

Fed hikes by 75bps, BoE ahead today

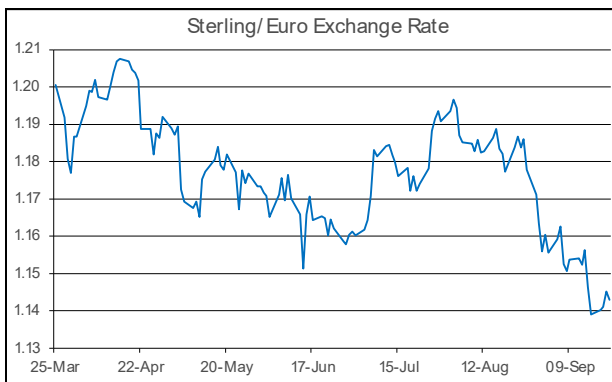
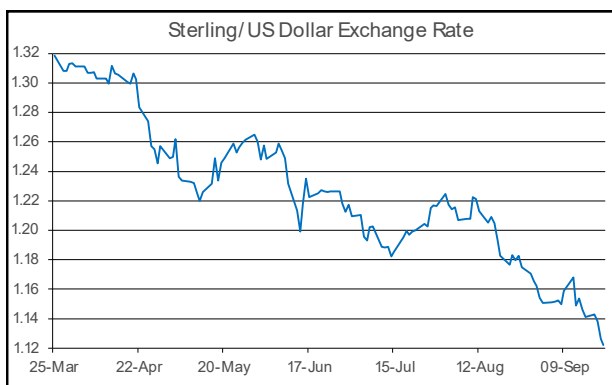
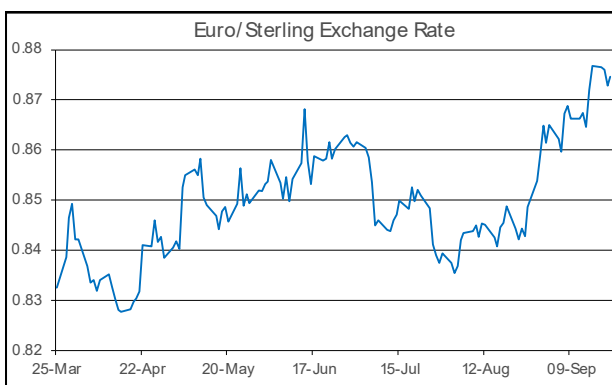
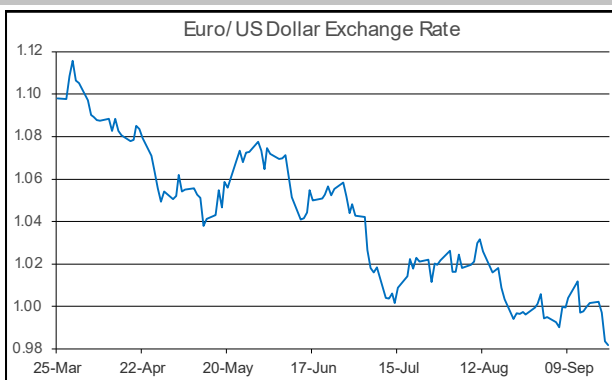
As expected, the US Fed raised rates by 75bps yesterday, bringing the Fed Funds target range up to 3-3.25%. It was the third consecutive 75bps rate hike from the central bank. The updated interest dotplot shows the Fed anticipates an aggressive path of rate hikes over the next number of months. Rates are now seen as rising to 4.25-4.5% by year end, and to a peak of 4.5-4.75% next year. At the press conference Chair Powell struck a hawkish tone.

Although the Fed announcement was in-line with expectations, the dotplot outlines a more aggressive pace of rate hikes than the market had been pricing. Futures contracts have adjusted higher, moving to match the dotplot overnight. Meanwhile, equity markets fell sharply in response, with the S&P500 down 1.7%. On bond markets, the 2-year US Treasury yield rose by 17bps.

Currency-wise, the dollar was firmly in control yesterday. The dollar index, a measure of the currency's value versus a basket of its peers, rose to a new 20-year high. Meanwhile, the euro was on the defensive, as President Putin called 300k reservists up to the Russian army. EUR/USD fell back below the \$0.99 threshold.

In level terms, EUR/USD opens in the lower half of \$0.98-0.99. Meantime, EUR/GBP is changing hands near the midpoint of 87-88p. GBP/USD is operating down in the bottom half of \$1.12-1.13.

Today, it is the turn of the Bank of England to enter the monetary policy spotlight. A seventh consecutive increase in the Bank rate is anticipated. However, there remains some uncertainty regarding the magnitude of the rate hike. Current market pricing gives over an 80% chance of a 75bps rate hike, up from 50% on Monday. The announcement poses some event risk for sterling.



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/ USD	0.9818	-1.42	-13.63
EUR/ GBP	0.8746	-0.15	4.12
GBP/ USD	1.1226	-1.25	-17.02
GBP/ EUR	1.1429	0.15	-3.96
USD/ JPY	145.24	0.85	26.21
EUR/ JPY	142.65	-0.58	9.00

* 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	2.375	3.05	3.60	4.58	4.53	3.91
EUR	1.25	0.70	1.10	2.48	2.83	2.77
GBP	1.75	2.34	2.87	4.36	4.65	4.22

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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Opening Levels

Thursday 22 September 2022
07:28 am



Euro

EUR/GBP	0.8746
EUR/USD	0.9818
EUR/JPY	142.65
EUR/SEK	10.8963
EUR/DKK	7.4359
EUR/NOK	10.2037
EUR/CHF	0.9486
EUR/AUD	1.4888
EUR/HKD	7.7083
EUR/CAD	1.3283

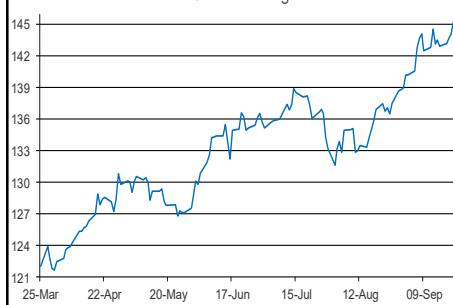
Sterling

GBP/EUR	1.1429
GBP/USD	1.1226
GBP/CAD	1.5183
GBP/NZD	1.9278
GBP/JPY	163.07
GBP/SEK	12.458
GBP/DKK	8.4996
GBP/NOK	11.6638
GBP/CHF	1.0844
GBP/AUD	1.7019

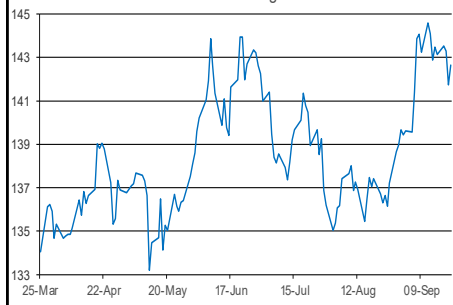
Dollar

USD/JPY	145.24
USD/CAD	1.3525
USD/CHF	0.9661
USD/CNY	7.0897
USD/BRL	5.1716
USD/RUB	60.95
USD/INR	80.7325
AUD/USD	0.6595
NZD/USD	0.582

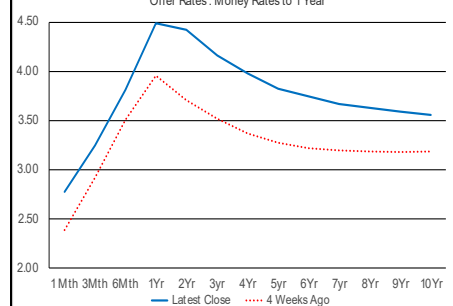
Dollar/Yen Exchange Rate



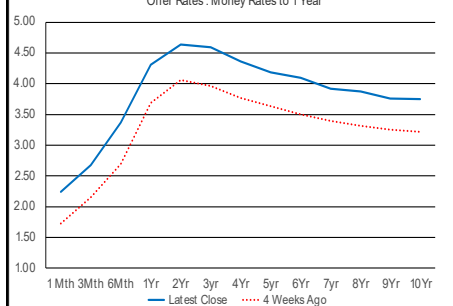
Euro/Yen Exchange Rate



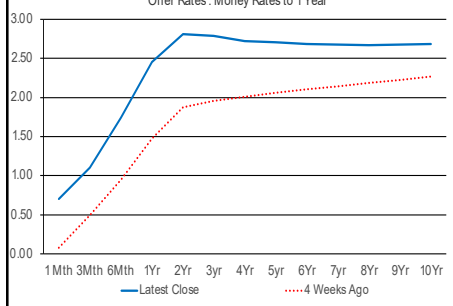
US Swap Curve
Offer Rates: Money Rates to 1 Year



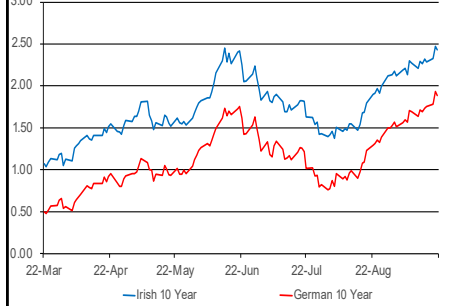
UK Swap Curve
Offer Rates: Money Rates to 1 Year



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 21
10 Year Yield %				
US	3.53	-4	+42	+202
Germany	1.89	-5	+53	+207
UK	3.31	+2	+62	+234
Ireland	2.47	-4	+48	+223
Belgium	2.48	-5	+47	+230
France	2.44	-5	+46	+225
Italy	4.12	-7	+45	+294
Spain	3.02	-6	+45	+243
Portugal	2.94	-5	+48	+246
Greece	4.45	-3	+46	+314
5 Year Swap %				
US	3.82	+1	+59	+249
Eurozone	2.70	+4	+65	+269
UK	4.18	+7	+60	+291
2 Year Swap %				
US	4.42	+10	+76	+348
Eurozone	2.81	+12	+95	+311
UK	4.64	+10	+59	+345
10 Year Government Bond Spreads to Benchmark bps				
Ireland	58	+1	-5	+15
Belgium	59	-0	-6	+23
France	55	-0	-7	+18
Italy	223	-2	-8	+87
Spain	113	-1	-7	+36
Portugal	105	+0	-5	+39
Greece	256	+2	-7	+107

Commodities

	Close	% Change		
		Day	4 Weeks	End 21
Brent Oil	89.83	-0.87	-11.25	+15.49
West Texas Oil	83.38	-1.55	-12.71	+10.69
Gold \$	1673.7	+0.64	-4.41	-8.46

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