

Euro gains, despite ECB easing

The action on currency markets yesterday saw the euro experience some volatility. This coincided with the ECB's policy announcements arising from their September meeting. The raft of easing measures announced included the deposit rate being cut by 10bps to -0.50%, a restarting of QE and the ECB changing its forward guidance to lower rates being open ended time-wise.

The euro initially weakened amid the ECB newsflow. This was reflected in EUR/USD falling back below the \$1.10 level to a low of \$1.093 and EUR/GBP trading under the 89p mark. However, these moves proved to be short-lived and the losses were fully reversed. The euro starts this morning holding a firmer tone compared to yesterday's open. In level terms, EUR/USD is up near to \$1.11, while EUR/GBP is at 89.6p

This suggests the market may be sceptical in terms of how much more the ECB can do, despite its clear easing bias. This is also evident in the market scaling back its rate cut expectations. It is now pricing in 10bps of a further rate cut by mid-2020 compared to the 20bps it had envisaged before yesterday's meeting.

Elsewhere, on the currency front, higher than expected core inflation in the US (2.4% vs. f'cast for 2.3%) did not have any notable impact on the dollar. Meanwhile, from a sterling viewpoint, it was a relatively quiet day for Brexit headlines. As a result, GBP/USD has spent most of the past 24 hours with the \$1.23-1.24 range

Looking ahead to today, the respective euro and sterling macro schedules are sparse. Meantime, in the US, retail sales (Aug) and consumer confidence (Sept) will warrant attention. However, unless the data surprise, the impact on the dollar may be limited.

John Fahey, Senior Economist, AIB

Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.108	0.60	-3.39
EUR/GBP	0.8961	0.32	-0.26
GBP/USD	1.2361	0.28	-3.10
GBP/EUR	1.1153	-0.32	0.26
USD/JPY	108.03	-0.04	-1.40
EUR/JPY	119.72	0.57	-4.76

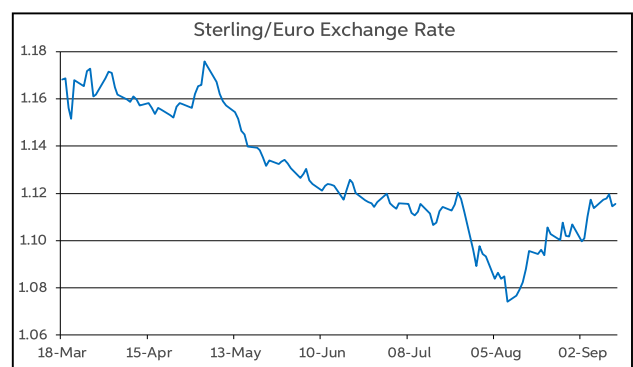
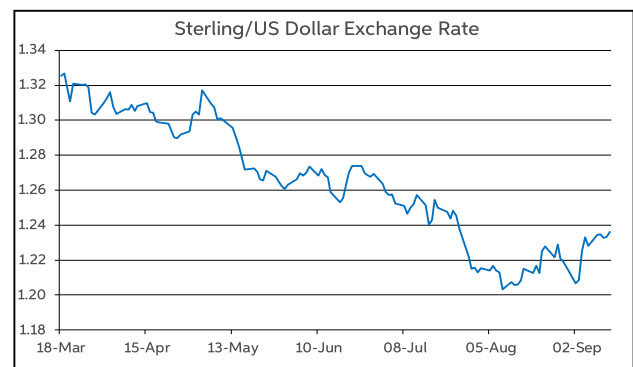
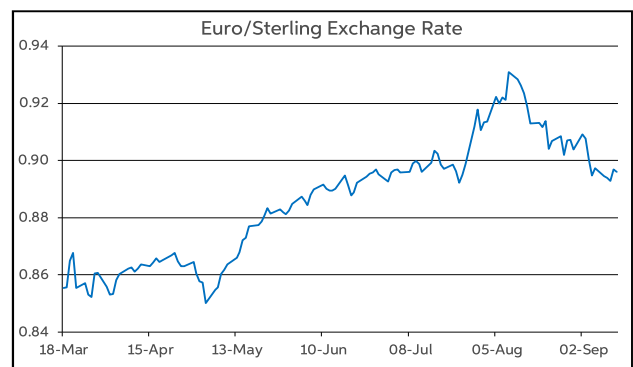
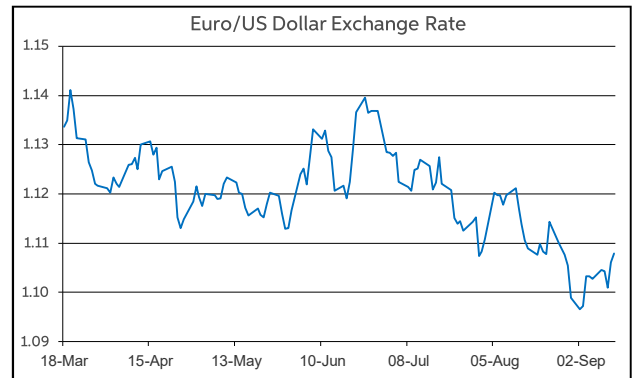
* v Previous Day's European Open

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Opening Interest Rates						
Base Rate	Short Term			Long Term		
	1-Mth	3-Mth	12-Mth	2-Yr	5-Yr	
USD	2.125	2.03	2.12	2.01	1.70	1.57
EUR	0.00	-0.45	-0.43	-0.37	-0.43	-0.36
GBP	0.75	0.71	0.78	0.94	0.82	0.78

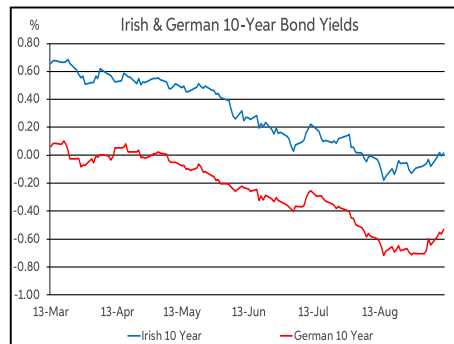
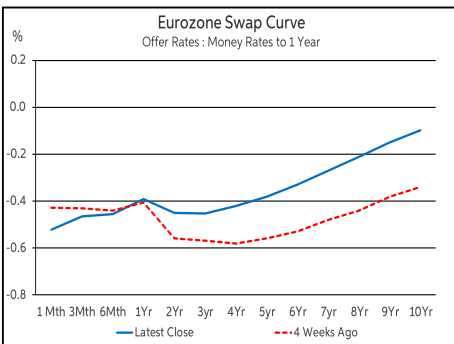
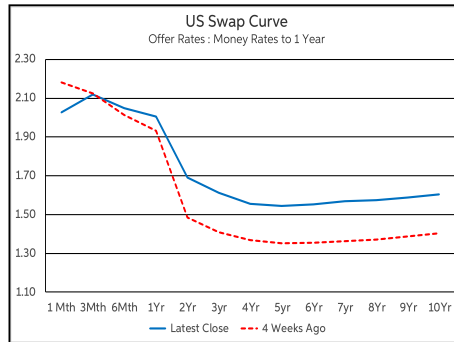
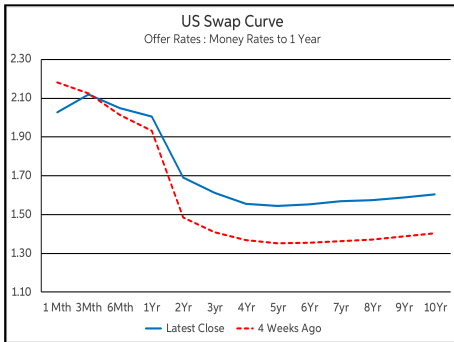
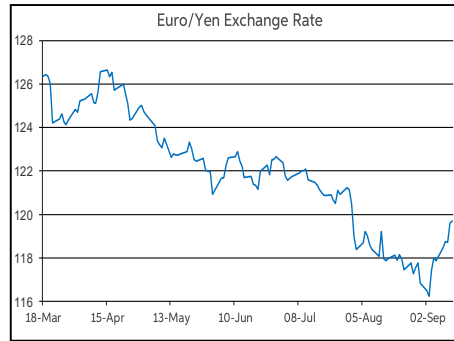
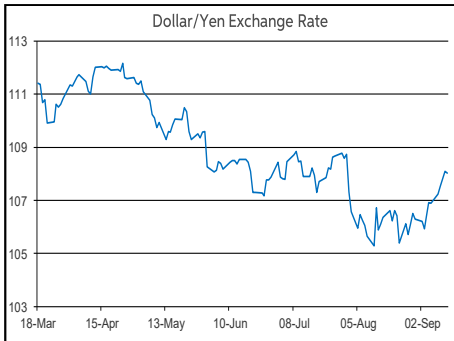
All rates quoted are indicative market rates

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

Euro		Sterling		Dollar	
EUR/GBP	0.8962	GBP/EUR	1.1154	USD/JPY	108.03
EUR/USD	1.108	GBP/USD	1.2361	USD/CAD	1.3219
EUR/JPY	119.73	GBP/CAD	1.6343	USD/CHF	0.9883
EUR/SEK	10.6521	GBP/NZD	1.9288	USD/CNY	7.0774
EUR/DKK	7.463	GBP/JPY	133.54	USD/BRL	4.0599
EUR/NOK	9.935	GBP/SEK	11.8843	USD/RUB	64.6923
EUR/CHF	1.0954	GBP/DKK	8.3243	USD/INR	70.935
EUR/AUD	1.6119	GBP/NOK	11.0845	AUD/USD	0.6873
EUR/HKD	8.666	GBP/CHF	1.2219	NZD/USD	0.6406
EUR/CAD	1.4648	GBP/AUD	1.7985		



Debt Markets				
	Close	Day	4 Weeks	End 18
10 Year Yield %				
US	1.78	+3	+28	-91
Germany	-0.53	+3	+19	-77
UK	0.66	+3	+26	-60
Ireland	0.02	+2	+20	N/A
Belgium	-0.20	+2	+19	-96
France	-0.25	+2	+19	-95
Italy	0.84	-12	-48	-187
Spain	0.21	-3	+17	-121
Portugal	0.22	-3	+16	-149
Greece	1.47	-16	-55	-283
5 Year Swap %				
US	1.54	+2	+19	-102
Eurozone	-0.38	+6	+18	-61
UK	0.77	+2	+19	-54
2 Year Swap %				
US	1.69	+3	+21	-95
Eurozone	-0.45	+4	+11	-31
UK	0.81	+3	+14	-36
10 Year Government Bond Spreads to Benchmark bps				
Ireland	55	-1	+1	N/A
Belgium	33	-2	+0	-19
France	28	-2	+0	-18
Italy	137	-16	-66	-111
Spain	74	-6	-1	-44
Portugal	75	-7	-3	-72
Greece	200	-19	-74	-206

Commodities				
	Close	Day	4 Weeks	End 18
Brent Oil	60.38	-0.71	+3.69	+12.23
West Texas Oil	55.13	-0.95	+1.14	+22.10
Gold \$	1499.2	+0.09	-1.59	+16.86

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