

Sterling under pressure

Sterling came under some pressure yesterday. The generally negative response to the UK's leaked alternative proposals for the Irish 'backstop', a major sticking point in Brexit talks, likely weighed on the currency. Meanwhile, an upside surprise in the September reading of the manufacturing PMI had no impact on sterling.

In the US, the manufacturing ISM unexpectedly fell to 47.8 (f'cast 50.1) in September, its lowest reading since June 2009. This is well below the 50 level that separates growth from contraction. Following the release, the dollar adopted a slightly weaker tone.

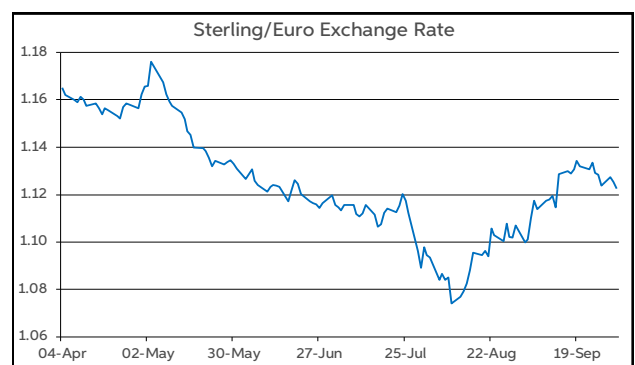
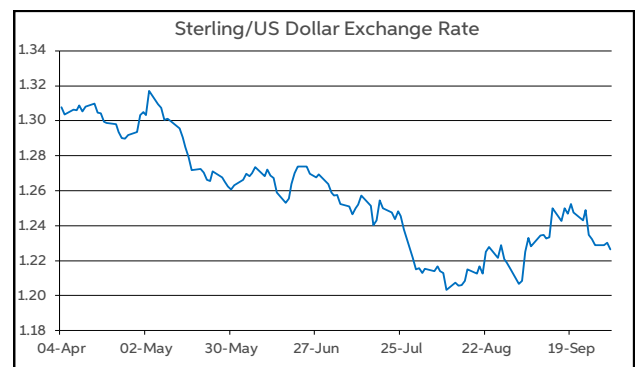
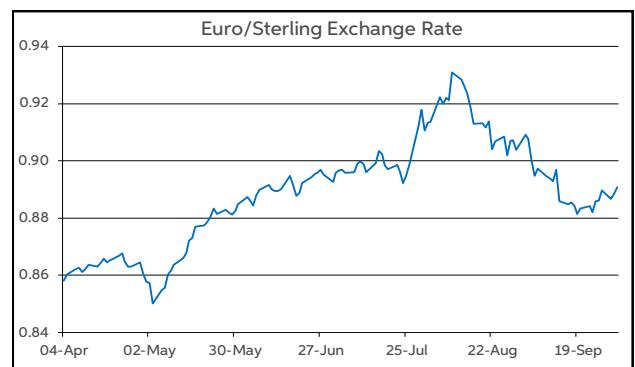
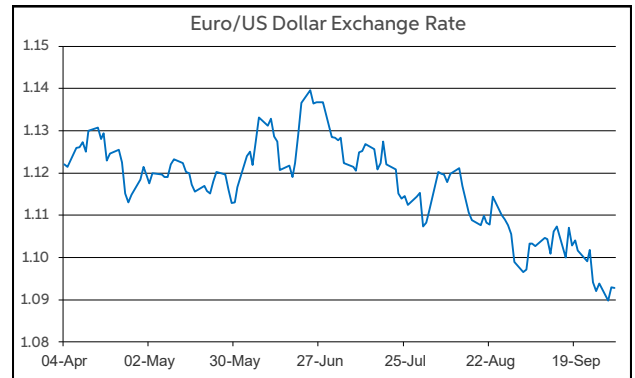
Meanwhile, Eurozone inflation eased to just 0.9%, from 1.0%, in September, with the index weighed down by lower food and oil prices. However, euro impact was limited given that national data had been released earlier in the week.

In level terms, the downward pressure on sterling is reflected in EUR/GBP opening this morning back above the 89p level. At the same time, cable (GBP/USD) is back down near the midpoint of the \$1.22-1.23 band. Meantime, the softer dollar tone has helped EUR/USD regain the \$1.09 handle.

Concerns about the health of the US economy, as well as fears that the UK and the EU are no closer to a Brexit deal, saw risk appetite deteriorate yesterday. Equities were under pressure, with the S&P 500 and the Euro Stoxx 50 down 1.2% and 1.4% respectively.

Turning to the day ahead, there is a barren macro calendar, meaning we could be in for a subdued day of trading. Although, political developments in the UK may continue to impact on sterling. Meanwhile, it will be of interest to see if risk appetite improves today, though Asian equities trended lower overnight.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.0928	0.35	-4.72
EUR/GBP	0.8908	0.50	-0.85
GBP/USD	1.2263	-0.19	-3.87
GBP/EUR	1.122	-0.49	0.85
USD/JPY	107.82	-0.37	-1.59
EUR/JPY	117.82	-0.03	-6.28

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.875	2.01	2.09	2.04	1.58	1.47
EUR	0.00	-0.46	-0.42	-0.33	-0.45	-0.40
GBP	0.75	0.72	0.76	0.91	0.66	0.61

All rates quoted are indicative market rates

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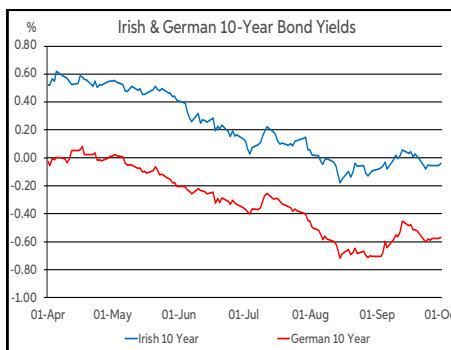
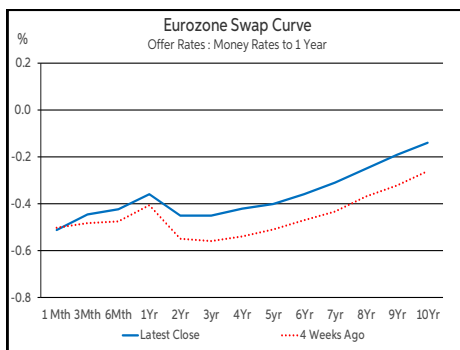
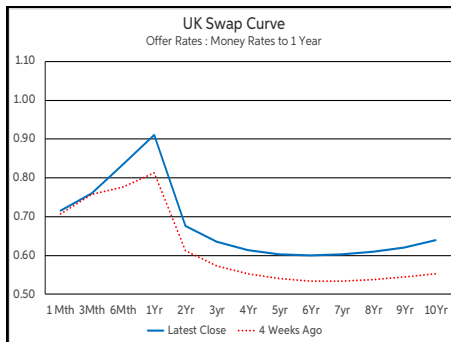
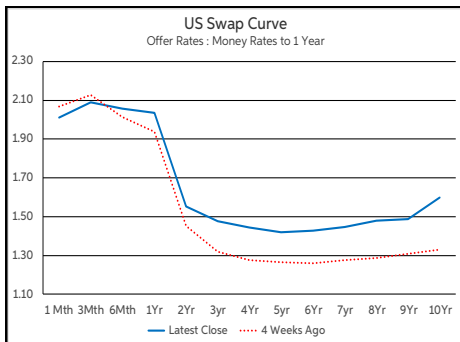
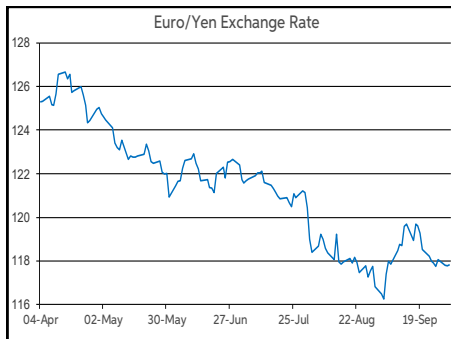
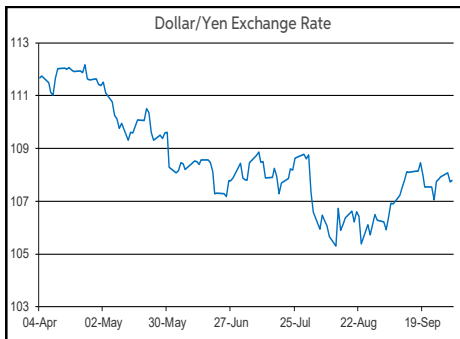
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Wednesday 02 October 2019
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.8908	GBP/EUR	1.122	USD/JPY	107.82
EUR/USD	1.0928	GBP/USD	1.2263	USD/CAD	1.3209
EUR/JPY	117.82	GBP/CAD	1.6198	USD/CHF	0.9945
EUR/SEK	10.7904	GBP/NZD	1.964	USD/CNY	7.1477
EUR/DKK	7.465	GBP/JPY	132.22	USD/BRL	4.1574
EUR/NOK	9.9782	GBP/SEK	12.11	USD/RUB	65.3051
EUR/CHF	1.087	GBP/DKK	8.3767	USD/INR	71.09
EUR/AUD	1.6286	GBP/NOK	11.1999	AUD/USD	0.6709
EUR/HKD	8.5669	GBP/CHF	1.22	NZD/USD	0.6244
EUR/CAD	1.4432	GBP/AUD	1.8278		



Debt Markets				
	Close	Day	4 Weeks	End 18
10 Year Yield %				
US	1.63	-3	+17	-105
Germany	-0.57	+1	+14	-81
UK	0.47	-2	+6	-80
Ireland	-0.04	+2	+3	N/A
Belgium	-0.25	+1	+10	-101
France	-0.27	+1	+14	-97
Italy	0.85	+3	-1	-187
Spain	0.13	-1	+4	-129
Portugal	0.17	+2	+7	-154
Greece	1.34	+2	-25	-296
5 Year Swap %				
US	1.42	-9	+16	-114
Eurozone	-0.40	+0	+11	-63
UK	0.60	-0	+6	-71
2 Year Swap %				
US	1.55	-8	+10	-109
Eurozone	-0.45	-1	+10	-31
UK	0.68	+1	+6	-49
10 Year Government Bond Spreads to Benchmark bps				
Ireland	53	+1	-10	N/A
Belgium	32	+1	-3	-20
France	30	+0	+0	-16
Italy	142	+3	-14	-106
Spain	70	-2	-9	-48
Portugal	74	+1	-7	-73
Greece	191	+1	-38	-216

Commodities				
	Close	Day	4 Weeks	End 18
Brent Oil	58.89	-3.11	+1.08	+9.46
West Texas Oil	53.6	-0.91	-0.58	+18.72
Gold \$	1479.4	+0.47	-4.39	+15.31

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