Morning Comment

AIB Treasury Economic Research Unit

Monday 25 September 2023
06:53 am

BoE/CPI data weighed on sterling last week

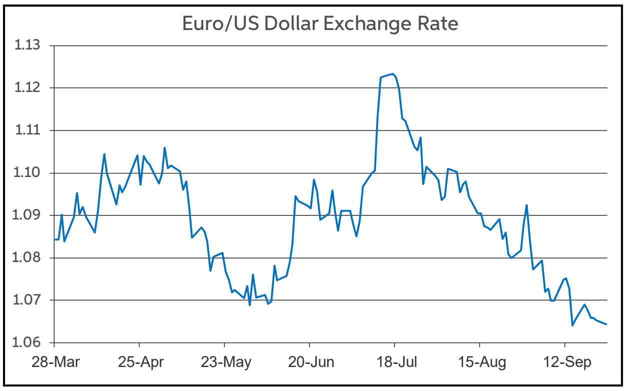
There was a rather downbeat tone to investor sentiment last week, amid hawkish soundings from the Fed, and weak PMI data for September. The Fed left monetary policy on hold, but FOMC officials still expect one more rate hike this year, and they have raised their rate projections for 2024 and 2025. US 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.

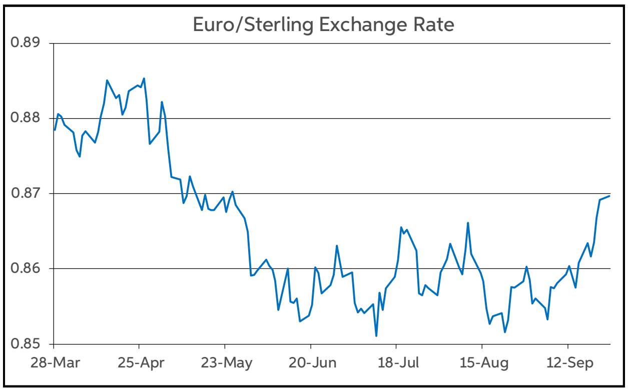
Against this backdrop, equity markets moved lower on both sides of the Atlantic. The Euro Stoxx 50 shed 2%, while the S&P 500 lost circa 3%. Meantime, US Treasury yields rose by 8-15bps, with the 10-year yield up near 4.5%. In contrast, UK Gilt yields fell sharply, with the 2-year yield down 25bps. Elsewhere,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

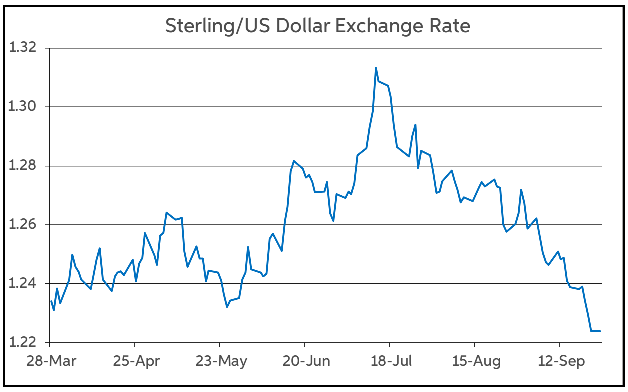
On the currency front, sterling was on the defensive. The UK currency was under some downward pressure, amid a sharper than anticipated fall in core CPI inflation in August, and a surprise decision from the BoE not to raise rates. In a very close 5-4 vote, the BoE left Bank rate unchanged at 5.25%. Overall,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

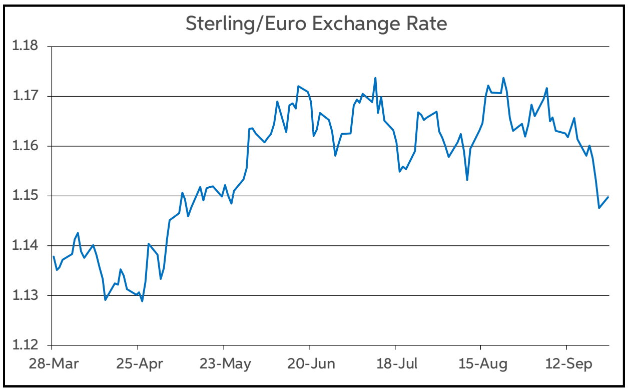
As trading gets underway this morning, the softer tone to sterling is reflected in EUR/GBP opening up at the 87p handle. It also sees GBP/USD operating back in the lower half of the $1.22-1.23 range. Meantime, EUR/USD remains between $1.06-1.07.

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

		Money Market		Swap Rates		
	Base Rate	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: AIBG.I
Phone: 00353-1-7724018
Morning Comment: John Fahey, john.j.fahey@aib.ie

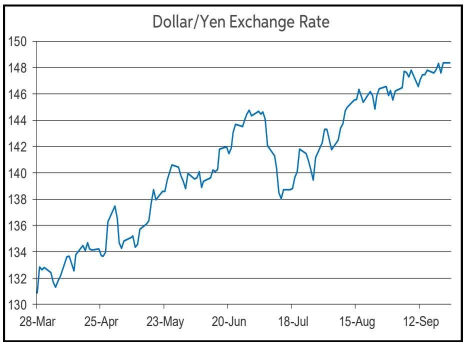
All Data Sourced from Refinitiv

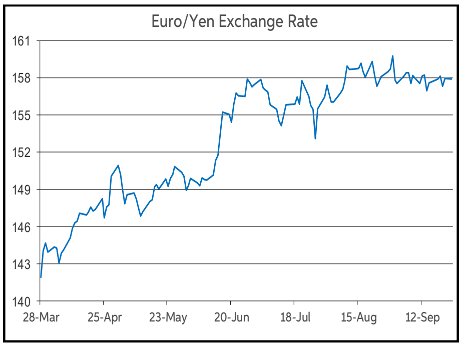
Opening Levels

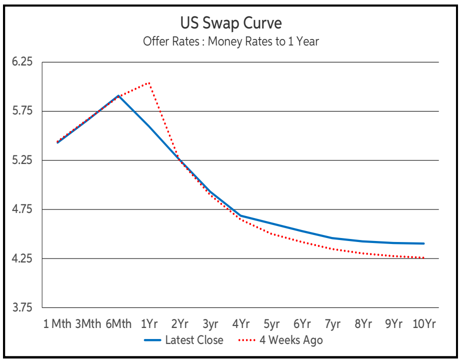
Monday 25 September 2023
06:53 am

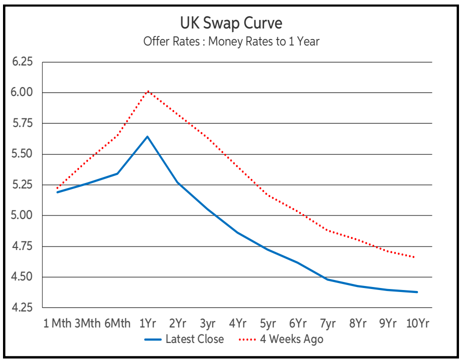
AIB

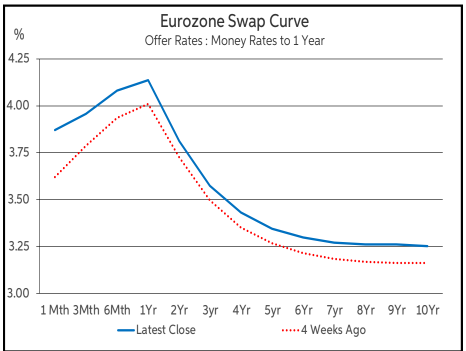
Euro		Sterling		Dollar	
EUR/GBP	0.8698	GBP/EUR	1.1493	USD/JPY	148.35
EUR/USD	1.0642	GBP/USD	1.2235	USD/CAD	1.3487
EUR/JPY	157.91	GBP/CAD	1.6501	USD/CHF	0.908
EUR/SEK	11.8477	GBP/NZD	2.0578	USD/CNY	7.3066
EUR/DKK	7.4564	GBP/JPY	181.51	USD/BRL	4.9349
EUR/NOK	11.4475	GBP/SEK	13.6176	USD/RUB	96.4125
EUR/CHF	0.9666	GBP/DKK	8.5717	USD/INR	83.1075
EUR/AUD	1.6578	GBP/NOK	13.1584		
EUR/HKD	8.3192	GBP/CHF	1.1111	AUD/USD	0.6419
EUR/CAD	1.4354	GBP/AUD	1.9059	NZD/USD	0.5944

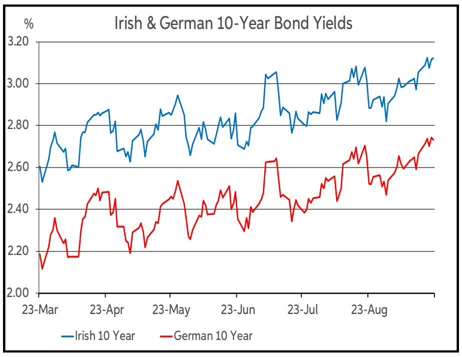












Debt Markets

	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

	Close	% Change 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

AIB, 10 Molesworth Street, Dublin 2 Tel: 353-1-6600311