

## 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%.

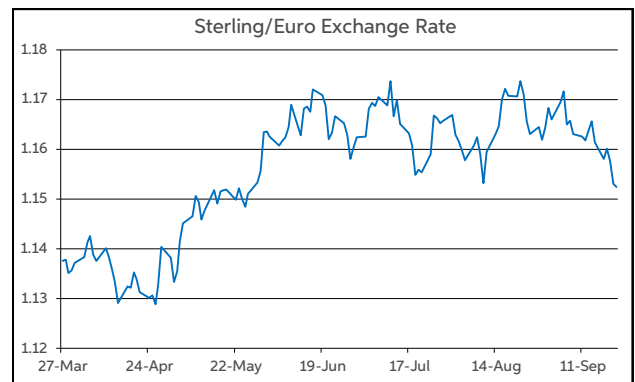
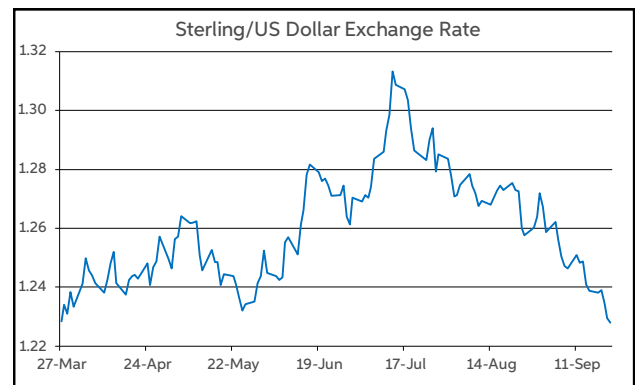
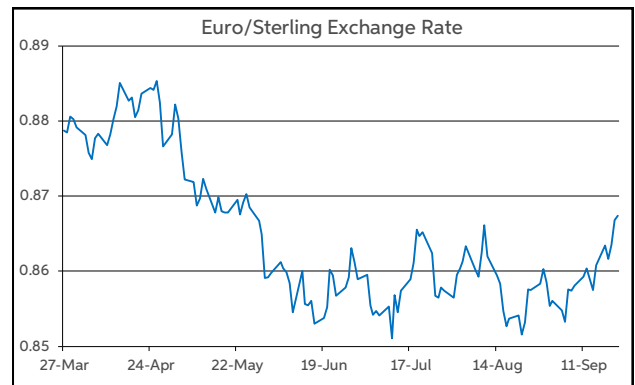
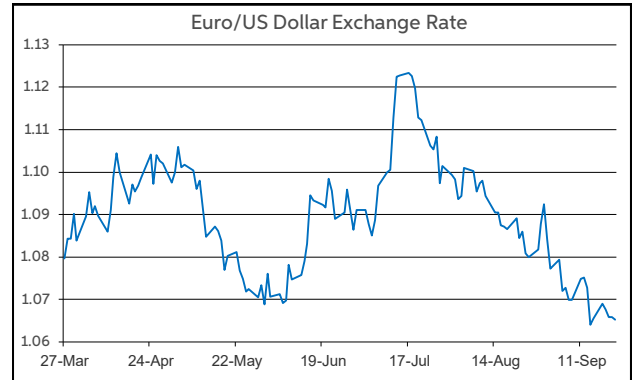
Meantime, the BoE surprised investors yesterday, by also leaving interest rates unchanged. Market pricing indicated that there was a 60% chance the BoE would hike rates by 25bps. However, the decision to hold was a close call, with five MPC members voting for no change, and four in favour of raising 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

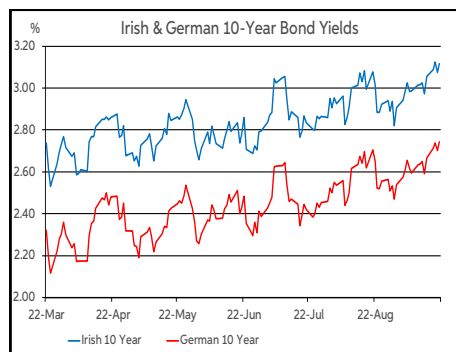
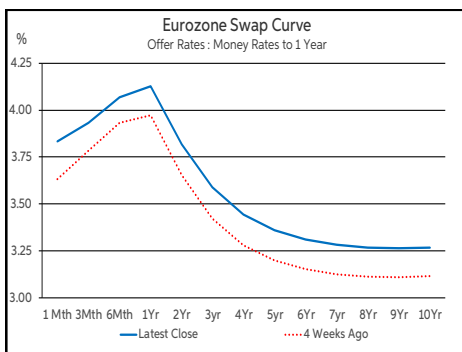
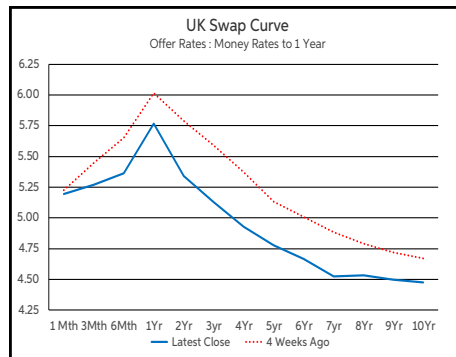
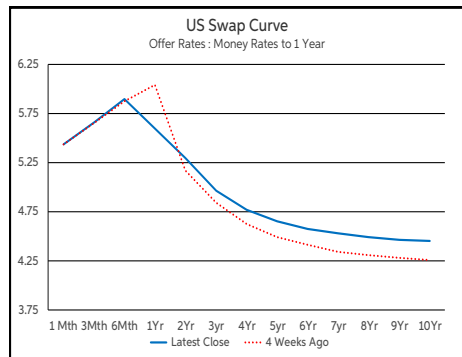
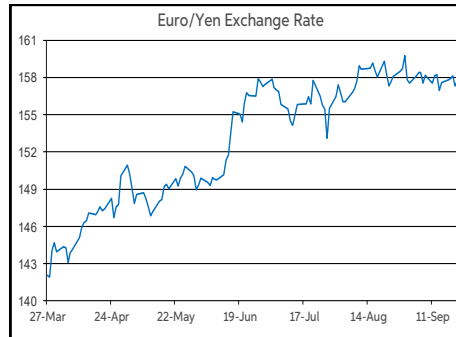
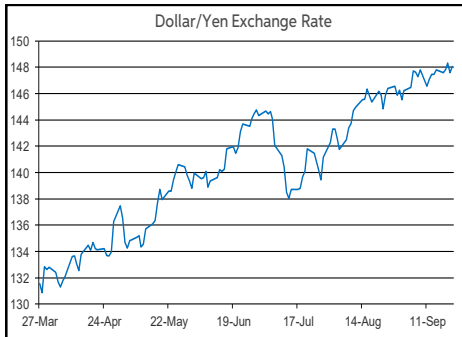
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

# Opening Levels

Friday 22 September 2023  
07:35 am



Euro		Sterling		Dollar	
EUR/GBP	0.8676	GBP/EUR	1.152	USD/JPY	148.2
EUR/USD	1.0651	GBP/USD	1.2275	USD/CAD	1.3466
EUR/JPY	157.86	GBP/CAD	1.6532	USD/CHF	0.9049
EUR/SEK	11.8965	GBP/NZD	2.0679	USD/CNY	7.3015
EUR/DKK	7.4557	GBP/JPY	181.92	USD/BRL	4.9364
EUR/NOK	11.4691	GBP/SEK	13.7105	USD/RUB	96.0975
EUR/CHF	0.9639	GBP/DKK	8.591	USD/INR	82.916
EUR/AUD	1.6582	GBP/NOK	13.2185	AUD/USD	0.6421
EUR/HKD	8.328	GBP/CHF	1.111	NZD/USD	0.5933
EUR/CAD	1.4345	GBP/AUD	1.911		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	4.49	+10	+25	+62
Germany	2.75	+4	+23	+18
UK	4.31	+9	-12	+64
<b>5 Year Swap %</b>				
US	4.65	+3	+20	+66
Eurozone	3.36	-1	+17	+13
UK	4.78	+4	-30	+48
<b>2 Year Swap %</b>				
US	5.30	-6	+17	+62
Eurozone	3.82	-3	+17	+43
UK	5.34	+1	-44	+66
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
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

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.