

Sterling remains on the defensive

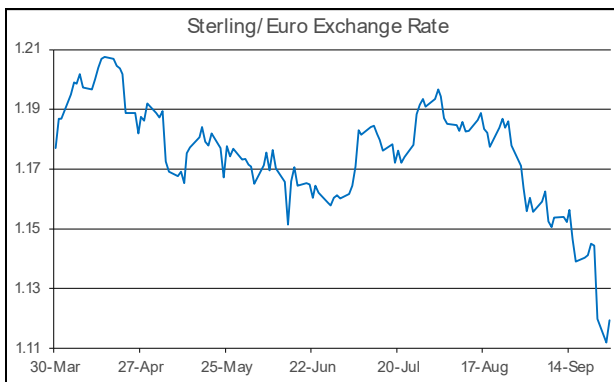
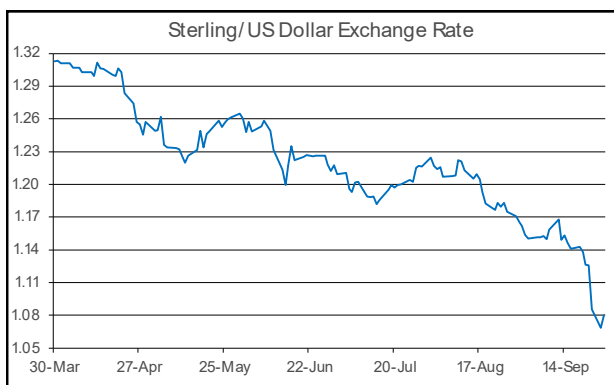
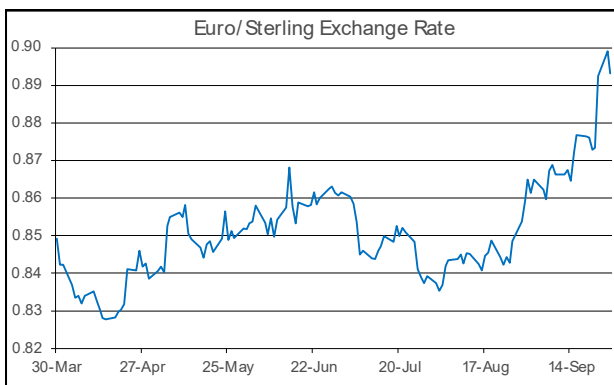
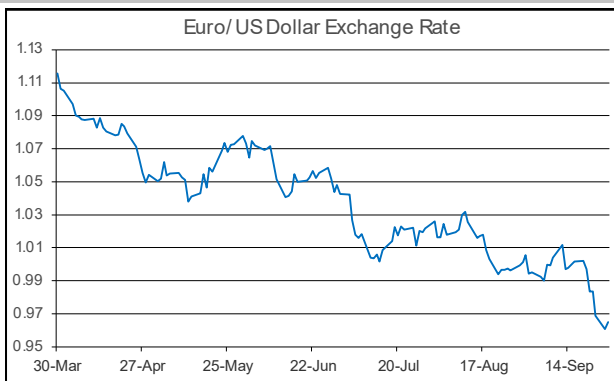
Sterling came into this week on the defensive, after suffering continued heavy losses in early Asia trading, following a substantial tax-cutting mini-budget last Friday. Throughout the European session though, the currency regained some support. Having crashed to a low of \$1.035 versus the dollar, and after spiking up above 92p against the euro, sterling settled around the \$1.08 and 89p marks, respectively. However, this is still 0.5-1% down on where it closed on Friday, and 3-5% below where it opened last week. Elsewhere on currency markets, the dollar remains to the fore. EUR/USD is at the midpoint of \$0.96-0.97.

Although sterling has recouped some of its losses, the same cannot be said for UK Gilts. Gilt yields are 65-95bps above where they opened last Friday, having climbed by another 35-60bps along the curve yesterday. The sharp rise in UK Gilts reflects markets coming to terms with the increased supply of UK bonds that they can now expect over the next number of years, as well as a further marked hardening of rate hike expectations.

The market is currently pricing in a very aggressive rate hiking path from the BoE, with 150bps fully priced in for the next meeting in November. There is also market chatter that the BoE may schedule an emergency meeting this week to hike Bank rate immediately. Late yesterday evening, BoE Governor Bailey released a statement noting that the central bank is monitoring financial markets very closely, "in light of the significant re-pricing". Sterling duly fell immediately afterwards, as the statement was without action.

Today, all eyes will remain firmly fixed on sterling and whether the BoE will intervene to halt the currency's slide. From a dollar viewpoint, comments from Fed Chair Powell will be of interest.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2021 |
| EUR/ USD | 0.9653 | 0.27 | -15.09 |
| EUR/ GBP | 0.8931 | -2.28 | 6.32 |
| GBP/ USD | 1.0804 | 2.58 | -20.14 |
| GBP/ EUR | 1.1191 | 2.33 | -5.95 |
| USD/ JPY | 144.39 | 0.17 | 25.47 |
| EUR/ JPY | 139.38 | 0.43 | 6.50 |

* 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 | 3.08 | 3.63 | 4.61 | 4.63 | 4.18 |
| EUR | 1.25 | 0.70 | 1.15 | 2.61 | 3.05 | 3.10 |
| GBP | 2.25 | 2.22 | 2.80 | 4.79 | 5.80 | 5.35 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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Opening Levels

Tuesday 27 September 2022
07:17 am



Euro

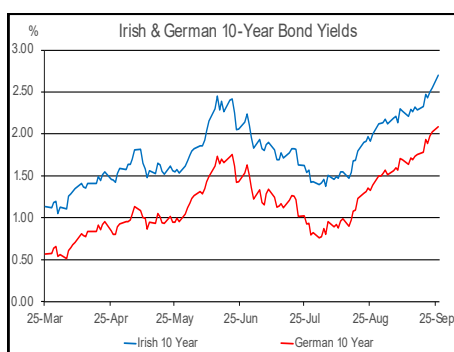
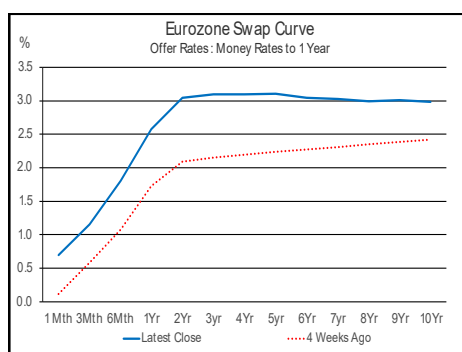
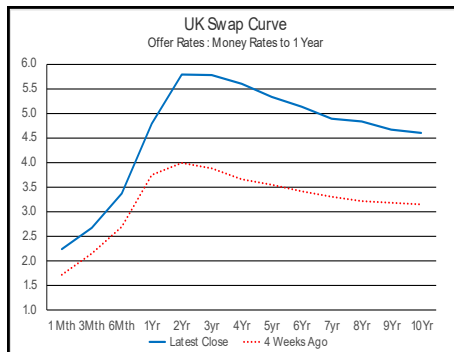
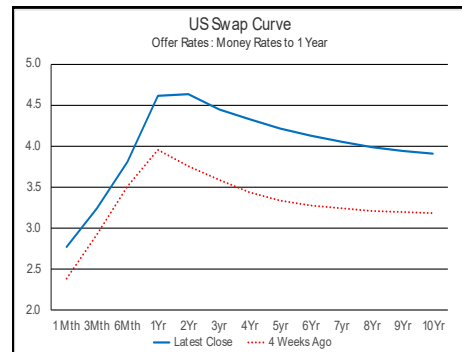
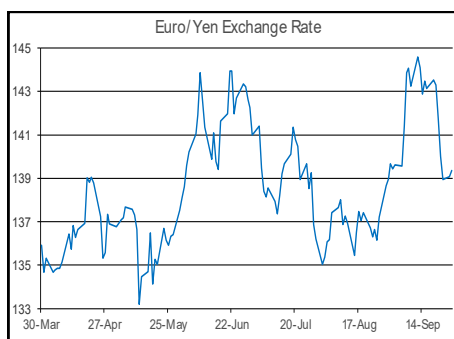
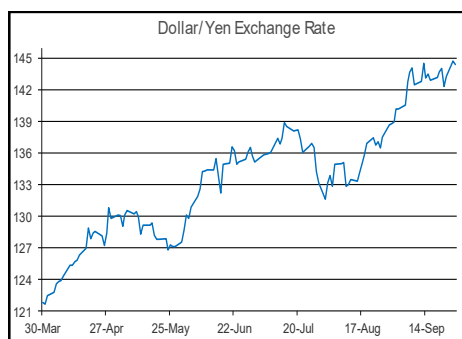
| | |
|---------|---------|
| EUR/GBP | 0.8931 |
| EUR/USD | 0.9651 |
| EUR/JPY | 139.36 |
| EUR/SEK | 10.874 |
| EUR/DKK | 7.4364 |
| EUR/NOK | 10.3529 |
| EUR/CHF | 0.955 |
| EUR/AUD | 1.4848 |
| EUR/HKD | 7.5743 |
| EUR/CAD | 1.3188 |

Sterling

| | |
|---------|---------|
| GBP/EUR | 1.119 |
| GBP/USD | 1.0802 |
| GBP/CAD | 1.4763 |
| GBP/NZD | 1.8952 |
| GBP/JPY | 155.98 |
| GBP/SEK | 12.1727 |
| GBP/DKK | 8.3225 |
| GBP/NOK | 11.5907 |
| GBP/CHF | 1.069 |
| GBP/AUD | 1.662 |

Dollar

| | |
|---------|--------|
| USD/JPY | 144.4 |
| USD/CAD | 1.3664 |
| USD/CHF | 0.9895 |
| USD/CNY | 7.1586 |
| USD/BRL | 5.3906 |
| USD/RUB | 58.35 |
| USD/INR | 81.342 |
| AUD/USD | 0.6499 |
| NZD/USD | 0.5698 |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 21 |
| 10 Year Yield % | | | | |
| US | 3.93 | +24 | +81 | +242 |
| Germany | 2.09 | +6 | +59 | +227 |
| UK | 4.24 | +41 | +163 | +326 |
| 5 Year Swap % | | | | |
| US | 4.22 | +20 | +92 | +288 |
| Eurozone | 3.11 | +19 | +88 | +310 |
| UK | 5.34 | +54 | +180 | +407 |
| 2 Year Swap % | | | | |
| US | 4.63 | +6 | +90 | +369 |
| Eurozone | 3.04 | +9 | +96 | +334 |
| UK | 5.79 | +42 | +184 | +460 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 67 | +9 | +1 | +24 |
| Belgium | 65 | +4 | -1 | +29 |
| France | 61 | +3 | -2 | +23 |
| Italy | 243 | +11 | +14 | +107 |
| Spain | 119 | +2 | -0 | +42 |
| Portugal | 109 | +3 | -1 | +43 |
| Greece | 259 | +8 | +6 | +110 |

| Commodities | | | | |
|----------------|--------|----------|---------|--------|
| | Close | % Change | | |
| | | Day | 4 Weeks | End 21 |
| Brent Oil | 84.06 | -2.43 | -20.01 | +8.07 |
| West Texas Oil | 77.17 | -2.40 | -20.77 | +2.44 |
| Gold \$ | 1621.6 | -1.31 | -6.69 | -11.31 |

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