

## Sterling recovery continues

There was a positive tone to investor sentiment yesterday as we entered the final quarter of 2022. Having initially been on the back-foot, the Euro Stoxx 50 finished the day up 0.7%. On Wall Street, the S&P 500 jumped by 2.6% Meanwhile, oil prices rose by over 1%, ahead of a crucial OPEC+ meeting later this week.

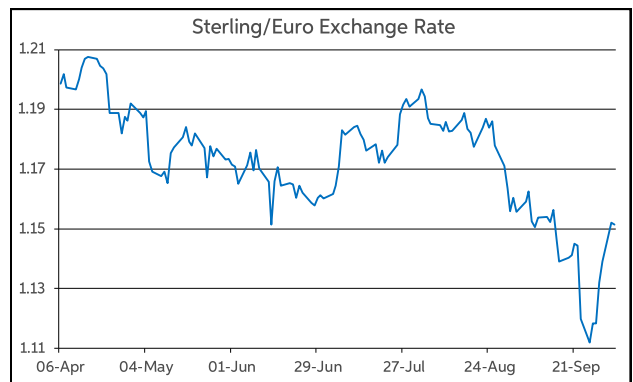
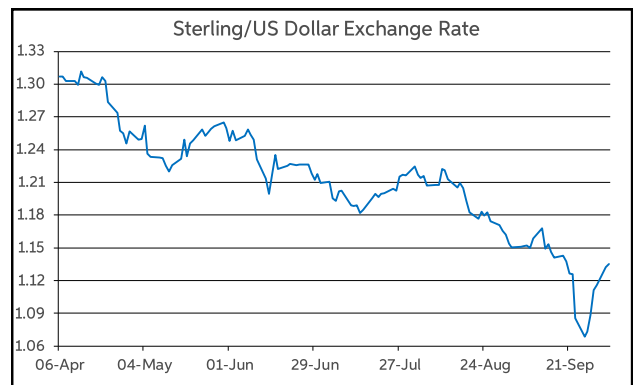
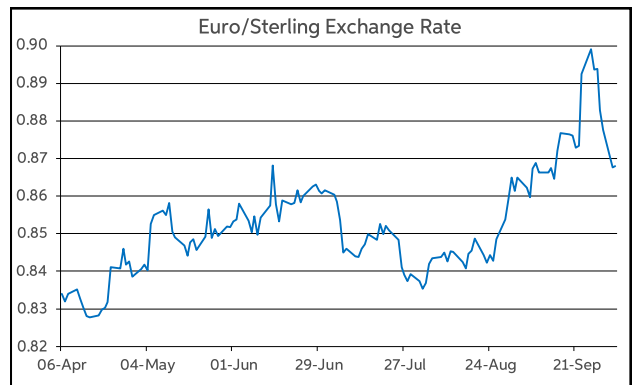
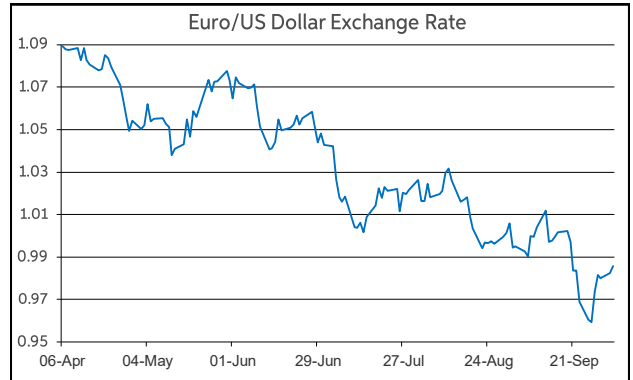
On bond markets, benchmark sovereign bond yields fell across the board. The move lower in bond yields followed a reduction in market rate expectations, with the peak in US, UK and Eurozone rates now more than 25bps lower than it was last week. US and Eurozone yields fell by circa 10-20bps along the curve. UK Gilts declined by 15-25bps, supported by the UK Government announcing it will not proceed with abolishing the top rate of income tax, as had been outlined in the mini-Budget.

Currency-wise, sterling continued to move higher versus the euro and the dollar. Meanwhile, the dollar, which had been in the ascendancy early in the day, handed back its gains before the close. The move lower in the greenback coincided with the manufacturing ISM falling to its lowest level since may 2020, at 50.9 in September (vs. 52.5 f'cast).

As trading gets underway this morning, the firmer tone to sterling is evidenced by EUR/GBP opening back below the 87p handle. GBP/USD is operating up at the midpoint of the \$1.13-1.14 range, having started the week between \$1.12-1.13. EUR/USD is changing hands at the halfway mark of the \$0.98-0.99 corridor.

Turning to the day ahead, there is a sparse data schedule on both sides of the Atlantic. However, comments from a number of Fed officials and ECB president Lagarde will garner close attention.

**Daniel Noonan, Economist, AIB**



### Today's Opening FX Rates

#### % Change

Day \* End 2021

|         |        |       |        |
|---------|--------|-------|--------|
| EUR/USD | 0.9856 | 0.75  | -13.30 |
| EUR/GBP | 0.8678 | -1.62 | 3.31   |
| GBP/USD | 1.1354 | 2.35  | -16.08 |
| GBP/EUR | 1.1518 | 1.65  | -3.20  |
| USD/JPY | 144.82 | -0.08 | 25.84  |
| EUR/JPY | 142.74 | 0.64  | 9.07   |

\* 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 | 3.125     | 3.14         | 3.75  | 4.43       | 4.35 | 3.90 |
| EUR | 1.25      | 0.68         | 1.17  | 2.32       | 2.66 | 2.76 |
| GBP | 2.25      | 2.29         | 3.34  | 5.25       | 5.34 | 5.11 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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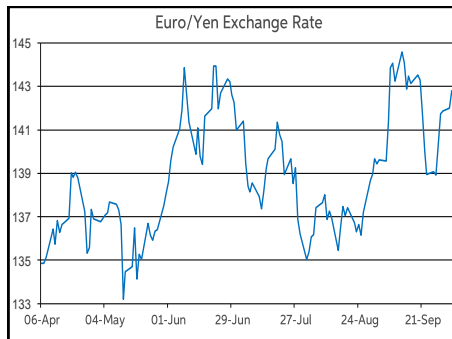
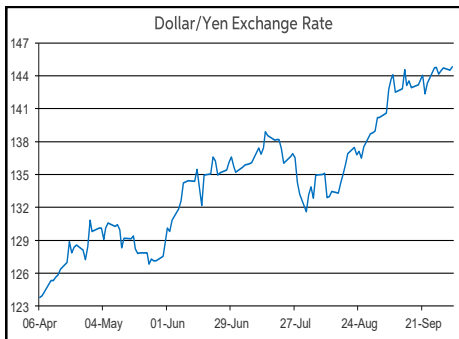
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# Opening Levels

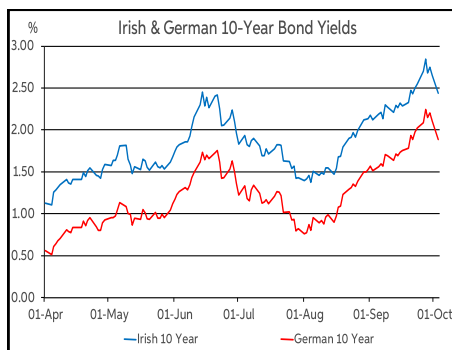
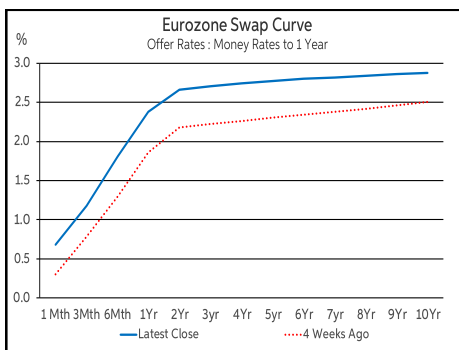
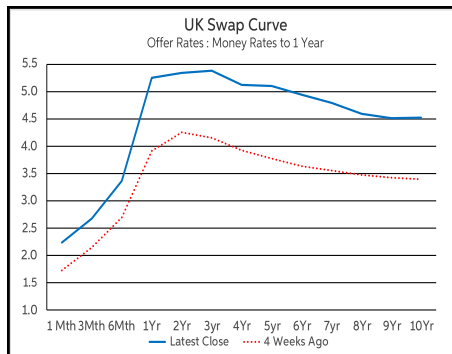
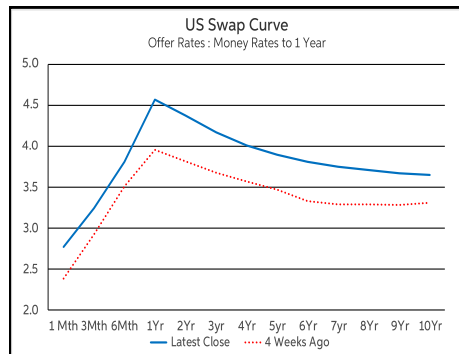
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| Euro    |         | Sterling |         | Dollar  |         |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8678  | GBP/EUR  | 1.1518  | USD/JPY | 144.82  |
| EUR/USD | 0.9856  | GBP/USD  | 1.1354  | USD/CAD | 1.3598  |
| EUR/JPY | 142.74  | GBP/CAD  | 1.5441  | USD/CHF | 0.9907  |
| EUR/SEK | 10.8066 | GBP/NZD  | 1.9857  | USD/CNY | 7.1135  |
| EUR/DKK | 7.4364  | GBP/JPY  | 164.43  | USD/BRL | 5.1646  |
| EUR/NOK | 10.4483 | GBP/SEK  | 12.4482 | USD/RUB | 58.5    |
| EUR/CHF | 0.9762  | GBP/DKK  | 8.5658  | USD/INR | 81.4225 |
| EUR/AUD | 1.5146  | GBP/NOK  | 12.0375 |         |         |
| EUR/HKD | 7.7373  | GBP/CHF  | 1.1248  | AUD/USD | 0.6505  |
| EUR/CAD | 1.3402  | GBP/AUD  | 1.7449  | NZD/USD | 0.5716  |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 21 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 3.64  | -19        | +45     | +213   |
| Germany   | 1.89  | -22        | +33     | +207   |
| UK  | 3.95  | -15        | +101    | +297   |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| Ireland   | 2.49  | -22        | +26     | +224   |
| Belgium   | 2.55  | -22        | +31     | +237   |
| France  | 2.49  | -23        | +31     | +230   |
| Italy   | 4.21  | -30        | +27     | +302   |
| Spain   | 3.07  | -23        | +29     | +247   |
| Portugal  | 2.96  | -23        | +28     | +247   |
| Greece  | 4.84  | +1         | +56     | +353   |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 3.89  | -20        | +46     | +256   |
| Eurozone  | 2.78  | -19        | +48     | +276   |
| UK  | 5.10  | -22        | +138    | +383   |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 59    | -0         | -7      | +17    |
| Belgium   | 65    | -1         | -2      | +30    |
| France  | 60    | -1         | -2      | +23    |
| Italy   | 231   | -9         | -6      | +95    |
| Spain   | 118   | -2         | -3      | +40    |
| Portugal  | 106   | -1         | -5      | +40    |
| Greece  | 295   | +23        | +23     | +146   |



| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 21 |
| Brent Oil      | 88.86    | +1.02 | -7.19   | +14.25 |
| West Texas Oil | 84.05    | +5.18 | -3.71   | +11.58 |
| Gold \$        | 1699.2   | +2.38 | -0.64   | -7.06  |

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