

BoE/CPI data weighed on sterling last week

There was a rather downbeat tone to investor sentiment last week, amid hawkish soundings from the Fed, and weak PMI data for September. The Fed left monetary policy on hold, but FOMC officials still expect one more rate hike this year, and they have raised their rate projections for 2024 and 2025. US futures contracts are pricing in fewer rate cuts next year as a result. Meantime, the flash PMIs for September remained in contraction mode in the Eurozone and UK, and they were at subdued levels in the US.

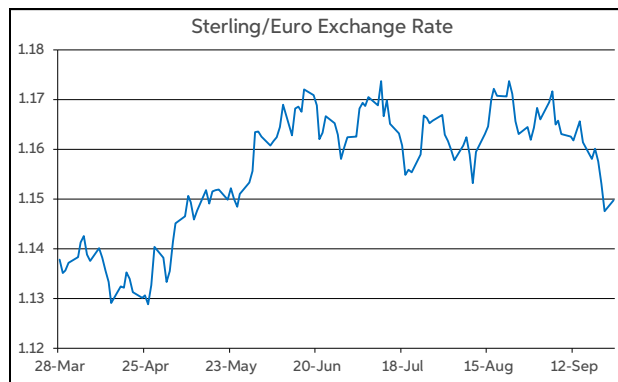
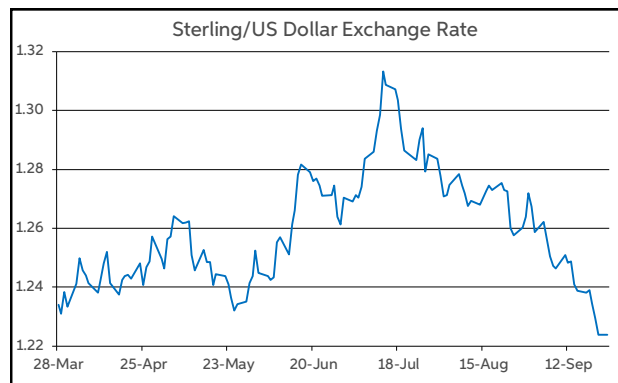
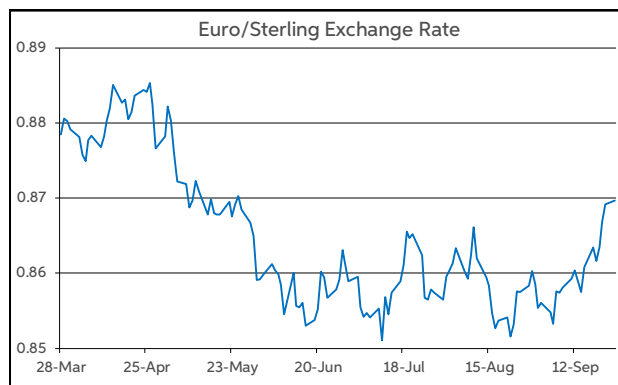
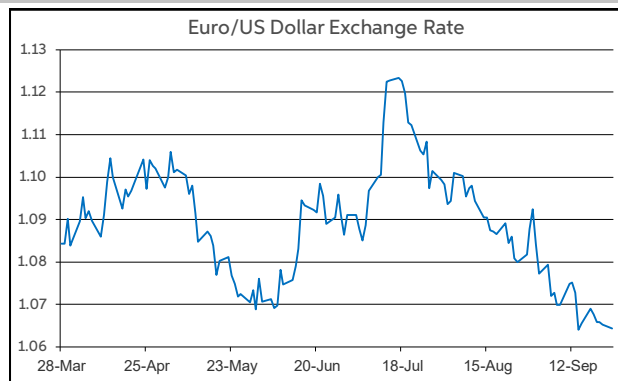
Against this backdrop, equity markets moved lower on both sides of the Atlantic. The Euro Stoxx 50 shed 2%, while the S&P 500 lost circa 3%. Meantime, US Treasury yields rose by 8-15bps, with the 10-year yield up near 4.5%. In contrast, UK Gilt yields fell sharply, with the 2-year yield down 25bps. Elsewhere, Brent crude oil moved off its peak, but remains elevated, just below \$94 per barrel.

On the currency front, sterling was on the defensive. The UK currency was under some downward pressure, amid a sharper than anticipated fall in core CPI inflation in August, and a surprise decision from the BoE not to raise rates. In a very close 5-4 vote, the BoE left Bank rate unchanged at 5.25%. Overall, sterling lost around 1% against the euro and the dollar.

As trading gets underway this morning, the softer tone to sterling is reflected in EUR/GBP opening up at the 87p handle. It also sees GBP/USD operating back in the lower half of the \$1.22-1.23 range. Meantime, EUR/USD remains between \$1.06-1.07.

This week, the main focus will be on flash September Eurozone HICP, and August US core-PCE inflation data. Remarks from a number of ECB and Fed officials will also be of keen interest.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0642	-0.11	-0.56
EUR/GBP	0.8698	0.29	-1.65
GBP/USD	1.2235	-0.39	1.14
GBP/EUR	1.1493	-0.29	1.68
USD/JPY	148.35	0.23	13.15
EUR/JPY	157.91	0.13	12.55

* 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	5.43	5.66	5.59	5.32	4.65
EUR	4.50	3.87	3.96	4.13	3.83	3.37
GBP	5.25	5.18	5.25	5.38	5.31	4.73

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

Monday 25 September 2023
06:53 am



Euro

EUR/GBP	0.8698
EUR/USD	1.0642
EUR/JPY	157.91
EUR/SEK	11.8477
EUR/DKK	7.4564
EUR/NOK	11.4475
EUR/CHF	0.9666
EUR/AUD	1.6578
EUR/HKD	8.3192
EUR/CAD	1.4354

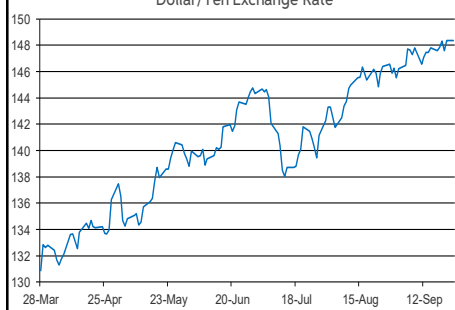
Sterling

GBP/EUR	1.1493
GBP/USD	1.2235
GBP/CAD	1.6501
GBP/NZD	2.0578
GBP/JPY	181.51
GBP/SEK	13.6176
GBP/DKK	8.5717
GBP/NOK	13.1584
GBP/CHF	1.1111
GBP/AUD	1.9059

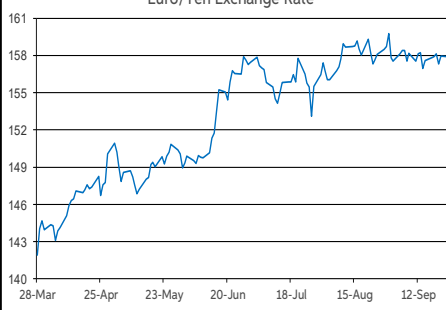
Dollar

USD/JPY	148.35
USD/CAD	1.3487
USD/CHF	0.908
USD/CNY	7.3066
USD/BRL	4.9349
USD/RUB	96.4125
USD/INR	83.1075
AUD/USD	0.6419
NZD/USD	0.5944

Dollar/Yen Exchange Rate

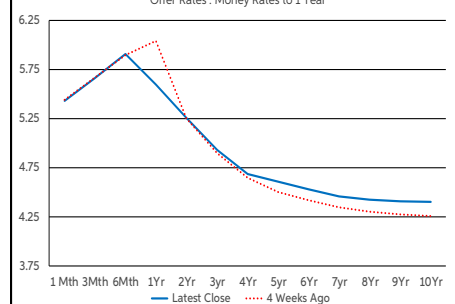


Euro/Yen Exchange Rate



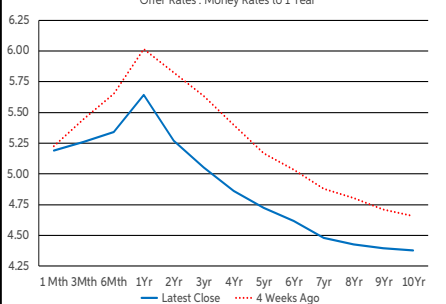
US Swap Curve

Offer Rates : Money Rates to 1 Year



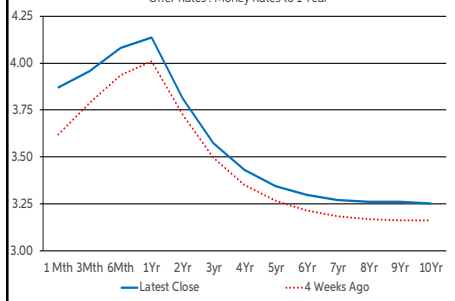
UK Swap Curve

Offer Rates : Money Rates to 1 Year

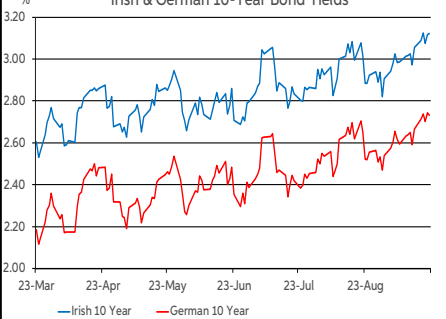


Eurozone Swap Curve

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	4.44	-6	+21	+56
Germany	2.74	-1	+18	+17
UK	4.25	-6	-19	+58
Ireland	3.16	+1	+20	+1
Belgium	3.37	-0	+18	+17
France	3.29	+0	+21	+17
Italy	4.59	+4	+36	-11
Spain	3.81	+1	+23	+15
Portugal	3.50	+1	+21	-10
Greece	4.23	+4	+35	-37
5 Year Swap %				
US	4.61	-5	+14	+61
Eurozone	3.35	-1	+9	+12
UK	4.72	-6	-40	+42
2 Year Swap %				
US	5.26	-5	+5	+58
Eurozone	3.81	-1	+10	+43
UK	5.27	-7	-55	+59
10 Year Government Bond Spreads to Benchmark bps				
Ireland	42	+2	+2	-16
Belgium	64	+1	+0	+0
France	55	+2	+3	+0
Italy	186	+6	+18	-29
Spain	107	+2	+6	-2
Portugal	77	+2	+3	-27
Greece	149	+5	+17	-54

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	93.27	-0.03	+10.40	+8.57
West Texas Oil	90	+0.49	+11.84	+12.28
Gold \$	1925.0	+0.28	+0.55	+5.51

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