

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.

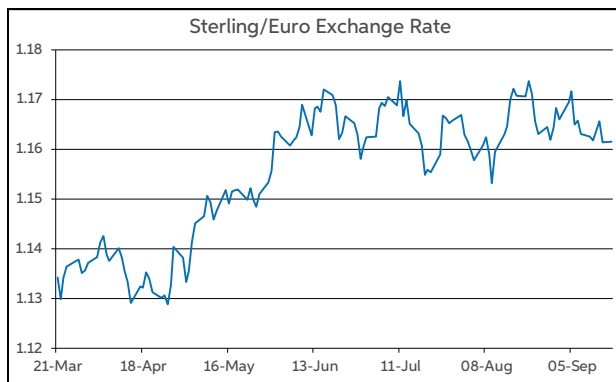
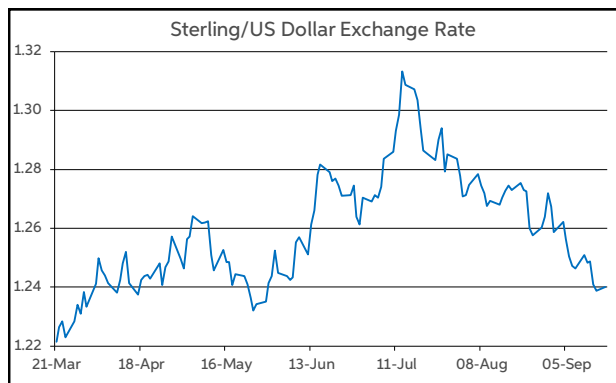
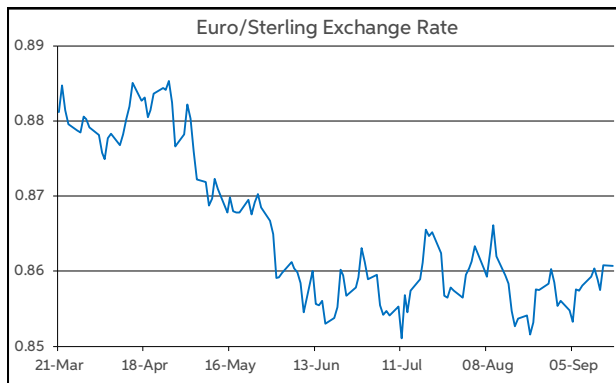
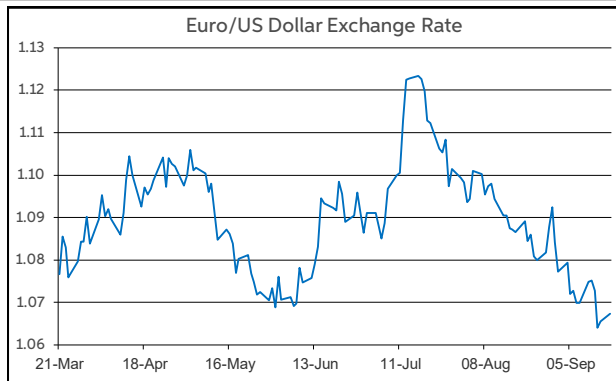
Against this backdrop, futures contracts indicate that Eurozone interest rates have now peaked. Furthermore, Eurozone rates are seen as being cut to circa 3.25% by end 2024, broadly unchanged from before the ECB meeting. Meantime, investors have reduced expectations for rate cuts in the US next year 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						
	Base Rate	Money Market		Swap Rates		
		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

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

Monday 18 September 2023
07:16 am



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

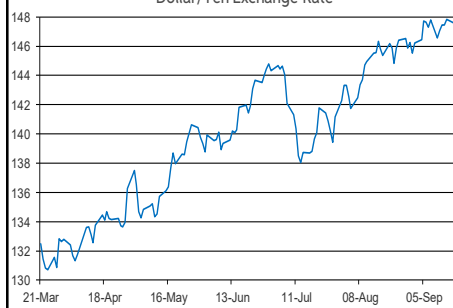
Sterling

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

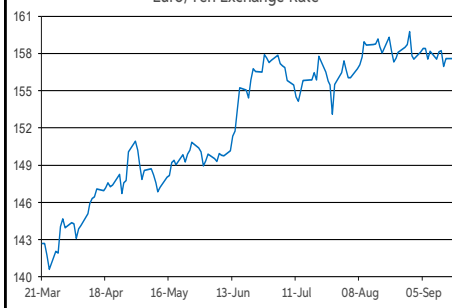
Dollar

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

Dollar/Yen Exchange Rate

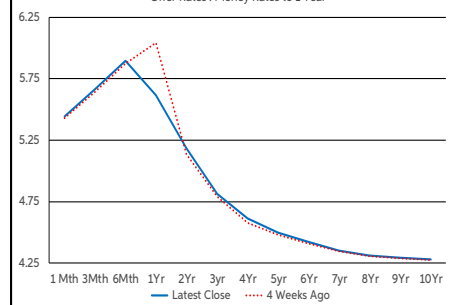


Euro/Yen Exchange Rate



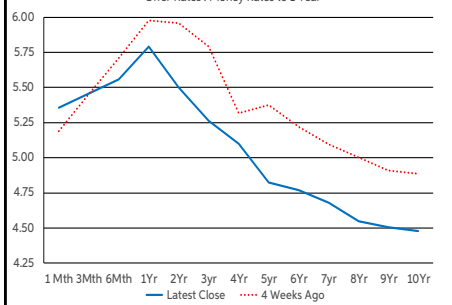
US Swap Curve

Offer Rates : Money Rates to 1 Year



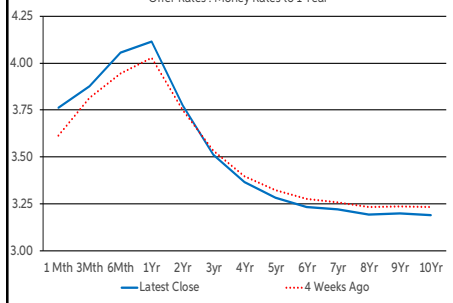
UK Swap Curve

Offer Rates : Money Rates to 1 Year

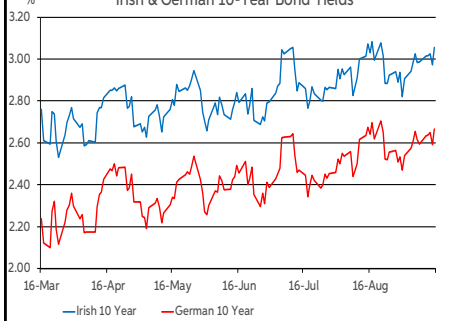


Eurozone Swap Curve

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	4.34	+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 Government Bond Spreads to Benchmark 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

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.