

Sterling recovers well as dollar rally hits pause

Another volatile week ended a dismal month for financial markets, which have been battered by a sharp tightening of monetary policy. Although the Euro Stoxx 50 recouped some ground on Friday, it finished the week down by circa 1%. The S&P500 fell by 2.6% on the week. Overall, both indices shed 6-9% in September.

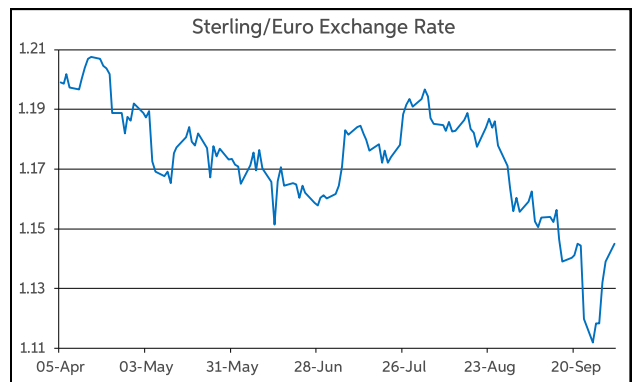
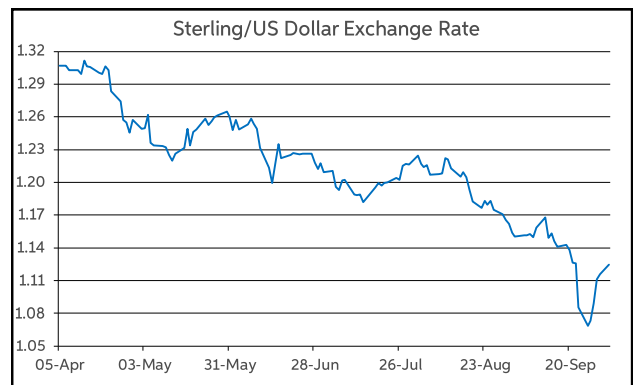
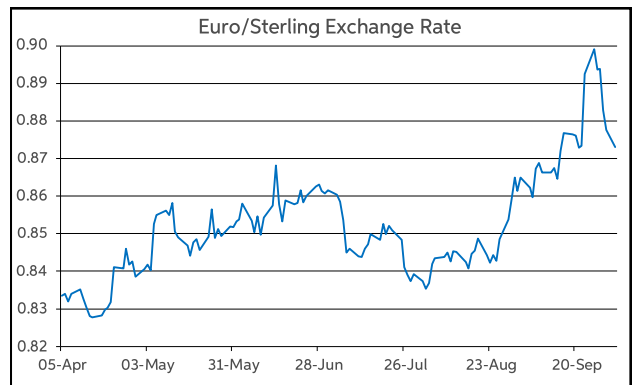
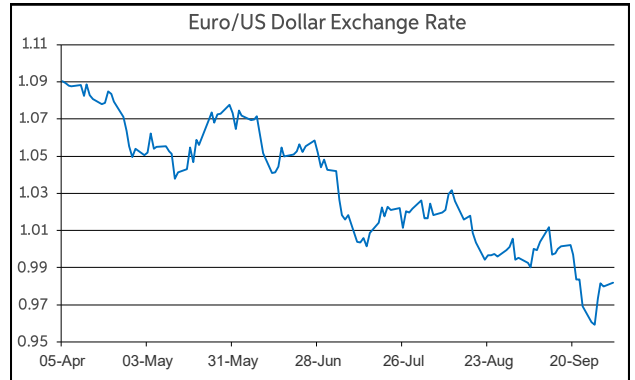
However, most of the volatility over the past month has been on the bond and forex markets. Last week was no different. German Bund and US Treasury yield curves bear steepened. Meanwhile, due to longer dated UK gilt yields rising by circa 100bps in the space of two days, the BoE intervened to calm the market by postponing QT and purchasing long-dated gilts. Nevertheless, gilt yields still rose by 30-50bps at the front end of the curve, while longer-dated yields fell sharply following the BoE's intervention.

Currency-wise, the BoE's intervention came to sterling's rescue also. The currency started last week at an all-time low of \$1.035 versus the dollar, and moved above 93p against the euro. However, sterling recovered well as the week progressed, with GBP/USD closing on Friday above \$1.12. Meanwhile, the dollar rally paused for breath on month/quarter-end flows and reports the PBOC had moved to strengthen the yuan.

In level terms, EUR/USD opens above the \$0.98 handle. Meantime, EUR/GBP is changing hands down in the lower half of 87-88p. GBP/USD is at the midpoint of \$1.12-1.13.

This week, the main data highlight will be the US labour market report on Friday. Beforehand, a number of speeches from central bank officials and a critical OPEC+ meeting will be of interest. On the currency front, the dollar rally could well regain momentum.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	0.9821	0.23	-13.61
EUR/GBP	0.8729	-1.05	3.92
GBP/USD	1.125	1.31	-16.85
GBP/EUR	1.1451	1.07	-3.77
USD/JPY	144.82	0.17	25.84
EUR/JPY	142.27	0.42	8.71

* 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	3.125	3.14	3.75	4.51	4.49	4.08
EUR	1.25	0.68	1.17	2.48	2.83	2.97
GBP	2.25	2.29	3.34	5.25	5.61	5.33

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

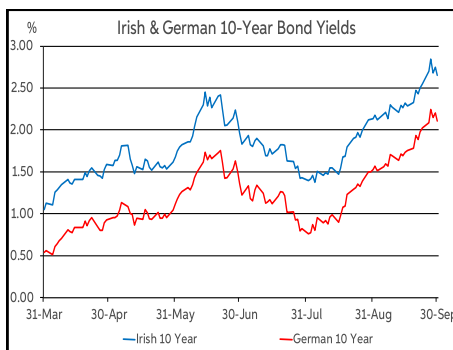
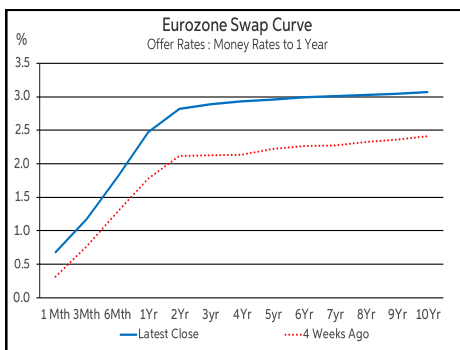
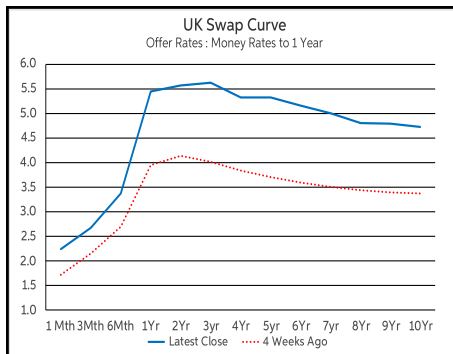
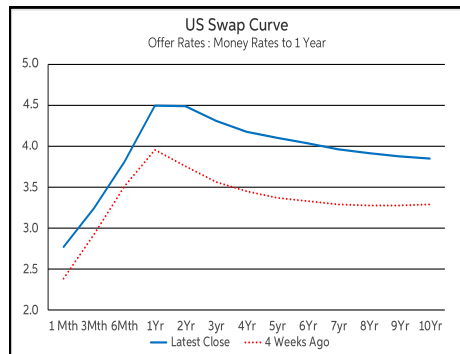
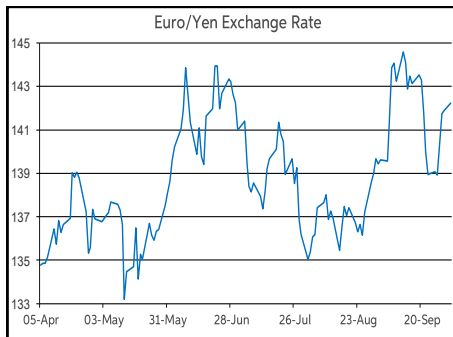
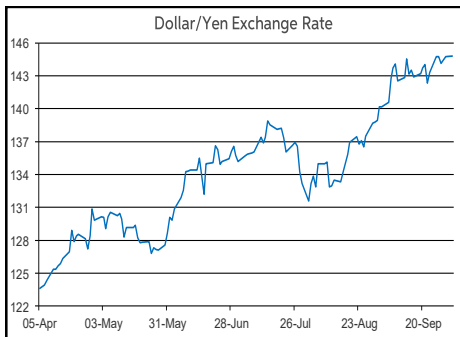
CONTACTS		
AIB Customer Treasury Services business.treasury@aib.ie aib.corporatetreasury@aib.ie aib.ie/fxcentre	Customer Treasury Services GB treasury.gb@aib.ie aibgb.co.uk/fxcentre	Customer Treasury Services NI TreasuryNI@aib.ie aibni.co.uk/fxcentre

Opening Levels

Monday 03 October 2022
07:11 am



Euro		Sterling		Dollar	
EUR/GBP	0.8728	GBP/EUR	1.1453	USD/JPY	144.82
EUR/USD	0.9821	GBP/USD	1.125	USD/CAD	1.3745
EUR/JPY	142.27	GBP/CAD	1.5465	USD/CHF	0.9838
EUR/SEK	10.8358	GBP/NZD	1.9888	USD/CNY	7.1135
EUR/DKK	7.4357	GBP/JPY	162.92	USD/BRL	5.4154
EUR/NOK	10.6321	GBP/SEK	12.4094	USD/RUB	58
EUR/CHF	0.9663	GBP/DKK	8.5162	USD/INR	81.697
EUR/AUD	1.5227	GBP/NOK	12.1797		
EUR/HKD	7.7108	GBP/CHF	1.1069	AUD/USD	0.645
EUR/CAD	1.3502	GBP/AUD	1.7441	NZD/USD	0.5655



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.83	+5	+63	+232
Germany	2.11	-10	+59	+229
UK	4.10	-4	+118	+312
5 Year Swap %				
Ireland	2.71	-10	+54	+246
Belgium	2.77	-10	+58	+259
France	2.72	-9	+57	+253
Italy	4.51	-16	+67	+332
Spain	3.30	-9	+57	+271
Portugal	3.19	-10	+56	+270
Greece	4.83	-10	+62	+351
2 Year Swap %				
US	4.10	+6	+77	+277
Eurozone	2.96	-9	+75	+295
UK	5.33	+14	+167	+405
10 Year Government Bond Spreads to Benchmark bps				
Ireland	60	+0	-4	+17
Belgium	66	-0	-1	+30
France	61	+1	-2	+24
Italy	240	-6	+8	+103
Spain	119	+1	-2	+42
Portugal	108	-1	-3	+41
Greece	272	+0	+3	+123

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	87.96	-0.60	-5.44	+13.09
West Texas Oil	79.91	-2.29	-8.45	+6.08
Gold \$	1659.7	-0.04	-3.02	-9.23

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.