

## 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.

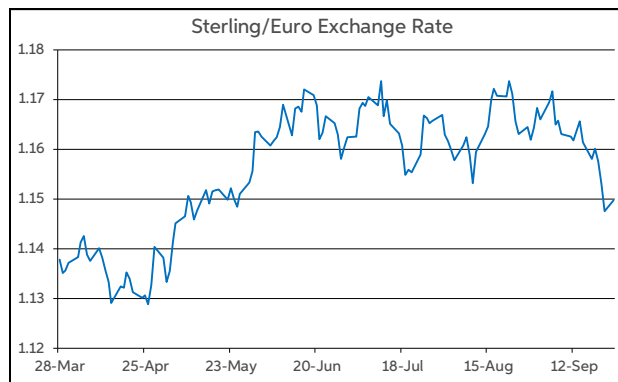
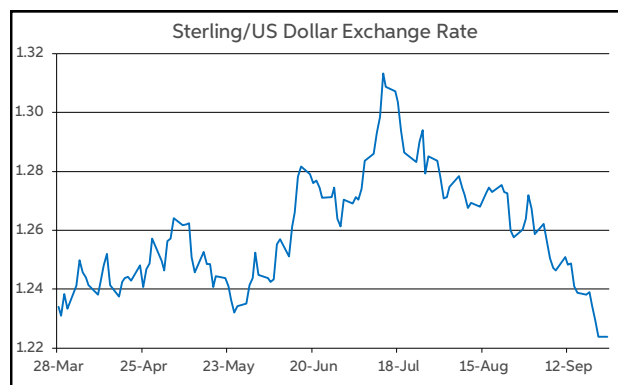
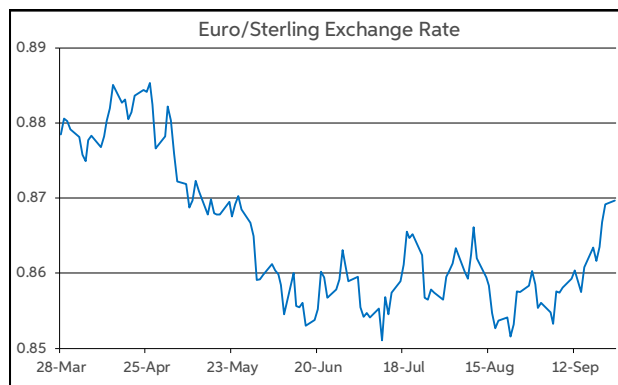
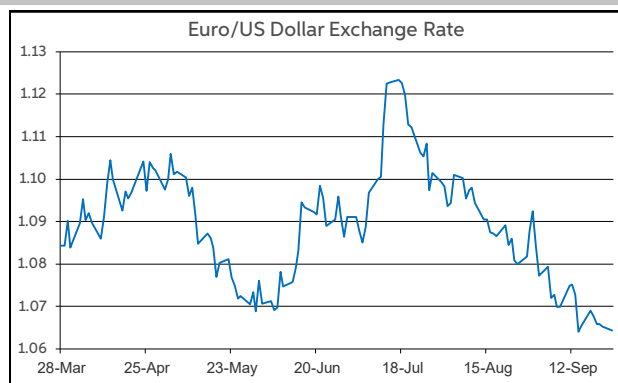
Against this backdrop, equity markets moved lower on both sides of the Atlantic. The Euro Stoxx 50 shed 2%, while the S&P 500 lost circa 3%. Meantime, US Treasury yields rose by 8-15bps, with the 10-year yield up near 4.5%. In contrast, UK Gilt yields fell sharply, with the 2-year yield down 25bps. Elsewhere, 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<br>Shane Gargan | FX Options | Mark Tuite | Reuters<br>Phone | AIBG.I<br>00353-1-7724018 | Morning Comment | John Fahey<br>john.j.fahey@aib.ie |
|---------|----------------------------|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|

# 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  |

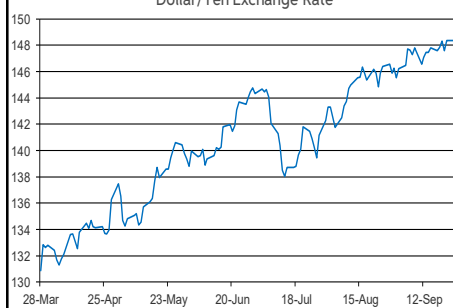
## Sterling

|         |         |
|---------|---------|
| 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  |

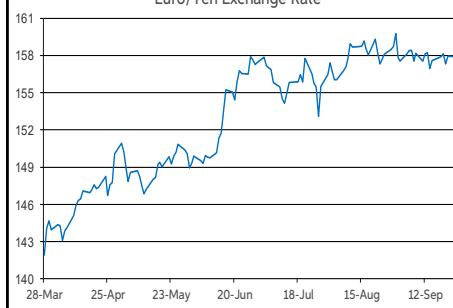
## Dollar

|         |         |
|---------|---------|
| 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

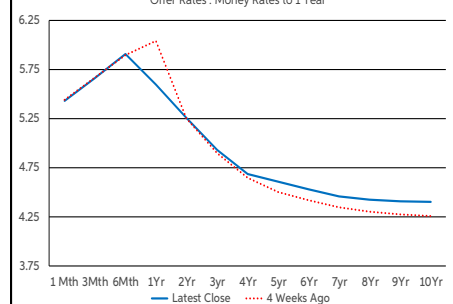


Euro/Yen Exchange Rate



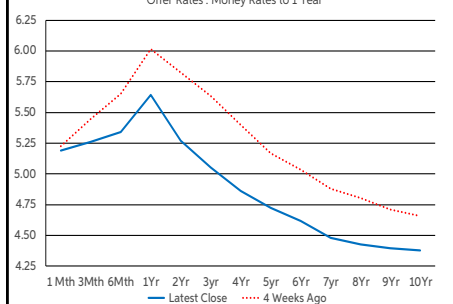
US Swap Curve

Offer Rates : Money Rates to 1 Year



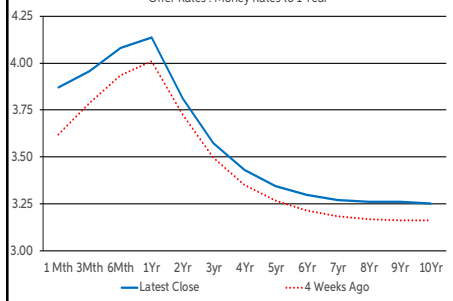
UK Swap Curve

Offer Rates : Money Rates to 1 Year

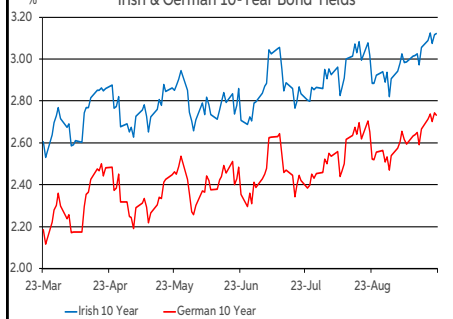


Eurozone Swap Curve

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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