

Fed leaves policy on hold. BoE in focus today

Throughout the European session yesterday, there was a positive tone to investor sentiment. The upbeat mood was supported by data, which showed a surprise fall in UK core-CPI inflation (6.2% vs. 6.8% f'cast), and a sharp decline in German PPI inflation (-12.6%) in August. Against this backdrop, the Euro Stoxx 50 rose by 0.8%.

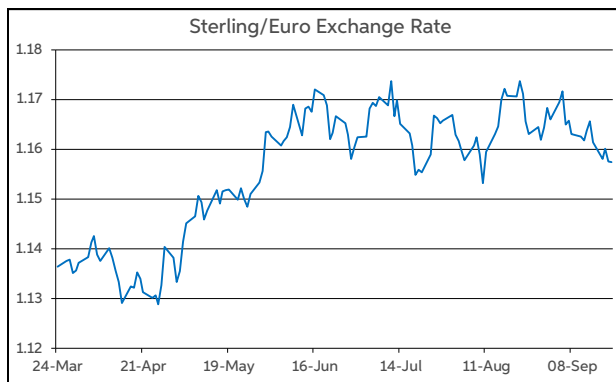
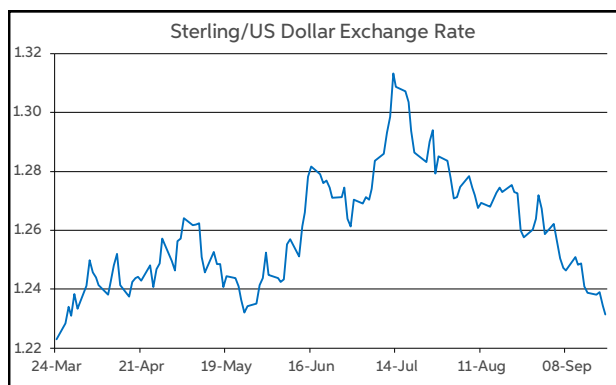
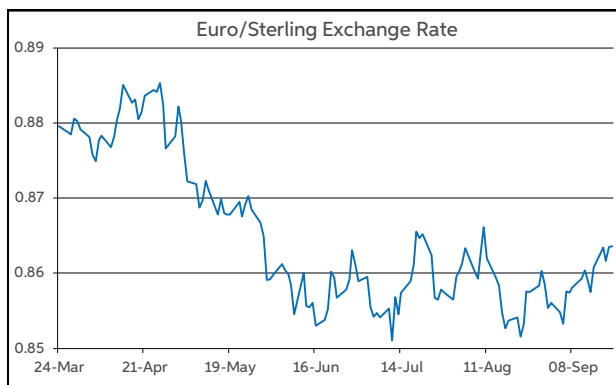
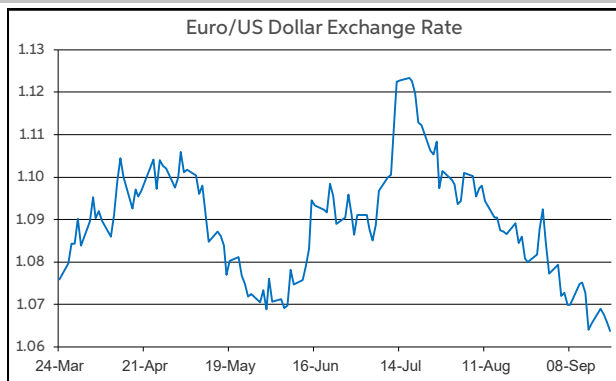
After the close in Europe, the Fed opted to leave rates on hold, as had been widely anticipated. Chair Powell, struck a balanced chord at the press conference, reiterating that future policy decisions will be based on the incoming data. Furthermore, the updated Fed interest rate dotplot showed that the median projection is still for rates to end this year at 5.50-5.75%, compared to their current level of 5.25-5.50%. Fed officials also upped their rate projections for next year, indicating a quick reversal of policy is unlikely.

The market reaction to the meeting saw a hardening in interest rate expectations. Futures contracts now suggest that there is a 60% chance the Fed will raise rates again. Furthermore, rates are now seen as being cut by circa 60bps from their current level in 2024, compared to by 75bps before the meeting. Elsewhere, overnight, the dollar recouped its losses from earlier in the day.

In level terms, EUR/USD opens back below the midpoint of \$1.06-1.07, having traded to a high of \$1.073 yesterday. GBP/USD is in the lower half of \$1.23-1.24. EUR/GBP remains in the 86-87p range.

Today, the monetary policy spotlight shifts to the Bank of England. Current futures pricing indicates there is just a 60% chance that the BoE will raise UK rates by 25bps, down from an 80% chance before the CPI data were released yesterday. The policy decision poses some event risk for sterling.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0639	-0.36	-0.59
EUR/GBP	0.8637	0.20	-2.34
GBP/USD	1.2315	-0.59	1.80
GBP/EUR	1.1574	-0.20	2.40
USD/JPY	148.28	0.30	13.10
EUR/JPY	157.79	-0.04	12.47

* 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	5.37	4.68
EUR	4.50	3.89	3.93	4.14	3.86	3.41
GBP	5.25	5.30	5.36	5.48	5.34	4.74

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
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Opening Levels

Thursday 21 September 2023
07:23 am



Euro

EUR/GBP	0.8637
EUR/USD	1.0639
EUR/JPY	157.79
EUR/SEK	11.8819
EUR/DKK	7.4529
EUR/NOK	11.51
EUR/CHF	0.9573
EUR/AUD	1.6593
EUR/HKD	8.3241
EUR/CAD	1.4356

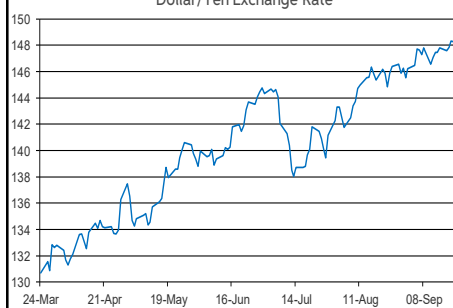
Sterling

GBP/EUR	1.1574
GBP/USD	1.2315
GBP/CAD	1.6617
GBP/NZD	2.0844
GBP/JPY	182.62
GBP/SEK	13.7533
GBP/DKK	8.627
GBP/NOK	13.3238
GBP/CHF	1.1082
GBP/AUD	1.9207

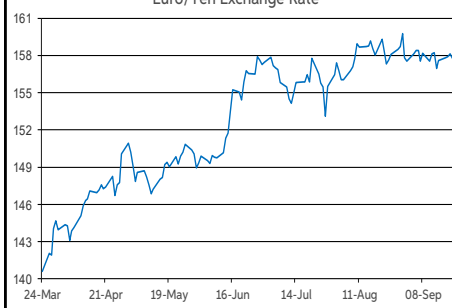
Dollar

USD/JPY	148.28
USD/CAD	1.3491
USD/CHF	0.8999
USD/CNY	7.3021
USD/BRL	4.8787
USD/RUB	96.3275
USD/INR	83.139
AUD/USD	0.6411
NZD/USD	0.5906

Dollar/Yen Exchange Rate

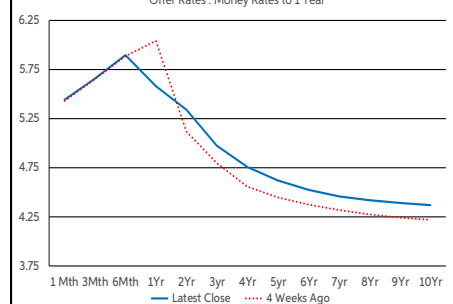


Euro/Yen Exchange Rate



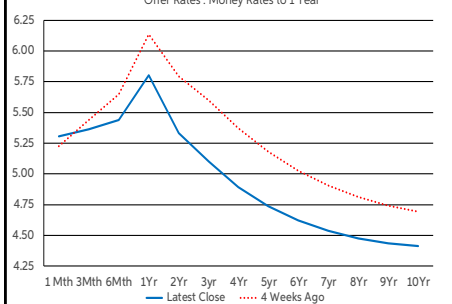
US Swap Curve

Offer Rates : Money Rates to 1 Year



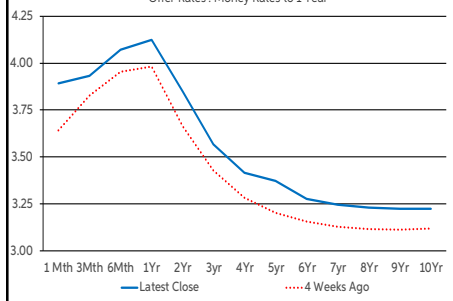
UK Swap Curve

Offer Rates : Money Rates to 1 Year

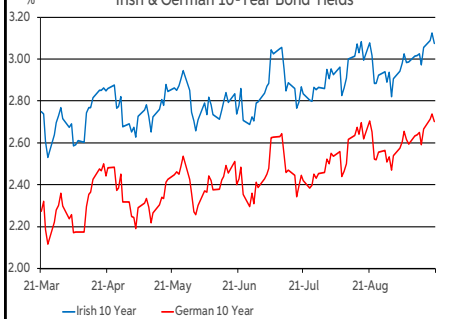


Eurozone Swap Curve

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	4.40	+3	+20	+52
Germany	2.70	-4	+18	+14
UK	4.22	-13	-25	+55
Ireland	3.11	-4	+20	-3
Belgium	3.33	-4	+16	+13
France	3.24	-4	+19	+13
Italy	4.45	-6	+28	-25
Spain	3.75	-5	+21	+10
Portugal	3.43	-4	+20	-17
Greece	4.11	-4	+24	-48
5 Year Swap %				
US	4.62	+6	+21	+62
Eurozone	3.37	+1	+18	+14
UK	4.74	-17	-44	+43
2 Year Swap %				
US	5.34	+9	+27	+67
Eurozone	3.85	+1	+19	+46
UK	5.33	-15	-45	+65
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	-0	+2	-18
Belgium	62	-1	-2	-2
France	54	-0	+1	-1
Italy	175	-3	+10	-39
Spain	105	-1	+3	-5
Portugal	73	-0	+2	-31
Greece	141	-1	+6	-62

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	93.53	-0.86	+12.40	+8.87
West Texas Oil	90.3	-0.94	+14.43	+12.65
Gold \$	1929.7	-0.07	+0.80	+5.77

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