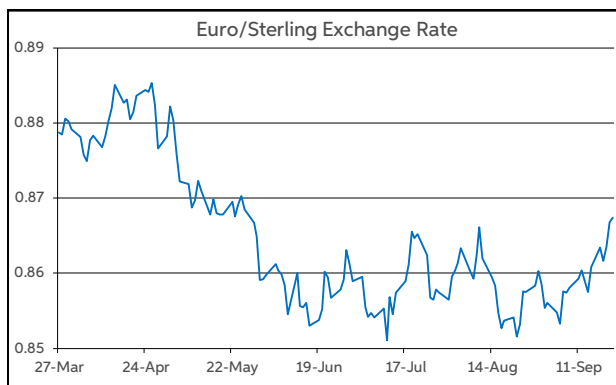
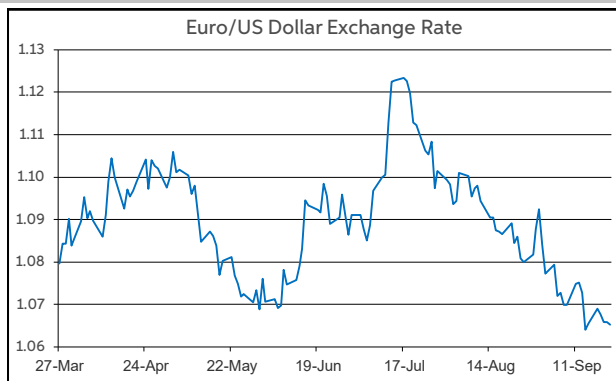
Meantime, the BoE surprised investors yesterday, by also leaving interest rates unchanged. Market pricing indicated that there was a 60% chance the BoE would hike rates by 25bps. However, the decision to hold was a close call, with five MPC members voting for no change, and four in favour of raising rates by 25bps. Meanwhile, the BoE reiterated that a further tightening of monetary policy may be required if inflation showed signs of persistence.

The market reaction to the BoE policy decision saw a sharp fall in sterling, although, the currency moved off its lows before the close. Elsewhere, the dollar handed back some of its gains from Wednesday. Meantime, the yen has been little changed following the BoJ meeting overnight. As expected, the BoJ also left policy on hold. However, remarks from Governor Ueda will garner interest in early trading this morning, and may impact the yen.

In level terms, GBP/USD opens this morning below the \$1.23 mark, having traded to a low of \$1.225 yesterday. EUR/GBP is in the top half of 86-87p. EUR/USD remains in the \$1.06-1.07 range.

Today, the main releases of note will be the flash PMIs for September in the US, Eurozone and the UK.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0651	0.15	-0.48
EUR/GBP	0.8676	0.50	-1.90
GBP/USD	1.2275	-0.35	1.47
GBP/EUR	1.152	-0.50	1.94
USD/JPY	148.2	-0.09	13.03
EUR/JPY	157.86	0.05	12.52

* 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	5.59	5.33	4.69
EUR	4.50	3.83	3.93	4.13	3.82	3.36
GBP	5.25	5.18	5.27	5.43	5.33	4.77

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

Friday 22 September 2023
07:35 am



Euro

EUR/GBP	0.8676
EUR/USD	1.0651
EUR/JPY	157.86
EUR/SEK	11.8965
EUR/DKK	7.4557
EUR/NOK	11.4691
EUR/CHF	0.9639
EUR/AUD	1.6582
EUR/HKD	8.328
EUR/CAD	1.4345

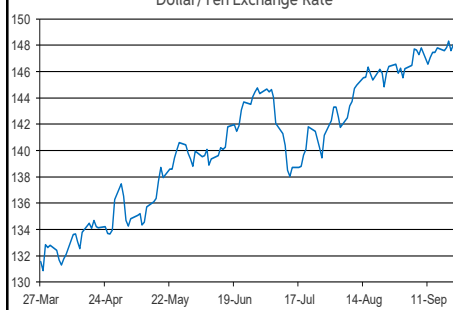
Sterling

GBP/EUR	1.152
GBP/USD	1.2275
GBP/CAD	1.6532
GBP/NZD	2.0679
GBP/JPY	181.92
GBP/SEK	13.7105
GBP/DKK	8.591
GBP/NOK	13.2185
GBP/CHF	1.111
GBP/AUD	1.911

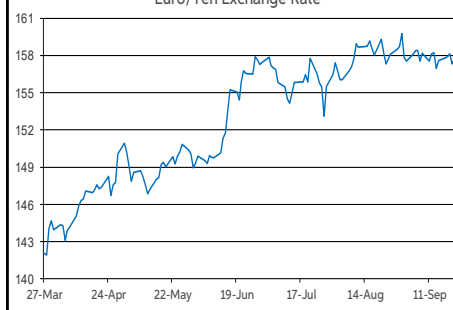
Dollar

USD/JPY	148.2
USD/CAD	1.3466
USD/CHF	0.9049
USD/CNY	7.3015
USD/BRL	4.9364
USD/RUB	96.0975
USD/INR	82.916
AUD/USD	0.6421
NZD/USD	0.5933

Dollar/Yen Exchange Rate

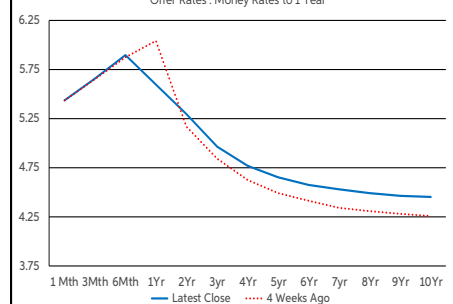


Euro/Yen Exchange Rate



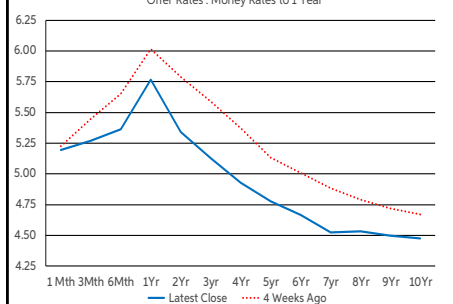
US Swap Curve

Offer Rates : Money Rates to 1 Year



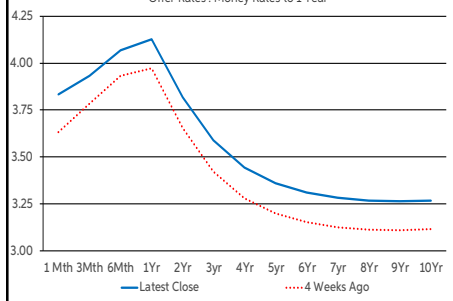
UK Swap Curve

Offer Rates : Money Rates to 1 Year

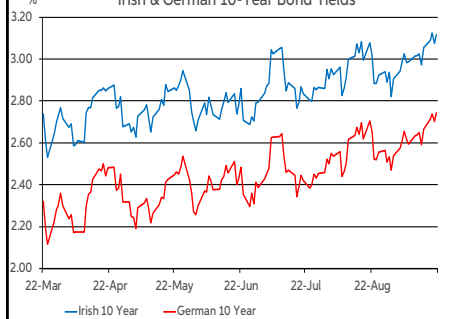


Eurozone Swap Curve

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	4.49	+10	+25	+62
Germany	2.75	+4	+23	+18
UK	4.31	+9	-12	+64
Ireland	3.15	+4	+23	+1
Belgium	3.38	+5	+20	+17
France	3.28	+4	+24	+17
Italy	4.55	+9	+36	-16
Spain	3.80	+5	+26	+15
Portugal	3.49	+6	+25	-11
Greece	4.19	+8	+33	-40
5 Year Swap %				
US	4.65	+3	+20	+66
Eurozone	3.36	-1	+17	+13
UK	4.78	+4	-30	+48
2 Year Swap %				
US	5.30	-6	+17	+62
Eurozone	3.82	-3	+17	+43
UK	5.34	+1	-44	+66
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	-0	+0	-18
Belgium	63	+1	-2	-1
France	54	-0	+1	-1
Italy	180	+5	+14	-34
Spain	106	+1	+3	-4
Portugal	74	+1	+3	-29
Greece	144	+3	+11	-59

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	93.3	-0.25	+11.92	+8.60
West Texas Oil	89.56	+0.41	+12.63	+11.73
Gold \$	1919.6	-0.52	+0.11	+5.22

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